

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

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FORM 10-K

(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, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
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: (813) 577-9749

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

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

COMMON STOCK, \$0.001 PAR VALUE PER SHARE  
(TITLE OF CLASS)

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

Indicate 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 stock held by non-affiliates of the Registrant (based on the closing sale price of the Common Stock as reported on the NASDAQ National Market on October 31, 1997) was approximately \$971,497,581. 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 October 31, 1997, was 37,028,152. The Company does not have any non-voting stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the 1997 Annual Meeting of Stockholders to be held on January 22, 1998 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 trend analysis and a number of forward-looking statements. These statements are based on current expectations and actual results may differ materially. Among the factors that could cause actual results to vary are those described in the section Factors Affecting Future Results.

### 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, computer peripherals, automotive and consumer 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 and in three regions of the United States, and is in the process of opening an operation in Mexico. 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 (813) 577-9749.

### 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 been 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.

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.

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.

#### 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 is increasing manufacturing resources in North America by establishing a Guadalajara, Mexico plant.

## 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.

#### 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 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 to 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 management, provides users with the smallest size, high performance package which 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 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		
	1995	1996	1997
	----	----	----
Communications.....	20%	30%	51%
Personal Computers.....	46%	36%	21%
Computer Peripherals.....	23%	25%	16%
Automotive and other.....	11%	9%	12%

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  
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	1995	1996	1997
	----	----	----
Hewlett Packard Company.....	28%	20%	15%
NEC Technologies, Inc.....	14%	15%	*
Quantum Corporation.....	17%	23%	10%
3Com.....	*	11%	21%
Cisco Systems Inc. ....	*	10%	20%

\* less than 10% of net revenues

In fiscal 1995, 1996 and 1997, 18 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 8 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 32 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, computer peripherals, and automotive industries. These industries have been characterized by rapid technological change, short product life cycles, 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, computer peripherals, 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 has expanded both locations, and expects to be in larger, newly completed facilities 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 commenced construction of a manufacturing facility in Guadalajara, Mexico in fiscal 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. The Company has completed construction of a facility in this location in early fiscal 1998.

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.

#### COMPETITION

Competition in the contract manufacturing industry is intense. The Company competes against numerous domestic and foreign manufacturers, including SCI Systems, Inc., Solectron Corporation, Avex, 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 bases 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, 1997 was approximately \$450 million, compared to backlog of \$210 million at August 31, 1996. 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. 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 1995, 1996 and 1997, the Company expended \$1,819,000, \$2,112,000, and \$3,117,000, 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.

#### 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 and suppliers and 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 nine patents and three patent applications 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 third parties will not assert infringement claims against the Company in the future with respect to current or future designs or processes. Any such assertion may require the Company to enter into an expensive royalty arrangement or result in costly litigation.

#### EMPLOYEES

As of August 31, 1997, the Company had 3,661 full-time employees. This compares to 2,649 full-time employees at August 31, 1996. None of the Company's employees is currently represented by a union.

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 8 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

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, Livingston, Scotland, Penang, Malaysia, and Guadalajara, Mexico. The Company's leased facilities in Scotland are being replaced by a larger facility owned by the Company. Additionally, in order to accommodate increased growth in the United States, the Company has increased manufacturing space during fiscal 1997 in its Florida location.

A summary of building locations is as follows:

Location	Year Commenced	Owned/Leased	Approximate Square Feet	Description
CURRENT FACILITIES				
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
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	1987	Leased	21,000	Design/prototype 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.

LEASED FACILITIES TO BE REPLACED BY CURRENT FACILITIES

St. Petersburg, Florida	1995 (1)	Leased	75,000	High volume mfg.
Livingston, Scotland	1994 (2)	Leased	40,000	High volume mfg.
Bathgate, Scotland	1995 (2)	Leased	30,000	High volume mfg.

- (1) Lease expires December, 1997
- (2) Lease expires January, 1998

ITEM 3. LEGAL PROCEEDINGS

On May 31, 1997, the Company reached an agreement with Epson of America, Inc. ("Epson") to settle all outstanding claims relating to previous manufacturing agreements between the parties. Such claims arose during fiscal years 1994 and 1995. The actual terms and conditions of the agreement are

subject to a confidentiality agreement between the Company and Epson; however, the settlement had no material impact on the Company's results of operations for the fiscal year ended August 31, 1997.

The Company is party to certain other 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 statements.

#### 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

The common stock of the Company trades publicly 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 NASDAQ National Market.

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 stock dividend to holders of record on July 8, 1997. This table reflects the impact of the common stock split:

	HIGH	LOW
	----	---
YEAR ENDED AUGUST 31, 1996		
First Quarter(September 1, 1995--November 30, 1995)	\$11.06	\$ 6.00
Second Quarter(December 1, 1995--February 29, 1996)	\$11.50	\$ 2.94
Third Quarter(March 1, 1996--May 31, 1996)	\$ 7.32	\$ 3.88
Fourth Quarter(June 1, 1996--August 31, 1996)	\$ 7.00	\$ 4.32
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)	\$12.63	\$24.69
Third Quarter(March 1, 1997--May 31, 1997)	\$32.63	\$16.50
Fourth Quarter(June 1, 1997--August 31, 1997)	\$60.00	\$27.50

As of August 31, 1997, there were approximately 879 holders of record.

The Company has never paid cash dividends on its capital stock and does not anticipate paying any 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,

1993	1994	1995	1996	1997
------	------	------	------	------

(IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

## CONSOLIDATED STATEMENT OF OPERATIONS DATA:

Net revenue .....	\$334,662	\$375,815	\$559,474	\$863,285	\$978,102
Cost of revenue .....	304,454	351,608	523,338	790,311	857,245
Gross profit .....	30,208	24,207	36,136	72,974	120,857
Selling, general and administrative .....	11,812	14,038	17,898	25,456	35,886
Research and development .....	1,663	1,768	1,819	2,112	3,117
Operating income .....	16,733	8,401	16,419	45,406	81,854
Interest expense, net .....	3,288	3,470	6,347	7,333	1,612
Income before income taxes .....	13,445	4,931	10,072	38,073	80,242
Income taxes .....	5,300	2,363	2,792	13,724	27,745
Net income .....	\$ 8,145	\$ 2,568	\$ 7,280	\$ 24,349	\$ 52,497
Net income per share .....	\$ 0.29	\$ 0.08	\$ 0.23	\$ 0.67	\$ 1.37
Number of shares used in computing per share amounts .....	27,784	30,894	31,100	36,334	38,340

## AUGUST 31,

1993	1994	1995	1996	1997
------	------	------	------	------

(IN THOUSANDS)

## CONSOLIDATED BALANCE SHEET DATA:

Working capital .....	\$ 29,116	\$ 27,639	\$ 33,333	\$115,758	\$ 97,349
Total assets .....	115,763	174,318	280,961	299,940	405,903
Notes payable to bank and current installments of long-term obligations ....	20,369	48,562	81,130	2,451	2,475
Long-term obligations, excluding current installments .....	18,176	18,215	27,932	58,371	50,000
Net stockholders' equity .....	\$ 47,553	\$ 51,231	\$ 59,595	\$124,234	\$181,485

## 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 trend analysis and a number of forward-looking statements. These statements are based on current expectations and actual results may differ materially. Among the factors that could cause actual results to vary are those described in the section Factors Affecting Future Results.

The Company provides high volume turnkey manufacturing services using surface mount technology for leading electronics OEMs in the personal computer, disk drive and peripherals, communications, 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 affects operating results. Accordingly, gross margins and operating income margins have generally improved during periods of high volume and high capacity utilization. Jabil generally has idle capacity and reduced operating margins during periods of lower-volume production.

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 8 of Notes to Consolidated Financial Statements.

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,		
	1995	1996	1997
	----	----	----
Net revenue.....	100.0%	100.0%	100.0%
Cost of revenue.....	93.6	91.5	87.6
	----	----	----

Gross margin.....	6.4	8.5	12.4
Selling, general and administrative.....	3.2	2.9	3.7
Research and development.....	0.3	0.3	0.3
	----	----	----
Operating income.....	2.9	5.3	8.4
Interest expense, net.....	1.1	0.9	0.2
	----	----	----
Income before income taxes.....	1.8	4.4	8.2
Income taxes.....	0.5	1.6	2.8
	----	----	----
Net income.....	1.3%	2.8%	5.4%
	=====	=====	=====

#### NET REVENUE

Net revenue increased 54.3% over fiscal 1995 to \$863.3 million in fiscal 1996. The increase was due primarily to an increase in manufacturing services provided to established customers, the addition of five new customers and the addition of new divisions within existing customers. 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.

Foreign source revenue represented 21% of net revenue for fiscal 1995 and 31% of net revenue for fiscal 1996. Foreign source revenue in 1997 represented 30% of net revenue reflecting a decrease in exports from the Company's domestic locations.

#### GROSS MARGIN

Cost of revenue includes the cost of materials and the cost of labor and manufacturing overhead, as well as provisions for 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 (CONTINUED)

Gross margin increased from 6.4% in fiscal 1995 to 8.5% in fiscal 1996. Gross margin in 1995 was negatively impacted by write-offs related to an Epson notebook product. The increase in gross margin in fiscal 1996 was due to increased capacity utilization and a shift to more manufacturing-based revenue. Gross margin increased from 8.5% in fiscal 1996 to 12.4% in fiscal 1997 due to a continuing shift toward manufacturing-based revenues and increased capacity utilization. The portion of manufacturing based revenue in fiscal 1997 was significantly higher than in fiscal 1996. The manufacturing based revenue was the largest impact on the gross margin percentage increase from fiscal 1996, or previous fiscal years.

#### SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses decreased from 3.2% of net revenue in fiscal 1995 to 2.9% of net revenue in fiscal 1996, while increasing in absolute dollars from \$17.9 million in fiscal 1995 to \$25.5 million in fiscal 1996. This dollar increase was primarily due to increased staffing to support higher revenue levels. 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.

#### RESEARCH AND DEVELOPMENT

Research and development expenses in fiscal 1996 increased by approximately \$0.3 million over fiscal 1995. Research and development expenses in fiscal 1997 increased by \$1.0 million, reflecting an increase in design-based activity.

#### INTEREST EXPENSE

Net interest expense increased from \$6.3 million in fiscal 1995 to \$7.3 million in fiscal 1996 due primarily to increased borrowing levels offset by somewhat lower interest rates and a significant reduction of borrowings in the fourth quarter of fiscal 1996. Interest expense decreased to \$1.6 million in fiscal 1997 primarily reflecting significantly reduced short-term borrowings and increased income on cash balances. See notes 4 and 5 of Notes to Consolidated Financial Statements.

#### INCOME TAXES

The Company's effective tax rate increased from 28% in fiscal 1995 to 36% in fiscal 1996. This increase in the effective tax rate was attributable to the decrease in the availability of net operating losses of foreign subsidiaries. In fiscal 1997, the effective tax rate decreased slightly to 35%, primarily as a result of the granting of a tax holiday for the Company's Malaysian operations. This tax holiday expires in October 2000. See note 6 of Notes to Consolidated Financial Statements.

#### QUARTERLY RESULTS

The following tables set forth certain unaudited quarterly financial information for the 1996 and 1997 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 certain non-recurring adjustments) 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 1996				FISCAL 1997			
	NOV. 30, 1995	FEB. 29, 1996	MAY 31, 1996	AUG. 31, 1996	NOV. 30, 1996	FEB. 28, 1997	MAY 31, 1997	AUG. 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)								
Net revenue.....	\$233,855	\$235,628	\$219,701	\$174,101	\$203,070	\$222,187	\$247,637	\$305,208
Cost of revenue.....	216,537	217,360	201,142	155,272	179,978	195,711	215,603	265,953
Gross profit.....	17,318	18,268	18,559	18,829	23,092	26,476	32,034	39,255
Selling, general and administrative.....	5,561	6,070	6,612	7,213	7,727	7,918	9,252	10,989
Research and development	399	528	576	609	705	804	723	885
Operating income.....	11,358	11,670	11,371	11,007	14,660	17,754	22,059	27,381
Interest expense, net.....	2,663	2,323	1,768	611	658	389	406	159
Income before income taxes.....	8,695	9,347	9,603	10,396	14,002	17,365	21,653	27,222
Income tax expense.....	3,480	3,009	3,366	3,869	5,174	6,306	7,081	9,184
Net income .....	\$ 5,215	\$ 6,338	\$ 6,237	\$ 6,527	\$ 8,828	\$ 11,059	\$ 14,572	\$ 18,038

Net income per share.....	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.23	\$ 0.29	\$ 0.38	\$ 0.47
	=====	=====	=====	=====	=====	=====	=====	=====
Number of shares used in computing net income per share.....	33,554	37,040	37,216	37,526	37,884	38,326	38,392	38,760
	=====	=====	=====	=====	=====	=====	=====	=====

## LIQUIDITY AND CAPITAL RESOURCES

During the fiscal years ended August 31, 1995 and 1996, 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 most recent fiscal year, the Company experienced modest growth in net revenue while still generating cash flows from operations. Cash and cash equivalents decreased from \$73.3 million at the 1996 fiscal year end to \$45.5 million at 1997 fiscal year end primarily due to the acquisition of property, plant and equipment.

At August 31, 1997, 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, 1997 was \$69.4 million. This consisted primarily of \$52.5 million of net income, \$24.9 million of depreciation and amortization and \$56.8 million of increases in accounts payable and accrued expenses, offset by \$32.1 million of increases in accounts receivable and \$31.3 million of increases in inventories.

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Net cash used in investing activities of \$93.4 million for the year ended August 31, 1997 was primarily a result of the Company's capital expenditures for equipment and facilities domestically, in Scotland, and in Malaysia to support increased manufacturing activities.

Net cash used by financing activities of \$3.8 million for the year ended August 31, 1997 resulted primarily from \$3.6 million proceeds from issuance of common stock under employee stock plans offset by payments of term debt. See notes 4,5 and 7 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.

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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, 1997, the Company's three largest customers accounted for approximately 56% of net revenue and 18 customers accounted for substantially all net revenue. 3Com Corporation ("3Com"), Cisco Systems, Inc. ("Cisco"), and Hewlett Packard Company ("Hewlett Packard"), accounted for approximately 21%, 20%, 15% 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 personal computer, computer peripherals, communications 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 personal computer, computer peripherals, communications 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, Avex, 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 47% of the Company's common stock outstanding. Consequently, the officers, directors, principal stockholders and their affiliates have significant control 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, personal computer, computer peripheral, communications 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."

#### 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 has recently expanded both locations. See note 3 of Notes to Consolidated Financial Statements.

As an addition to the North American market, the Company commenced construction of a manufacturing facility in Guadalajara, Mexico in fiscal 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. The Company completed construction of a facility in this location in early fiscal 1998.

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.

#### 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.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Certain information required by this item is included on page 15 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 on pages "31" to "50" in Item 14 of Part IV of this Report and is incorporated into this item by reference.

During 1997, 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 128 - Earnings Per Share. Statement 128 supersedes APB Opinion No. 15, Earnings Per Share and specifies the computation, presentation and disclosure requirements for earnings per share ("EPS") for entities with publicly held common stock. Statement 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. After adoption, all prior period EPS data presented shall be restated to conform to Statement 128. As the Statement addresses the computation of EPS only, there will be no impact on earnings from its adoption.

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 ending August 31, 1998. As this Statement addresses reporting and disclosure issues only, there will be no impact on earnings from its adoption.

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

Not applicable.

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 1997 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, 1997.

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.

EXECUTIVE OFFICERS OF THE COMPANY

At August 31, 1997 the executive officers of the Company were as follows:

NAME ----	AGE ---	POSITION -----
William D. Morean.....	41	Chief Executive Officer and Chairman of the Board
Thomas A. Sansone.....	48	President and Director
Ronald J. Rapp.....	44	Executive Vice President, Operations and Director
Robert L. Paver.....	41	Corporate Secretary and General Counsel
Wesley B. Edwards.....	44	Senior Vice President, Operations
Timothy L. Main.....	39	Senior Vice President, Business Development
Frank Krajcirovic.....	49	Vice President, Quality Control
Paul H. Bittner.....	52	Vice President, Advanced Engineering
David S. Ebeling.....	55	Vice President, Procurement
Randon A. Haight.....	47	Vice President, Business Development
Chris A. Lewis.....	37	Chief Financial Officer
Forbes I. J. Alexander.....	36	Treasurer
Jeffrey J. Lumetta.....	34	Vice President, Design Services

Officers are appointed by the Board of Directors and serve at the discretion of the Board. Each executive officer is a full-time employee of the Company. There are no family relationships among the officers and directors of the Company.

WILLIAM D. MOREAN has served as Chief Executive Officer and Chairman of the Board since 1988 and as a director since 1978. Morean joined the Company in

1977 and assumed management of day-to-day operations the following year. Prior to serving as Chief Executive Officer and Chairman of the Board, Morean served as President and Vice President and held various operating positions. Morean attended Western Michigan University, where he studied aviation.

THOMAS A. SANSONE has served as President of the Company since September 1988 and as a director since 1983. Sansone joined the Company in 1983 as Vice President. Prior to joining Jabil, Sansone was a practicing attorney. He holds a B.A. in Business Administration from Hillsdale College, a J.D. from Detroit College of Law and an LL.M in taxation from New York University.

RONALD J. RAPP has served as Executive Vice President, Operations since August 1996 and as a director since September 1988. Rapp joined the Company in 1983 as Controller, was promoted in 1984 to Treasurer and to CFO in 1988. Prior to joining Jabil, Rapp was the Corporate Controller for Van Pelt Corporation, a wholesale distributor of steel tubing products. Before joining Van Pelt, Rapp was a certified public accountant with the accounting firm of Ernst & Ernst. Rapp holds a B.A. in accounting from Ferris State University.

ROBERT L. PAVER joined Jabil as General Counsel in 1997. Prior to working for Jabil, Paver was a practicing attorney with the law firm of Holland & Knight in St. Petersburg, Florida. Paver holds a B.A. from the University of Florida and a J.D. from Stetson University College of Law.

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WESLEY B. EDWARDS was named Senior Vice President, Operations in August 1996 after serving as Vice President, Operations since May 1994. Edwards joined the Company as Manufacturing Manager of its Michigan facility in July 1988 and was promoted to Operations Manager of the Florida facility in July 1989. He holds a M.B.A. from the University of Florida.

TIMOTHY L. MAIN was named Senior Vice President, Business Development in August 1996. Main joined the Company in April 1987 as a Production Control Manager, was promoted to Operations Manager in September 1987, to Project Manager in July 1989 and to Vice President Business Development in May 1991. Prior to joining the Company, Main was a commercial lending officer, international division for the National Bank of Detroit. Main holds a B.S. from Michigan State University and an MIM from the American Graduate School of International Management (Thunderbird).

FRANK KRAJCIROVIC has been Vice President, Quality Control since June 1988. Krajcirovic joined the Company in 1982 as a Quality Engineer, was promoted to Manager of Quality in 1983 and was promoted to Director of Quality in September 1987. Prior to joining Jabil, Krajcirovic held various reliability-engineering positions with Massey Ferguson, Inc., a farm equipment manufacturer and Fundimensions, Inc., Lionel Division, a toy manufacturer. He holds a B.S. in Electrical Engineering from the City of Brno College, Czechoslovakia.

PAUL H. BITTNER has been Vice President, Advanced Engineering since January 1992. Bittner joined the Company in 1986 as Manufacturing Engineering Manager, was promoted to Director of Manufacturing Engineering in April 1987, and was promoted to Vice President, Manufacturing Engineering, in June 1988. Prior to joining Jabil, Bittner held various positions with United Technologies Automotive Electronics Group.

DAVID S. EBELING joined Jabil as Vice President, Procurement in November 1992. Prior to joining Jabil, he held the position of Director of Procurement, Quality & Traffic at NEC Technology, a manufacturer of personal computers, printers and monitors. Ebeling also held the position of Director of Materials at Eastman Kodak and held similar positions at Unisys, Wang Labs and Motorola. He holds a B.S. in Industrial Engineering from Northeastern University in Boston.

RANDON A. HAIGHT has served as Vice President, Business Development since May 1992. Haight joined the Company as a Project Manager in July 1989. Prior to joining Jabil, Haight was the President of Cardinal Automotive, an

automobile customizer from 1987 to July 1989. Before joining Cardinal Automotive, Haight was a group Manager at Terry Barr Sales, Inc., a manufacturers' representative to the automotive industry. He holds a B.A. in Liberal Arts from Hillsdale College and an M.A. from Eastern Michigan University.

CHRIS A. LEWIS joined Jabil as Treasurer in June 1995 and was promoted to Chief Financial Officer in August 1996. From July 1989 to May 1995, Lewis was U.S. Controller of Peek PLC, a high technology manufacturing group. Prior to July 1989, Lewis was a CPA with the accounting firm of KPMG Peat Marwick. Lewis holds a B.A. in Business Administration from Wittenberg University in Springfield, Ohio.

FORBES I. J. ALEXANDER was named Treasurer in November 1996. Alexander joined the Company in 1993 as Controller of the Company's Scottish operation and was promoted to Assistant Treasurer in April 1996. Prior to joining Jabil, Alexander was Financial Controller of Tandy Electronics European Manufacturing Operations in Scotland and has held various positions with Hewlett Packard and Apollo Computer. Alexander is a Chartered Management Accountant. He holds a B.A. in Accounting from Dundee College, Scotland.

JEFFREY J. LUMETTA was named Vice President, Design Services in November 1996. Lumetta joined the Company in 1986 as a Design Engineer, and was promoted to Manager, Design Engineering at the Florida facility in 1994. Lumetta holds a B.S. in Electrical Engineering from Michigan Technological University.

Subsequent to the end of fiscal year 1997, the following officer appointments have been made:

SCOTT D. BROWN was named Vice President, Corporate Development in September 1997. He joined Jabil as a Project Manager in November 1988 and served in that capacity through August 1997. Prior to joining Jabil, Brown was a financial consultant with Merrill Lynch in Bloomfield Hills, Michigan. Brown holds a B.S. in Economics from the University of Michigan.

MARK MONDELLO was named Vice President, Business Development in September 1997. He joined Jabil in 1992 as Production Line Supervisor and was promoted to Project Manager in 1994. Prior to Jabil, Mondello served as project manager on commercial and defense-related aerospace programs for Moog, Inc. Mondello attended the University of Florida and holds a B.S. in Mechanical Engineering from the University of South Florida.

#### 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 1997 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, 1997.

#### 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 1997 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, 1997.

#### 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 1997 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, 1997.

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 30 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 30 of this report. The independent auditors' report as presented on page 31 of this report also applies to the financial statement schedule. 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 no Current Reports on Form 8-K during the last quarter of the fiscal year ended August 31, 1997.
- (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 SCHEDULES

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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, 1996 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 1997, 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.

St. Petersburg, Florida  
October 3, 1997

/s/ KPMG Peat Marwick LLP

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

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

AUGUST 31,

-----  
1996

-----  
1997

-----

ASSETS

Current assets:		
Cash and cash equivalents .....	\$ 73,319	\$ 45,457
Accounts receivable, less allowance for doubtful accounts of \$1,170 in 1996 and \$2,690 in 1997 (note 8).....	84,839	116,987
Inventories (note 2).....	64,869	96,187
Prepaid expenses and other current assets.....	340	776
Deferred income taxes (note 6).....	3,971	6,591
	-----	-----
Total current assets.....	227,338	265,998
Property, plant and equipment, net (note 3).....	70,704	139,520
Other assets.....	1,898	385
	-----	-----
	\$ 299,940	\$ 405,903
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current installments of long-term debt (note 5).....	\$ 1,979	\$ 2,475
Current installments of capital lease obligations .....	472	--
Accounts payable.....	78,600	125,741
Accrued expenses.....	24,550	34,248
Income taxes payable .....	5,979	6,186
	-----	-----
Total current liabilities.....	111,580	168,650
Long-term debt, less current installments (note 5).....	57,257	50,000
Capital lease obligations, less current installments.....	1,114	--
Deferred income taxes (note 6).....	2,883	3,663
Deferred grant revenue.....	2,872	2,105
	-----	-----
Total liabilities.....	175,706	224,418
	-----	-----
Stockholders' equity (notes 1 and 7):		
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, 35,596,446 shares in 1996, and..... 37,000,092 in 1997 .....	36	37
Additional paid-in capital.....	56,906	61,632
Retained earnings.....	67,319	119,816
	-----	-----
	124,261	181,485
Less unearned compensation from grant of stock option.....	27	--
	-----	-----
Net stockholders' equity.....	124,234	181,485
	-----	-----
Commitments and contingencies (note 10).....	\$ 299,940	\$ 405,903
	=====	=====

See accompanying notes to consolidated financial statements.

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

	YEARS ENDED AUGUST 31,		
	-----	-----	-----
	1995	1996	1997
	-----	-----	-----
Net revenue (note 8).....	\$ 559,474	\$ 863,285	\$ 978,102

Cost of revenue.....	523,338	790,311	857,245
Gross profit.....	36,136	72,974	120,857
Operating expenses:			
Selling, general and administrative.....	17,898	25,456	35,886
Research and development.....	1,819	2,112	3,117
Operating income.....	16,419	45,406	81,854
Interest expense, net.....	6,347	7,333	1,612
Income before income taxes.....	10,072	38,073	80,242
Income taxes (note 6).....	2,792	13,724	27,745
Net income.....	\$ 7,280	\$ 24,349	\$ 52,497
Net income per share.....	\$ 0.23	\$ 0.67	\$ 1.37
Weighted average number of shares of common stock and common stock equivalents.....	31,100	36,334	38,340

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 SHARES OUTSTANDING	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNEARNED COMPENSATION FROM GRANT OF STOCK OPTION	NET STOCKHOLDERS' EQUITY
Balance at August 31, 1994 .....	28,717,044	\$28	\$15,703	\$ 35,690	\$ (190)	\$ 51,231
Exercise of stock options .....	592,252	2	324	--	--	326
Amortization of unearned compensation .....	--	--	--	--	82	82
Shares issued under Employee Stock Purchase Plan .....	240,518	--	409	--	--	409
Tax benefit of options exercised	--	--	267	--	--	267
Net income .....	--	--	--	7,280	--	7,280
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

See accompanying notes to consolidated financial statements.

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

	YEARS ENDED AUGUST 31,		
	1995	1996	1997
Cash flows from operating activities:			
Net income .....	\$ 7,280	\$ 24,349	\$ 52,497
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization .....	11,991	18,210	24,924
Recognition of grant revenue .....	(1,103)	(2,073)	(1,705)
Deferred income taxes .....	2,275	(2,876)	(1,840)
Gain on sale of property .....	(56)	168	(275)
Change in operating assets and liabilities:			
Accounts receivable .....	(44,659)	28,828	(32,148)
Inventories .....	(36,747)	26,789	(31,318)
Prepaid expenses and other current assets .....	(488)	361	(436)
Refundable income taxes .....	(1,644)	2,154	--
Other assets .....	(586)	(1,241)	1,513
Accounts payable and accrued expenses .....	50,689	(584)	56,838
Income taxes payable .....	--	5,979	1,310
Net cash provided by (used in) operating activities .....	(13,048)	100,064	69,360
Cash flows from investing activities:			
Acquisition of property, plant and equipment .....	(25,821)	(27,252)	(93,805)
Proceeds from sale of property and equipment .....	397	358	368
Net cash used in investing activities .....	(25,424)	(26,894)	(93,437)
Cash flows from financing activities:			
Increase (decrease) in note payable to bank .....	29,400	(73,000)	--
Proceeds from long-term debt .....	15,142	57,994	--
Payments of long-term debt .....	(4,792)	(32,575)	(6,761)
Payments of capital lease obligations .....	(1,000)	(659)	(1,586)
Net proceeds from issuance of common stock .....	735	40,098	3,624
Proceeds from grants .....	2,675	2,805	938
Net cash provided by (used in) financing activities .....	42,160	(5,337)	(3,785)
Net increase (decrease) in cash and cash equivalents .....	3,688	67,833	(27,862)
Cash and cash equivalents at beginning of period .....	1,798	5,486	73,319
Cash and cash equivalents at end of period .....	\$ 5,486	\$ 73,319	\$ 45,457
Supplemental disclosure information:			
Interest paid .....	\$ 6,163	\$ 7,639	\$ 4,707
Income taxes paid, net of refunds received .....	\$ 2,428	\$ 8,578	\$ 29,378
Long-term obligations incurred to acquire property, plant and equipment .....	\$ 3,535	\$ --	\$ --
Tax benefit of options exercised .....	\$ 267	\$ 111	\$ 1,103

See accompanying notes to consolidated financial statements.

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, computer peripherals and automotive industries. The Company's manufacturing services combine a high volume, highly automated manufacturing approach with advanced design and manufacturing technologies.

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 wholly owned subsidiaries Jabil Circuit Limited, a corporation organized on December 24, 1992 under the laws of the United Kingdom, Jabil Circuit SDN BHD, a corporation organized on March 18, 1995 under the laws of Malaysia, and Jabil de Mexico, S.A. de C.V., a corporation organized on January 8, 1997 under the laws of Mexico. All significant intercompany accounts 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, 1996 and 1997, 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.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, 1996 and 1997, cash equivalents totaled approximately \$54,679,000 and \$281,000, respectively.

G. GRANT REVENUE

During the years ended August 31, 1993 and 1994, the Company was awarded certain 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. During the year ended August 31, 1995, the Company attained all milestones related to certain of the grants. Based on this achievement, the Company changed the amortization of these grants from five years to two years. The effect of this change in amortization was an increase of approximately \$342,000 to operating income for the year ended August 31, 1995.

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 \$1,091,000, \$1,650,000, and \$4,483,000 for the years ended August 31, 1995, 1996, and 1997, respectively.

J. FOREIGN CURRENCY TRANSACTIONS

Gains or losses on foreign currency transactions are included in the determination of net income.

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, 1997 are described further in note 9.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. NET INCOME PER SHARE

Net income per share is computed using the weighted average number of common shares and dilutive common equivalent shares outstanding during the related period. Common equivalent shares consist of stock options, using the treasury stock method.

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 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.

2. INVENTORIES

Inventories consist of the following (in thousands):

	AUGUST 31,	
	----- 1996 -----	1997 -----
Raw materials .....	\$54,197	\$75,433
Work in process .....	7,685	15,160
Finished goods .....	2,987	5,594
	-----	-----
	\$64,869	\$96,187
	=====	=====

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,

	1996	1997
Land and improvements.....	\$ 6,006	\$ 9,232
Buildings .....	12,262	23,336
Leasehold improvements.....	3,346	3,682
Machinery and equipment.....	89,695	123,294
Furniture, fixtures and office equipment.....	13,979	22,287
Transportation equipment.....	1,817	3,937
Construction in progress.....	826	30,743
	-----	-----
	127,931	216,511
Less accumulated depreciation and amortization	57,227	76,991
	-----	-----
	\$70,704	\$139,520
	=====	=====

During the year ended August 31, 1997, the Company completed construction of a new manufacturing facility in Florida, began construction on new manufacturing facilities for its Scotland and Malaysia operations to replace its existing leased facilities in those locations, and began construction on a new greenfield facility in Guadalajara, Mexico. During the year ended August 31, 1997, the Company capitalized approximately \$720,000 in interest related to the constructed facilities.

Maintenance and repairs expense was approximately \$2,652,000, \$4,320,000, and \$5,229,000 for the years ended August 31, 1995, 1996, and 1997, respectively.

4. NOTE PAYABLE TO BANK

In May 1996, the Company renegotiated its secured line of credit facility and established a \$60,000,000 unsecured revolving credit facility with a syndicate of banks ("Revolver"). At August 31, 1996 and 1997, there were no borrowings under the Revolver and the entire \$60,000,000 was available. Under the terms of the Revolver, borrowings could be made under either floating rate loans or Eurodollar rate loans. The Company paid interest on outstanding floating rate loans at the banks' prime rate. The Company paid interest on outstanding Eurodollar loans at the London Interbank Offering Rate (LIBOR) in effect at the loan inception date plus a factor of .75% to 1.25% depending on the Company's funded debt to total capitalization ratios. The Company paid a commitment fee on the unused portion of the Revolver at .175% to .25% depending on the Company's funded debt to total capitalization ratios.

Subsequent to August 31, 1997, the Company renegotiated the Revolver establishing a \$100,000,000 unsecured revolving credit facility. Under the terms of the renegotiated Revolver, the Company pays interest at the LIBOR in effect plus a factor of .45% to .75% depending on the Company's funded debt to total capitalization ratios. The Company pays a commitment fee of .15% to .25% depending on the Company's funded debt to total capitalization ratios. The renegotiated Revolver expires on August 6, 2000.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM DEBT

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

AUGUST 31,

	1996	1997
Term loans (a).....	\$53,916	\$50,000
Industrial revenue bonds (b).....	2,676	---
Mortgage (c).....	2,644	2,475
<hr/>		
Total long-term debt.....	59,236	52,475
Less current installments of long-term debt..	1,979	2,475
<hr/>		
Long-term debt, less current installments....	\$57,257	\$50,000
	=====	=====

(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. The Company's Scottish subsidiary entered into a \$5.7 million term loan facility in March 1995. Interest was based on LIBOR plus 3.25%. This borrowing was repaid during the year ended August 31, 1997.

(b) The Company borrowed an aggregate of \$5,880,000 pursuant to two industrial revenue bonds related to the development of the Florida facility, one dated June 1, 1983 in the principal amount of \$1,880,000 and a second dated August 29, 1988 in the principal amount of \$4,000,000. Interest accrued at a rate of 91.7% of prime and prime plus 1%, respectively. These bonds were repaid during the year ended August 31, 1997.

(c) The Company obtained a \$3,375,000 mortgage in December 1992 in connection with the construction of its Auburn Hills, Michigan facility. The Company pays interest on outstanding borrowings at 7.65% per annum. The mortgage is to be repaid in 19 quarterly installments of \$56,000 plus interest through December 31, 1997, with a final balloon payment of \$2,306,000 due on March 31, 1998.

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, 1997.

Aggregate annual maturities for long-term debt for the succeeding five fiscal years are as follows (in thousands):

	AMOUNT
	-----
1998.....	\$ 2,475
1999.....	8,333
2000.....	8,333
2001.....	8,333
2002.....	8,333
Thereafter.....	16,668
	-----
	\$52,475
	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAXES

Income tax expense amounted to \$2,792,000, \$13,724,000, and \$27,745,000 for the years ended August 31, 1995, 1996 and 1997, respectively (an effective rate of 28%, 36%, and 35%, 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,		
	1995	1996	1997
Computed "expected" tax expense .....	\$ 3,525	\$ 13,326	\$ 28,085
State taxes, net of Federal benefit .....	63	698	1,352
Losses incurred by foreign subsidiaries .....	75	--	268
Utilization of net operating loss from			
Scottish subsidiary .....	(1,063)	(389)	--
Nondeductible interest expense .....	205	(34)	--
Income of Malaysian subsidiary .....	--	--	(2,706)
Other, net .....	(13)	123	746
	-----	-----	-----
	\$ 2,792	\$ 13,724	\$ 27,745
	=====	=====	=====

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 year ended August 31, 1997, resulting in a tax holiday of approximately \$2,320,000 (\$0.06 per share). The Company intends to indefinitely re-invest income from all of its foreign subsidiaries.

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

	CURRENT	DEFERRED	TOTAL
	-----	-----	-----
1995:			
Federal .....	\$ 564	\$ 1,653	\$ 2,217
State .....	(47)	142	95
Foreign .....	--	480	480
	-----	-----	-----
	\$ 517	\$ 2,275	\$ 2,792
	=====	=====	=====
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
	=====	=====	=====

## JABIL CIRCUIT, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. 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,	
	1996	1997
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts .....	\$ 406	\$1,015
Grant receivable .....	494	707
Inventories, principally due to reserves and additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986 .....	701	2,211
Compensated absences, principally due to accrual for financial reporting purposes .....	661	878
Accrued expenses, principally due to deferrals for financial reporting purposes .....	1,596	1,457
Other .....	130	490
	-----	-----
Total gross deferred tax assets .....	3,988	6,758
Less valuation allowance .....	17	167
	-----	-----
Net deferred tax assets .....	\$3,971	\$6,591
	=====	=====
Deferred tax liabilities:		
Property, plant and equipment, principally due to differences in depreciation and amortization .....	\$2,883	\$3,663
	=====	=====

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)

## 7. STOCKHOLDERS' EQUITY

## PUBLIC OFFERING

The Company completed a public offering of 8,050,000 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.

STOCK OPTION PLANS

As of August 31, 1997, options to purchase a total of 1,456,880 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. As of August 31, 1997, options to purchase 877,470 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)

7. STOCKHOLDERS' EQUITY (CONTINUED)

STOCK OPTION PLANS (CONTINUED)

The following table summarizes option activity from September 1, 1994 through August 31, 1997:

	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING		
		SHARES	WEIGHTED AVERAGE OPTION PRICE	AGGREGATE VALUE
Balance at August 31, 1994	191,960	3,439,200	\$ 1.17	\$ 4,027,000
Options authorized	1,000,000	--	--	--
Options granted	(596,000)	596,000	2.57	1,531,000
Options cancelled	50,000	(184,068)	1.53	(281,000)
Options exercised	--	(592,252)	0.55	(326,000)
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
	=====	=====	=====	=====

At August 31, 1997, options for 1,753,070 shares were exercisable.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. STOCKHOLDERS' EQUITY (CONTINUED)

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, 1997 are presented below:

Range of Exercise Prices	Shares	Weighted-Average Contractual Life	Weighted-Average Exercise Price
-----	-----	-----	-----
\$ 0.44 - 0.88	1,456,880	4	\$ 0.86
3.50 - 7.44	769,470	8	3.51
22.00 - 50.56	108,000	10	32.09
-----	-----	--	-----
\$ 0.44 - 50.56	2,334,350	10	\$ 3.20
=====	=====	==	=====

The range of exercise prices, shares and weighted average exercise price of the options exercisable at August 31, 1997 are presented below:

Range of Exercise Prices	Shares Exercisable	Weighted-Average Exercise Price
-----	-----	-----
\$ 0.44 - 0.88	1,456,880	\$0.86
3.50 - 7.44	296,190	3.32
22.00 - 50.56	--	--
-----	-----	-----
\$ 0.44 - 50.56	1,753,070	\$1.27
=====	=====	=====

The per-share weighted-average fair value of stock options granted during 1996 and 1997 was \$2.78 and \$16.69, respectively, on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: 1996 - Expected dividend yield of 0%, risk-free interest rate of 6.5%, expected volatility of 72%, and an expected life of 5 years; 1997 - Expected dividend yield of 0%, risk-free interest rate of 6.2%, expected volatility of 76% and an expected life of 5 years.

## JABIL CIRCUIT, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. STOCKHOLDERS' EQUITY (CONTINUED)

## STOCK OPTION PLANS (CONTINUED)

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. Had the Company determined compensation cost based on the fair market value at the grant date for its stock options under Statement 123, the Company's net income would have been as follows:

	1996		1997	
	Net Income -----	EPS -----	Net Income -----	EPS ---
As Reported	\$ 24,349	\$ 0.67	\$ 52,497	\$ 1.37
Statement 123 Compensation (Net of tax)	(84)	(0.00)	(262)	(0.01)
Pro-forma disclosure	\$ 24,265	\$ 0.67	\$ 52,235	\$ 1.36

The disclosure presented above represents the estimated fair value of stock options granted during the fiscal years ended August 31, 1996 and 1997. Such disclosure is not necessarily indicative of the fair value of stock options that could be granted by the Company in future fiscal years.

## 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, 1997, a total of 775,590 shares had been issued under the Purchase Plan.

## JABIL CIRCUIT, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. CONCENTRATION OF RISK AND GEOGRAPHIC DATA

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,
	1995	1996	1997	1996	1997
Hewlett Packard Company(1)..	28%	20%	15%	*	13%
NEC Technologies, Inc.....	14%	15%	*	24%	*
Quantum Corporation.....	17%	23%	10%	21%	13%
3Com.....	*	11%	21%	*	14%
Cisco Systems Inc.....	*	10%	20%	*	*

\* Amount was less than 10% of total

(1) Includes activity related to a subcontractor of Hewlett Packard Company.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. CONCENTRATION OF RISK AND GEOGRAPHIC DATA (CONTINUED)

GEOGRAPHIC DATA

The Company has defined the three geographic regions for the segment in which it operates: North America (including Mexico), Europe and Asia. 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		
	1995	1996	1997
Sales to Unaffiliated Customers:			

	-----	-----	-----
North America .....	\$ 459,179	\$595,941	\$682,333
Europe .....	100,295	161,195	207,850
Asia .....	--	106,149	87,919
Export Sales .....	27,973	88,150	2,494
Operating Income:			
North America .....	12,085	40,811	62,770
Europe .....	4,547	3,244	11,381
Asia .....	(213)	1,351	7,703
Identifiable Assets:			
North America, including corporate .....	219,504	239,582	285,440
Europe .....	61,299	48,022	74,698
Asia .....	158	12,336	45,765

Foreign source revenue for the years ended August 31, 1995, 1996, and 1997 was approximately 21%, 31%, and 30%, respectively.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. 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 \$26,000,000 of net foreign currency exchange contracts outstanding at August 31, 1997, relating to the United Kingdom and Malaysia, with no balances outstanding at August 31, 1996. Unrealized gains and losses on these contracts were not material.

10. COMMITMENTS AND CONTINGENCIES

LEASE AGREEMENTS

The future minimum lease payments under noncancelable operating leases outstanding August 31, 1997 are as follows (in thousands):

FISCAL YEAR ENDING AUGUST 31,	
-----	
1998.....	\$1,625
1999.....	799
2000.....	401
2001.....	401
2002.....	401
Thereafter.....	617
	-----
Total minimum lease payments.....	\$4,244
	=====

Total rent expense for operating leases was approximately \$1,129,000, \$3,354,000, and \$3,868,000 for the years ended August 31, 1995, 1996, and 1997, respectively.

#### LITIGATION

On May 31, 1997, the Company reached an agreement with Epson of America, Inc. ("Epson") to settle all outstanding claims relating to previous manufacturing agreements between the parties. Such claims arose during fiscal years 1994 and 1995. The actual terms and conditions of the agreement are subject to a confidentiality agreement between the Company and Epson; however, the settlement had no material impact on the Company's results of operations for the year ended August 31, 1997.

The Company is party to certain other 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 statements.

#### JABIL CIRCUIT, INC. AND SUBSIDIARIES

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 11. NEW ACCOUNTING PRONOUNCEMENTS

During 1997, 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 128 - Earnings Per Share. Statement 128 supersedes APB Opinion No. 15, Earnings Per Share and specifies the computation, presentation and disclosure requirements for earnings per share ("EPS") for entities with publicly held common stock. Statement 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. After adoption, all prior period EPS data presented shall be restated to conform to Statement 128. As the Statement addresses the computation of EPS only, there will be no impact on earnings from its adoption.

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 ending August 31, 1998. As this Statement addresses reporting and disclosure issues only, there will be no impact on earnings from its adoption.

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 26th day of November 1997.

JABIL CIRCUIT, INC.

By: /s/ THOMAS A. SANSONE  
-----

Date: November 26, 1997

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	November 26, 1997
By: /s/ THOMAS A. SANSONE ----- Thomas A. Sansone	President and Director	November 26, 1997
By: /s/ CHRIS A. LEWIS ----- Chris A. Lewis	Chief Financial Officer (Principal Financial and Accounting Officer)	November 26, 1997
By: /s/ RONALD J. RAPP ----- Ronald J. Rapp	Executive Vice President - Operations and Director	November 26, 1997
By: /s/ LAWRENCE J. MURPHY ----- Lawrence J. Murphy	Director	November 26, 1997
By: /s/ MEL S. LAVITT ----- Mel S. Lavitt	Director	November 26, 1997
By: /s/ STEVEN A. RAYMUND ----- Steven A. Raymund	Director	November 26, 1997

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)(12)	-- 1983 Stock Option Plan and forms of agreement used thereunder.
10.2(1)(12)	-- 1989 Non-Qualified Stock Option Plan and forms of agreement used thereunder.
10.3(1)(12)	-- 1992 Stock Option Plan and forms of agreement used thereunder.
10.4(1)(12)	-- 1992 Employee Stock Purchase Plan and forms of agreement used thereunder.
10.5(1)(12)	-- Restated cash or deferred profit sharing plan under section 401(k).
10.6(1)(12)	-- Form of Indemnification Agreement between Registrant and its officers and directors.
10.8 (1)	-- Term Loan between Registrant and Chrysler Capital Corporation dated November 15, 1990.
10.10(1)	-- Term Loan between Registrant and NBD Bank, N.A. dated June 30, 1992.
10.11(1)	-- Term Loan between Registrant and NBD Bank, N.A. dated as of December 11, 1992.
10.14(1)	-- Master Equipment Lease Agreement between Registrant and ELLCO Leasing Corporation and the related schedules thereto, dated October 1, 1990.
10.16(1)	-- Lease for 2220 Lundy Avenue, San Jose, California, between Registrant and Lundy Associates dated April 1, 1992.
10.18(1)	-- \$1,880,000 Pinellas County Industry Council Industrial Development Revenue Bonds, Series 1983.
10.19(1)	-- \$4,000,000 Pinellas County Industry Council Industrial Development Revenue Bonds, Series 1988.
10.20(1)	-- Real Estate Purchase Agreement between Registrant and the Morean Investment Partnership dated August 24, 1988, for the purchase of the manufacturing facility located in St. Petersburg Florida, and the related documents thereto.
10.21(1)	-- Agreement of Sale between Registrant and Metro Tech Associates Limited Partnership dated December 10, 1991, for the facility located in Auburn Hills, Michigan.
10.23(1)	-- Junior Mortgage Loan dated December 29, 1992 between Registrant and Barnett Bank of Pinellas County.
10.24(1)	-- Construction Loan Agreement dated as of December 1, 1992 between Registrant and NBD Bank, N.A.
10.25(1)	-- Letter Agreement dated November 27, 1992 between Registrant and Scottish Office Industry Department relating to L.5,000,000 grant to establish Scottish facility.

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EXHIBIT INDEX (CONTINUED)

EXHIBIT NO.	DESCRIPTION
10.26(1)	-- Lease Agreement dated December 22, 1992 between Registrant and Lothian and Edinburgh Enterprise Limited for facilities at Fleming Road, Livingston, Scotland, as amended.
10.27(1)+	-- Basic Order Agreement between Registrant and Quantum Corporation dated March 2, 1992.
10.29(3)	-- Term Loan between Registrant and Sun Trust (previously known as Sun Bank of Tampa Bay) dated April 16, 1993.
10.32(4)	-- Joint Venture Agreement dated August 17, 1993 between Registrant and Noise Cancellation Technologies.
10.33(5)	-- Lease Agreement between Connie and Vincent Dotolo and Jabil Circuit, Inc. dated November 30, 1993.
10.34(6)(12)	-- Amendment to 1989 Non-Qualified Stock Option Plan.
10.40(7)	-- Renewal dated March 21, 1994 of Lease for 2220 Lundy Avenue, San Jose, California, between Registrant and Lundy Associates.

- 10.41(7) -- Term Loan between Registrant and NBD Bank, N.A. dated May 2, 1994.
- 10.42(8) -- First Amendment to Term Loan between Registrant and NBD Bank, N.A. dated September 20, 1994.
- 10.43(8) -- Agreement of Sale between Registrant and Metro North Technology Park dated September 24, 1994.
- 10.44(9) -- Capital Lease between Jabil Circuit Limited and Lombard North Central PLC dated November 25, 1994.
- 10.48(10) -- Lease dated March 30, 1995, for 2 Inchmuir Road, Whitehill Industrial Estate, Bathgate, West Lothian, Scotland between Registrant and C&W Assets Ltd
- 10.49(10) -- Closing Package dated April 7, 1995, for purchase of Lot 6, Gateway Industrial Park, St. Petersburg, Florida between Registrant and City of St. Petersburg.
- 10.50(10) -- Term Promissory Note dated April 21, 1995, between Registrant and Heller Financial, Inc.
- 10.51(10) -- Tenancy Agreement dated May 12, 1995, for Plot 63, Mukim 12, Daerah Barat Daya, Penang, Malaysia between Registrant and Mastex Sendirian Berhard.
- 10.52(10) -- Loan Agreement dated May 30, 1995, between Registrant and NBD Bank, N.A.
- 10.53(11) -- Epson/Jabil Retrofit Agreement dated February 17, 1995 between Registrant and Epson America, Inc.
- 10.54(11) -- Agreement dated July 1, 1995 between the Registrant and Motorola Ltd.
- 10.55(11) -- Development Agreement dated as of September 15, 1993 between Hewlett-Packard France and Registrant
- 10.56(11) -- International Purchase Agreement dated as of September 23, 1993 between Hewlett-Packard France and Registrant
- 10.57(11) -- Letter of Intent dated as of July 1, 1994 between Hewlett-Packard France and Registrant.

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EXHIBIT INDEX (CONTINUED)

EXHIBIT NO.	DESCRIPTION
- - - - -	- - - - -
10.58(11)	-- Product Purchase Agreement dated as of October 1, 1994 between Hewlett Packard France and Registrant.
10.59(13)	-- First Amendment to Loan Agreement dated July 31, 1995, between Registrant and NBD Bank, N.A.
10.60(13)	-- Lease Agreement dated September 8, 1995, between Registrant and Connie and Vincent Dotolo.
10.61(14)	-- Note Purchase Agreement and Notes dated May 30, 1996 between registrant and certain lenders and NBD Bank as collateral agent.
10.62(14)	-- Loan Agreement dated May 30, 1996 between registrant and certain banks and NBD Bank as agent for banks.
10.63	-- Loan Agreement dated August 6, 1997 between registrant and certain banks and The First National Bank Of Chicago as agent for banks.
10.64	-- Lease Agreement dated October 1, 1997 between registrant and Charrington Estates.
10.65	-- Lease Agreement dated October 30, 1997 between registrant and Teachers Insurance and Annuity Association.
11.1	-- Statement of Computation of Earnings Per Share.
21.1	-- List of Subsidiaries.
23.1	-- Independent Auditors' Consent.
24.1	-- Power of Attorney (see Page 39).
27.1	-- Financial Data Schedule.

- - - - -  
+ Confidential treatment has been previously granted as to portions of this exhibit. The confidential portions that were omitted from these exhibits were filed separately with the Securities and Exchange Commission.

++ Confidential treatment has been requested as to portions of this exhibit. The confidential portions that have been omitted from these exhibits have been filed separately with the Securities and Exchange Commission.

(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, 1993.
- (4) Incorporated by reference to exhibit the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1993.
- (5) Incorporated by reference to exhibit the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 1993.

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- (6) Incorporated by reference to exhibit the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994.
- (7) Incorporated by reference to exhibit the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1994.
- (8) Incorporated by reference to exhibit the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1994.
- (9) Incorporated by reference to exhibit the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 1994.
- (10) Incorporated by reference to exhibit the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1995.
- (11) Incorporated by reference to exhibit the Registration Statement on Form S-1 filed by the Registrant on September 15, 1995.
- (12) Indicates management compensatory plan, contract or arrangement.
- (13) Incorporated by reference to exhibit the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1995.
- (14) Incorporated by reference to exhibit the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1996.

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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, 1995:

Allowance for uncollectible accounts

receivable .....	\$ 200	\$ 837	\$ 368	\$ 669
Inventory reserve .....	\$5,158	\$5,034	\$9,219	\$ 973
	=====	=====	=====	=====
YEAR ENDED AUGUST 31, 1996:				
Allowance for uncollectible accounts				
receivable .....	\$ 669	\$ 501	--	\$1,170
Inventory reserve .....	\$ 973	\$5,178	\$3,850	\$2,301
	=====	=====	=====	=====
YEAR ENDED AUGUST 31, 1997:				
Allowance for uncollectible accounts				
receivable .....	\$1,170	\$1,520	--	\$2,690
Inventory reserve .....	\$2,301	\$3,690	\$1,248	\$4,743
	=====	=====	=====	=====

=====

AMENDED AND RESTATED  
 LOAN AGREEMENT  
 DATED AS OF AUGUST 6, 1997  
 AMONG  
 JABIL CIRCUIT, INC.  
 AND CERTAIN BORROWING SUBSIDIARIES,  
 THE BANKS NAMED THEREIN  
 AND  
 THE FIRST NATIONAL BANK OF CHICAGO, AS AGENT

=====

FIRST CHICAGO CAPITAL MARKETS, INC., AS ARRANGER

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THIS AMENDED AND RESTATED LOAN AGREEMENT, dated as of August 6, 1997 (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 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 a Loan Agreement dated as of May 30, 1996 (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 levers of credit and bank guarantees, in the aggregate principal amount of \$100,000,000 (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, of

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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.

"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, if any financial statements referred to above are not delivered within the time period specified above, then, until the financial statements are delivered, the ratio of Total Indebtedness to Total Capitalization as of the end of the fiscal quarter that would have been covered thereby shall for the purposes of this definition be deemed to be greater than 0.50 to 1.0:

APPLICABLE RATE  
-----

Total Indebtedness to Total Capitalization	Eurocurrency Rate Loan/ Letter of Credit Fee	Commitment Fee	Usage Fee
Equal to or less than 0.30:1.0	0.45%	0.15%	0%
Greater than 0.30:1.0 but less than or equal to 0.40:1.0	0.50%	0.175%	0.05%
Greater than 0.40:1.0 but less than or equal to 0.50:1.0	0.625%	0.20%	0.075%
Greater than 0.50:1.0	0.75%	0.25%	0.10%

"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(a) 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.

"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 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.

"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.

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"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

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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 or converted to 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, and (c) no Eurocurrency Interest Period shall be permitted which would end after the Termination Date.

"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.

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"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, other than 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(f), 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

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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 and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"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.

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"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.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, assets, operations or financial condition of any Borrower or any Subsidiary, (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).

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"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 ERIS.

"Permitted Currency" shall mean Dollars and any currency which is freely transferable and convertible into Dollars and is either (a) issued by an OECD country (as such designation shall change from time to time) and is approved by all the Banks or (b) any other currency approved by all the Banks. A list of all OECD countries as of the Effective Date is set forth in Schedule 1.1(b), which Schedule shall be updated, if necessary, by the Agent on each anniversary of the Effective Date.

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

"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.

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"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 aggregate principal amount of the Advances then outstanding (or sixty-six percent (66%) of the Commitments if no Advances are then outstanding).

"Requirement of Law" shall mean as to any person, the certificate of incorporation and bylaws 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.

"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 Required 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.

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"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.

"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 6, 2000 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.

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 Required 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 Required 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, other than the Swing Line Bank, 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)

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(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

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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(a), 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 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

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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 other than the Swing Line 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/UC 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 (1/8 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 five: one-hundredths of one percent (.05%) 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

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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

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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 Credit, it being 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 makers, in form and substance reasonably satisfactory to the Agent:

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(a) Charter Documents. Certificates of recent date of the appropriate authority or official and 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; Bank;

(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 Linda Moore, 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:

(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

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(b) 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 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. I(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

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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 and each prepayment thereof 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 Banks and 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. (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

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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 notice thereof on the Business Day of such prepayment with respect to prepayment of Floating Rate Loans, not less than three Eurocurrency Business Days' notice thereof with respect to prepayment of Eurocurrency Rate Loans, 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(a), 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 Borrowing, or portion thereof, is continued or converted, such Borrowing or portion thereof shall be repaid on the last day of the related Interest Period in the Permitted Currency in which such Borrowing is then denominated and (i) in the case of any conversion, the Agent shall readvance to the Borrower making such request the Equivalent of the Original Dollar Amount of the Borrowing or portion thereof as has been so repaid by the Borrower in the Permitted Currency requested pursuant to Section 2.7, and (ii) in the case of any continuation when the aggregate outstanding amount of Advances exceeds 90% of the Aggregate Commitment, the Agent shall readvance to the Borrower the same amount of such Permitted Currency as has been so repaid. The Agent shall provide prompt notice to the Company and the Banks of the activation of clause (ii) above. 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 Borrowing or portion thereof on the last day of the related Interest Period. In the case of any conversion, the Agent shall be deemed to have applied the proceeds of such Advance toward the purchase of the Permitted Currency to be repaid and to have applied the proceeds of such purchase toward such repayment. If after any such application there shall remain owing an amount of the Permitted Currency due to the Agent, for the benefit of the Banks, or if an excess of such Permitted Currency shall result, such Borrower shall pay to the

Banks, or, if no Default or Event of Default shall have occurred and be continuing, the Banks shall return to such Borrower the amount of such deficiency or such excess. In the case of any continuation described in clause (ii) above, on the last day of such Interest Period, the Original Dollar Amount of such Borrowing or portion thereof shall be adjusted to equal 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 conversion or continuation, if the Dollar Equivalent on such date of all outstanding Advances, including the Advances being continued or converted, exceed, the Aggregate Commitment, the Borrower shall take the following

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actions in the following order until such excess of the Dollar Equivalent of all Advances over the aggregate Commitments of the Banks is eliminated: (a) on such date, first, reduce or withdraw any pending request for a new Advance in Dollars to be made on such date, second, repay in Dollars any Floating Rate Loan denominated in Dollars then outstanding, and third, reduce the amount of, or repay, in the Permitted Currency in which such Borrowing is denominated, any Advance which the Borrower has requested to be converted or continued on such date, and (b) on the last day of each Eurocurrency Interest Period ending thereafter, reduce the amount of, or repay in the Permitted Currency in which such Borrowing is denominated, any Advance which the Borrower has requested to be converted or continued on such last day.

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

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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 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;

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(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. 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

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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 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.

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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 in computation.

(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 in computation.

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 in computation, 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 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 change in the business, properties, operations or financial condition of the Company and its Subsidiaries taken as a whole or 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, 1996 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, 1996, 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, 1996. 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 revolving credits. 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)

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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 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 Borrower's 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 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. 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 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 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 could 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 could 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 Required 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 jurisdiction in which such qualification is necessary under applicable law.

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(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; 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 or (D) any development in the business or affairs of any Borrower or any of their respective Subsidiaries 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

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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 Required Banks, without qualifications unacceptable to the Required 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 directors, officers, employees and independent auditors,

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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, 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. Promptly 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.

(h) Further Assurances. Will execute and deliver within 30 days after request therefor by the Required 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.

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 Required 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) \$110,000,000 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

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year of the Company commencing with the fiscal year ending August 31, 1997; provided, that, for the fiscal year ended August 31, 1997, Consolidated Net Income shall be calculated for the six-month period ending August 31, 1997.

(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, having the same terms as those existing on the date of this Agreement, but no extension or renewal 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.

(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, (C) liens imposed by law, such as those of carriers, warehousemen and mechanics, if

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payment of the obligation secured thereby is not yet due, (D) Liens securing taxes, assessments or other governmental charges or levies not yet subject to penalties for nonpayment, and (E) 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;

(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, but no extensions, renewals and replacements thereof 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; and

(vii) Liens in favor of the Collateral Agent for the benefit of the Banks and the Note Purchasers contemplated by the Intercreditor Agreement.

(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 any merger, acquisition or joint venture if (i) a Borrower shall be the surviving or continuing corporation thereof, (ii) 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, (iii) 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 (iv) 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.

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(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 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.

(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.

(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, but no extension or renewal thereof shall be permitted and (iv) investments, loans and advances to any Subsidiary; provided, 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.

(k) Transactions with Affiliates. Enter into, become a party to, or become liable in respect of, any contract or undertaking with any Affiliate except 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.

(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.

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(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 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 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. 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

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(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 15 calendar days (or such longer or shorter period of time as may be specified in any Security Document); or

(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 \$500,000; 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 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 could cause a Material Adverse Effect, and either (i) such judgment or order shall have remained unsatisfied or uninsured for a period of 21 days and such Borrower or such Subsidiary shall not have taken action necessary to stay enforcement thereof by reason of pending appeal or otherwise, prior to the expiration of the applicable period of limitations for taking such action or, if such action shall have been taken, a final order denying such stay shall have been rendered, or (ii) enforcement proceedings shall have been commenced by any creditor upon any such judgment or order; or

(h) ERISA. The occurrence of a Reportable Event that results in or could 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 could 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

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 Required 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) Chance 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.

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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 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;

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(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;

(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.

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.

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7.2 Agent and Affiliates. First Chicago 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 Required 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

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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 Required 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 Required 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 Required Banks, all Loans made hereunder shall be made in compliance with applicable local market

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custom and legal practice as determined solely by the Required 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.

#### ARTICLE VIII. 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

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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 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

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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

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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.

(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.

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#### 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 Required 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 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 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 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 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 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

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(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, Moon, Van Dusen & Freeman 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 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 Required 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

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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 of wilful 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 wilful 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.

(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

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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 Required 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. (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.

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(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) 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 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).

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(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 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) 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.

(j) 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.

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 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 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

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 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 6th day of August, 1997, which shall be the Effective Date of this Agreement, notwithstanding the day and year first above written.

JABIL CIRCUIT, INC.

By: /s/ Chris Lewis

-----

Its: CFO

-----

Witnessed by: /s/

-----

Its: General Counsel

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JABIL CIRCUIT LTD.

By: /s/ Chris Lewis

-----

Its: CFO

-----

Witnessed by: /s/

-----

Its: General Counsel

-----

JABIL CIRCUIT OF MICHIGAN, INC.

By: /s/ Chris Lewis

-----

Its: CFO

-----

Witnessed by: /s/

-----

Its: General Counsel

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Address for Notices:

THE FIRST NATIONAL BANK OF CHICAGO

as a Bank an Agent

One First National Plaza  
Mail Suite \_\_\_\_\_  
Chicago, Illinois 60670  
Attention: Kurt Price  
Facsimile No.: (312) 732-2991  
Telephone No.: (312) 432-1542

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Commitment Amount: \$30,000,000

Initial Percentage of  
Total Commitments: 30%

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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 6th day of August, 1997, which shall be the Effective Date of this Agreement, notwithstanding the day and year first above written.

JABIL CIRCUIT, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

JABIL CIRCUIT LTD.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

JABIL CIRCUIT OF MICHIGAN, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Address for Notices:

THE FIRST NATIONAL BANK OF CHICAGO  
as a Bank an Agent

One First National Plaza  
Mail Suite \_\_\_\_\_  
Chicago, Illinois 60670  
Attention: \_\_\_\_\_  
Facsimile No.: (312) 732-\_\_\_\_\_  
Telephone No.: (312) 432-\_\_\_\_\_

By: /s/ \_\_\_\_\_  
Its: As Agent \_\_\_\_\_

Commitment Amount: \$30,000,000

Initial Percentage of  
Total Commitments: 30%

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Address for Notices:

SUNTRUST BANK, TAMPA BAY

300 First Avenue South  
St. Petersburg, Florida  
Attention: Frank Coe  
Corporate Banking Division

By: /s/  
-----  
Its: Vice President  
-----

Facsimile No.: (813) 892-4810  
Telephone No.: (813) 892-4954

Commitment Amount: \$20,000,000

Initial Percentage of  
Total Commitments: 20%

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Address for Notices:

BARNETT BANK, N.A., PINELLAS

200 Central Avenue, Suite 1800  
St. Petersburg, Florida  
Attention: Michael Crowe

By: /s/ Michael S. Crowe  
-----  
Michael S. Crowe  
Its: Senior Vice President  
-----

Facsimile No.: (813) 892-1545  
Telephone No.: (813) 892-1518

Commitment Amount: \$20,000,000

Initial Percentage of Total Commitments: 20%

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Address for Notices:

THE BANK OF NOVA SCOTIA

600 Peachtree Street, N.E., Suite 2700  
Atlanta, GA  
Attention: Frank Sandler

By: /s/ P. Hawes  
-----  
P. Hawes  
Its: Compt.  
-----

Facsimile No.: (404) 888-8998  
Telephone No.: (404) 877-1505

Commitment Amount: \$10,000,000

Initial Percentage of  
Total Commitments: 10%

Address for Notices: CREDIT LYONNAIS ATLANTA AGENCY

One Peachtree Center  
303 Peachtree Street, NW, Suite 4400  
Atlanta, Georgia 30308

By: /s/ David M. Cawrse  
-----  
DAVID M. CAWRSE  
Its: First Vice President & Manager  
-----

Attention: Christina Earnshaw

Facsimile No.: (404) 584-5249  
Telephone No.: (404) 584-3700

Commitment Amount: \$10,000,000

Initial Percentage of  
Total Commitments: 10%

Address for Notices: MELLON BANK

One Mellon Bank Center  
Room 151-4400  
Pittsburgh Pennsylvania 15258-0001  
Attention: Cliff Smith

By: /s/ Crawford A. Smith  
-----  
Its: Asst. Vice President  
-----

Facsimile No.: (412) 234-6375  
Telephone No.: (412) 234-2849

Commitment Amount: \$10,000,000

Initial Percentage of  
Total Commitments: 10%

EXHIBIT A  
AGREEMENT

Reference is made to the Amended and Restated Loan Agreement dated as of August 6, 1997 (as now or hereafter amended or modified from time to time, the "Loan Agreement") among JABIL CIRCUIT, INC., a Delaware corporation (the "Company"), certain borrowing subsidiaries designated therein from time to time (the "Borrowing Subsidiaries, and collectively with the Company, the "Borrowers"), the banks named therein (the "Banks") and THE FIRST NATIONAL BANK OF CHICAGO, as agent for the Banks (the "Agent"). Terms defined in the Loan Agreement are used herein with the same meaning.

1. \_\_\_\_\_, a \_\_\_\_\_ corporation (the "New Borrowing Subsidiary") has decided to become a Borrowing Subsidiary under the Loan Agreement, with its address for notice as described next to its signature below. The New Borrowing Subsidiary (i) confirms that it has received a copy of the Loan Agreement, together with copies of documents and information as it has deemed appropriate to make its own decision to enter into this Agreement; (ii) agrees that it will perform in accordance with all of the obligations and comply with all of the covenants that by the terms of the Loan Agreement and the other Loan Documents are required to be performed by or complied with by it as a Borrowing Subsidiary; and (iii) confirms that the representations and warranties contained in Article IV of the Loan Agreement and in any other Loan Agreement applicable to a Borrowing Subsidiary are true and correct as of the date hereof as to the New Borrowing Subsidiary.

2. Upon execution and delivery of this Agreement to the Agent together with all other items required pursuant to paragraph 3, the New Borrowing Subsidiary shall be a party to the Loan Agreement and have the rights and obligations of a Borrower and a Borrowing Subsidiary thereunder.

3. This Agreement shall not become effective and the New Borrowing Subsidiary shall not become a Borrowing Subsidiary under the Loan Agreement until receipt by the Agent of the following documents and completion of the following matters, in form and substance reasonably satisfactory to the Agent:

(a) A certificate of incumbency of the Company and the New Borrowing Subsidiary containing, and attesting to the genuineness of, the signatures of those officers authorized to act on behalf of the New Borrowing Subsidiary in connection with this Agreement, the Loan Agreement and the Notes and on behalf of the Company in connection with this Agreement and the consummation by the New Borrowing Subsidiary and the Company of the transactions contemplated herein, certified as true and correct as of the effective date of this Agreement by a duly authorized officer of the New Borrowing Subsidiary and the Company, respectively; and

(b) The Notes, duly executed on behalf of the New Borrowing Subsidiary, for each Bank;

4. The Company and each Guarantor (a) fully consents to the New Borrowing Subsidiary becoming a Borrowing Subsidiary; (b) agrees that the Guaranty with respect to the indebtedness, obligations and liabilities of the Borrowing Subsidiaries contained in Article VIII of the Loan Agreement in favor of the Agent and the Banks is ratified and confirmed and shall remain in full force and effect; and (c) confirms that all indebtedness, obligations and liabilities of the Borrowing Subsidiaries, including the New Borrowing Subsidiary, are guaranteed by the Guaranty.

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5. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

6. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

7. Upon delivery of this executed Agreement to the Agent, the Agent shall deliver a copy of this Agreement to each Bank, together with the original Notes payable to each such Bank.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officer thereunto duly authorized as of the day and year first above written.

[NEW BORROWING SUBSIDIARY]

- -----  
- -----

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Attention: \_\_\_\_\_

Facsimile No. (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

JABIL CIRCUIT, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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JABIL CIRCUIT OF MICHIGAN, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

THE FIRST NATIONAL BANK OF CHICAGO,  
as Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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EXHIBIT B

PLEDGE AGREEMENT AND IRREVOCABLE PROXY

THIS PLEDGE AGREEMENT dated as of May 30, 1996 (this "Pledge Agreement"), is given by JABIL CIRCUIT, INC., a Delaware corporation (the "Company"), in favor of NBD Bank, a Michigan banking corporation, as collateral agent for the Lenders (in such capacity, the "Collateral Agent").

RECITALS

A. Pursuant to a Loan Agreement, dated as of May 30, 1996, among the Company, certain Borrowing Subsidiaries named therein, (the Borrowing Subsidiaries and the Company may be referred to individually as a "Borrower" and, collectively, as the "Borrowers"), the banks party thereto (the "Banks") and NBD Bank, as agent for the Banks (the "Agent"), (as amended or modified from time to time, including any agreement entered into in substitution therefor, the "Loan Agreement"), the Banks have agreed to make Advances (as therein defined)

to the Borrowers.

B. Connecticut General Life Insurance Company, Life Insurance Company of North America and Metropolitan Life Insurance Company (collectively, the Note Purchasers" and, collectively with the Banks, the "Lenders") are parties to separate Note Purchase Agreements with the Company, each dated as of May 30, 1996 (as amended or modified from time to time, including any agreement entered into in substitution therefor, the "Note Purchase Agreement") pursuant to which the Note Purchasers agreed, subject to the terms and conditions thereof, to purchase \$50,000,000 in aggregate principal amount of the Company's 6.89% Senior Notes due May 30, 2004 (the "Notes").

C. The Lenders and the Collateral Agent are parties to an Intercreditor Agreement dated as of May 30, 1996 (the "Intercreditor Agreement").

D. The Company has agreed to pledge to the Collateral Agent, for the benefit of the Lenders, and grant a first-priority security interest to the Collateral Agent, for the benefit of the Lenders, in and to the collateral described herein and to execute this Pledge Agreement.

For value received and pursuant to the Loan Agreement, the Company hereby pledges and assigns to the Collateral Agent, for the benefit of the Lenders, and grants a first-priority security interest to the Collateral Agent, for the benefit of the Lenders, in and to all of the outstanding capital stock of the companies listed on the schedule attached hereto as Schedule 1 (the "Pledged Subsidiaries", and said shares of stock, together with any other shares and securities from time to time receivable or otherwise distributed in respect of or in exchange for any or all of such shares, being called the "Pledged Stock"), to secure, (a) the prompt and complete payment of all indebtedness and other obligations of the Borrowers now or hereafter owing to the Banks or the Agent under or on account of the Loan Agreement, or any letters of credit, notes or other instruments issued to the Agent or the Banks pursuant thereto, (b) the prompt and

#### PLEDGE AGREEMENT AND IRREVOCABLE PROXY

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complete payment of all indebtedness and other obligations of the Company now or hereafter owing to the Note Purchasers under the Note Purchase Agreement or the Notes, (c) the performance of the covenants of the Borrowers or any of their Subsidiaries under the Loan Agreement, the Note Purchase Agreement, the Notes, this Agreement, the Intercreditor Agreement or any instrument or agreement relating thereto and (d) the prompt and complete payment of all obligations of the Borrowers or any of their Subsidiaries arising out of the Loan Agreement, the Note Purchase Agreement, the Notes, this Agreement, the Intercreditor Agreement or any instrument or agreement relating thereto, whether now or hereafter owing to any of the Lenders or the Collateral Agent, in all cases, of any kind whether now or hereafter existing, direct or indirect (including without limitation any participation or assignment interest acquired by any Lender in any such indebtedness, obligations or liabilities of any Borrower or any Subsidiary of any Borrower to any other person), absolute or contingent, joint and/or several, secured or unsecured, arising by operation of law or otherwise, and whether incurred by any Borrower or any Subsidiary of any Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise, including without limitation all principal and all interest (including any interest accruing subsequent to any petition filed by or against any Borrower or any Subsidiary of any Borrower under the U.S. Bankruptcy Code), indemnity and reimbursement obligations, charges, expenses, fees, reasonable attorneys' fees and disbursements and any other amounts owing thereunder (all of the aforesaid indebtedness, obligations and liabilities of the Borrowers and their respective Subsidiaries being herein called the "Secured Obligations", and all of the documents, agreements and instruments among the Borrowers, the Collateral Agent, the Lenders, or any of them, evidencing or securing the repayment of, or otherwise pertaining to, the Secured Obligations being herein collectively called the "Operative Documents"). The Company is herewith delivering to the Collateral Agent for the benefit of the Lenders originals of all stock certificates of the Pledged Stock and/or taking such other action

acceptable to the Collateral Agent and the Lenders to perfect the security interest in the Pledged Stock granted hereby.

The Company further represents and warrants to, and agrees with, the Collateral Agent for the benefit of the Lenders as follows:

1. Representations and Warranties. The Company represents and warrants that the Pledged Stock is represented by the stock certificate or certificates or shares described on Schedule I hereto, and that such stock certificate or certificates, accompanied by an instrument of assignment or transfer duly executed in blank by the Company as the owner named in such stock certificate or certificates, have been delivered to the Collateral Agent by the Company or, with respect to any Foreign Subsidiary, if stock certificates do not exist, the Company has noted the Collateral Agent's interest in the Pledged Stock on the stock ledger or other books and records or taken such other action sufficient to perfect the Collateral Agent's interest in the Pledged Stock. The Company further represents and warrants that (a) the Pledged Stock is duly authorized and validly issued, fully paid and nonassessable and constitutes 66% of all of the issued and outstanding shares of the capital stock of each Foreign Subsidiary set forth on Schedule 1, (b) the Company is the legal and beneficial owner of the Pledged Stock, free and clear of all Liens other than the Lien of the Collateral Agent hereunder, with full right and power to deliver, pledge and assign the Pledged Stock to the Collateral Agent hereunder, and (c) the pledge of the Pledged Stock pursuant to this Pledge Agreement creates in favor of the Collateral Agent a valid and perfected first priority security interest in the Pledged Stock enforceable against the Company and all third parties and securing the payment of the Secured Obligations.

#### PLEDGE AGREEMENT AND IRREVOCABLE PROXY

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2. Title; Stock Rights, Dividends, Etc. The Company will warrant and defend the Collateral Agent's title to the Pledged Stock, and the security interest herein created, against all claims of all persons, and will maintain and preserve such security interest. It is understood and agreed that the collateral hereunder includes any stock rights, stock dividends, liquidating dividends, new securities, payments, distributions and proceeds (including cash dividends and sale proceeds) and other property to which the Company may become entitled by reason of the ownership of the Pledged Stock during the existence of this Pledge Agreement, and any such property received by the Company shall be held in trust and forthwith delivered to the Collateral Agent to be held hereunder in accordance with the terms of this Pledge Agreement.

3. Registration Rights. If any Pledged Subsidiary at any time or from time to time proposes to register any of its securities under the Securities Act of 1933, the Company will at each such time give notice to the Collateral Agent of such Pledged Subsidiary's intentions so to do. Upon the request of the Collateral Agent given 30 days after receipt of such notice, the Company will cause all Pledged Stock of such Pledged Subsidiary to be included in the registration statement proposed to be filed, all to the extent requisite to permit the public sale or other public disposition of such Pledged Stock so registered by the holders thereof. The costs and expenses of all such registrations and qualifications under said Act shall be paid by the Company or such Pledged Subsidiary, except that underwriting discounts and commissions in respect of any Pledged Stock sold pursuant to any such registration statement shall be borne by the sellers thereof. As expeditiously as possible after the effective date of any such registration statement, the Company will deliver in exchange for any certificates representing shares of Pledged Stock so registered pursuant to such registration, which bear any restrictive legend, new Pledged Stock certificates not bearing such legend or any similar legend. In the event of any such registration, the Company hereby agrees to indemnify and hold harmless the Collateral Agent and the Lenders as pledgee of the Pledged Stock against any losses, claims, damages or liabilities to which the Collateral Agent and the Lenders may become subject to the extent that such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any such registration statement, and any preliminary prospectus or filed prospectus, or in any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated

therein or necessary to make the statements therein not misleading, and will reimburse the Collateral Agent and the Lenders for any legal or other expenses reasonably incurred by the Collateral Agent and the Lenders in connection with investigating or defending any such loss, claim, damage or liability. The indemnifications contained in this paragraph shall include each person, if any, who controls the Collateral Agent or any Lender.

4. Events of Default. The occurrence of any Event of Default (as defined in the Loan Agreement) under the Loan Agreement or the occurrence of any Event of Default (as defined in the Note Purchase Agreement) under the Note Purchase Agreement shall be deemed an "Event of Default" under this Pledge Agreement.

5. Remedies. (a) Upon the occurrence of any Event of Default the Collateral Agent shall have all of the rights and remedies provided by law and/or by this Pledge Agreement, including but not

PLEDGE AGREEMENT AND IRREVOCABLE PROXY

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limited to all of the rights and remedies of a secured party under the Michigan Uniform Commercial Code, and the Company hereby authorizes the Collateral Agent to sell all or any part of the Pledged Stock at public or private sale and to apply the proceeds of such sale to the costs and expenses thereof (including the reasonable attorneys' fees and disbursements incurred by the Collateral Agent) and then to the payment of the other Secured Obligations in accordance with the terms of the Intercreditor Agreement. Any requirement of reasonable notice shall be met if the Collateral Agent sends such notice to the Company, by registered or certified mail, at least 5 days prior to the date of sale, disposition or other event giving rise to the required notice. The Collateral Agent or any Lender may be the purchaser at any such sale. The Company expressly authorizes such sale or sales of the Pledged Stock in advance of and to the exclusion of any sale or sales of or other realization upon any other collateral securing indebtedness or other obligations owed to the Lenders. The Collateral Agent shall be under no obligation to preserve rights against prior parties.

(b) The Company hereby waives as to the Collateral Agent and the Lenders any right of subrogation or marshalling of the Pledged Stock and other collateral for indebtedness or other obligations owed to the Collateral Agent and the Lenders. To this end, the Company hereby expressly agrees that any such other collateral of the Company or any other party which the Collateral Agent or any Lender may hold, or which may come to any of their possession, may be dealt with in all respects and particulars as though this Pledge Agreement were not in existence. The Company agrees and acknowledges that because of applicable securities laws, the Collateral Agent may not be able to effect a public sale of the Pledged Stock and sales at a private sale may be on terms less favorable than if such securities were sold at a public sale and may be at a price less favorable than a public sale. The Company agrees that all such private sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner.

(c) The Company irrevocably designates, makes, constitutes and appoints the Collateral Agent (and all persons designated by the Collateral Agent) as its true and lawful attorney (and agent-in-fact) and the Collateral Agent, or the Collateral Agent's agent, may, upon and after an Event of Default hereunder which has not been waived, with notice to the Company if the Secured Obligations have not been accelerated and without notice if the Secured Obligations have been accelerated, take any action as the Collateral Agent reasonably deems necessary under the circumstances to enforce or otherwise take action in respect to the Pledged Stock as required hereby, or to carry out any other obligation or duty of the Company under this Agreement. The Company shall pay all reasonable fees and expenses, including reasonable attorneys' fees and expenses, incurred by the Collateral Agent in connection with such action.

6. Additional Remedies: Irrevocable Proxy. (a) Upon the occurrence of any Event of Default, the Collateral Agent shall have also the right to vote the Pledged Stock on all questions after giving notice to the Company of its election to exercise such rights. In the absence of any such Event of Default, the Company shall have the right to vote the Pledged Stock on all questions,

provided that voting by the Company of the Pledged Stock shall be in conformity with performance of the obligations of the Company under the Operative Documents.

PLEDGE AGREEMENT AND IRREVOCABLE PROXY

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(b) Whenever an Event of Default has occurred, the Collateral Agent may transfer into its name, or into the name of its nominee or nominees, any or all of the Pledged Stock and, as provided above, may vote any or all of the Pledged Stock (whether or not so transferred) and may otherwise act with respect thereto as though it were the outright owner thereof, the Company hereby irrevocably constituting and appointing the Collateral Agent as the proxy and attorney-in-fact of the Company, with full power of substitution, to do so.

(c) In furtherance of the foregoing, it is acknowledged that the Collateral Agent may vote the Pledged Stock to remove the directors and officers of any Pledged Subsidiary, and to elect new directors and officers of any Pledged Subsidiary, who thereafter shall manage the affairs of such Pledged Subsidiary, operate its properties and carry on its business and otherwise take any action with respect to the business, properties and affairs of such Pledged Subsidiary which such new directors shall deem necessary or appropriate, including, but not limited to, the maintenance, repair, renewal or alteration of any or all of the properties of such Pledged Subsidiary, the leasing, subleasing, sale or other disposition of any or all of such properties, the borrowing of money on the credit of such Pledged Subsidiary, and the employment of attorneys, agents or other employees deemed by such new directors to be necessary for the proper operation, conduct, winding up or liquidation of the business, properties and affairs of such Pledged Subsidiary, and all revenues from the operation, conduct, winding up or liquidation of the business, properties and affairs of such Pledged Subsidiary after the payment of expenses thereof shall be applied to the payment of the Secured Obligations.

(d) The Company agrees that the proxy granted in this paragraph 6 is coupled with an interest and is and shall be both valid and irrevocable so long as the Pledged Stock is subject to this Pledge Agreement. The Company further acknowledges that the term of said proxy may exceed three years from the date hereof.

7. Remedies Cumulative. No right or remedy conferred upon or reserved to the Collateral Agent and the Lenders under any Operative Document is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative in addition to every other right or remedy given hereunder or now or hereafter existing under any applicable law. Every right and remedy of the Collateral Agent and the Lenders under any Operative Document or under applicable law may be exercised from time to time and as often as may be deemed expedient by the Collateral Agent and the Lenders. To the extent that it lawfully may, the Company agrees that it will not at any time insist upon, plead, or in any manner whatever 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 any provisions of any Operative Document; nor will it claim, take or insist upon any benefit or advantage of any present or future law providing for the valuation or appraisal of any security for its obligations under any Operative Document 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. Conduct No Waiver. No waiver of default shall be effective unless in writing executed by the Collateral Agent and waiver of any default or forbearance on the part of the Collateral Agent in

PLEDGE AGREEMENT AND IRREVOCABLE PROXY

enforcing any of its rights under this Pledge Agreement shall not operate as a waiver of any other default or of the same default on a future occasion or of such right.

9. Governing Laws Definitions. This Pledge Agreement is a contract made under, and shall be governed by and construed in accordance with, the law of the State of Michigan applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State. The Company agrees that any legal action or proceeding with respect to this Pledge Agreement or the transactions contemplated hereby may be brought in any court of the State of Michigan, or in any court of the United States of America sitting in Michigan, and the Company hereby submits to and accepts generally and unconditionally the jurisdiction of those courts with respect to its person and property, and irrevocably appoints the Chief Financial Officer of the Company, at the Company's address set forth in the Loan Agreement, 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 Company or by the mailing thereof by registered or certified mail, postage prepaid to the Company at its address set forth in the Loan Agreement. Nothing in this paragraph shall affect the right of the Collateral Agent to serve process in any other manner permitted by law or limit the right of the Collateral Agent to bring any such action or proceeding against the Company or its property in the courts of any other jurisdiction. The Company hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Intercreditor Agreement. Unless otherwise defined herein or in the Intercreditor Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of Michigan are used herein as therein defined on the date hereof. The headings of the various subdivisions hereof are for convenience of reference only and shall in no way modify any of the terms or provisions hereof.

10. Notices. All notices, demands, requests, consents and other communications hereunder shall be delivered in the manner described in the Loan Agreement.

11. Rights Not Construed as Duties. The Collateral Agent neither assumes nor shall it have any duty of performance or other responsibility under any contracts in which the Collateral Agent has or obtains a security interest hereunder. If the Company fails to perform any agreement contained herein, the Collateral Agent may but is in no way obligated to itself perform, or cause performance of, such agreement, and the reasonable expenses of the Collateral Agent incurred in connection therewith shall be payable by the Company under paragraph 14. The powers conferred on the Collateral Agent hereunder are solely to protect its interests in the Pledged Stock and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Pledged Stock in its possession and accounting for monies actually received by it hereunder, the Collateral Agent shall have no duty as to any Pledged Stock or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Stock.

12. Amendments. None of the terms and provisions of this Pledge Agreement or any schedule attached hereto may be modified or amended in any way except by an instrument in writing executed by each of the parties hereto together with the written consent of the Required Lenders (as defined in the Intercreditor Agreement).

PLEDGE AGREEMENT AND IRREVOCABLE PROXY

13. Severability. If any one or more provisions of this Pledge Agreement should be invalid, illegal or unenforceable in any respect, the validity,

legality and enforceability of the remaining provisions contained herein shall not in any way be affected, impaired or prejudiced thereby.

14. Expenses. (a) The Company agrees to indemnify the Collateral Agent from and against any and all claims, losses and liabilities growing out of or resulting from this Pledge Agreement (including, without limitation, enforcement of this Pledge Agreement), except claims, losses or liabilities resulting from the Collateral Agent's gross negligence or willful misconduct.

(b) The Company will, upon demand, pay to the Collateral Agent an amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Collateral Agent may incur in connection with (i) the administration of this Pledge Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Pledged Stock, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder or under the Operative Documents, or (iv) the failure of the Company to perform or observe any of the provisions hereof.

15. Successors and Assigns; Termination. This Pledge Agreement shall create a continuing security interest in the Pledged Stock and shall be binding upon the Company, its successors and assigns, and inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and its successors, transferees and assigns. Upon the payment in full in immediately available funds of all of the Secured Obligations and the termination of all commitments to lend under the Operative Documents, the security interest granted hereunder shall terminate and upon such termination the Collateral Agent shall assign, transfer and deliver without recourse and without warranty the Pledged Stock to the Company (and any property received in respect thereof) as has not theretofore been sold or otherwise applied pursuant to the provisions of this Pledge Agreement.

16. Waiver of Jury Trial. The Collateral Agent and the Lenders, in accepting this Pledge Agreement, and the Company, after consulting or having had the opportunity to consult with counsel, knowingly, voluntarily and intentionally waive any right any of them may have to a trial by jury in any litigation based upon or arising out of this Pledge Agreement or any related instrument or agreement or any of the transactions contemplated by this Pledge Agreement or any course of conduct, dealing, statements (whether oral or written) or actions of any of them. Neither the Collateral Agent, the Lenders, nor the Company 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 either the Collateral Agent and the Lenders or the Company except by a written instrument executed by all of them.

PLEDGE AGREEMENT AND IRREVOCABLE PROXY

IN WITNESS WHEREOF, the Company has caused this Pledge Agreement to be duly executed as of the day and year first above written.

JABIL CIRCUIT, INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and Agreed:

NBD BANK, as Collateral Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

PLEDGE AGREEMENT AND IRREVOCABLE PROXY

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EXHIBIT C  
REVOLVING CREDIT NOTE

\$ \_\_\_\_\_

August 6, 1997

FOR VALUE RECEIVED, \_\_\_\_\_, a \_\_\_\_\_ corporation (the "Borrower"), hereby promises to pay to the order of \_\_\_\_\_, a \_\_\_\_\_ (the "Bank"), at the principal banking office of the Agent in lawful money of the United States of America and in immediately available funds, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), or such lesser amount as is recorded on the schedule attached hereto, or in the books and records of the Bank, on the Termination Date; and to pay interest on the unpaid principal balance hereof from time to time outstanding, in like money and funds, for the period from the date hereof until the Revolving Credit Loans evidenced hereby shall be paid in full, at the rates per annum and on the dates provided in the Loan Agreement referred to below.

The Bank is hereby authorized by the Borrower to record on the schedule attached to this Revolving Credit Note, or on its books and records, the date, amount and type of each Revolving Credit Loan, 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 on such schedule, which schedule or such books and records, as the case may be, shall constitute prima facie evidence of the information so recorded, provided, however, that any failure by the Bank to record any such information shall not relieve the Borrower of its obligation to repay the outstanding principal amount of such Revolving Credit Loans, all accrued interest thereon and any amount payable with respect thereto in accordance with the terms of this Revolving Credit Note and the Loan Agreement.

The Borrower and each endorser or guarantor hereof waives demand, presentment, protest, diligence, notice of dishonor and any other formality in connection with this Revolving Credit Note. Should the indebtedness evidenced by this Revolving Credit Note or any part thereof be collected in any proceeding or be placed in the hands of attorneys for collection, the Borrower agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting this Revolving Credit Note, including attorneys' fees and expenses.

This Revolving Credit Note evidences one or more Revolving Credit Loans made under an Amended and Restated Loan Agreement, dated as of August 6, 1997 (as amended or modified from time to time, the "Loan Agreement"), by and among Jabil Circuit, Inc., the Borrowing Subsidiaries designated therein from time to time, the banks (including the Bank) named therein and The First National Bank



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\* E - Eurocurrency Rate  
F - Floating Rate

REVOLVING CREDIT NOTE  
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EXHIBIT D  
SWING LINE NOTE

AUGUST 6, 1997

FOR VALUE RECEIVED, \_\_\_\_\_, a \_\_\_\_\_ corporation (the "Borrower"), hereby unconditionally promises to pay to the order of THE FIRST NATIONAL BANK OF CHICAGO (the "Bank"), at the principal banking office of the Agent in lawful money of the United States of America and in immediately available funds, the unpaid principal amount of the Swing Line Loans as evidenced by the books and records of the Bank, on the Termination Date or such earlier date as the Bank may require under the Loan Agreement referred to below, when the entire outstanding principal amount of the Swing Line Loans evidenced hereby, and all accrued interest thereon, shall be due and payable; and to pay interest on the unpaid principal balance hereof from time to time outstanding, in like money and funds, for the period from the date hereof until the Swing Line Loans evidenced hereby shall be paid in full, at the rates per annum on and the dates provided in the Loan Agreement referred to below.

The Bank is hereby authorized by the Borrower to record on its books and records the date and the amount of each Swing Line Loan, the applicable interest rate, 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 prime facie evidence of the information so recorded, provided, however, that any failure by the Bank to record any such notation shall not relieve the Borrower of its obligation to repay the outstanding principal amount of this Swing Line Note, all accrued interest hereon and any amount payable with respect hereto in accordance with the terms of this Swing Line Note and the Loan Agreement.

The Borrower and each endorser or guarantor hereof waive presentment, protest, notice of dishonor and any other formality in connection with this Swing Line Note. Should the indebtedness evidenced by this Swing Line Note or any part thereof be collected in any proceeding or be placed in the hands of attorneys for collection, the Borrower agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting this Swing Line Note, including attorneys' fees and expenses.

This Swing Line Note evidences Swing Line Loans made under an Amended and Restated Loan Agreement, dated as of August 6, 1997 (as amended or modified from time to time, the "Loan Agreement"), by and among Jabil Circuit, Inc., the Borrowing Subsidiaries designated therein from time to time, the banks (including the Bank) named therein, and The First National Bank of Chicago, as agent for the Banks, to which reference is hereby made for a statement of the circumstances under which this Swing Line Note is subject to prepayment and under which its due date may be accelerated and a description of the collateral and security securing this Swing Line Note. Capitalized terms used but not defined in this Swing Line Note shall have the respective meanings assigned to them in the Loan Agreement.

This Swing Line Note is made under, and shall be governed by and construed in accordance with, the laws of the State of Illinois in the same manner applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State.

-----  
By: -----

Its: -----

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EXHIBIT E  
REQUEST FOR ADVANCE

To each Bank party to  
the referenced Loan Agreement  
c/o The First National Bank of Chicago, as Agent for the Banks  
One First National Plaza  
Chicago, Illinois 60670

Attention: \_\_\_\_\_

\_\_\_\_\_ (the "Borrower") hereby requests a [insert  
Revolving Credit Loan or Letter of Credit Advance] pursuant to Section 2.4  
of \_\_\_\_\_ the Amended and Restated Loan Agreement, dated as of August 6,  
1997 (as amended or modified from time to time, the "Loan Agreement"), among  
Jabil Circuit, Inc., a Delaware corporation (the "Company"), the Borrowing  
Subsidiaries designated from time to time, the Banks referenced therein and you,  
as Agent for the Banks.

[A Revolving Credit Loan is requested to be made in the amount of  
\_\_\_\_\_ (specify amount of Dollars or the relevant Permitted Currency),  
to be made on \_\_\_\_\_, 19\_\_ for the account of the Borrower and  
evidenced by the Borrower's Revolving Credit Notes. Such Loan shall be a [insert  
Eurocurrency Rate Loan or Floating Rate Loan] and the initial Interest Period,  
if such requested Loan is a Eurocurrency Rate Loan, shall be [insert permitted  
Interest Period].]

[Such Letter of Credit Advance shall be made by the issuance by the  
Agent of its Letter of Credit for the account of the Borrower in the maximum  
stated amount of \$\_\_\_\_\_ to and for the benefit of \_\_\_\_\_ with a  
stated expiry date of \_\_\_\_\_, 199\_\_, and containing the further terms and  
conditions set forth in the attached letter of credit application to the Agent.]

In support of this request, the Borrower hereby represents and  
warrants to the Agent and the Banks that:

1. The representations and warranties contained in Article IV of the  
Loan Agreement are true and correct in all material respects on and as of the  
date hereof, and will be true and correct in all material respects on the date  
such Advance is made (both before and after such Advance is made), as if such  
representations and warranties were made on and as of such dates.

2. No Event of Default or Default has occurred and is continuing or  
will exist on the date such Advance is made and such Advance shall not cause an  
Event of Default or Default.

Acceptance of the proceeds of such Advance by the Borrower shall be deemed to  
be a further representation and warranty by the Borrowers that the  
representations and warranties made herein are true and correct in all material  
respects at the time such proceeds are disbursed. Capitalized terms used but  
not defined herein shall have the respective meanings assigned to them in the  
Loan Agreement.

[SIGNATURE OF REQUESTING BORROWER]

By: -----

Its: -----

Dated: \_\_\_\_\_, 199  
-----

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EXHIBIT F

August 6, 1997

Each of the Banks party to the  
Loan Agreement referenced below  
c/o The First National Bank of Chicago, as Agent for the Banks  
One First National Plaza  
Chicago, Illinois 60670

Ladies and Gentlemen:

We refer to the Amended and Restated Loan Agreement, dated as of August 6, 1997 (the "Loan Agreement") by and among Jabil Circuit, Inc., a Delaware corporation (the "Company"), Jabil Circuit of Michigan, Inc., a Michigan corporation (the "Guarantor"), certain subsidiaries designated as borrowing subsidiaries therein (the "Borrowing Subsidiaries", and collectively with the Company, the "Borrowers"), the banks parties thereto the ("Banks") and The First National Bank of Chicago, a national banking association located in Chicago, Illinois, as agent for the Banks (in such capacity, the "Agent"). We have been requested by the Company and the Guarantor to give our opinion pursuant to Section 2.5(f) of the Loan Agreement and, for purposes of this opinion, the terms used in this opinion which are not defined herein shall have the respective meanings, set forth in the Loan Agreement.

We have examined the Loan Agreement, the Notes and the other Loan Documents (collectively, the "Loan Documents") executed by the Company and the Guarantor and certified copies of the Company's and the Guarantor's articles of incorporation, by-laws and board of directors' resolutions authorizing the Company's and the Guarantor's participation in the transactions contemplated by the Loan Agreement. We have also examined the closing documents delivered pursuant to the Loan Agreement and copies of all such documents and records of the Company and the Guarantor and all such other documents and records, and have made such investigations of law, as we have deemed necessary and relevant as a basis for our opinion. With respect to material factual matters not independently established by us, we have relied upon certificates of officers of the Company and the Guarantor, which reliance we deem appropriate in the circumstances.

Based upon the foregoing, it is our opinion that:

1. Each of the Company and the Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and is duly qualified to do business, and is in good standing, in all additional jurisdictions where such qualification is necessary under applicable law. The Company and the 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.

2. The execution, delivery and performance by the Company and the 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 law, rule or regulation, or any judgment, decree, writ, injunction, order or award

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of any arbitrator, court or governmental authority, or of the terms of the Company's or the Guarantor's respective charter or by-laws, or of any contract or undertaking to which the Company or the Guarantor is a party or by which the

Company or the Guarantor or any of their property may be bound or affected and will not result in the imposition of any Lien on any of their property except for Permitted Liens.

3. The Loan Documents to which the Company and the Guarantor is a party are the legal, valid and binding obligations of the Company and the Guarantor, enforceable against the Company and the Guarantor in accordance with their respective terms.

4. Except as set forth in Schedule 4.5 of the Loan Agreement, there is no action, suit or proceeding pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its respective Subsidiaries before or by any court, governmental authority or arbitrator, which if adversely decided might have, either individually or collectively, a Material Adverse Effect and, to the best of the Company's knowledge, there is no basis for any such action, suit or proceeding.

5. Except for such consents, approvals, authorizations, declarations, registrations or filings delivered by the Company or the Guarantor pursuant to Section 2.5(g) of the Loan Agreement, 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 or entity, including without limitation any creditor, lessor or stockholder of the Company or the Guarantor or any of their respective Subsidiaries, is required on the part of the Company or the Guarantor in connection with the execution, delivery and performance of the Loan Documents or the transactions contemplated by the Loan Agreement or as a condition to the legality, validity or enforceability of the Loan Documents.

6. The execution and delivery by the Company of the Pledge Agreement, together with delivery by the Company to the Agent of the stock certificates listed on Schedule 1 of the Pledge Agreement, create valid and perfected security interests in the Pledged Stock (as defined in the Pledge Agreement) in favor of the Agent, for the benefit of the Banks.

This opinion is subject to the qualifications that the enforcement of the rights and remedies set forth in the Loan Documents are subject to the effect of applicable bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally, and general principles of equity, whether applied in a proceeding at law or in equity.

Very truly yours,

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EXHIBIT G

REQUEST FOR CONTINUATION OR  
CONVERSION OF LOAN

[Date]

To each Bank party to  
the referenced Loan Agreement  
c/o The First National Bank of Chicago,  
as Agent for the Banks  
One First National Plaza  
Chicago, Illinois 60670

Attention: \_\_\_\_\_

\_\_\_\_\_ (the "Borrower") hereby requests that \_\_\_\_\_  
(specify amount of Dollars or relevant Permitted Currency) of the principal  
amount of the Loan originally made on \_\_\_\_\_, 19\_\_\_\_, which Loan is currently a  
[insert type of Loan], be continued as or converted to, as the case may be, a  
[insert type of Loan requested] denominated in \_\_\_\_\_ (specify Dollars or  
relevant Permitted Currency) on \_\_\_\_\_, 19\_\_\_\_. If such Loan is requested

to be converted to a Eurocurrency Rate Loan, the Designated Borrower hereby elects an Interest Period for such Loan of [insert permitted Interest Period].

In support of this request, the Borrower hereby represents and warrants to the Agent and the Banks that:

1. The representations and warranties contained in Article IV of the Loan Agreement are true and correct in all material respects on and as of the date hereof, and will be true and correct in all material respects on the date such Loan is [continued][converted] (both before and after such Loan is [continued] [converted]), as if such representations and warranties were made on and as of such dates.

2. No Event of Default or Default has occurred and is continuing or will exist on the date such [Loan][Advance] is [continued][converted] (whether before or after such Loan is [continued][converted]).

Acceptance of the proceeds of such [continued][converted] Loan by the Borrower shall be deemed to be a further representation and warranty that the representations and warranties made herein are true and correct in all material respects at the time of such [continuation][conversion].

Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Amended and Restated Loan Agreement, dated as of August 6, 1997 among Jabil Circuit, Inc., the Borrowing Subsidiaries designated therein from time to time, the banks named therein and you as Agent for the banks.

[SIGNATURE OF REQUESTING BORROWER]

By: \_\_\_\_\_

Its: \_\_\_\_\_

REQUEST FOR CONTINUATION OR  
CONVERSION OF LOAN

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EXHIBIT H

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated Loan Agreement dated as of August 6, 1997 (the "Loan Agreement") among Jabil Circuit, Inc., a Delaware corporation (the "Company"), certain Borrowing Subsidiaries named therein (the Borrowing Subsidiaries and the Company may be referred to individually as a "Borrower" and, collectively, as the "Borrowers") the banks named therein (the "Banks") and The First National Bank of Chicago, as agent for the Banks (the "Agent"). Terms defined in the Loan Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule 1 agree as follows:

1. The Assignor hereby sells and assigns (without recourse) to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Loan Agreement as of the date hereof equal to the percentage interest specified on Schedule 1 of all outstanding rights and obligations under the Loan Agreement. After giving effect to such sale and assignment, the Assignee's Commitments and the amounts of the Loans owing to the Assignee will be as set forth on Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto; (iii) 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 the Loan Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note or Notes held by the Assignor and requests that the Agent exchange such Note or Notes for a new Note or Notes payable to the order of the Assignee in an amount equal to the Commitments assumed by the Assignee pursuant hereto and the Assignor in an amount equal to the Commitments retained by the Assignor under the Loan Agreement, respectively, as specified on Schedule 1.

3. The Assignee (i) confirms that it has received a copy of the Loan Agreement, together with copies of the financial statements referred to in Section 4.6 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms of all of the obligations that by the terms of the Loan Agreement are required to be performed by it as a Bank; and (v) if the Assignee is organized under the laws of a jurisdiction outside the United States, attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding

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taxes with respect to all payments to be made to the Assignee under the Loan Agreement and the Notes or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Loan Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Loan Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Loan Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of Illinois.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall

be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

ASSIGNMENT AND ACCEPTANCE

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SCHEDULE 1.1(a)  
BORROWING SUBSIDIARIES

Borrowing Subsidiary -----	Jurisdiction of Incorporation -----
Jabil Circuit Ltd.	Scotland

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SCHEDULE 1.1(b)  
MEMBER COUNTRIES OF THE ORGANIZATION FOR  
ECONOMIC COOPERATION AND DEVELOPMENT  
AS OF THE EFFECTIVE DATE

Austria  
Belgium  
Canada  
Denmark  
France  
Germany  
Greece  
Iceland  
Italy  
Ireland  
Luxembourg  
Netherlands  
Norway  
Portugal  
Spain  
Sweden  
Switzerland  
Turkey  
United Kingdom  
United States  
Japan  
Finland  
Australia  
New Zealand

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SCHEDULE 4.4

SUBSIDIARIES

Name of Corporation -----	Jurisdiction of Incorporation -----	Owned By -----	Percentage Owned -----
Jabil Circuit, Ltd.	Scotland	Jabil Circuit, Inc.	100%
Jabil Circuit Sbn. Bhd. Malaysia		Jabil Circuit, Inc.	100%
Jabil Circuit of Michigan, Inc.	Michigan	Jabil Circuit, Inc.	100%
Jabil Circuit Foreign Sales Corporation	Barbados	Jabil Circuit, Inc.	100%

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SCHEDULE 4.5

LITIGATION

NONE

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SCHEDULE 5.2(e) and (f) TO LOAN AGREEMENT

INDEBTEDNESS AND LIENS

Construction Loan Agreement dated as of December 1, 1992 between Jabil Circuit, Inc. and NBD Bank, secured by a real estate mortgage on premises located in Auburn Hills, Michigan.

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SCHEDULE 5.2(j)

INVESTMENTS, LOANS AND ADVANCES

None

LEASE

Between:

CHARRINGTON ESTATES, a Michigan Limited Partnership

and

JABIL CIRCUIT, INC.

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THIS LEASE made this 1st day of October, 1997, between CHARRINGTON ESTATES, a Michigan Limited Partnership, whose address is 2301 West Big Beaver Road, Suite 900, Troy, Michigan, 48084, (hereinafter referred to as "Landlord") and JABIL CIRCUIT, INC., a Delaware Corporation, whose address is 10800 Roosevelt Blvd., St. Petersburg, Florida 33716 (hereinafter referred to as "Tenant").

WITNESSETH

BASIC LEASE PROVISIONS.

- A. Lease Term: 60 Months
- B. Commencement Date: October 1, 1997  
Rental Commencement Date: December 1, 1997
- C. Expiration Date: November 30, 2002
- D. Monthly Base Rent: Twenty-four Thousand Five Hundred Nine and 56/100 Dollars (\$24,509.56)
- E. Annual Base Rent: Two Hundred Ninety-four Thousand One Hundred Fourteen and 70/100 Dollars (\$294,114.70)
- F. Payee of Rent ("Payee"): Charrington Estates Limited Partnership
- G. Address for Payment of Rent: 2301 West Big Beaver Road  
Suite 900  
Troy, Michigan 48084
- H. Leased Premises consists of approximately 53,966 square feet
- I. Address of Building Within Which the Leased Premises are Located ("Building"):  
50 Corporate Drive  
Auburn Hills, Michigan 48326
- J. Security Deposit: Twenty-four Thousand Five Hundred Nine and 56/100 Dollars (\$24,509.56)
- K. Tenant's Share of Applicable Taxes: 40.2 percent
- L. Tenant's Share of Maintenance: 40.2 percent
- M. Broker: Signature Associates
- N. Tenant Floor Plan Due: October 15, 1997
- O. Exhibits to Lease:
- (1) Legal Description - Site and Site Plan.
  - (2) Leased Premises Parcel.

- (3) Building Specifications.
- (4) Guaranty

Page 1

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## AGREEMENT OF LEASE

### THE PREMISES

IN CONSIDERATION of the rents to be paid and the mutual covenants, promises and agreements herein set forth, Landlord and Tenant agree as follows:

Landlord hereby leases unto Tenant certain premises within a building, on land situated in Auburn Hills, Michigan, which premises are more particularly described on Exhibit "1" and Exhibit "2" attached hereto and which is incorporated herein hereby referred to as the "Leased Premises".

### SECTION 1

#### CONSTRUCTION AND IMPROVEMENTS

1.01. Landlord agrees, prior to the commencement of the term of this Lease, at Landlord's sole cost and expense, to complete certain Tenant office improvements to the Premises in accordance with Plans, which have been approved by both parties no later than October 15, 1997, and which are by this reference made a part hereof per specifications described on Exhibit "3". No minor change from such Plans which may be necessary during the preparation of the Premises for Tenant shall affect, change or invalidate this Lease. Landlord shall further provide a paved, striped parking lot and landscaping in accordance with the plans approved from the City of Auburn Hills. It is understood and agreed by Tenant that any minor changes from any plans or specifications during construction of the building shall not relieve Tenant of its obligations under this lease agreement. Landlord's construction work shall be pursuant to applicable ordinances, regulations and laws. Exterior items such as landscaping, sprinkling system, line painting, which as yet are uncompleted, shall not be a basis to delay possession or the commencement date of this Lease.

### SECTION 2

#### TERM OF LEASE

2.01. The term of this Lease shall begin on October 1, 1997, ("the Commencement Date") and shall end on October 31, 2002, unless sooner terminated as herein set forth. The term as fixed by this Section 2 shall hereafter be referred to as the "original term".

2.02. If Landlord shall be unable for any reason to give possession of the Premises on the Commencement Date by reason of unavailability of materials, labor disputes, Acts of God or other casualty, changes in the Plans requested by Tenant, or any other causes whatsoever, Landlord shall not be subject to any liability or liable for damages to Tenant for the failure to give possession on such date but the rent to be paid herein shall not commence until the Premises are ready for occupancy by Tenant and the rental therefor shall be postponed and the term of the Lease extended. No such failure to give possession on the date of the commencement of the term shall affect the validity of this Lease or the obligations of Tenant hereunder. If permission is given to Tenant to enter into possession of the Premises, or to occupy Premises other than the Leased Premises, prior to the date specified as the commencement of the term of this Lease, Tenant covenants and agrees that such occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this Lease.

It is understood that if the building shall not be completed as set forth herein at the time provided, as a result of any cause or reason, the Landlord shall not be liable in damages to the Tenant therefor, but during the period the building shall not be completed

as hereinbefore provided, the rental therefor shall be postponed and the term of the Lease extended. Notwithstanding the provisions of this Section 2.02 above, if Landlord fails to deliver possession of the Premises within one hundred twenty (120) days of the Commencement Date specified in the Basic Lease Provisions above, through no fault or delay on the part of Tenant, then Tenant may cancel this Lease by written notice to Landlord within ten (10) days of the expiration of such one hundred twenty (120) day period.

Upon Landlord's securing a temporary certificate of occupancy, Landlord shall deliver possession of the building known as 50 Corporate Drive to Tenant with free rent until rental commencement date of December 1, 1997. Although Tenant shall have possession and use of the exterior facilities, i.e., the parking lot as of the commencement date, Tenant shall not enter, use, or occupy the building known as 50 Corporate Drive until the City of Auburn Hills has issued a Temporary Certificate of Occupancy.

2.03. On the Commencement Date or within a reasonable time thereafter upon request by Landlord, Tenant shall execute a written instrument confirming the Commencement Date and rental commencement date and the date on which the term shall end.

### SECTION 3

#### BASIC RENTAL

3.01. In consideration of the leasing aforesaid, Tenant hereby covenants and agrees to pay Landlord, at such place as Landlord may hereafter from time to time designate in writing, a minimum annual net rental for the original term of the Lease equal in total amount Two Hundred Ninety-four Thousand One Hundred Fourteen and 70/100 Dollars (\$294,114.70) per year, payable without deduction or set off in advance on the first day of each month in equal installments of Twenty-four Thousand Five Hundred Nine and 56/100 Dollars (\$24,509.56) each throughout the Lease Term. Receipt of Forty-nine Thousand Nineteen and 12/100 Dollars (\$49,019.12) representing the first month's rent and security deposit is hereby acknowledged upon execution of this Lease.

3.02. The basic rental shall be net to Landlord, so that this Lease shall yield, net, to Landlord, not less than the basic net rental specified in Section 3.01 hereof during the term of this Lease, and that all costs, expenses and charges of every kind and nature relating to the Premises which may be attributable to, or become due during the term of this Lease shall be paid by Tenant, and that Landlord shall be identified and saved harmless by Tenant from and against the same.

### SECTION 4

#### LATE CHARGE/INTEREST

4.01. Any rent unpaid for more than seven (7) days after such rent is due and any rent received and accepted more than seven (7) days after such rent is due shall be subject to a late charge of five (5%) percent of such rent, and such late charges shall be due from Tenant to Landlord as additional rent on or before the next rental due date. Any default in the payment of rent shall not be considered cured unless and until such late charges are paid by Tenant to Landlord. On default of payment of such late charges, Landlord shall have the same remedies as on default in payment of rent. Such late charges shall be in addition to any other rights or remedies Landlord may have as provided by this Lease or as allowed by law.

4.02. If any rent, any late charges, or any other sums payable by Tenant to Landlord under this Lease are not paid within fifteen (15) days after such rent, late charges or other sums are due, such rent, late charges or other sums shall bear interest at the rate

of five percentage points above the effective prime interest rate per annum charged by Michigan National Bank to its best commercial customers. Such interest shall be due from Tenant to Landlord as additional rent on or before the next rental due date and shall accrue from the date that such rent, late charges or other sums are payable under the terms of this Lease. Such interest for rent, late charges and other sums shall continue to the date such rent, late charges or other sums are paid by Tenant. Any default in the payment of rent, late charges or other sums shall not be considered cured unless such interest is paid by Tenant to Landlord. On default of payment of such interest, Landlord shall have the same remedies as on default in payment of rent. Such interest shall be in addition to any other rights or remedies Landlord may have as provided by this Lease or as allowed by Law.

SECTION 5

TAXES

5.01. Tenant shall pay, as additional rent, to Landlord during the term of this Lease its proportionate share of all taxes and assessments which may be levied or assessed by any lawful authority, for each calendar year during the term hereof, against the land, building, common area and improvements comprising the Leased Premises including any special assessments. (Such taxes and assessments being hereinafter called "Taxes".) Should the State of Michigan or any political subdivision thereof or any governmental authority having jurisdiction thereover, now or hereafter impose a tax and/or assessment of any kind or nature upon, against or with respect to the rentals payable by Tenant to Landlord or any income of Landlord derived from the Leased Premises or with respect to Landlord's or the individuals or entities which form the Landlord herein, ownership of the land, and building or buildings comprising the Leased Premises, either by way of substitution for all or any part of the taxes and assessments levied or assessed against such land and such building or buildings, or in addition thereto, such tax and/or assessment shall be deemed to constitute a tax and/or assessment against such land and such building or buildings for the purpose of this paragraph and Tenant shall be obligated to pay it as provided herein. In addition, should any governmental authority having jurisdiction thereover impose a tax or surcharge of any kind or nature upon, against or with respect to the parking areas or the number of parking spaces comprising the Leased Premises, such tax or surcharge shall likewise be deemed a constituted tax and/or assessment against such land and such building or buildings for the purpose of this paragraph and Tenant shall be obligated to pay such tax provided herein. Tenant's prorate share of taxes shall be as listed in Basic Lease Provisions (K) on page 1.

Notwithstanding the foregoing, all assessments that may be levied or assessed against the Leased Premises shall be paid by Landlord over the longest permitted time period without penalty and only that portion required to be paid within any one (1) year shall be included in determining Tenant's prorate share of taxes and assessments as provided herein.

5.02. Tenant's proportionate share of all the foregoing Taxes shall be paid in monthly installments on or before the first day of each calendar month, in advance, in an amount estimated by Landlord; provided that Landlord shall have the right to initially determine monthly estimates and to revise the estimate from time to time. If the Tenant underpays the Taxes under this Section for any calendar or fiscal year during the term of this Lease, Tenant shall pay to Landlord the difference between the amount paid in installments and the amount due within ten (10) days. If, however, Tenant has overpaid the Taxes, the difference between the amount paid in installments and the amount actually due shall be credited against the next installment(s) due under this Section. Tenant shall also pay its prorate share of the costs incurred by Landlord in its effort to contest Taxes. A copy of the tax bill or assessment bill submitted to Tenant shall at all times be sufficient evidence of the amount of Taxes paid. Landlord's and Tenant's obligation under this Article shall

survive the expiration of this Lease. All Taxes shall be pro-rated and adjusted both at the commencement and expiration of this Lease on a due date basis. Tenant shall timely pay its share of such Taxes upon receipt of the tax bill and Landlord's statement of the actual amount of Tenant's share for such calendar year, within ten (10) days of receipt of such statement and before such shall become delinquent.

Landlord shall pay all such Taxes by the due date for the same. If Tenant desires to contest any assessment or validity of any real property tax and gives the Landlord written notice of this intent, then Tenant may contest such assessment or tax without being in default hereunder. Tenant shall indemnify Landlord and hold Landlord harmless from all costs, expenses and damages arising out of any contest made by Tenant.

5.03. In the event Tenant shall, with the consent of Landlord as elsewhere required by this Lease, construct improvements upon or alterations to the Premises, or change its use of the Premises, in such a manner and to such an extent as to disproportionately increase the burden of real estate taxes thereby, Tenant agrees that its share of such taxes may be increased by Landlord after reasonable notice to Tenant. Landlord's notice shall reasonably inform Tenant as to the basis and method of calculation of such increase.

SECTION 6

INSURANCE

6.01. Tenant, at its own expense, shall maintain for the mutual benefit of Landlord and Tenant, insurance of the following character:

- A. General public liability insurance against claims for bodily injury, death or property damage occurring on, at or about the Leased Premises, such insurance to afford protection of Landlord and such other parties as Landlord shall then designate, of not less than Three Million Dollars (\$3,000,000.00) with respect to bodily injury or death to any one person, not less than Three Million Dollars (\$3,000,000.00) with respect to any accident or occurrence and not less than One Million Dollars (\$1,000,000.00) with respect to property damage. Policies For such insurance shall be for the mutual benefit of Landlord, Tenant and such other parties as Landlord may designate, all of whom shall be deemed insureds.
- B. Workmen's compensation covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury shall be asserted against Landlord, Tenant or the demised premises.
- C. Rent insurance in amounts equal to Tenant's total rental obligation for twelve (12) full months under this Lease plus the total of the estimated cost to Tenant of taxes, assessments and insurance premiums for such period and common area maintenance.
- D. Fire, extended coverage, broad form, all risks and vandalism coverage in form and substance satisfactory to Landlord to fully protect the Landlord using not less than One Hundred percent (100%) of the full replacement cost of the building and its improvements without co-insurance and without deduction for depreciation and having a deductible of not more than One Thousand Dollars (\$1,000 00). The amount of such insurance shall be revised annually to reflect current replacement costs. At the commencement of the lease term, it is agreed that the replacement value shall be not less than Two Million Dollars (\$2,000,000.00).

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- E. The Tenant shall also be Responsible for all glass damage on or within the premises and shall obtain its own insurance for all improvements, fixtures, goods, materials, and inventory.
- F. Landlord along with any desired mortgagee, if required, are to be named as additional insureds under all policies.

6.02. All insurance policies required under this Section shall be issued by companies of recognized financial standing, rated at least A+ XII by Best's Insurance Guide and duly licensed to do business under the laws of the State of Michigan. Every policy which Tenant is obligated to carry under the provisions of this Section shall contain an agreement by the insurer that it will not cancel or materially modify such policy except after twenty (20) days prior written notice to Landlord. Tenant shall deliver to Landlord, prior to delivery of its occupancy of the demised premises, the original or duplicate policies or certificates of the insurers, evidencing all of the insurance which is required to be maintained by Tenant hereunder, and Tenant shall within thirty (30) days prior to the expiration of any such insurance deliver the original or duplicate policies or other certificates of the insurers evidencing the renewal of such insurance. If Tenant fails to effect, maintain or renew any insurance provided for in this Section, or to pay the premium therefor, or to deliver to Landlord any such policies or certificates then in any of said events, Landlord, at its option, but without obligation so to do, may upon five (5) days notice to Tenant, procure such insurance. Any sums expended by Landlord to procure such insurance shall be additional rent hereunder and shall be repaid by Tenant within five (5) days following the date on which expenditures shall be made by Landlord. Failure to provide insurance certificates as specified herein shall constitute waste and an act of default.

6.03. Such insurance may be so called "blanket" policy coverage, provided, however, that such "blanket" policy coverage allocates a satisfactory amount of insurance to the demised premises, that this amount is not subject to deduction because of co-insurance, and that adjustment in payment of the insurance so allocated will be in the amounts specified in the Lease. Further, said blanket coverage shall not be subject to invalidation as to the demised premises because of any act or omission by the Tenant.

6.04. Tenant covenants to indemnify, defend Landlord, and save it harmless from and against any and all claims, actions, damages, liability and expense, including attorney fees, in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Leased Premises or the occupancy or use by Tenant of the Leased Premises or any part thereof, arising from or out of Tenant's failure to comply with any provisions of this Lease or occasioned wholly or in part by any act or omission of Tenant, its agents, contractors, employees, servants, customers or licensees. For the purpose hereof, the Leased Premises shall include service areas adjoining the same, the parking areas, and the loading platform areas. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect, defend and hold it harmless and shall pay all costs, expenses and reasonable attorney fees that may be incurred in enforcing the Tenant's covenants and agreements in this Lease.

6.05. That it is specifically understood and agreed that if the Premises are destroyed in whole or in part by fire or other casualty, all insurance proceeds shall be payable to and assigned to and be the sole and separate property of the Landlord and that Tenant shall have no claim or rights thereunder. However, such insurance coverage which is solely maintained independently by the Tenant through policies for their contents and its fixtures shall be payable to the Tenant or as is provided within said policies.

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## ASSIGNMENT

7.01. Without the previous written consent of Landlord, neither Tenant, nor Tenant's legal representatives or successors in interest by operation of law or otherwise, shall assign or mortgage this Lease, or sublet the whole or any part of the demised premises or permit the demised premises or any part thereof to be used or occupied by others. The sale of fifty percent (50%) or more of the capital or voting stock of Tenant, (if Tenant is a non-public corporation) or transfers aggregating fifty percent (50%) or more of Tenant's partnership interest (if Tenant is a partnership) shall be deemed to be assignment of this Lease. Any consent by Landlord to any act of assignment or subletting shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of Tenant, or the legal representatives or assigns of Tenant, to obtain from Landlord consent to any other or subsequent assignment or subduing, or as modifying or limiting the rights of Landlord under the foregoing covenant by Tenant not to assign or sublet without such consent. Any violation of any provision of this Lease, whether by act or omission, by any assignee, subtenant or under-tenant or occupant, shall be deemed a violation of such provision by Tenant, it being the intention and meaning of the parties hereto that Tenant shall assume and be liable to Landlord for any and all acts and omissions of any and all assignees, subtenants or undertenants or occupants. If this Lease is assigned, Landlord may and is hereby empowered to collect rent from the assignee; if the demised premises or any part thereof is underlet or occupied by any person other than Tenant, Landlord, in the event of Tenant's default, may, and is hereby empowered to, collect rent from the under-tenant or occupant, in either of such events, Landlord may apply the net amount received by it to the rent herein reserved, and no such collection shall be deemed a waiver of the covenant herein against assignment and underletting, or the acceptance of the assignee, under-tenant or occupant as tenant, or a release of Tenant from the further performance of the covenants herein contained on the part of Tenant or from fulfilling the terms and conditions of this Lease. In event that through subletting or assignment such subtenant or assignee shall pay a greater amount of rental than Tenant hereunder, or any additional consideration to Tenant, then any such increased rental and consideration shall be paid solely to Landlord as additional rent hereunder.

## SECTION 8

### RIGHT TO MAKE ALTERATIONS

8.01. Without the previous written consent of Landlord, Tenant shall not make any physical alterations, changes, and/or improvements to the Leased Premises, including without limiting the generality thereof, any structural changes or modifications, or any change or modification to the plumbing, heating, cooling, electrical, mechanical, and roof systems or such changes that require a building or other permit from the municipality, or the installation of heavy industrial equipment, and cranes. That with the prior written consent of Landlord as hereinafter provided, the Tenant shall have the right at anytime during the Lease Term, at its own cost and expense, to make such alterations, changes, improvements and remodeling to the Leased Premises, as have been approved or consented to in writing by Landlord prior to such construction, alteration or improvement. Any such alteration shall be in conformity with the Building and Safety Laws of the Municipality, County and State and the Tenant shall have obtained and delivered to the Landlord all permits, consents and other instruments which may be necessary or required by any public or quasipublic authority permitting and authorizing such alterations, changes, improvements and remodeling prior to undertaking any such change, modification or alteration. It is agreed that Landlord reserves to itself, as a condition of giving written consent, the right to require of Tenant, in form and substance satisfactory to Landlord.

- A. Detailed drawings, plans and specifications of any alteration or modification prior to construction, including samples of materials to be used.

- B. Appropriate certificates of and proof of insurance with endorsements and in such amounts and providing such coverage as is satisfactory to Landlord in its discretion.
- C. Requirements for evidence of payment, including appropriate unconditional waivers of lien and sworn statements, as shall be satisfactory to Landlord.

Landlord shall advise Tenant in writing which alterations, changes or modifications to the Premises must be removed by Tenant upon termination or expiration of the Lease when giving written consent. Tenant shall not be required nor shall Tenant upon termination of the Lease remove any improvements made by Tenant unless such improvements are so designated to be left by Landlord in writing. Tenant shall provide Landlord "as built" drawings showing all alterations and changes and the location of all wiring, electrical, plumbing, heating and cooling conduits and pipes, machinery and apparatus.

Tenant shall use only new first class materials in the completion of Tenant's work. Any warranties provided to Tenant shall be delivered to the Landlord by the Tenant and shall run directly to Landlord.

- D. Tenant shall restore any damage caused by the removal of all alterations and improvements or reimburse Landlord for the cost or repairing such damage prior to termination or expiration of its occupancy. Notwithstanding the terms of this Article to the contrary, Tenant may install without Landlord's consent, trade fixtures and movable apparatus which are not attached or affixed to the building and not cause damage to said building, the foundation or any structural portion or component of the Leasehold premises.
- E. Tenant shall be required to repair and restore the floor of the Leased Premises, as well as all other areas affected by the removal of any equipment installed by Tenant which has had Landlord's prior written consent, at its sole cost and expense, or reimburse Landlord for the cost of the repair and /or restoration within five (5) business days of the date Landlord presents its invoice for the cost of the repair and/or restoration. In the event Landlord shall determine and request that the repairs and/or restoration undertaken by Tenant shall require further repair and/or restoration, Tenant shall immediately satisfy the request of Landlord. All floors and surfaces shall be filled in or utilize appropriate materials, carpeting, etc., as are approved in writing by Landlord prior to the commencement of such repair and/or restoration. The determination of the area(s) of damage and adequacy of the repair and/or restoration of the damage to the Lease Premises, as the result of machinery and equipment or use of such, in Tenant's business shall be at the sole discretion of the Landlord.

All fixtures and equipment paid for by the Landlord and all fixtures and equipment which may be paid for and placed on the Premises by the Tenant from time to time but which are so incorporated and affixed to the building that their removal would involve damage or structural change to the buildings, shall be and remain the property of the Landlord.

All furnishings, equipment and fixtures other than those specified in Section 8 which are paid for and placed on the Premises by Tenant from time to time (other than those which are replacements for fixtures originally paid for by Landlord) shall remain the

property of the Tenant provided, however, that Tenant shall be responsible for the repair of any damage resulting to the building or the Premises from the removal thereof.

## EMINENT DOMAIN

9.01. If the whole or more than Fifty percent (50%) of the Premises hereby leased shall be taken by any public authority under the power of eminent domain, then the term of this Lease shall cease on the part so taken, from the day of possession of that part shall be required for any public purpose and rent shall be paid up to that day and from that day both Landlord and Tenant shall each have the right either to cancel this Lease and declare the same null and void or Tenant may continue in the possession of the remainder of the Lease Term under the terms and conditions of the Lease herein provided, except that the rent shall be reduced in proportion to the amount of the Premises taken. All damages awarded for such taking shall belong to and be the property of the Landlord whether such damages shall be awarded as compensation for diminution in value to the Leasehold or the fee of the Premises herein leased; provided, however, that the Landlord shall not be entitled to any portion of the award made the Tenant for loss of its business, or for Tenant's cost of vacating that part or all the Premises so taken.

In the event any part of the Leased Premises shall be taken under the power of eminent domain by any legally constituted authority, and there remains a sufficient amount of space to permit Tenant to carry on its business in a manner comparable to which it has become accustomed, then this Lease shall continue, but the obligation to pay rent on the part of the Tenant shall be reduced in an amount proportionate to the area and relative value of the entire premises taken by such condemnation. In the event all of the Leased Premises shall be taken, or so much of the premises and common areas taken that it is not feasible to continue a satisfactory operation of the business of the Tenant, then Tenant may terminate this Lease. Such termination shall be without prejudice to the rights of either the Landlord or the Tenant to recover compensation from the condemning authority for any loss or damage caused by such condemnation. Neither the Landlord nor Tenant shall have any right in or to any award made to the other by the condemning authority.

## SECTION 10

### OPERATION AND MAINTENANCE OF COMMON AREAS

10.01. Landlord agrees to cause to be operated and maintained during the term of this Lease certain common areas servicing the building and other buildings of Landlord. The manner in which such areas and facilities shall be operated and maintained, and the expenditures therefor, shall be at the sole discretion of Landlord and the use of such areas and facilities shall be subject to such reasonable regulations as Landlord shall make from time to time.

### USE OF COMMON AREAS

10.02. The term "common area", as used in this Lease, shall mean (i) the following: parking areas, roadways, driveways and retention ponds (if applicable), and other areas, amenities, facilities and improvements provided by Landlord, (ii) those areas adjacent to the building which from time to time may be provided by the owners of such areas for the convenience and use of Landlord, the Tenants of the building and their respective agents, employees, customers, invitees and all other licensees and others entitled to the use thereof and (iii) any other facilities or areas, outside the building, as may be designated by Landlord from time to time if applicable. The use and occupancy by Tenant of the Leased Premises shall include the use of the common areas in common with Landlord and with all others for whose convenience and use the common areas have been or may hereafter be

provided by Landlord, subject, however, to rules and regulations for the use thereof as prescribed from time to time by or the owner of such common area.

### TENANT'S PRO RATA SHARE OF EXPENSES.

10.03. (a) Tenant agrees to pay to Landlord in the manner hereinafter

provided, but not more often than once each calendar month, Tenant's proportionate share of: (1) all cost and expenses of every kind and nature paid or incurred by Landlord in operating, equipping, lighting, providing sanitation and sewer and other services, repairing, replacing and maintaining the (i) common areas, and (ii) all other areas, facilities and buildings, retention ponds (if applicable), and any and all facilities and improvements, which are used in connection with maintenance and/or operation of the building of which the Leased Premises are a part; such cost and expenses shall include, but shall not be limited to, the full cost of: illumination and maintenance of signs, refuse disposal, water, gas, sewage, electricity and other utilities (without limitation), including any and all usage, service, hook up, connection, availability and/or standby fees or charges pertaining to same; cleaning, lighting, striping and landscaping; curbs, gutters, sidewalks, drainage and irrigation ditches, conduits, pipes and canals located on or adjacent to the building; premiums for liability, casualty, and property insurance; personal property taxes; licensing fees and taxes; real estate taxes and assessments and substitutions and replacements thereof levied or assessed by municipal, county, state, federal or other taxing or assessing authority upon, against or with respect to the common areas and/or the land thereunder and the land on which the building is located, and all property; cost, lease payment or depreciation of any equipment used in the operation or maintenance of the common areas; (2) an amount equal to ten percent (10%) of the total of all of the foregoing costs and expenses, to compensate Landlord for administration and management services. The proportionate share to be paid by Tenant shall be that portion of the foregoing costs and expenses which the number of square feet of floor area in the Leased Premises bears to the total number of square feet of leased floor area of the building of which the Leased Premises are a part as determined solely by Landlord.

(b) Tenant's proportionate share of such costs and expenses for each lease year shall be paid in monthly installments on the first day of each calendar month, in advance, in an amount estimated by Landlord from time to time. Subsequent to the end of each calendar or fiscal lease year (at Landlord's option), Landlord shall furnish Tenant with a statement of the actual amount of Tenant's proportionate share of such cost and expenses for such period. If the total amount paid by Tenant under this Section for any such year shall be less than the actual amount due from Tenant for such year as shown on such statement, Tenant shall pay to Landlord the difference between the amount paid by Tenant and the actual amount due, such deficiency to be paid within ten (10) days after the furnishing of each such statement, and if the total amount paid by Tenant hereunder for any such year shall exceed such actual amount due from Tenant for such year, such excess shall be credited against the next installment due from Tenant to Landlord under this Section. Landlord may estimate the annual budget and charge the estimated share to the Tenant on a monthly basis subject to revision by Landlord of the budget from time to time and final annual adjustment based upon actual expenses. Neither the provisions of this Section, nor any of the other requirements or restrictions imposed upon Tenant under this Lease, shall excuse Tenant from its obligation to comply with laws and ordinances and other governmental requirements. Tenant shall be entitled to inspect the invoices and statements relating to Landlord's cost of operating and maintaining the common areas, at Landlord's office, upon reasonable notice and during Landlord's normal business hours. Tenant may also request that Landlord furnish copies of invoices and statements relating to Landlord's costs of operating and maintaining the common areas.

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#### SECTION 11

##### LANDLORD'S OBLIGATIONS FOR MAINTENANCE.

11.01. Landlord shall not be called upon to make any improvements or repairs of any kind upon the Leased Premises and appurtenances, except as may be required under Section 10 hereof, and nothing contained in this Section shall limit Landlord's right to reimbursement from Tenant for maintenance, repair costs and replacement costs conferred elsewhere in this Lease.

##### TENANT'S OBLIGATIONS FOR MAINTENANCE

11.02. (a) Except as provided in Section 11.01 of this Lease, Tenant, at Tenant's expense, shall keep and maintain in first class appearance, in a condition at least equal to that which existed when Tenant initially occupied the Leased Premises, and in good order, condition and repair as reasonably determined by Landlord (including replacement of parts and equipment, if necessary) the Leased Premises and every part thereof and any and all appurtenances thereto wherever located, including, but without limitation, the roof, the exterior walls, the exterior and interior portion of all doors, door frames, door checks, other entrances, windows, window frames, plate glass, all plumbing and sewage facilities within the Leased Premises, including free the main sewer line, fixtures, ventilation, heating and air conditioning and electrical systems, sprinkler systems, walls, floors and ceilings, and all other repairs, replacements, renewals and restorations, interior and exterior, ordinary and extraordinary, foreseen and unforeseen.

(b) Tenant shall keep and maintain the Leased Premises in a clean, sanitary and safe condition in accordance with the laws of the State and in accordance with all directions, rules and regulations of the health officer, fire marshal, building inspector, or other proper officials of the governmental agencies having jurisdiction, and Tenant shall comply with all requirements of law, ordinances and otherwise, affecting the Leased Premises, all at the sole cost and expense of Tenant. At the time of the expiration or sooner termination of the tenancy created herein, Tenant shall surrender the Leased Premises in good order, condition and repair, subject to normal wear and tear.

(c) Tenant shall keep the Leased Premises and all other parts of the building free from any and all liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant, agrees to bond against or discharge any such lien (including, without limitation, any construction, mechanic's or materialman's lien) within ten (10) days after written request therefor by Landlord. Tenant shall give Landlord fifteen (15) days' notice prior to commencing or causing to be commenced any work on the Leased Premises (whether prior or subsequent to the commencement of the lease term), so that Landlord shall have reasonable opportunity to file and post notices of non-responsibility for Tenant's work. Tenant shall reimburse Landlord for any and all costs and expenses which may be incurred by Landlord by reason of the filing of any such liens and/or the removal of same, such reimbursement to be made within ten (10) days after written notice from Landlord to Tenant setting forth the amount of such costs and expenses.

(d) Tenant, at its own expense, shall install and maintain fire extinguishers and other fire protection devices as may be required from time to time by any agency having further jurisdiction thereof and/or by the insurance underwriters insuring the building in which the Leased Premises are located.

(e) Tenant expressly waives all rights to make repairs at the expense of Landlord as provided for in any statute or law in effect during the term of this Lease.

(f) In the event, after written notice to Tenant, that Tenant fails, refuses or neglects to commence and complete repairs promptly and adequately, to remove any lien, to pay

any cost or expense, to reimburse Landlord, or otherwise to perform any act or fulfill any obligation required of Tenant pursuant to this Section, Landlord may, but shall not be required to, make or complete any such remove such lien, pay such cost or perform such act or the like without prior notice to, but at the sole cost and expense of Tenant, and Tenant shall reimburse Landlord for all costs and expenses of Landlord thereby incurred within ten (10) days after receipt by Tenant from Landlord of a statement setting forth the amount of such costs and expenses. The failure by Tenant so to make repairs, to remove any lien, to pay any such cost or expense, or to reimburse Landlord (in the case of reimbursement, within such ten day period) shall constitute a default by Tenant under this Lease and shall carry with it the same consequences as failure to pay any installment of rental. Landlord's rights and remedies pursuant to this Subsection shall be in addition to any and all other rights and remedies

provided under this Lease or at law.

(g) The Tenant shall not perform any acts or carry on any practices which may injure the building and shall keep Premises under control (including all drives and adjoining drives, streets, alleys or yards, and parking lots) clean and free from rubbish, and dirt, snow and ice, litter and refuse at all times. The Tenant shall not obstruct or permit the obstruction of the street, drives, sidewalk or parking lot(s) and shall keep the sidewalk and curb adjoining the demised premises and parking areas clean and free of snow and ice, litter and refuse. Upon expiration and/or termination of this Lease, Tenant shall be required to provide the Landlord certification from licensed contractors evidencing that the plumbing, heating, cooling, electrical, mechanical and roof systems are in good operating condition and not in need of any repair or replacement.

(h) Notwithstanding the provisions of Section 11.02, the Tenant's obligation to repair shall be subject to (i) the "pass through" of manufacturer's and contractor's warranty referred to in this Lease, (ii) ordinary wear and tear, and (iii) items covered by property insurance payable to Landlord. Section 11.02 (d) shall not be construed as requiring Tenant to make major expenditures for sprinkler system improvements unless such are due to the specific operations or use of the Premises by Tenant or any permitted licensee or subtenant of Tenant. Tenant shall not be required to place any alarm system in the Leased Premises unless such is required by the specific operations or use by Tenant.

#### SECTION 12

##### RIGHT TO ERECT SIGNS

12.01. Tenant is hereby granted the right to erect such signs on the exterior of the building which shall be constructed in conformity with all requirements of local laws and all recorded building and use restrictions, and further subject to the prior written approval of Landlord. Tenant agrees to hold Landlord harmless from any liability arising out of or in connection with the erection or maintenance of such signs.

Landlord covenants that it will not allow any other tenant to erect signs on the face of the building in which the demised premises are located if Tenant is leasing the entire Leasehold Premises.

#### SECTION 13

##### LANDLORD'S RIGHT TO CURE TENANT'S DEFAULT

13.01. Landlord may, without notice, if in the opinion of Landlord an emergency exists, perform any covenant or condition of this Lease for the Tenant's account and at the Tenant's expense, in the event that the Tenant shall default in the performance of any such covenant or condition. Landlord shall be reimbursed by Tenant for any expense incurred by Landlord, including reasonable counsel fees, in instituting, prosecuting or defending any action or proceeding instituted because of any default of Tenant. If Tenant becomes

obligated to reimburse or otherwise pay Landlord, terms of the Lease, any sum in addition to the rent as set forth in Section 3 of this Lease, the said sum shall be considered additional rent and may, at Landlord's option, be added to any subsequent installment of said rent due and payable under this Lease, in which case, Landlord shall have all the remedies for default in the payment thereof provided under the terms of this Lease. The provisions of this Section 13 shall survive the termination and/or expiration of this Lease.

#### SECTION 14

##### DEFAULT

14.01. If any one or more of the following events (here sometimes called "events of default") shall happen:

- A. If default shall be made in the due and punctual payment of any rent, or in the payment of any other sums of money required to be paid by Tenant under this Lease or any part thereof, when and as the same shall become due and payable; or
- B. In the event Tenant shall be in default in the performance of any other covenants, terms, conditions, provisions, rules, and regulations of this Lease excepting those items listed in the above section (A) and if such default is not cured within seven (7) days, after written notice thereof given by the Landlord; or
- C. If Tenant shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy act or any other present or future federal, state or other bankruptcy or insolvency statute of law, or shall seek or consent to or acquiesce in the appointment of any bankruptcy or insolvency trustee, receiver or liquidator of Tenant or of all of any substantial part of its properties or of the demised premises; or
- D. If within fifteen (15) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy or insolvency statute or law, such proceeding shall not have been dismissed or if, within thirty (30) days after the appointment, without the consent or acquiescence of Tenant, of any trustee, receiver or liquidator of Tenant or of all or substantially all of its properties or of the demised premises, such appointment shall not have been vacated or stayed on appeal or otherwise, or if, after the expiration of any such stay, such appointment shall not have been vacated; or
- E. If Tenant shall be in default by any reason set forth in Section 13, then and in any such event Landlord at any time thereafter may, at its option, give written notice to Tenant specifying such event of default or events of default and stating that this Lease and the term hereby demised shall expire and terminate on the date specified in such notice, which shall be at least seven (7) days after the giving of such notice, and upon the date specified in such notice this Lease and the term hereby demised and all rights of Tenant under this Lease, including any right to possession or renewal privileges whether or not exercised, shall expire and terminate, and Tenant shall remain liable as hereinafter provided. Notwithstanding the foregoing, in the event of

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non-payment of rent or other charges under this Lease which is not cured within seven (7) days of notice, Landlord may institute summary proceedings; may recover possession of the premises and/or may terminate the Lease and term and/or may exercise any and all other rights and remedies it may have at law or at equity or under this Lease, none of which remedies shall relieve the Tenant of its obligations under this Lease as hereinafter set forth. There shall be a late charge of six (6%) percent of any payment received after the seventh (7th) day of any month from which rent is due.

14.02. Any such proceeding or action involving bankruptcy, insolvency, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal

bankruptcy act or any other present or future applicable federal, state or other statute or law, above set forth paragraphs 14.01 (C) or 14.01 (D) hereof, shall be grounds for the termination of this Lease pursuant to the terms of this Article, only when such proceeding, action or remedy shall be taken or brought by or against the then holder of the leasehold estate under this Lease.

14.03. Upon any such expiration or termination of this Lease, Tenant shall quit and peacefully surrender the demised premises to Landlord, and Landlord, upon or at any such expiration or termination, may without further notice, enter upon and re-enter the demised premises and possess and repossess itself thereof, by force, summary proceedings, ejectment or otherwise, and may dispossess Tenant and remove Tenant and all other persons and property from the demised premises and may have, hold and enjoy the demised premises and the right to receive all rental income of and from the same.

14.04. If this Lease shall terminate pursuant to this Section, or by summary proceedings or otherwise, or if the demised premises or any part thereof shall be abandoned by Tenant, or shall become vacant during the term hereof, Landlord may in its own name, but as agent for Tenant if this Lease not be terminated, or if this Lease be terminated, in its own behalf, relet the demised premises or any part thereof, or said Premises, with additional premises for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this Lease) and on such conditions (which may include concessions or free rent and alterations of the demised premises) as Landlord, in its uncontrolled discretion, may determine and may collect and receive the rents therefor. Landlord shall in no way be responsible or liable for any failure to relet the demised premises or any part thereof, or of any failure to collect any rent due upon such reletting.

14.05. No such expiration or termination of this Lease, or summary proceedings, abandonment or vacancy, shall relieve Tenant of its liability and obligation under this Lease, whether or not the demised premises shall be relet. In any such event Tenant shall pay Landlord the rent and all other charges required to be paid by Tenant up to the time of such event. Thereafter:

1. (a) Tenant, until the end of the term of this Lease, or what would have been such term in the absence of any such event, shall be liable to Landlord as damages for Tenant's default, the equivalent of the amount of the rent and other charges which would be payable under this Lease by Tenant if this Lease were still in effect:, less any net proceeds of any reletting effect pursuant to the provisions above, after deducting all Landlord's expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage and management commission, operating expenses, legal expenses, reasonable attorneys' fees, alteration costs, and expenses of preparation for such relettings.

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- (b) Tenant shall pay such current damages (herein called "deficiency") to Landlord monthly on the days on which the net rent would have been payable under this Lease if this Lease were still in effect, and Landlord shall be entitled to recover from Tenant each monthly deficiency as the same shall arise.
  - (c) At any time after the expiration or termination of this Lease pursuant to this Article, in lieu of collecting any further monthly deficiencies as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, as damages, in addition to the damages provided for in Section 14.08 herein, damages computed in the manner set forth in the Section minus any such monthly deficiencies previously recovered from Tenant.
2. (a) In case of any breach of this Lease mentioned in Sections 14.07 and 14.08, Landlord shall immediately and ipso facto, without notice or other action by Landlord, become entitled to

recover from Tenant, as damages for such breach, in addition to any damages becoming due under Sections 14.07 and 14.08 herein, an amount equal to the difference between the rent and other charges reserved in this Lease from the date of such breach to the date of the expiration of the original term demised and the then fair and reasonable rental value of the Premises for the same period. Said damages shall become due and payable to Landlord immediately upon such breach of this Lease and without regard to whether this Lease be terminated or not, and if this Lease be terminated, without regard to the manner in which it is terminated.

- (b) If and so long as the term of this Lease shall continue, the rent reserved herein for the unexpired term of the Lease after a breach mentioned in Sections 14.07 and 14.08, shall be reduced by the amount of such liquidated damages as may be paid to Landlord, such reduction being applied proportionately to each installment of rent thereafter becoming due. During the continuance of the Lease after such a breach and until such damages are paid to Landlord, the whole amount of each installment of rent herein reserved shall be due and payable at the time herein specified, and if, by reason of the subsequent payment of liquidated damages, and the resulting reduction in rental, Landlord shall have received a sum in excess of all installments, as so reduced, becoming due after the breach and before the collection of such damages, such excess shall be refunded upon the receipt of such liquidated damages.

14.06. If the demised premises or any part thereof be relet by Landlord for the unexpired term of this Lease, or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such reletting shall prima facie be the fair and reasonable rental value for the part or the whole of the Premises so relet during the term of the reletting. Nothing herein contained shall limit or prejudice the rights of Landlord to obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, the governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

14.07. If this Lease be terminated by summary proceedings or otherwise, or if the Premises are abandoned or become vacant, and whether or not the Premises be relet, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, in addition to any damages becoming due under this Article, the following: an amount equal to all expenses, if any, including reasonable counsel fees, incurred by Landlord in

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recovering possession of the demised premises and all reasonable costs and charges for the care of said Premises, while vacant, which damages shall be due and payable by Tenant to Landlord at such time as such expenses are incurred by Landlord.

14.08. If this Lease is terminated in any manner whatsoever, or if there is any breach of this Lease specified in Sections 14.07 and 14.08, then and in either of such events, Tenant covenants and agrees any other covenant in this Lease notwithstanding;

- (a) That the Premises shall be in the same condition as that in which Tenant has agreed to surrender them to Landlord at the expiration of the term hereof;
- (b) That Tenant, on or before the occurrence of any such event shall perform any covenant contained in this Lease for making of any improvement, alteration or betterment to the Premises, or for restoring or rebuilding any part thereof; and
- (c) That, for the breach of any covenant above stated in this Section 14.08, Landlord shall be entitled to recover and Tenant shall pay, ipso facto, without notice or other action by Landlord the then cost of performing such covenant, plus

interest at the highest legal rate permissible for the period between the occurrence of any such event and the time when any such work or act, the cost of which is computed, or should have been performed under the other provisions of this Lease had such event not occurred.

14.09. Tenant hereby expressly waives trial by jury, any appeal, the right to abated rent and to join any other proceeding whether in law or equity, as permitted by law, the service of any notice of intention to re-enter provided for in any statute, and except as is herein otherwise provided Tenant, for and on behalf of itself and all persons claiming through or under Tenant (including any leasehold mortgagee or other creditor), also waives any and all right of redemption or re-entry or re-possession in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge or in case of re-entry or re-possession by Landlord or in case of any expiration or termination of this Lease. The terms "enter", "re-enter", "entry" or "re-entry" as used in this Lease are not restricted to their technical legal meanings.

14.10. No failure by Landlord to insist upon the strict performance of any agreement, term, covenant, or condition hereof or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent during the continuance of any such breach, shall constitute a waiver of any such breach or of such agreement, term, covenant or condition hereof to be performed or complied with by Tenant, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by Landlord. No waiver of any breach shall affect or alter this Lease, but each and every agreement, term, covenant and condition hereof shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

14.11. In the event of any breach or threatened breach by Tenant of any of the agreements, terms, covenants or conditions contained in this Lease, Landlord shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings, and other remedies were not provided for in this Lease.

14.12. Each right and remedy provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord or Tenant of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the party in

question of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise. No suit or recovery of any portion due Landlord hereunder shall be any defense to any subsequent action brought for any amount not theretofore reduced to Judgment in favor of Landlord.

14.13. Notwithstanding Section 14.01(B), if Tenant has in good faith expeditiously undertaken to cure such default under Section 14.01(B), and due to cause beyond its control is not capable of curing such default within such fifteen (15) days, then Tenant shall be allowed additional time commensurate with that required due to the condition beyond Tenant's control, in which to cure such default. No additional time shall be granted in which to cure a default for failure to maintain insurance coverage or if Tenant is otherwise in default. Late charges shall be payable and be in the amount as provided in Section 4.01 and 14.01(E) from date of any default notwithstanding that Tenant has been given additional time in which to cure a default under Section 14.01(B).

SECTION 15

BANKRUPTCY OR INSOLVENCY

15.01. TENANT'S INTEREST NOT TRANSFERABLE. Neither Tenant's interest in this Lease, nor any estate hereby created in Tenant nor any interest herein or therein, shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law except as may specifically be

provided pursuant to the Bankruptcy Code.

#### TERMINATION

15.02. In the event the interest or estate created in Tenant hereby shall be taken in execution or by other process of law, or if Tenant's Guarantor, if any, or his executors, personal representatives, administrators or assigns, if any, shall be adjudicated insolvent or bankrupt pursuant to the provisions of any State Act or the Bankruptcy Code or if Tenant is adjudicated insolvent by a Court of competent jurisdiction other than the United States Bankruptcy Court, or if a receiver or trustee of the property of Tenant or Tenant's Guarantor, if any, shall be appointed by reason of the insolvency or inability of Tenant or Tenant's Guarantor, if any, to pay its debts, or if any assignment shall be made of the property of Tenant or Tenant's Guarantor, if any, for the benefit of creditors, then and in any such events, this Lease and all rights of Tenant hereunder shall automatically cease and terminate with the same force and effect as though the date of such event were the date originally set forth herein and fixed for expiration of the term, and Tenant shall vacate and surrender the Leased Premises but shall remain liable as herein provided.

#### TENANT'S OBLIGATION TO AVOID CREDITORS' PROCEEDINGS

15.03. Tenant or Tenant's Guarantor shall not cause or give cause for the appointment to a trustee or receiver of the assets of Tenant or Tenant's Guarantor, if any, and shall not make any assignment for the benefit of creditors, or become or be adjudicated insolvent. The allowance of any petition under any insolvency law except under the Bankruptcy Code or the appointment of a trustee or receiver of Tenant or Tenant's Guarantor, if any, or of the assets of either of them, shall be conclusive evidence that Tenant caused, or gave cause therefor, unless such allowance of the petition, or the appointment of a trustee or receiver, is vacated within thirty (30) days after such allowance or appointment. Any act described in this paragraph shall be deemed a material breach of Tenant's obligations hereunder, and this lease shall thereupon automatically terminate. Landlord does, in addition, reserve any and all other remedies provided in this Lease or in law.

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#### RIGHTS AND OBLIGATIONS UNDER THE BANKRUPTCY CODE.

- 15.04. (a) Upon the filing of a petition by or against Tenant under the Bankruptcy Code, Tenant, as debtor and as debtor in possession, and any trustee who may be appointed agree as follows: (1) to perform each and every obligation of Tenant under this Lease including, but not limited to, the manner of "operations" as provided in this Lease until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; and (2) to pay monthly in advance on the first day of each month as reasonable compensation for use and occupancy of the Leased Premises in an amount equal to all rent and other charges otherwise due pursuant to this Lease; and (3) to reject or assume this Lease within sixty (60) days of the filing of such petition under Chapter 7 of the Bankruptcy Code or within one hundred twenty (120) days (or such shorter term as Landlord, in its sole discretion, may deem reasonable so long as notice of such period is given) of the filing of a petition under any other Chapter; and (4) to give Landlord at least forty-five (45) days prior written notice of any proceeding relating to any assumption of this Lease; and (5) to give at least thirty (30) days prior written notice of any abandonment of the Leased Premises; any such abandonment to be deemed a rejection of this Lease; and (6) to do all other things of benefit to Landlord otherwise required under the Bankruptcy Code; and (7) to be deemed to have rejected this Lease in the event of the failure to comply with any of the above; and (8) to have consented to the entry of an order by an appropriate United States Bankruptcy Court providing all of the above, waiving notice and hearing of the entry of the same.
- (b) No default of this Lease by Tenant, either prior to or

subsequent to the filing of such a petition, shall be deemed to have been waived unless expressly done so in writing by Landlord.

- (c) Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following: (1) the cure of any monetary defaults and the reimbursement of pecuniary loss within not more than thirty (30) days of assumption and/or assignment; and (2) the deposit of an additional sum equal to three (3) months rent to be held pursuant to the terms of this Lease; and (3) the use of the Leased Premises as set forth in this Lease; (4) the reorganized debtor or assignee of such debtor in possession or if Tenant's trustee demonstrates in writing that it has sufficient background including, but not limited to, substantial experience and financial ability to operate out of the Leased Premises in the manner contemplated in this Lease and meet all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; and (5) the prior written consent of any mortgagee to which this Lease has been assigned to collateral security.

#### SECTION 16

##### NON-LIABILITY

16.01. As a consideration for making of this Lease the Landlord shall not be liable for any failure of water supply or electric current, nor for injury or damage which may be sustained to person or property by the Tenant, or any other person, caused by or resulting from steam, electricity, gas, water, rain, ice or snow which may leak or flow from or into any part of said building or from the breakage, leakage, obstruction or other defect of the roof, outer walls, parking lots, heating and cooling systems, pipes, wiring, appliances, plumbing

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or lighting fixtures of the same, the condition of said Premises or any part thereof, or through the elevator, if any, or from the street or subsurface, or from any other source or cause whatsoever, whether the same damage or injury shall be caused by or be due to the negligence of the Landlord, the Landlord's agent, servant, employee, or not, nor for interference with light or other incorporeal hereditaments, or caused by operations by or for the City in the construction of any public or quasi-public work, neither shall the Landlord be liable for any defect in the building, latent or otherwise.

#### SECTION 17

##### DAMAGE AND DESTRUCTION

17.01. If the building is damaged by fire or any other cause, the following provisions of this Article shall apply:

- A. If the damage is to such extent that the cost of restoration, as estimated by Landlord, will equal or exceed fifty percent (50%) of the replacement value of the building (exclusive of foundation) in its condition just prior to the occurrence of the damage, Landlord may, no later than the ninetieth (90th) day following the damage (or sooner if Landlord can reasonably make such determination), give Tenant a written notice stating that it elects to terminate this Lease. If such notice shall be given: (i) this Lease shall terminate on the third (3rd) day after the giving of said notice; (ii) Tenant shall surrender possession of the Premises within a reasonable time thereafter; and (iii) the rent and additional rent shall be apportioned as of the date of such surrender and any rent paid for any period beyond said date shall be repaid to Tenant.
- B. If the cost of restoration, as estimated by Landlord, shall, amount to less than fifty percent (50%) of said replacement value of the building, or if despite the cost Landlord does not elect to terminate this Lease, Landlord shall restore the building and the Premises with reasonable promptness, subject to delays beyond Landlord's control

and delays in the making of insurance adjustments by Landlord, and Tenant shall not have the right to terminate this Lease.

Landlord need not restore fixtures, improvements or other property of Tenant nor any interior improvements made by Tenant including all plumbing, heating, cooling, electrical systems initially installed by Tenant. Landlord shall not be obligated to make repairs and alterations in excess of any insurance proceeds recovered under any circumstances.

17.02. In any case in which the use of the Premises is affected by any damage to the building, there shall be no abatement of rent. This paragraph shall be deemed satisfied by Landlord's timely receipt of the proceeds of rental insurance in lieu of such amounts of rent and all other charges as provided within this Lease.

17.03. In the event of any loss or damage to the building, the Premises and/or any contents, each party shall look first to any insurance in its favor before making any claim against the other party; and to the extent possible without additional cost, each party shall obtain, for each policy of such insurance, provisions permitting waiver of any claim against the other party for loss or damage within the scope of the insurance, and each party, to such extent permitted, for itself and its insurers waives all such insured claims against the other party (its agents, employees, and guests).

17.04. In the event of any loss or damage to the building, Tenant shall, at its sole cost and expense repair and replace all improvements to the interior which were originally installed by Tenant as set forth in Section 6 in the manner and as required in Section 8 unless Landlord shall terminate this Lease. If Landlord elects to terminate this Lease, all

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insurance proceeds for the full replacement cost of such improvements shall be paid to Landlord as its sole and separate property.

#### SECTION 18

##### UTILITIES

18.01. Tenant agrees to pay all charges made against the Premises for gas, heat, water, electricity, sewage disposition, refuse, telephone and all other utilities during the term of this Lease as the same shall become due. The quantity of electricity and natural gas and other utilities furnished to the Premises shall be separately metered at the Premises by the public utilities to the extent separate metering is or becomes available, and Tenant shall make timely payment for all such utilities. Landlord shall not be liable to Tenant for the quality or quantity of any such utilities, or for any interruption in the supply of any such utilities.

#### SECTION 19

##### USE

19.01. It is understood and agreed between the parties that the Premises during the continuance of this Lease shall be used and occupied for light industrial and light manufacturing use and for no other purpose without the prior written consent of Landlord. Tenant agrees that it will not use or permit any person to use the Premises or any part thereof for any use or purpose in violation of the laws of the United States, the State of Michigan, the ordinances or other regulations of the City of Auburn Hills or of any other lawful authorities. Tenant will keep the Premises and every part thereof and all buildings at any time situated thereon in clean and wholesome condition and will comply with all lawful health and police regulations. All signs and advertising displayed in and about the Premises shall be such only as to advertise the business carried on upon the Premises and Landlord shall control the location, character and size thereof. No signs shall be displayed except as approved in writing by the Landlord, and no awning shall be installed or used on the exterior of said building unless approved in writing by the Landlord. Tenant shall not use the Premises for any purpose which shall exceed the requirements of the City of Auburn Hills for more than one hundred forty-six (146) car spaces nor will Tenant use the Leased Premises for any purpose prohibited by the

recorded building or use restrictions or manufacture or produce any materials which are considered or defined to be hazardous and/or toxic.

#### SECTION 20

##### HOLDING OVER

20.01. In the event of Tenant herein holding over after the termination of expiration of this Lease, thereafter the tenancy shall be from month to month in absence of a written agreement to the contrary, subject to all the conditions, provisions and obligations of this Lease insofar as the same are applicable to a month-to-month tenancy, except that the basic monthly rental shall be one hundred twenty-five (125%) percent of the basic monthly rental specified in Section 3 hereof for the first thirty (30) days, two hundred (200%) percent of the basic monthly rental for the next sixty (60) days, and three hundred (300%) percent of the basic monthly rental after ninety (90) days. If Tenant desires to remain after the Lease Term, Landlord and Tenant shall enter into negotiations to arrive at a mutually agreeable rental for a period not to exceed twelve (12) months.

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#### SECTION 21

##### LIEN ON PERSONAL PROPERTY

21.01. This Lease shall constitute a lien, as security for any rents or other amounts payable under this Lease and for performance by Tenant of every other covenant, agreement, obligation, stipulation or condition herein contained, upon all the personal property and fixtures, of whatever nature which are or may be placed on the Premises by Tenant and such lien may be enforced immediately if any rent or other amounts due under this Lease shall be due and remain unpaid for more than ten (10) days after due, if default be made in any of the other covenants, agreements, obligations, stipulations or conditions herein contained and such defaults shall continue for a period of thirty (30) days after written notice of such default, or if the Premises shall be deserted or vacated. Such lien may be enforced by the taking and selling of such property in accordance with Sections 440.9504 (3) and (4), Michigan Compiled Laws Annotated and any amendments thereof. Landlord may retain in its possession any property of Tenant's after any sum payable under this Lease shall have become due. Landlord and its officers, employees and agents shall not be liable in any action of replevin, claim and delivery, conversion or similar remedy because of such removal, sale and/or retention. Tenant hereby waives all claims for damages which may be caused by such removal, sale and/or retention and will save Landlord harmless, from any loss, costs or damages occasioned by any third parties claiming rights in such properties retained, sold or disposed of by Landlord pursuant to this Section. Such lien shall be in addition to any other rights or remedies Landlord may have as provided by this Lease or as allowed by law.

#### SECTION 22

##### RIGHT OF ENTRY

22.01. Landlord or Landlord's agents shall have the right to enter the Leased Premises at all reasonable times after reasonable notice to examine the same and to show them to prospective purchasers or mortgagees. Landlord or Landlord's agents shall have the further right to enter the Leased Premises to make such repairs, alterations, improvements or additions as Landlord may deem necessary or desirable, and Landlord shall be allowed to take all material into and upon the Leased Premises that may be required therefor without the same constituting an eviction of Tenant in whole or in part, and the rent and other charges reserved shall in no way abate while said repairs, alterations, improvements, or additions are being made, by reason of loss or interruption of business of Tenant, or otherwise. Landlord may, at any time, exhibit the Leased Premises to prospective tenants.

#### SECTION 23

##### ADDITIONAL RIGHTS OF LANDLORD

23.01. The Landlord shall have the right, without the consent of Tenant, to

grant to adjacent land owners, including Landlord, at any time and from time to time during the term of this Lease, as extended, easements and rights of ingress, egress and common use and enjoyment with respect to the roads, driveways, parking lots, walks, unimproved portions of the land, water, sewage, telephone, gas and electricity lines, and Landlord may at any time and from time to time grant easements, public and private, for such purposes to itself and to others, and relocate any easements nor or hereafter affecting the land over the common use areas.

23.02. Landlord reserves (a) the right from time to time, to erect other or additional buildings in the common areas, to make changes, alterations, additions, improvements, repairs or replacements in or to the building and/or to the street entrances, parking lot, and

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any other parts of the building, and to erect, maintain, and use pipes, ducts, wiring, and conduits in and through the Leased Premises and the building and other facilities all as Landlord may reasonably deem necessary or desirable; provided, however, that there be no unreasonable interference with Tenant's use of the Leased Premises; and (b) the right to eliminate, substitute and/or rearrange the Common Areas and facilities (which may theretofore have been so designated) as Landlord deems appropriate in its discretion including any parking facilities. Tenant's nonexclusive right to utilize the Common Areas shall be in common with Landlord, other Tenants and occupants of the building and others to whom Landlord grants such rights from time to time.

#### SECTION 24

##### NOTICES

24.01 All notices, demands and requests required or permitted to be given under the provisions of this Agreement shall be in writing and shall be deemed given (a) when personally delivered to the party to be given such notice or other communication, (b) on the business day that such notice or other communication is sent by facsimile or similar electronic device, fully prepaid, which facsimile or similar electronic communication shall promptly be confirmed by written notice, (c) on the third business day following the date of deposit in the United States mail if such notice or other communication is sent by certified or registered mail with return receipt requested and postage thereon fully prepaid, or (d) on the business day following the day such notice or other communication is sent by reputable overnight courier, to the following:

If to Landlord:           Charrington Estates, L. P.  
                                  2301 W. Big Beaver, Suite 900  
                                  Troy, Michigan 48084

If to Tenant:             Jabil Circuit, Inc.  
                                  Attn: William Peters  
                                  1700 Atlantic Boulevard  
                                  Auburn Hills, Michigan 48326

With a copy to:          Jabil Circuit, Inc.  
                                  Attn: Robert Paver, Esquire  
                                  10800 Roosevelt Boulevard  
                                  St. Petersburg, Florida 33716

or to such other address as the parties may designate in writing.

#### SECTION 25

##### ADDITIONAL RULES

25.01. The Landlord may, from time to time, make such reasonable rules and regulations as in the Landlord's judgment may be necessary or advisable for the safety, care and cleanliness of the Premises, the cleanliness of the building in which the same are located and for the preservation of good order in said building and the use and occupancy of the demised premises shall be conditioned upon observance of and compliance with such rules and regulations; provided, however, that any such rules and regulations shall not unreasonably interfere with the use by Tenant of the Leased Premises and common areas as contemplated

herein, and further that any such rules and regulations shall not be effective until at least ten (10) days after Landlord shall have furnished a copy thereof to Tenant.

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SECTION 26

ADDITIONAL DOCUMENTS

26.01. The parties hereto, upon request, agree to execute any additional documents required to carry out the intent and provisions of this Lease.

SECTION 27

WAIVER OF RIGHTS AND REDEMPTION

27.01. Tenant hereby expressly waives to and only as may be allowed by law either now or as may become applicable in the future, any and all rights or redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Leased Premises, by reason of the violation by Tenant of any of the covenants or conditions of this Lease, or otherwise.

SECTION 28

WAIVER

28.01. The failure of the Landlord to insist, in any one or more instances upon a strict performance of any of the covenants of this Lease, or to exercise any option herein contained, shall not be construed as a waiver of a relinquishment for the future exercising of such covenant and/or condition or option, but the same shall continue and remain in full force and effect. The receipt by the Landlord of rent, with knowledge of the breach of any covenant or condition hereof, shall not be deemed a waiver of such breach and no waiver by the Landlord of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Landlord.

SECTION 29

NO PARTNERSHIP

29.01. Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rent, nor any other provision contained herein, nor any acts of the parties herein shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant.

SECTION 30

PARTIAL INVALIDITY AND SEVERABILITY

30.01. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

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SECTION 31

LIENS

31.01. The Tenant shall have no power to do any act or make any contract

which may create or be the foundation for any lien, mortgage or other encumbrance upon the estate of the Landlord or of any interest of the Landlord in the demised premises, or upon or in the building or buildings or improvements thereon or hereafter erected or placed hereon, it being agreed that should the Tenant cause any improvements, alterations or repairs to be made to the demised premises, or material furnished or labor performed therein, or thereon, neither the Landlord nor the demised premises nor any improvements shall under any circumstances be liable for the payment of any expenses incurred or for the value of any work done or material furnished to the demised premises or any part thereof; but all such improvements, alterations, repairs, materials and labor shall be done at the Tenant's expense and the Tenant shall be solely and wholly responsible to contractors, laborers and materialmen, furnishing labor and material to said Premises and building or buildings and improvements or any part thereof and all such laborers, materialmen and contractors are hereby charged with notice that they must look solely and wholly to the Tenant and the Tenant's interest in the Premises, to secure the payment of any bills for work done and materials furnished.

In the event a mechanic's lien shall be filed against the demised premises or Tenant's interest therein as the result of the work undertaken by Tenant to ready the demised premises for the opening of Tenant's business or as a result of any repairs or alterations made by Tenant, Tenant shall, within ten (10) days after receiving notice of such lien either by payment of the indebtedness due the mechanic's lien claimant or by filing a bond (as provided by statute) as security therefor. In the event Tenant shall fail to discharge such lien, Landlord shall, among its remedies, including but not limited to those for default, have the right to procure such discharge by filing such bond and Tenant shall pay the cost of such bond to Landlord as additional rent upon the first day that rent shall be due thereafter.

#### SECTION 32

##### ENTIRE AGREEMENT

32.01. This Lease and the Exhibits, Riders and/or Addenda, if any, attached and signed by the parties, set forth the entire agreement between both parties. Any prior conversations or writings are merged herein and extinguished. No subsequent amendment to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed. If any provisions contained in a Rider or Addenda is inconsistent with a provision of this Lease, the provision contained in said Rider or Addenda shall supersede the Lease provision. This Lease and such Exhibits, Riders and/or Addenda are agreed upon by the parties as being a fully integrated document.

#### SECTION 33

##### COMPLIANCE WITH LAWS

33.01. Tenant covenants and warrants that during the term of this Lease or any extension thereof, Tenant, at its expense and under penalty of forfeiture and damages, has complied and will continue to comply with all statutes, ordinances, rules, orders, regulations and/or requirements of all county, municipal, state, federal and other applicable governmental authorities now in force or which may hereinafter be in force as pertains to the conduct of Tenant's business. Tenant agrees to indemnify, save and hold Landlord harmless from any fines or penalties assessed against the demised premises for a violation of any statutes, ordinances, rules, orders, regulations, and/or requirements of all county,

municipal, state federal and other governmental authorities as a result of Tenant's improper, unusual or unlawful manner of using the demised premises for the conduct of Tenant's business.

#### SECTION 34

##### CONSTRUCTION AND INTERPRETATION

34.01. This Lease shall be construed and interpreted in accordance with the laws of the State of Michigan.

RENT TO BE NET TO LANDLORD

SECTION 35

35.01. It is the intention of the parties that the rent payable hereunder shall be net to Landlord, so that this Lease shall yield to Landlord the net annual rent specified herein during the term of this Lease, and that all costs, expenses and obligations of every kind or nature whatsoever relating to the demised premises or common areas shall be paid by Tenant except for those costs, expenses and obligations specifically designated as those of the Landlord.

SECTION 36

DELAYS

36.01. In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The party entitled to such extension, hereunder shall give written notice as soon as possible to the other party hereto of its claim of rights to such extension and the reason(s) therefor. The provisions of this Paragraph shall not operate to excuse Tenant from prompt payment of rent, or any other payments required by the terms of this Lease.

SECTION 37

LIABILITY OF LANDLORD

37.01. If Landlord shall fail to perform any covenant, term or condition of this Lease upon Landlord's part to be performed, and if as a consequence of such default Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levied thereon against the right, title and interest of Landlord in the demised premises and out of rents or other income from such property receivable by Landlord, or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title and interest in the demised premises, neither Landlord nor any of the parties comprising the Landlord herein shall be liable for any deficiency.

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SECTION 38

RECORDING

38.01. Upon the request of either party hereto, the other party shall join execution of a memorandum or so-called "short-form" of this Lease for the purpose of recordation. Said memorandum or "short-form" of this Lease shall describe the parties, the Leased Premises, the term of this Lease, any special provisions, and shall incorporate this Lease by reference. Tenant shall not record this Lease prior to the closing of Landlord's mortgage, without the prior written consent of Landlord.

SECTION 39

SUBORDINATION

39.01. The Landlord reserves the right to subject and subordinate this Lease at all times to the lien of any mortgage or mortgages now or hereafter placed upon the Landlord's interest in the said Premises and on the land and buildings of which the said Premises are a part or upon any buildings hereafter placed upon the land of which the Leased Premises form a part; provided, however, that any such subordination shall not affect Tenant's rights hereunder, unless Tenant shall be in default in this Lease. And the Tenant covenants and agrees to execute and deliver upon demand such further instrument or instruments subordinating this Lease to the lien of any such mortgage or mortgages as shall be desired by the Landlord and any mortgagees or proposed

mortgagees. Tenant hereby irrevocably appoints the Landlord the attorney-in-fact of the Tenant to execute and deliver any such instrument or instruments for and in the name of the Tenant consistent with the foregoing.

#### OFF SET STATEMENT

39.02. Within ten (10) days after request by Landlord at any time or times, Tenant shall execute in recordable form and deliver to Landlord a statement, in writing, certifying (i) that this Lease is in full force and effect; (ii) the date of commencement of the term of this Lease; (iii) that rent is paid currently without any offset or defense thereto; (iv) the amount of rent, if any, paid in advance; and (v) that there are no uncured defaults by Landlord or stating those claimed by Tenant, provided that, in fact, such facts are accurate and ascertainable.

#### ATTORNMENMENT

39.03. Tenant shall in the event of the sale or assignment of Landlord's interest in the Leased Premises, or in the event any proceedings are brought for the foreclosure of such interest or in the event of exercise of the power of sale under any mortgage made by Landlord covering the Leased Premises, or for the eviction of Tenant under any underlying Lease by Landlord, attorn to the purchaser and recognize such purchaser or lessor as the Landlord under this Lease, notwithstanding the fact that this Lease may terminate upon the termination of Landlord's interest. Such attornment shall be self-operative upon demand without the execution or delivery of any further instrument by Tenant; however, no such attornment (except in the event of the sale for value of the Leased Premises) shall cause such subsequent Landlord to be liable for any act or omission of Landlord or subject to any offsets or defenses against Landlord or bind it for any rent or additional rent which Tenant may have paid in advance to Landlord.

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#### SECTION 40

#### BINDING UPON SUCCESSORS

40.01. The covenants, conditions and agreements made and entered into by the parties hereto shall be binding upon and inure to the benefit of their respective heirs, administrators, executors, representative, successors and assigns.

#### SECTION 41

#### LANDLORD'S COVENANT

41.01. Upon payment by the Tenant of the rents herein provided, and upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the Leased Premises for the term hereby demised without hindrance or interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under the Landlord, subject, nevertheless, to the terms and conditions of this Lease, and any mortgages to which this Lease is subordinate.

#### SECTION 42

#### ACCORD AND SATISFACTION

42.01. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement of statement on any check or any letter accompanying any check or payment as rent be deemed on accord and satisfaction, and Landlord shall accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.

#### SECTION 43

#### SECURITY PROVISION

43.01. The Landlord herewith acknowledges receipt of Twenty-four Thousand Five Hundred Nine and 56/100 Dollars (\$24,509.56) which he is to retain as security for the faithful performance of all of the covenants, conditions, and agreements of this Lease, but in no event shall the Landlord be obliged to apply the same upon rents or other charges in arrears or upon damages for the Tenant's failure to perform the said covenants, conditions, and agreements; the Landlord may so apply the security at his option; and the Landlord's right to the possession of the premises for non-payment of rent or for any other reason shall not in any event be affected by reason of the fact that the Landlord holds this security. The said sum if not applied toward the payment of rent in arrears or toward the payment of damages suffered by the Landlord by reason of the Tenant's breach of the covenants, conditions, and agreements of this Lease is to be returned to the Tenant when this Lease is terminated, according to these terms, and in no event is the said security to be returned until the Tenant has vacated the Premises and delivered possession to the Landlord.

In the event that the Landlord repossesses himself of the said Premises because of the Tenant's default or because of the Tenant's failure to carry out the covenants, conditions, and agreements of this Lease, the Landlord may apply the said security upon all damages suffered or shall accrue thereafter by reason of the Tenant's default or breach. The Landlord shall not be obliged to keep the said security as a separate fund, but may mix the said security with his own funds.

SECTION 44

SURRENDER OF PREMISES ON TERMINATION

44.01. Whenever this Lease shall be terminated, whether by lapse of time, forfeiture, or in any other way, Tenant will yield and deliver up the demised premises, including the building and improvements thereon and the fixtures and equipment belonging to Landlord therein contained, peaceably to Landlord in as good repair as when taken, except for reasonable and normal wear and tear, and except for damage or destruction resulting from causes which are covered by insurance.

SECTION 45

RIGHT TO CANCEL.

45.01. Provided Tenant has not been in default and is not in default, Tenant shall have the right to cancel this Lease at anytime after the 42nd month of the Commencement Date with one hundred eighty (180) days' written notice. Tenant shall pay a cancellation penalty of Two-Hundred Twenty Thousand Five Hundred Eighty-six and 04/100 Dollars (\$220,586.04) due and payable upon Lease termination to Landlord as well as a proration of the brokerage commission paid and a proration of Landlord's expense to buildout tenant's office improvements. The right to cancel this Lease shall not be assignable or otherwise transferable to any person or entity other than a parent or affiliated entity of Tenant as defined in Section 7.01.

IN WITNESS WHEREOF, the parties have executed this Agreement the date and year set forth below:

WITNESSES

LANDLORD:

CHARRINGTON ESTATES,  
a Michigan Limited Partnership

/s/  
-----

/s/  
By: -----

/s/Sandra R. Pisching  
-----

Its: Partner  
-----

TENANT:

JABIL CIRCUIT, INC.

/s/ \_\_\_\_\_ By: /s/William S. Peters \_\_\_\_\_

/s/Sandra R. Pisching \_\_\_\_\_ Its: Operations Manager \_\_\_\_\_

ACKNOWLEDGEMENT OF LANDLORD

STATE OF MICHIGAN )
)ss.
COUNTY OF OAKLAND )

On this 1 day of October 1997, before me personally appeared Stanley Frankel, personally know to me to be the person who executed the foregoing Lease as Partner of CHARRINGTON ESTATES LIMITED PARTNERSHIP, a Michigan Limited Partnership, on behalf of such Limited Partnership and acknowledged before me that he executed the same as his free act and deed.

MAJORIE B. SIVAK /s/ Majorie B. Sivak
NOTARY PUBLIC STATE OF MICHIGAN
OAKLAND COUNTY Notary Public, Oakland County, Michigan
My Commission Expires July 24, 1999 My Commission Expires: \_\_\_\_\_

ACKNOWLEDGMENT OF CORPORATE TENANT

STATE OF Michigan )
)
COUNTY OF Oakland )

On this 1 day of October 1997, before me personally appeared William S. Peters and \_\_\_\_\_ of Jabil Circuit, Inc., which executed the within instrument, and that said instrument was signed and sealed on behalf of said corporation and said William S. Peters and \_\_\_\_\_ acknowledged before me said instrument to be the free act and deed of said corporation.

MARJORIE B. SIVAK /s/ Majorie B. Sivak
NOTARY PUBLIC STATE OF MICHIGAN
OAKLAND COUNTY Notary Public, \_\_\_\_\_ County,
MY COMMISSION EXP. JULY 24, 1999 My Commission Expires: \_\_\_\_\_

LEGAL DESCRIPTION
SITE AND SITE PLAN

PART OF THE SOUTHWEST 1/4 SECTION 26, TOWN 3 NORTH, RANGE 10 EAST, CITY OF AUBURN HILLS (FORMERLY PONTIAC TOWNSHIP), OAKLAND COUNTY, MICHIGAN, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS; BEGINNING AT A POINT WHICH IS S 87 DEGREES 32'56" W 33.07 FEET ALONG THE SOUTH LINE OF SECTION 26 AND THENCE ALONG THE WEST LINE OF DORIS AVENUE (66 FEET WIDE) N 01 DEGREE 10'43" E 532.18 FEET FROM THE SOUTH 1/4 CORNER OF SAID SECTION 26, TOWN 3 NORTH, RANGE 10 EAST.

THENCE S 88 DEGREES 29'15" W 598.18 FEET; THENCE NORTHWESTERLY 135 FEET ALONG A CURVE CONCAVE TO THE SOUTHWEST (RADIUS OF 75 FEET, A CENTRAL ANGLE OF 103

DEGREES 07'53" A CHORD BEARING OF N 23'22" W 117.50 FEET); THENCE N 23 DEGREES 20'30" E 110.00 FEET; THENCE N 02 DEGREES 27'04" W 525.54; THENCE N 87 DEGREES 32'56" E 534.15 FEET; THENCE S 31 DEGREES 41'15" E 109.83 FEET; THENCE S 12 DEGREES 08'18" E 261.25 FEET; THENCE ALONG THE WEST LINE OF DORIS AVENUE (66 FEET WIDE) S 01 DEGREE 10'43" W 384.44 FEET TO THE POINT OF BEGINNING.

CONTAINING 447,535 SQUARE FEET OR 10.274 ACRES OF LAND SUBJECT TO AND TOGETHER WITH ANY EASEMENTS, RESTRICTIONS OR RESERVATIONS AFFECTING TITLE TO THE DESCRIBED PREMISES.

EXHIBIT "1" - Page 1 of 1

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LEASED PREMISES PARCEL

[FLOOR PLAN]

Legend

= Leased Premises Parcel Boundary

= Leased Premises

EXHIBIT "2" - Page 1 of 1

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OPDYKE INDUSTRIAL PARK - BUILDING SPECIFICATIONS

OFFICE AREA (7200 Square Feet)

HEATING AND AIR CONDITIONING: Roof mounted heating and air cooling units to be installed. Gas heat to 72 degrees F. at an outside temperature of 0 degrees F. and electrically air conditioned to 70 degrees F. at an outside temperature of 90 degrees. All duct work, defusers and thermostats to be supplied and installed.

CEILING: Ceiling shall be 2' x 4' lay-in white acoustical tile of fissured design.

WALL FINISH: Interior side of exterior walls to receive 1/2" drywall, taped, sanded and painted.

ELECTRICAL WATER COOLER: Landlord to supply one (1) electric water cooler in office area.

FLOOR COVERING ALLOWANCE: Tenant shall receive a floor covering allowance to cover the cost of tenant's desired floor covering, vinyl base, inclusive of labor and material for installation, in an amount equal to \$12.00 per square yard.

DOORS: One solid core partition flush birch veneer door will be provided for each 25 lineal feet of partition allowance. Doors and wood trim shall be stained and varnished, or painted at tenant's option.

PARTITION STANDARDS: The allowance for interior partitions is five percent (5%) of the square footage of office space leased.

Typical wall construction shall be metal studs with taped, sanded and painted drywall. Tenant shall have choice of custom colors.

LIGHTING STANDARDS: Ceiling fixtures to be supplied shall be 2'x 4' lay-in fluorescent fixtures installed in office area to provide one fixture for 80

square feet of leased office space.

TELEPHONE OUTLETS: One (1) telephone outlet receptacle shall be installed for each 250 square feet of leased office space.

ELECTRICAL OUTLETS: One (1) single pole light switch per 500 square feet of leased office space.

ELECTRICAL WALL OUTLETS: One (1) 120 volt duplex outlet for each 200 square feet of leased office space. Floor outlets shall be installed at additional cost if required.

RESTROOMS: Toilet fixtures shall be installed as required by local code including installation of barrier free fixtures to meet Michigan Handicapped Code. Metal toilet partitions and hot water shall be supplied.

EXHIBIT "3" - Page 1 of 2

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#### OPDYKE INDUSTRIAL PARK - BUILDING SPECIFICATIONS

##### WAREHOUSE

INTERIOR WALLS: Painted block.

ELECTRICAL SERVICE: 480 volt, 1,000 amps., 3 phase electrical service to serve entire building.

FIRE SPRINKLER SYSTEM: Entire shop area to have automatic sprinkler system installed per local municipal code.

CEILING CLEARANCE: 21' clear height.

OVERHEAD DOORS: Two 12' x 14' electrically operated, insulated metal doors. Interior truckwell with load leveler.

FLOOR FINISH: Sealed concrete floor.

CEILING IN WAREHOUSE AREA: Ceiling to be exposed joists.

WAREHOUSE LIGHTING: Landlord to install metal Halide lighting fixtures based on one fixture per 400 square feet.

GAS UNIT HEATERS: Per approved plan.

##### GROUNDS

LANDSCAPING: Professionally designed landscaping per approved site plan. Sod with full sprinkler system.

##### CUSTOM ADDITIONS:

Landlord is available to quote and promptly construct and install all tenant required options, upgrades and additional interior requirements. Architectural and space planning services are available.

SIGNAGE: Full building user shall be entitled to signature name per municipal building code.

EXHIBIT "3" - Page 2 of 2

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#### GUARANTY

ANNEXED TO AND FORMING A PART OF LEASE DATED October 1, 1997, BETWEEN CHARRINGTON ESTATES, A MICHIGAN LIMITED PARTNERSHIP, AS LANDLORD, AND JABIL CIRCUIT, INC., AS TENANT.

The under signed William Peters, Operations Manager, whose address is \_\_\_\_\_, in consideration of the leasing of the Premises described in the annexed Lease to the above-named Tenant, do hereby covenant and agree:

- A. That if Tenant shall default at any time during the term granted by said Lease in the performance of any of the covenants and obligations of said Lease on Tenant's part to be performed, then the undersigned will on demand well and truly perform the covenants and obligations of said Lease on Tenant's part to be performed and will on demand pay to Landlord any and all sums due to Landlord, including all damages and expenses that may arise in consequence of Tenant's default, and does hereby waive all requirements of notice of breach or nonperformance by Tenant.
- B. That the undersigned may, at Landlord's option, be joined in any action or proceeding commenced by Landlord against Tenant in connection with the based upon covenants and obligations in said Lease, and that the undersigned waives any demand by Landlord and/or prior action by Landlord of any nature whatsoever against Tenant.
- C. That this Agreement and Guaranty shall remain and continue in full force and effect notwithstanding the alteration of the said Lease by the parties thereto whether prior to or subsequent to the execution hereof and as to any renewal, extension, modification or amendment of said Lease and as to any assignee of Tenant's interest in said Lease, and the undersigned does hereby waive notice of any of the foregoing, and agree that the liability of the undersigned hereunder shall not be discharged, in whole or in part, thereby and shall be based upon the obligations set forth in the said Lease as the same may be altered, renewed, extended, modified, amended, or assigned.
- D. That undersigned's obligations hereunder shall remain fully binding although Landlord may have waived one or more defaults by Tenant, extended the time of performance by Tenant, released, returned or misapplied other collateral given later as additional security (including other guaranties and released Tenant from the performance of its obligations under such Lease.
- E. That this Guaranty shall remain in full force and effect notwithstanding the institution by or against Tenant, of bankruptcy, reorganization, readjustment, receivership or insolvency proceedings of any nature, or the disaffirmance of said Lease in any such proceedings or otherwise.
- F. That if this Guaranty is signed by more than one party, their obligations shall be joint and several and the release of one of such guarantors shall not release any other of such guarantors.
- G. That this Guaranty shall be applicable to and binding upon the heirs, representatives, successors, and assigns of Landlord, Tenant and Guarantor.

EXHIBIT "4" page 1 of 2

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IN WITNESS WHEREOF, the undersigned has executed this Guaranty this 1ST day of October, 1997.

WITNESSES:

GUARANTOR(S):  
/s/ William E. Peters

-----  
/s/  
-----

-----  
Operations Manager  
-----

CORPORATE ACKNOWLEDGMENT

STATE OF Michigan )  
COUNTY OF Oakland )ss.  
)

On this 1 day of October, 199\_, before me personally appeared William S. Peters and \_\_\_\_\_ of Jabil Circuit, Inc., which executed the within instrument, and that said instrument was signed and sealed on behalf of said corporation and said William S. Peters and \_\_\_\_\_ acknowledged before me said instrument to be the free act and deed of said corporation.

Majorie B. Sivak  
NOTARY PUBLIC STATE OF MICHIGAN  
OAKLAND COUNTY  
MY COMMISSION EXP. JULY 24, 1999

/s/ Majorie B. Sivak  
Notary Public, \_\_\_\_\_ County, \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

EXHIBIT "4", Page 2 of 2

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WEST BAY CORPORATE CENTER

LEASE AGREEMENT

BETWEEN

JABIL CIRCUIT, INC. ("TENANT")

AND

TEACHERS INSURANCE AND ANNUITY ASSOCIATION ("LANDLORD")

INDUSTRIAL LEASE

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Rider I - Tenant's Construction of Improvements

INDUSTRIAL LEASE

THIS LEASE AGREEMENT, dated as of the 30th day of October, 1997 by and between TEACHERS INSURANCE AND ANNUITY ASSOCIATION referred to as "LANDLORD", and JABIL CIRCUIT, INC., a Delaware corporation, hereinafter referred to as "TENANT":

WITNESSETH:

LANDLORD hereby leases to TENANT and TENANT hereby hires from  
LANDLORD:

Space located at: Suite 9424 of West Bay  
Corporate Center 9424 International Court  
St. Petersburg, Florida

more particularly described on Exhibit "A" attached hereto; hereinafter referred to as the "Premises" or "Demised Premises", for the term hereinafter stated, for the rents hereinafter reserved, and upon and subject to the terms, conditions, and covenants hereinafter provided. The Demised Premises shall be deemed for all purposes to consist of approximately 26,667 square feet.

1. TERM:

A. TENANT shall have and hold the Premises for a term commencing on the date determined in the manner provided in Subsection IB below and expiring on that day which is the last day of the eighteenth (18th) calendar month after the end of the Initial Partial Month (defined in Section 1D below), until such term shall sooner terminate as hereinafter provided.

B. The term of this Lease and TENANT's obligation to pay rent and all forms of additional rent due hereunder for all of the Premises unless otherwise set forth herein) shall commence on December 1, 1997 (the "Anticipated Commencement Date"), or in the event the Premises is not currently fully constructed, upon whichever of the following dates shall first occur: (a) the date when TENANT shall take possession of the Premises or any portion thereof for the conduct of its business; or (b) if LANDLORD is to complete the total build-out of the Premises, the date when the Premises are Substantially Ready For Occupancy (as hereinafter defined), which date may be made earlier by the total number of days of delay, if any, by TENANT in complying with any of the provisions of Rider 1 hereof regarding the delivery of plans and specifications for the Premises, or by TENANT interfering in any way with LANDLORD'S completion of the improvements to the Premises. LANDLORD shall, in accordance with the foregoing, fix the commencement date of the term of this Lease (the "Commencement Date"), and shall notify TENANT of the date so fixed. The Parties agree, if LANDLORD so requests, thereafter to execute a written memorandum confirming such Commencement Date as well as the expiration date of this Lease, which memorandum shall become a part of this Lease. The failure of the parties to execute such memorandum shall not affect the validity of the Commencement Date as fixed by the LANDLORD.

C. The Premises shall be deemed Substantially Ready For Occupancy on the date that a certificate of occupancy or completion or equivalent instrument is issued with respect to the Premises by the County of Pinellas, Florida, notwithstanding that minor punchlist or insubstantial details of construction or mechanical adjustment remain to be performed.

D. If the Commencement Date falls on a date other than the first day of the calendar month, then the term of this Lease and the first lease year hereof shall be extended by the total number of days from the Commencement Date to the end of the month in which the Commencement Date occurs ("Initial Partial Month").

E. If LANDLORD shall be unable to give possession of the Premises to Lessee on the Anticipated Commencement Date because of the retention of possession by any occupant thereof, delay caused by any alteration or construction work or for any other reason, Lessor shall not be subject to any liability for such failure.

2. RENT:

The rent reserved under this Lease for the term hereof shall be and consist of:

A. Base Rent as set forth on Exhibit "D" hereof, which shall be payable in advance, in equal monthly installments, without deduction or set-offs and without prior demand therefore, on the first day of each and every calendar month during the term of this Lease except that:

(i) TENANT shall pay, upon execution and delivery of this Lease by TENANT, the sum of \$13,333.50 together with \$4,311.17 representing the first month's portion of the estimated share of expenses per section 14 of this Lease entitled "Additional Rent", plus applicable sales tax, to be applied against the first installment of Base Rent becoming due under the lease.

(ii) TENANT shall pay, on the Commencement Date, a prorated amount of Base Rent and Additional Rent for the Initial Partial Month.

B. All taxes in the nature of sales, use, or similar taxes, now or hereinafter assessed or levied by any taxing authority upon the payment of fixed rent or Additional Rent as hereinafter defined, and which the LANDLORD is required or permitted to collect from TENANT, shall be payable simultaneously with the payment of Base Rent or Additional Rent.

C. TENANT covenants and agrees to pay a late charge for any payment of Base Rent not received by LANDLORD on or before the seventh (7th) day of each month and for any other payment, such as Additional Rent, not received by LANDLORD on or before the date when same is due. Said late charge shall be computed from the first day of the month in the case of Rent and from the date when same is due in case of Additional Rent. The amount of the late charge shall be an amount equal to the interest commencing on the dates aforesaid, ending on the date of receipt of the sum(s) by LANDLORD and having a rate equal to eighteen percent (18%) per annum. In the event any late charge is due to LANDLORD, LANDLORD shall advise TENANT in writing and TENANT shall pay said late charge to LANDLORD not later than the date when the next payment of Rent is due.

D. Additional Rent consisting of all such other sums of money as shall become due from and payable by TENANT to LANDLORD hereunder (for default in payment of which LANDLORD shall have the same remedies as for a default in payment of fixed rent); all to be paid to LANDLORD without demand, deduction, or set off at its office, or such agent or such other place as LANDLORD may designate by notice to TENANT, in lawful money of the United States of America. Rent and Additional Rent shall be made payable to:

McCoy Realty Group  
4175 E. Bay Drive, Suite 100  
Clearwater, FL 34624

3. SECURITY:

TENANT simultaneously with the execution and delivery of this Lease has deposited with LANDLORD, the sum of \$17,644.67 receipt of which is hereby acknowledged, which sum shall be retained by LANDLORD as security for the payment by TENANT of the rents herein agreed to be paid by TENANT and for the faithful performance by TENANT of the terms, conditions, and covenants of this Lease. It is agreed that LANDLORD, at LANDLORD's option, may at any time apply said sum or any part thereof toward the payment of the rents and any

other sum payable by TENANT under this Lease, and/or toward the performance of each and every of TENANT's covenants under this Lease and TENANT's liability under this Lease shall thereby be reduced pro tanto that TENANT shall remain liable for any amounts that such sum shall be insufficient to pay; that LANDLORD may exhaust any or all rights and remedies against TENANT before resorting to said sum, but nothing herein contained shall require or be deemed to require LANDLORD to do so; that, in the event this deposit shall not be utilized for any

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of such purposes, then such deposit shall be returned by LANDLORD to TENANT promptly after the expiration of the term of the Lease. LANDLORD shall not be required to pay TENANT any interest on said security deposit. Promptly upon demand by LANDLORD, TENANT shall deposit with LANDLORD such additional sum as may be necessary to replace any amounts expended therefrom by LANDLORD pursuant to the provisions hereof, so that there shall always be a security deposit in the sum first set forth above.

4. USE:

The TENANT will use any occupy the Premises for office/warehouse and for no other use or purpose. The TENANT will not create nor allow to be created any form of pollution whether noise, smoke, or otherwise within or without the Demised Premises. The TENANT shall at its own cost and expense obtain any and all licenses and permits necessary for any such use.

5. ASSIGNMENT:

TENANT may not assign, sublet, transfer, or dispose of this Lease during the term hereof, or underlet the Demised Premises or any part thereof or permit the Premises to be occupied by any other persons without the written consent of LANDLORD first obtained in each case. If this Lease be assigned, or if the Demised Premises or any part thereof be underlet or occupied by anybody other than the TENANT, the LANDLORD may, at LANDLORD's option, after default by the TENANT, collect rent from the assignee, under tenant, or occupant, and apply the net amount collected to the rent herein reserved, but no such collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, under tenant or occupant as TENANT or a release of the TENANT from the further observance and performance by the TENANT of the covenants herein contained.

Notwithstanding the foregoing provisions of this paragraph, this Lease may be assigned, sublet, or transferred to, or the Demised Premises may be underlet to, or occupied by, in whole or in part, (i) any corporation into or with which TENANT may be merged or consolidated, or (ii) any corporation which now or hereafter is an affiliate, subsidiary, parent, or successor of TENANT, (iii) any corporation which acquires all or a substantial portion of the stock or assets of TENANT, or (iv) any partnership, the majority or controlling interest in which shall be owned by TENANT, or an affiliate, subsidiary, parent, or successor of TENANT, or by stockholders of TENANT or of an affiliate, subsidiary, parent, or successor of TENANT, without the written consent of LANDLORD.

If TENANT shall desire to make interior alterations in connection with an assignment or subletting which is permitted hereunder, LANDLORD shall not unreasonably withhold or delay its consent thereto.

For the purpose of this paragraph, a "subsidiary" or "affiliate" or a "successor" of TENANT shall mean the following:

A. An "Affiliate" shall mean any corporation which, directly or indirectly controls or is controlled by or is under common control with TENANT. For this purpose "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise;

B. A "subsidiary" shall mean any corporation not less than fifty percent (50%) of whose outstanding stock shall, at the time, be owned directly or indirectly by TENANT;

C. A "successor" of TENANT shall mean:

(1) A corporation in which or with which TENANT, its corporate successors, or assigns, is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation of corporations, provided that by operation of law or by the effective provisions contained in the instruments of merger or consolidation, the liabilities of the corporations participating in such merger or consolidation are assumed by the surviving such merger or created by such consolidation; or

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(2) A corporation or partnership acquiring this Lease and the term hereby demised and a substantial portion of the property and assets or the stock of TENANT, its corporate successors, or assigns or;

(3) A corporate or other entity resulting from a reorganization of TENANT (not a reorganization under the Bankruptcy laws); or

(4) A corporate successor to a successor corporation becoming such by of the methods described in (1), (2) or (3), provided that on the completion of such merger, consolidation, acquisition, or assumption, the successor shall have a net worth no less than TENANT's net worth immediately prior to such merger, consolidation acquisition, or assumption.

Acquisition, reorganization, or assumption by TENANT, its corporate successors or assigns, of a substantial portion of the assets, together with the assumption of all or substantially all of the obligations and liabilities of any corporation, shall be deemed a merger of such corporation into TENANT for the purpose of this paragraph.

Anything to the contrary notwithstanding, where the consent of the LANDLORD is necessary to a proposed assignment or subletting, TENANT agrees to notify the LANDLORD in writing of the name, address, terms of the proposed sublease or assignment, proposed use, and such other data concerning the assignee or sublessee as TENANT shall have obtained. LANDLORD shall have thirty (30) days from such notice within which to (a) give its written consent to such assignment or sublease with TENANT remaining fully liable for its obligations under the Lease; (b) acquiesce to such assignment or sublease, but terminate TENANT's obligations under the Lease (provided LANDLORD and assignee or sublessee enter into a new Lease upon the same terms as set forth in the proposed assignment or sublease); or (c) give written notice that it is withholding its consent to the proposed assignment or subletting in accordance with the applicable provisions of this Lease.

In the event of the transfer and assignment by LANDLORD of its interest in this Lease and/or in the building containing the Leased Premises to a person expressly assuming LANDLORD's obligations under this Lease, LANDLORD shall thereby be released from any further obligations thereunder, and TENANT agrees to look solely to such successor in interest of the LANDLORD for performance of such obligations. Any security given by TENANT to secure performance of TENANT's obligations hereunder may be assigned and transferred by LANDLORD to such successor in interest, and LANDLORD shall thereby be discharged of any further obligation relating thereto.

6. CONSTRUCTION, APPLICABLE LAW:

The words "LANDLORD" and "TENANT" as used herein shall include plural as well as the singular. Words used in masculine gender include the feminine and neuter. If there be more than one LANDLORD or TENANT, the obligations imposed hereunder upon the LANDLORD and TENANT shall be joint or several. The section headings or titles in this Lease are not a part hereof and shall have no effect upon the construction of interpretation of any part hereof. This Lease shall be construed and enforced under the laws of the State of Florida. Should any provisions of this Lease be illegal or unenforceable under such laws, it or they shall be considered severable and this Lease and its conditions shall remain in force and be binding upon the parties hereto just as though the illegal or unenforceable provisions had never been included herein.

7. PREPARATION OF THE PREMISES: (1)

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(1) OTHER THAN FUMIGATING FOR INSECTS AND PESTS, AS WELL AS REMOVAL FROM THE PREMISES OF ALL UNCONNECTED/UNAFFIXED AND FREE STANDING FURNITURE, LANDLORD SHALL DELIVER THE DEMISED PREMISES TO TENANT IN ITS "AS-IS" CONDITION. TENANT SHALL CONSTRUCT ALL IMPROVEMENTS, AT ITS EXPENSE, IN ACCORDANCE WITH THE TERMS OF RIDER 1 HERETO AND SPACE PLANS AND ARCHITECTURAL DRAWINGS, IF ANY, APPROVED IN ADVANCE BY LANDLORD.

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8. ACCEPTANCE OF THE PREMISES:

LANDLORD shall deliver the Premises to TENANT with an operational heating and air conditioning system. TENANT's failure to give written notice to LANDLORD at any time during the thirty (30) day period after TENANT has taken possession of the Demised Premises shall be conclusive evidence that the Demised Premises were in good order and satisfactory condition on the day TENANT took possession. No promise of the LANDLORD to alter, remodel, or improve the Demised Premises and no representation respecting the condition of the Demised Premises have been made by the LANDLORD to the TENANT, unless the same is contained herein or made a part hereof, and the TENANT will make no claim on Account of any representations whatsoever, whether made by any renting agent, broker, officer, or other representatives of LANDLORD or which may be contained in any circular, prospectus, or advertisement relating to the Demised Premises, unless the same is specifically set forth or referenced in this Lease. The LANDLORD agrees that it will promptly correct any of the work to be performed by the LANDLORD under the terms of this Lease which defects, inconsistencies or work are set forth in the above referenced written notice to LANDLORD.

9. REPAIRS AND MAINTENANCE:

The TENANT will, at TENANT's sole cost and expense, keep the Demised Premises in good repair and tenantable condition during the term of this Lease. The repair and maintenance of the whole of the Demised Premises, including without limitation, the nonstructural interior portions of the Demised Premises; including storefronts, windows, doors, floor covering, plumbing, ventilation, heating and air conditioning systems, shall be the sole responsibility of the TENANT at the TENANT's expense.

The TENANT will, at the termination of this Lease, by lapse of time or otherwise, surrender the Premises in the same condition as when received, reasonable wear and tear excepted, and shall surrender all keys for the Premises to LANDLORD. TENANT shall remove all its trade fixtures leased equipment and any alterations or improvements which LANDLORD requests to be removed before surrendering the Premises as aforesaid and shall repair any damage to the Premises caused thereby. Notwithstanding the foregoing, however, TENANT shall not be required to remove improvements of a permanent nature such as walls, partitions, carpeting and painting, TENANT's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of the Lease.

The TENANT shall at its own cost and expense, enter into an annual contract for regularly scheduled preventive maintenance and repair, with a licensed maintenance contractor approved by the LANDLORD, for servicing and repair of all heating and air conditioning systems and equipment serving the Premises. Not later than thirty (30) days following the commencement of this Lease and annually thereafter, TENANT shall furnish to LANDLORD a copy of the air conditioning maintenance contract described above and proof that the annual premium for the maintenance has been paid. Notwithstanding the above, TENANT may alternatively maintain the heating and air conditioning systems servicing the Premises through employees of Tenant who are licensed to maintain such systems.

The service contract must include all services suggested by the equipment manufacturer. The maintenance contractor shall keep a detailed record of all services performed on the Premises and prepare a yearly service report to be furnished to the TENANT and the LANDLORD at the end of each calendar year. The LANDLORD may, but shall not be required to, upon notice to the TENANT, elect to enter into such maintenance/service contract on behalf of the

TENANT or perform the work itself, and in either case, charge TENANT therefore, together with a reasonable charge of overhead.

The LANDLORD agrees to repair and maintain in good order and condition the roof, roof drains, exterior walls, parking lots, landscaping, exterior lighting and the structural integrity of the interior and exterior of the Premises.

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10. ALTERATIONS:

TENANT shall make no alterations, additions, installations, improvements, or decorations in or to the Premises without the written consent of LANDLORD, which consent shall be subject to the foregoing and upon such terms and conditions as LANDLORD may require and stipulate in such consent, including without limitations, (a) physical and spatial limitations, (b) governmental approvals, (c) payment, (d) bonding to guarantee the payment of contractor's fees, (e) indemnification, (f) liens, (g) designation of approved contractors and subcontractors and (h) LANDLORD's insurer's requirements. This clause shall not be construed to mean that the LANDLORD shall allow any mechanics' liens upon the Premises based upon work ordered by the TENANT.

11. DELAY OR POSSESSION:

If the LANDLORD is unable to give possession of the Demised Premises on the date stipulated in Paragraph 1 hereof as the commencement of the term hereof, by reason of the LANDLORD not having fully completed construction of the Demised Premises or the holding over of any prior tenant or tenants or for any other reason; an abatement or diminution of the rent to be paid hereunder shall be allowed. TENANT under such circumstances, but nothing herein shall operate to extend the term of this Lease beyond the expiration date; and said abatement in rent shall be in the full extent of LANDLORD's liability to TENANT for any loss or damage to TENANT on account of said delay in obtaining possession of the Premises.

12. DESTRUCTION OR DAMAGE:

A. In the event that the Demised Premises shall be destroyed or damaged or injured by fire or casualty during the term of this Lease, whereby all or a part thereof shall be rendered untenable, then the LANDLORD shall have the right, to be exercised by notice to TENANT within thirty (30) days after casualty, to render such premises tenable by repairs within 90 days therefrom subject to extension for delays faced by LANDLORD due to adjustment of insurance proceeds, labor trouble, governmental controls, so-called acts of God, or any other cause beyond LANDLORD's reasonable control. If said Premises are not rendered tenable within said time, it shall, be optional with either party hereto to cancel this Lease, by written notice to the other, and in the event of such cancellation the rent shall be paid only to the date of such fire or casualty and paid rent refunded. During any time that the Demised Premises are untenable due to causes set forth in this paragraph, the rent or a just and fair proportion thereof shall be abated.

B. If the Demised Premises shall suffer damage to an extent that less than fifteen percent (15%) of the building in which the Demised Premises are located are rendered untenable, then LANDLORD agrees to proceed promptly and without expense to TENANT to repair the damage and restore the improvement installed by LANDLORD, and TENANT shall be entitled to an abatement of a fair and just portion of the rent and other payment required under this Lease according to TENANT's ability to use the Premises from the date of such damage until said Premises are completely reinstated or restored. If damage to the Demised Premises in excess of \$25,000.00 shall occur within the last year of the initial term or the option extension period provided for herein, the obligation of the LANDLORD to restore the Premises shall not arise unless TENANT shall give notice to LANDLORD within thirty (30) days after such damage of its desire to extend the term of this Lease for an additional option term if such option term is still available. Upon such notice, LANDLORD agrees with all due diligence to repair and restore the Demised Premises and the Lease shall continue. Failing such notice to exercise in available option to extend, LANDLORD, at its option, shall have the right to terminate this Lease or to restore the Premises and the Lease shall continue for the remainder of the then

unexpired term and any options which are thereafter exercised. TENANT shall be entitled to an abatement of a fair and just portion of the rent and other payments required under this Lease according to the TENANT's ability to use the Premises from the date of such damage until the Premises are completely reinstated and restored.

C. No damages, compensation, or claim shall be payable by LANDLORD for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Demised Premises or of the building pursuant to this paragraph. If the LANDLORD is required to, or exercises its rights to, restore the Premises, then LANDLORD shall use its best efforts not to unreasonably

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interfere with the TENANT's use and occupancy. Notwithstanding anything to the contrary the LANDLORD shall not be liable for damages or claims if it is unable to obtain insurance.

D. Notwithstanding any of the provisions of the foregoing, if the LANDLORD or the holder of any superior mortgage, as defined hereafter is unable to collect all of the insurance proceeds, if any, applicable to the damage or destruction of the Demised Premises or of the building by fire or some other casualty or cause, by reason of some action or inaction on the part of the TENANT, its agents, employees, or contractors then without prejudice to any other of LANDLORD's remedies available against TENANT, there shall be no abatement of the rent due from TENANT to the extent of the uncollected insurance proceeds, if any.

E. LANDLORD will not carry separate insurance of any kind covering TENANT's property. Except by reason of LANDLORD's breach of any of its obligations hereunder or by operation of law the LANDLORD shall not be liable for the repair of any damage or the replacement of TENANT's property.

13. DEFAULT: LANDLORD'S REMEDIES:

All rights and remedies of the LANDLORD herein enumerated shall be cumulative, and none shall exclude another or any other right or remedy provided by law.

A. If TENANT or any guarantor of this Lease shall become bankrupt or insolvent or unable to pay its debts as such become due, or file any debtor proceedings or if TENANT or any guarantor shall take or have taken against either party in any court pursuant to any statute either of the United States or of any State, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of TENANT's or any such guarantor's property, or if TENANT or any such guarantor makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement, then this Lease shall terminate and LANDLORD, in addition to any other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the leased Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of TENANT, all without service of notice or resort to legal process and without being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby.

B. If the TENANT defaults in the payment of rent or in the prompt and full performance of any provisions of this Lease, or if the leasehold interest or the TENANT's business or fixtures of TENANT are levied upon under execution or attached by process of law, or if the TENANT makes an assignment for the benefit of creditors, or the TENANT abandons the Premises, then and in any such event the LANDLORD may, if the LANDLORD so elects, but not otherwise, and after three (3) days written notice thereof to TENANT, forthwith terminate this Lease and the TENANT's right to possession of the Demised Premises, or terminate only TENANT's right to possession hereunder.

C. Upon any termination of this Lease, whether by lapse of time or otherwise, the TENANT shall surrender possession and vacate the Premises immediately, and deliver possession thereof to the LANDLORD, and hereby grants to the LANDLORD full and free license to enter into and upon the Premises in such event with or without process of law and to expel or remove the TENANT and

any others who may be occupying or within the Premises and to remove any and all property therefrom, using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction, or forcible entry or detainer, and without relinquishing the LANDLORD's rights to rent or any other right given to LANDLORD hereunder or by operation of law. The TENANT expressly waives the service of any demand for the payment of rent or for possession and the service of any notice of the LANDLORD'S election to terminate this Lease or to re-enter the Premises, except as provided for in subparagraph (B) of this paragraph, and agree that the simple breach of any covenants or provisions of this Lease by the TENANT shall, of itself, without the service of any notice or demand whatsoever, constitute an unlawful detainer by TENANT of the Premises within the meaning of the Statutes of the State of Florida.

D. If the TENANT abandons the Premises or otherwise entitles the LANDLORD so to elect and the LANDLORD does elect to terminate the TENANT's right to possession only, without terminating the Lease, the LANDLORD may, at the LANDLORD's option, enter into the Premises,

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remove the TENANT's signs and other evidence of tenancy, and take and hold possession thereof without such entry and possession terminating the Lease or releasing the TENANT, in whole or in part from the TENANT's obligation to pay the rent hereunder for the full term, and in any such case the TENANT shall pay forthwith to the LANDLORD, a sum equal to the entire amount of the rent reserved under Paragraph 2 of this Lease for the residue of the stated term plus any other sums then due hereunder. Upon and after entry into possession without termination of the Lease, the LANDLORD may, but need not, relet the Premises or any part thereof for the account of the TENANT to any person, firm, or corporation other than the TENANT for such rent, for such time, and upon such terms as the LANDLORD in the LANDLORD's sole discretion shall determine; and the LANDLORD shall not be required to accept any tenant offered by the TENANT. In any such case, the LANDLORD may make repairs, alterations, and additions in or to the Premises and redecorate the same to the extent deemed by the LANDLORD necessary or desirable, and the TENANT shall, upon demand, pay the cost thereof, together with the LANDLORD's expenses of the reletting. If the consideration collected by the LANDLORD upon any such reletting for the TENANT's account is not sufficient to pay monthly the full amount of the rent reserved in this Lease, together with the costs of repairs, alterations, additions, redecorating, and the LANDLORD's expenses, the TENANT shall pay to the LANDLORD the amount of each monthly deficiency upon demand; and if the consideration so collected from any such reletting is more than sufficient to pay the full amount of the rent reserved herein, together with the costs and expenses of the LANDLORD, the LANDLORD, at the end of stated term of the Lease, shall account for the surplus to the TENANT.

E. TENANT hereby irrevocably appoints LANDLORD as agent and attorney-in-fact of TENANT, to enter upon the Premises in the event of default by TENANT, and to remove any and all furniture and personal property whatsoever situated upon the premises. Any and all property which may be removed from the Premises by the LANDLORD pursuant to the authority of this Lease or of law, to which the TENANT is or may be entitled, may be handled, removed, or stored by LANDLORD at the risk, cost, and expense of TENANT and LANDLORD shall in no event be responsible for the value, preservation's or safekeeping thereof. TENANT shall pay to LANDLORD, upon demand, all expenses incurred in such removal and all storage charges against such property so long as the same shall be in LANDLORD's possession or under LANDLORD's control. LANDLORD may place such property after it has been stored for a period of ninety (90) days or more, LANDLORD may sell any or all of such property in such manner and at such times and places as LANDLORD in its sole discretion may deem proper, without notice to or demand, upon TENANT for the payment of any part of such charges or the removal of any of such property and shall apply the proceeds of such sale first to the cost of expenses of such sale, including reasonable attorneys' fees; second, to the payment of the costs and charges of storing any property; third, to the payment of any other sum of money which may then or thereafter be due to LANDLORD from TENANT under any of the terms hereof; and fourth, the balance, if any, to TENANT. The removal and storage of TENANT's property as above provided shall not constitute a waiver of LANDLORD's lien thereon.

F. TENANT shall pay upon demand all of LANDLORD's costs, charges, and expenses, including the fees of counsel, agents; and others retained by LANDLORD, incurred in enforcing TENANT's obligations hereunder or incurred by LANDLORD in any litigation, negotiations, or transaction in which TENANT causes LANDLORD, without LANDLORD's fault, to become involved or concerned. Attorneys' fees shall be awardable for all phases of litigation, trial, as well as appellate. To perfect and assist in the implementation of certain of LANDLORD's rights in and to the TENANT's personal property, TENANT hereby pledges and assigns to LANDLORD and grants unto LANDLORD a lien upon all furniture, fixtures, goods, and chattels of TENANT which shall or may be brought or put on the Premises as further security for the faithful performance of the terms, provisions, conditions, and covenants of this Lease, and TENANT specifically agrees that said lien may be enforced by distress, foreclosure, or otherwise at the election of the LANDLORD. TENANT hereby expressly waives and renounces for himself and family, any and all homestead and exemption right he may have now or hereafter, under or by virtue of the Constitution or laws of the State of Florida, or of any other State, or of the United States, as against the payment of rent, Additional Rent, or any other charges payable by TENANT hereunder or any other obligation or damage that may accrue under the terms of the Agreement.

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14. ADDITIONAL RENT:

A. Definitions:

"Phase" means all of Phase I of West Bay Corporate Center. "Project" means West Bay Corporate Center.

"TENANT'S Phase Share" means the proportion that the square footage of the Demised Premises bears to the total square footage of the rentable area in the Phase. For calculation purposes, TENANT's Proportional Phase Share is fifty percent (50%).

"TENANT's Project Share" means the proportion that the square footage of the Demised Premises bears to the Phase, multiplied by one-third.

"TENANT's Share" shall, in reference to any item which applies to the entire Project, mean TENANT's Project Share and, as to any item for which there is a separate meter or bill for the Phase (i.e., water and sewer fees), shall mean TENANT's Phase Share.

B. In addition to the Base Rent and adjustments thereto, TENANT shall pay to LANDLORD as Additional Rent, Tenant's Share of all taxes, assessments, insurance premiums, utility services, operating expenses, maintenance charges, and any other charges, costs, and expenses which arise from the ownership, occupancy or use of the Parcel, or any part thereof.

The TENANT's prorated share of these Additional Assessments shall be calculated by multiplying the cost of these items to the LANDLORD by the TENANT's Percentage as set forth in Section (A) hereof.

The TENANT agrees to pay the Additional Assessments, as set forth above, in monthly payments in advance during the Term of this Lease, as may be estimated by the LANDLORD. At the end of each calendar year, the LANDLORD shall advise the TENANT of the actual TENANT's share of the Additional Assessments payable for such calendar year as computed based upon the cost thereof to the LANDLORD. If there shall have been an underpayment by the TENANT, the TENANT shall pay the difference within ten ( 10) days; if there shall have been an overpayment by the TENANT, the TENANT shall be given a credit towards the next due payment of its share of the Additional Assessment.

At the end of each calendar year, the TENANT shall have the right to require LANDLORD to substantiate, by written itemization, LANDLORD's computation of TENANT's Additional Assessments. LANDLORD shall furnish such an itemization to TENANT within thirty (30) days from receipt of TENANT's written request for such itemization.

15. SUBORDINATION:

This Lease, and all rights of TENANT hereunder, are and shall be subject and subordinate to all ground leases, overriding leases, and underlying leases affecting the Demised Premises now or hereafter existing and to all mortgages which may now or hereafter affect the Demised Premises and to each and every advance made or hereafter to be made under such mortgages, and to all renewals, modifications, replacements, and extensions of such leases and mortgages and spreaders and consolidations of such mortgages (which leases and mortgages are sometimes collectively referred to herein for convenience as the "Superior Lease" and "Superior Mortgage"). This paragraph shall be self-operative and no further instrument of subordination shall be required to make it effective; however, TENANT shall promptly execute and deliver any instrument reasonably requested to evidence such subordination.

A. TENANT agrees that in the event of any act or omission by the LANDLORD which would give TENANT the right to terminate this Lease, or to claim a partial or total eviction, TENANT shall not exercise any such right until it has notified in writing the holder of any such mortgage which at the time shall be a lien on the Demised Premises or the ground lessor, if any, of such act or omission

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B. If the ground lessor of any such Lease or the holder of any such mortgage shall succeed to the rights of LANDLORD under this Lease, then at the request of such party of succeeding to LANDLORD's rights and upon such successor's written agreement to accept TENANT's attornment, TENANT shall attorn to such successor LANDLORD and will execute such instruments as may be necessary or appropriate to evidence such attornment. Upon such attornment, this Lease shall continue in full force and effect as, or as if it were a direct Lease between the successor LANDLORD and TENANT upon all the terms, conditions, and covenants as are set forth in this Lease and shall be applicable after such attornment except that the successor LANDLORD shall not (i) be liable for any previous act or omission of LANDLORD under this Lease; (ii) be subject to any offset, not expressly provided for in this Lease, which shall have theretofore accrued to TENANT against LANDLORD, and (iii) be bound by any previous modification of this Lease, not expressly provided for in this Lease, or by any previous prepayment of more than one month's fixed rent unless such modification or prepayment shall have been expressly approved in writing by such LANDLORD or such holder through or by reason of which the successor LANDLORD shall have succeeded to the rights of LANDLORD under this Lease.

C. TENANT shall deliver to LANDLORD or to its mortgagee or auditors, or prospective purchaser of the owner of the fee, when requested by LANDLORD, a certificate to the effect that this Lease is in full force and that LANDLORD is not in default therein, or stating specifically any exceptions thereto. Failure to give such a certificate within ten (10) business days after written request shall be conclusive evidence that the Lease is in full force and effect and LANDLORD is not in default and in such event, TENANT shall be estopped from asserting any defaults known to TENANT at that time.

16. INDEMNIFICATIONS:

Neither LANDLORD nor any agent or employee of LANDLORD shall be liable to TENANT for any injury or damage to TENANT or to any other person or for any damage to, or loss (by other person, irrespective of the cause of such injury, damage, or loss), unless caused by or due to the negligence of LANDLORD, its agents, or employees without contributory negligence of TENANT, its agents or employees, subject to the comparative negligence doctrine, it being understood that no property, other than such as might normally be brought upon or kept in the Premises as an incident to the reasonable use of the Premises for the purposes herein permitted, will be brought upon or be kept in the Premises.

TENANT shall indemnify and save harmless LANDLORD and its agents against and from (a) any and all claims (i) arising from (x) the conduct or management of the Demised Premises or of any business therein, or (y) any work or thing whatsoever done, or any condition created or permitted to exist (other than by LANDLORD for LANDLORD's or TENANT's account) in or about the Demised

Premises during the term of this Lease, or during the period of time, if any, prior to the commencement of the term hereof that TENANT may have been given access to the Demised Premises, or (ii) arising from any negligent or otherwise wrongful act or omission of TENANT or any of its subtenants or its or their employees, agents, or contractors; and (b) all costs, expenses, and liabilities incurred in or in connection with each such claim or action or proceeding brought thereon. Notwithstanding anything contained herein to the contrary, in no event shall Tenant be obligated to indemnify Landlord under this Section 16 from claims arising from the gross negligence or wilful misconduct of Landlord, its employees and representatives. In case any action or proceeding be brought against LANDLORD, TENANT shall resist and defend such action or proceeding.

17. INSURANCE:

TENANT shall carry public liability insurance, in amounts of \$500,000.00 in respect of injuries to any one person, and \$1,000,000.00 in respect of any one accident or disaster, with companies and on forms acceptable to LANDLORD, naming both LANDLORD and TENANT as parties insured thereby, insuring the parties against any such claim. All such policies of insurance shall provide for not less than thirty (30) days notice to LANDLORD as a condition precedent to cancellation. Such policy shall be delivered to LANDLORD. TENANT shall provide LANDLORD with evidence of payment of renewal premiums or replacement of policy and payment of renewal premiums or replacement of policy and payment of premiums not later than thirty (30) days prior to the expiration of any such policy. The public liability policy shall include Premises and operations.

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18. WAIVER:

The failure of either the LANDLORD or TENANT to insist in any one or more instances upon the strict performance of any one or more of the obligations of this Lease, or to exercise any right or election herein contained, shall not be construed as a waiver or relinquishment for the future of the performance of such or more obligations of this Lease or of the right to exercise such election, but the same shall both continue and remain in full force and effect with respect to any subsequent breach, act, or omission.

19. BROKER(S):

The brokers in this transaction (are) McCoy Realty Group and Equis, who shall be paid their respective commissions by LANDLORD pursuant to separate written agreements. TENANT covenants, warrants, and represents that no other broker was instrumental in consummating this Lease, and that no conversations or negotiations were had with any other broker concerning the renting of the Demised Premises or rental space at West Bay Corporate Center. TENANT agrees to hold LANDLORD harmless from any and all claims, and agrees to defend at its own expense, any and all claims for brokerage commission asserted by third parties other than the broker(s) stated above.

20. NOTICES:

Any notice, statement, demand, or other communication required or permitted to be given or made by either party to the other, pursuant to this Lease or pursuant to any applicable law, shall be deemed to have been properly given and made if sent by registered or certified mail, return receipt requested, addressed to the other party at the address hereinabove set forth or at such other address as may hereafter be designated by either party by notice to the other and shall be deemed to have been given or made on the day so mailed. Either party may, by notice given as aforesaid, designate a different address or addresses for notices, statements, demands, or other communications intended for it.

For LANDLORD:

For TENANT:

McCoy Realty Group  
4175 East Bay Drive Suite 100  
Clearwater, Florida 34624  
Attn: Joseph T. Robinson

Bill Andre  
Jabil Circuit, Inc.  
10800 Roosevelt Blvd.  
St. Petersburg, Florida 33716

with a copy to:

Teachers Insurance and Annuity Association  
730 Third Avenue  
New York, NY 10017  
Attn: Mr. David Bengel

with a copy to:

Robert Paver, Esq.  
General Counsel Jabil Circuit, Inc.  
10800 Roosevelt Blvd.  
St. Petersburg, Florida 33716

21. RULES AND REGULATIONS:

It is mutually agreed that all the rules and regulations included with this instrument attached hereto marked as Exhibit "B" shall be and are hereby made a part of this Lease, and TENANT covenants and agrees that it and its employees, servants, and agents will at all times observe, perform, and abide by said rules and regulations as they exist and as they may be amended hereafter from time to time.

22. LIENS:

Nothing contained in this Lease shall be construed as a consent on the part of LANDLORD to subject the estate of LANDLORD to liability under the Construction Lien Law of the State of Florida, it being expressly understood that the LANDLORD's estate shall not be subject to such liability. TENANT shall strictly comply with the Construction Lien Law of the State of Florida as set forth in Chapter 713, Florida Statutes. TENANT agrees to obtain and deliver to LANDLORD prior to the commencement of

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any work or Alteration or the delivery of any materials, written and unconditional waivers of contractors' liens with respect to the Premises or the Building for work, service or materials to be furnished at the request or for the benefit of TENANT to the Premises. Such waivers shall be signed by all architects, engineers, designers, contractors, subcontractors, materialmen and laborers to become involved in such work. Notwithstanding the foregoing, TENANT at its expense shall cause any lien filed against the Premises or the Building for work, services or materials claimed to have been furnished to or for the benefit of TENANT to be satisfied or transferred to bond within ten (10) days after TENANT's having received notice thereof. In the event that TENANT fails to satisfy or transfer to bond such claim of lien within said ten (10) day period, LANDLORD may do so and thereafter charge TENANT as Additional Rent, all costs incurred by LANDLORD in connection with the satisfaction or transfer of such claim, including attorneys fees and an administrative charge not exceeding fifteen percent (15%) of all sums incurred by LANDLORD in the satisfaction or transfer of such claim. Further, TENANT agrees to indemnify, defend, and save the LANDLORD harmless from and against any damage to and loss incurred by LANDLORD as a result of any such contractor's claim of lien. If so requested by LANDLORD, TENANT shall execute a short form or memorandum of this Lease, which may, in LANDLORD's sole discretion be recorded in the Public Records of Pinellas County for the purpose of protecting LANDLORD's estate from contractors' Claims of Lien, as provided in Chapter 713.10, Florida Statutes. In the event such short form or memorandum of this Lease is executed, TENANT shall simultaneously execute and deliver to LANDLORD an instrument in recordable form terminating TENANT's interest in the real property upon which the Premises are located, which instrument may be recorded by LANDLORD at the

expiration or earlier termination of the term of this Lease. The security deposit paid by TENANT may be used by LANDLORD for the satisfaction or transfer of any Contractor's Claim of Lien, as provided in this Section. This Section shall survive the termination of this Lease.

23. TRANSFER BY LANDLORD:

In the event that the interest or estate of LANDLORD in the Premises shall terminate by operation of law or by bona fide sale of the Premises or by execution or foreclosure sale, or for any other reason, then and in any such event LANDLORD shall be released and relieved from all future liability and responsibility as to obligations to be performed by LANDLORD hereunder or otherwise. A voluntary conveyance of the Demised Premises shall not terminate this Lease and LANDLORD's successor, by TENANT tendering payment of rent hereunder to such successor, shall become liable and responsible to TENANT in respect to all such obligations of LANDLORD under this Lease.

This Lease may be assigned by the LANDLORD, in which case, the TENANT, upon request by the LANDLORD, and to the extent it is able, shall issue a letter stating that the Lease is in full force and effect and that there are no set-offs or claims or other defenses to rent.

24. CONDEMNATION:

In the event any portion of the Demised Premises is taken by any condemnation or eminent domain proceeding or should the Demised Premises be conveyed in lieu of such a taking and this Lease continues in force as to any part of the Demised Premises, as hereinafter provided, the base monthly rental herein specified to be paid shall be ratably reduced according to the area of the Demised Premises which is actually taken, as of the date of such taking and TENANT shall be entitled to no other consideration by reason of such a taking and any damages whatsoever suffered by TENANT and occasioned by such taking shall not entitle TENANT to share to any extent in any and all income, rent, awards, or any interest therein whatsoever which may be made in connection with such a taking and TENANT does hereby relinquish and assign to LANDLORD all TENANT'S rights and equities in and to any such income, rent, awards, or any interest therein.

In the event of a partial taking of the building, either by condemnation, eminent domain, or conveyance in lieu thereof, LANDLORD may elect to terminate this Lease if the remaining area of the building shall not be reasonably sufficient for LANDLORD to continue feasible and economical operation of the remaining portion of the building, in the LANDLORD's sole discretion. Upon the giving of such notice this Lease shall terminate on the date of service of such notice, and the rents apportioned to the part of the Demised Premises so taken shall be prorated and adjusted as of the date of the taking and the rents apportioned to the remainder of the Demised Premises shall be prorated and adjusted as of such termination date.

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Should all the Demised Premises be so taken, this Lease shall terminate as of the date of such a taking and in the event TENANT shall be entitled to no damages or any consideration by reason of such taking, except the cancellation and termination of this Lease as of the date of said taking.

25. PEACEFUL POSSESSION:

LANDLORD warrants and represents that it is the owner of the Demised Premises and has full right, power, and authority to enter into this Lease Agreement. So long as TENANT pays all of the fixed rent and Additional Rent and charges due hereunder and performs all of TENANT's other obligations hereunder, TENANT shall peaceably and quietly have, hold, and enjoy the Demised Premises throughout the term of this Lease, without interference or hindrance by LANDLORD or any person claiming by, through, or under LANDLORD.

26. ACCESS, CHANGES IN BUILDING FACILITIES NAME:

Except for the inside surfaces of all walls, windows, and doors

bounding the Demised Premises, all of the building, including exterior building walls, core corridor walls and doors, and any core corridor entrance, any terraces or roofs adjacent to the Demised Premises, and any space in or adjacent to the Demised Premises used for shafts, stacks, pipes, conduits, fan rooms, ducts, electric, or other utilities, sinks, or other building facilities, and the use thereof, as well as access thereto through the Demised Premises for the purposes of operation, maintenance, decoration, and repair, are reserved to LANDLORD.

TENANT shall permit LANDLORD to install, use and maintain pipes, ducts, and conduits within the demising walls, bearing columns, and ceilings of the Demised Premises. LANDLORD shall be responsible for repairing, at its own expense, any damages caused by such installation or maintenance.

LANDLORD or LANDLORD's agents shall have the right, upon request, to enter and/or pass through the Demised Premises or any part thereof, at reasonable times during reasonable hours (i) to examine the Demised Premises and to show them to the fee owners, holders of superior mortgages, or prospective purchasers, mortgagees of lessees of the building as an entirety, and (ii) for the purpose of making such repairs or changes or doing such repainting in or to the Demised Premises or in or to the building or its facilities as may be provided for by this Lease or as may be mutually agreed upon by the parties or as LANDLORD may be required to make by law or in order to repair and maintain the building or its fixtures or facilities. LANDLORD shall be allowed to take all materials into and upon the Demised Premises that may be required for such repairs, changes, repainting, or maintenance. LANDLORD shall also have the right to enter on and/or pass through the Demised Premises, or any part thereof, at such times as such entry shall be required by circumstances of emergency affecting the Demised Premises or the building.

During the period commencing six (6) months prior to the end of the term hereof, LANDLORD may exhibit the Demised Premises to prospective tenants at reasonable times and during reasonable hours upon advance and proper notification to TENANT.

LANDLORD reserves the right, at any time after completion of the building, to make such reasonable changes in or to the building and the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages, elevators, escalators, and stairways thereof, as it may deem necessary or desirable.

LANDLORD may adopt any name for the building. LANDLORD reserves the right to change the name or address of the building at any time.

27. SURRENDER, HOLDING OVER:

On the last day of the term of this Lease, or upon any earlier termination of this Lease, or upon any re-entry by LANDLORD upon the Demised Premises, TENANT shall peaceably and without notice of any sort, quit and surrender the Demised Premises to LANDLORD in good order, condition, and repair, except for ordinary wear and tear and such damage or destruction as LANDLORD is required to repair or restore under the terms of this Lease, and TENANT shall remove all of TENANT's property therefrom.

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TENANT specifically agrees that in the event TENANT retains possession and does not so quit and Surrender the Demised Premises to LANDLORD, then TENANT shall pay LANDLORD (i) all damages that LANDLORD may suffer on account of TENANT's failure to so surrender and quit the Demised Premises, including but not limited to any and all claims made by succeeding tenant of the Demised Premises against LANDLORD based on delay of LANDLORD in delivering possession of the Demised Premises to said succeeding tenant to the extent such delay is occasioned by the failure of TENANT to so quit and surrender said Premises, and (ii) rent for each month or any applicable portion of a month of such holding over at twice the amount payable for the month immediately preceding the termination of this Lease, during the time the TENANT thus remains in possession. The provisions of this paragraph do not waive any of the LANDLORD's rights of re-entry or any other right under the terms of this lease or the laws

of Florida. If TENANT shall fail to surrender the Premises as herein provided, no new tenancy shall be created and TENANT shall be guilty of unlawful detainer. No surrender of this Lease or of the Premises shall be binding on the LANDLORD unless acknowledged by LANDLORD in writing.

28. UTILITIES:

The TENANT agrees to pay promptly for all utilities used and consumed on the Premises which are separately metered to the Demised Premises. TENANT agrees that TENANT will pay its proportionate TENANT's Share (as defined in Paragraph 14 above) of the electric, water, and sewage bills which are not separately metered. If the TENANT uses water and sewage or extraordinary electrical power for commercial purpose, a separate meter will be installed at TENANT's expenses and TENANT will pay separately for such electric, water, and sewage services. In this context, water and sewage for commercial purposes shall mean that the TENANT is utilizing the water, sewer, and electric power for the purpose of production of a product for the preparation of a product for shipping or the integration of the use of water and the disposition of the sewage in connection with a business as opposed to the usage for light and for the benefit of employees, bathroom facilities, and the like.

29. SECURITY SYSTEMS:

The LANDLORD, at its sole discretion, determination, and option may enter into a contract or otherwise provide or make arrangement for the providing of a security system which may include security guards and/or electronic devices and/or a security guard gate and gate house. In the event that the LANDLORD elects to obtain such security system or systems, then the TENANT shall pay its proportionate share of the expense. The TENANT's proportionate share of the expense shall be determined by taking the total square footage of the TENANT's Demised Premises as a numerator and dividing that by the total square footage of the rentable area in the building served by that security system as the denominator, and then multiplying that by the annual cost of the service or system. The TENANT shall pay its proportionate share on a monthly basis together with its rental payment.

The LANDLORD shall in no way be responsible for the performance of the obligations of the security guards, and the TENANT hereby releases the LANDLORD from any claims of any nature whatsoever in connection with the furnishing of security guard services. The TENANT further acknowledges that should said services be provided on a negligent basis, that its sole and exclusive remedy shall be to seek recovery against the security service company.

Notwithstanding the above, TENANT shall have the right, subject to LANDLORD's prior written approval, to install a security system for the Premises at Tenant's sole cost; LANDLORD, however, will be provided access to the Premises as otherwise herein provided notwithstanding such security system. TENANT shall be permitted to remove the security system which it installs so long as such removal does not cause damage to the Premises.

30. COMMON AREAS:

With the exception of the use of the parking lot for the parking of vehicles and walking to and from the Demised Premises, the TENANT, the TENANT's employees, guests, and invitees shall not use the parking lot and areas not contained within the Demised Premises.

31. RELOCATION OF TENANT:

{Intentionally Deleted}

32. LANDLORD'S LIABILITY:

TENANT shall look solely to the estate and property of LANDLORD in the land and building improvements comprising the Building for the collection of any judgment, or in connection with any other judicial process, requiring the payment of money by LANDLORD in the event of any default by LANDLORD with respect to any of the terms, covenants and conditions of this Lease to be observed and performed by LANDLORD, and no other property or estates of LANDLORD

shall be subject to levy, execution or other enforcement procedures for the satisfaction of TENANT's remedies and rights under this Lease. The word "LANDLORD" as used in this Lease shall mean only the owner from time to time of LANDLORD's interest in this Lease, the event of any assignment of LANDLORD's interest in this lease, the assignor shall not longer be liable for the performance or observation of any agreements or conditions on the part of LANDLORD to be performed or observed.

33. SIGNS:

The TENANT must, prior to installing a sign, receive LANDLORD's prior written approval of the proposed sign. The TENANT will submit a "permit ready" set of sign plans for LANDLORD's approval. Notwithstanding the fact that LANDLORD shall have approved the plans the TENANT must comply with all applicable governmental rules and laws concerning signs and their installation. In no event will a sign be approved by LANDLORD which does not comply with the standard attached hereto.

34. PARKING:

LANDLORD shall provide non-exclusive parking for the benefit of TENANT, its employees, customers, and visitors and for the benefit of tenants in the project or in such configuration as the LANDLORD shall determine in its discretion. Parking provided by LANDLORD to TENANT will be based upon two (2) parking spaces per one thousand square feet leased (Demised Premises) by TENANT. Landlord shall not be liable for any loss, damage, theft or injury occurring to person or property within the parking areas of the Building Common Areas.

35. CONFIDENTIALITY:

TENANT will maintain the confidentiality of this Lease and will not divulge the economic or other terms of this Lease, whether verbally or in writing, to any person, other than TENANT's officers, directors, partners or shareholders, TENANT's attorneys, accountants and other professional consultants, any governmental agencies; and pursuant to subpoena or other legal process.

36. REQUIREMENTS OF LAW; HAZARDOUS MATERIALS.

TENANT shall not do, and shall not permit persons within TENANT's control to do, any act or thing in or upon the Premises which will invalidate or be in conflict with the certificate of occupancy for the Premises or violate any other zoning ordinances, and rules and regulations of governmental or quasi-governmental authorities having jurisdiction over the Premises (the "Requirements"). TENANT shall, at TENANT's sole cost and expense, take all action, including any required Alterations necessary to comply with all Requirements (including, but not limited to, applicable terms of the Pinellas County Building Code

and the Americans With Disabilities Act of 1990 (the "ADA"), each as modified and supplemented from time to time) which shall impose any violation, order or duty upon LANDLORD or TENANT arising from, or in connection with, the Premises, TENANT's occupancy, use or manner of use of the Premises (including, without limitation, any occupancy, use or manner of use that constitutes a "place of public accommodation" under the ADA), or any installations in the Premises, or required by reason of a breach of any of TENANT's covenants or agreements under this Lease, whether or not such Requirements shall now be in effect or hereafter enacted or issued, and whether or not any work required shall be ordinary or extraordinary or foreseen or unforeseen at the date hereof. Notwithstanding the preceding sentence, TENANT shall not be obligated to perform any Alterations necessary to comply with any Requirements, unless compliance shall be required by reason of (i) any cause or condition arising out of any Alterations or installations in the Premises (whether made by TENANT or by LANDLORD on behalf of TENANT), or (ii) TENANT's particular use, manner of use or occupancy on behalf of TENANT of the Premises, or (iii) any breach of any of TENANT's covenants or agreements under this Lease, or (iv) any wrongful act or omission

by TENANT or persons within TENANT's control, or (v) TENANT's use or manner of use or occupancy of the Premises as a "place of public accommodation" within the meaning of the ADA.

TENANT covenants and agrees that TENANT shall, at TENANT's sole cost and expense, comply at all times with all Requirements governing the use, generation, storage, treatment and/or disposal of any "Hazardous Materials" (which term shall mean any biologically or chemically active or other toxic or hazardous wastes, pollutants or substances, including, without limitation, asbestos, PCBs, petroleum products and by-products, substances defined or listed as "hazardous substances" or "toxic substances" or similarly identified in or pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. S.S. 9601 et seq., and as hazardous wastes under the Resource Conservation and Recovery Act, 42 U.S.C. S.S. 6010, et seq., any chemical substance or mixture regulated under the Toxic Substance Control Act of 1976, as amended, 15 U.S.C. S.S. 2601, et seq., any "toxic pollutant" under the Clean Water Act, 33 U.S.C. S.S. 466 et seq., as amended, any hazardous air pollutant under the Clean Air Act, 42 U.S.C. S.S. 7401 et seq., hazardous materials identified in or pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. S.S. 1802, et seq., and any hazardous or toxic substances or pollutant regulated under any other Requirements). TENANT shall agree to execute, from time to time, at LANDLORD's request, affidavits, representations and the like concerning TENANT's best knowledge and belief regarding the presence of Hazardous Materials in, on, under or about the Premises or the land on which the Premises is located. TENANT shall indemnify and hold LANDLORD and LANDLORD's agents harmless from and against any loss, cost, damage, liability or expense (including attorneys' fees and disbursements) arising by reason of any clean up, removal, remediation, detoxification action or any other activity required or recommended of LANDLORD or any of LANDLORD's agents by any Governmental Authority by reason of the presence in or about the Premises of any Hazardous Materials, as a result of or in connection with the act or omission of TENANT or persons within TENANT's control or the breach of this Lease by TENANT or persons within TENANT's control. The foregoing covenants and indemnity shall survive the expiration or any termination of this Lease.

If TENANT shall receive notice of any violation of, or defaults under, any Requirements, liens or other encumbrances applicable to the Premises, TENANT shall give prompt notice thereof to LANDLORD.

If any governmental license or permit shall be required for the proper and lawful conduct of TENANT's business and if the failure to secure such license or permit would, in any way, affect LANDLORD or the Premises, then TENANT, at TENANT's expense, shall promptly procure and thereafter maintain, submit for inspection by LANDLORD, and at all times comply with the terms and conditions of, each such license or permit.

37. RADON GAS:

Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

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38. ENTIRE AGREEMENT:

This Lease along with the attached Exhibits contain the entire agreement between the parties hereto and all previous negotiations leading hereto and it may be modified only by an agreement in writing signed and sealed by the LANDLORD and TENANT.

39. EFFECT OF DELIVERY OF THIS LEASE:

LANDLORD has delivered a copy of this Lease to TENANT for TENANT's review only and the delivery hereof does not constitute an offer to TENANT or an option to lease the Premises. This Lease shall not be effective until a copy

executed by both LANDLORD and TENANT is delivered to TENANT.

40. WAIVERS BY TENANT:

TENANT expressly waives all of the following: (a) the requirement under Chapter 83.12 of the Florida Statutes that the plaintiff in his distress for rent action file a bond payable to the tenant in at least double the sum demanded by the plaintiff; it being understood that no bond shall be required in any such action; (b) the right of TENANT under Chapter 83.14 of the Florida Statutes to replevy distrained property; and (c) any rights it may have in the selection of venue in the event of suit by or against LANDLORD, it being understood that the venue of such suit shall be in Pinellas County, Florida.

41. WAIVER OF JURY TRIAL:

LANDLORD and TENANT shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of LANDLORD and TENANT, TENANT's use or occupancy of the Premises, whether during or after the Term, or for the enforcement of any remedy under any statute, emergency or otherwise. If LANDLORD shall commence any summary procedure against TENANT, TENANT will not interpose any counterclaim of whatever nature or description in any such procedure (unless failure to impose such counterclaim would preclude TENANT from asserting in a separate action the claim which is the subject of such counterclaim), and will not seek to consolidate such procedure with any other action which may have been or will be brought in any other court by TENANT or LANDLORD.

IN WITNESS WHEREOF, the LANDLORD and TENANT have duly signed and executed these presents at Pinellas County, on this 30th day of October, 1997.

Signed, Sealed And Delivered  
In the Presence Of:

"LANDLORD"  
TEACHERS INSURANCE AND ANNUITY  
ASSOCIATION

/s/  
-----  
-----

By: /s/ Harry St. Clair  
-----  
Harry St. Clair  
Title: Assistant Secretary  
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"TENANT"  
JABIL CIRCUIT, INC., a Delaware  
corporation

/s/ Simone M. Butts  
-----  
-----

By: /s/ Wesley Edwards  
-----  
Wesley Edwards  
Title: Senior Vice President  
-----

[SEAL]

SIMONE M. BUTTS  
MY COMMISSION #CC647541 EXPIRES  
AUGUST 1, 2001  
BONDED THRU TROY FAIN INSURANCE, INC.

PHASE I BUILDING

Phase I  
9400 International Court  
St. Petersburg, Florida

WESTBAY CORPORATION CENTER

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EXHIBIT "B"

RULES AND REGULATIONS

- (1) The sidewalks, entrances, passages, courts, vestibules, or stairways shall not be obstructed or encumbered by any TENANT or used for any purpose other than ingress and egress to and from the demised premises.
- (2) No awnings or other projections shall be attached to the outside walls of the building without the prior written consent of the LANDLORD and the City of St. Petersburg.
- (3) No sign, advertisement, notice, or other letting shall be exhibited, inscribed, painted, or affixed by any TENANT on any part of the outside or inside of the demised premises or building without the prior written consent of the LANDLORD and the City of St. Petersburg. In the event of the violation of the foregoing by any TENANT, the LANDLORD may remove same without any liability, and charge the expense incurred by such removal to the TENANT or TENANTS violating this rule.
- (4) The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways, and other public places in the building shall not be covered or obstructed by any TENANT, nor shall any bottles, parcels, or other articles be placed on the window sills.
- (5) The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed and no sweepings, rubbish, rags, or other substances shall be thrown therein. All damage resulting from any misuse of the fixture shall be borne by the TENANT who, or whose servants, employees, agents, visitors, or licensees shall have caused the same.
- (6) No TENANT shall mark, paint, drill into, or in any way deface any part of the demised premises or the building of which they form a part. No boring, cutting, or stringing of wires shall be permitted, except with the prior written consent of the LANDLORD and as it may direct.
- (7) No TENANT shall make, or permit to be made, any unseemingly or disturbing noises or disturb or interfere with occupants of this or neighboring buildings or premises of those having business with them, whether by the use of any musical instruments, radio talking machine, unmusical noise, whistling, singing, or in any other way. No TENANT shall throw anything out of the doors, windows, or skylights, or down the passageways.
- (8) No additional locks or bolts of any kind shall be placed upon any of the doors or windows by TENANT, nor shall any change be made in existing locks or the mechanism thereof unless copies of such keys or access cards shall be furnished to LANDLORD within ten (10) days of being changed by TENANT. Each Tenant must, upon the termination of his tenancy, restore to the LANDLORD all keys of offices and toilet rooms, either furnished to, or otherwise procured by, such TENANT, and in the event of the loss of any keys so furnished, such TENANT shall pay to the LANDLORD the cost thereof.
- (9) No TENANT shall occupy or permit any portion of the premises demised to him to be used for the possession, storage, manufacture, or sale of liquor. No TENANT shall engage or pay any employees of the demised premises, except those actually working for such TENANT on said premises nor advertise for day laborers giving an address at said

premises.

- (10) The premises shall not be used for gambling, lodging, or sleeping or for any immoral or illegal purpose.
- (11) The requirements of TENANTS will be attended to only upon application at the office of the building. Employees shall not perform any work or do anything outside of the regular duties unless under special instruction from the LANDLORD.

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EXHIBIT "C"

TENANT IMPROVEMENTS

See Rider I

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EXHIBIT "D"

SCHEDULE OF ADJUSTMENTS IN BASE RENT

JABIL CIRCUIT, INC.

SUITE 9424, 26,667 RENTABLE SQUARE FEET

LEASE YEARS	FIXED ANNUAL BASE RENT (PER RENTABLE SQUARE FOOT)	ANNUAL BASE RENT	MONTHLY PAYMENT
1 (Mos. 1-12)	6.00	\$160,002.00	\$13,333.50
2 (Mos. 13-18)	6.00	\$160,002.00	\$13,333,50

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RIDER NO. 1 ANNEXED TO AND MADE A PARTY OF LEASE  
 BETWEEN  
 TEACHERS INSURANCE AND ANNUITY ASSOCIATION,  
 AS LANDLORD,  
 AND JABIL CIRCUIT, INC., AS TENANT

TENANT'S CONSTRUCTION OF IMPROVEMENTS

1. Landlord herewith authorizes Tenant to undertake certain interior improvements of the Premises at Tenant's sole cost and expense. Commencing on November 1, 1997, Tenant shall be granted access to the Premises in order to allow Tenant to undertake the improvements contemplated hereby. Notwithstanding the foregoing, however, Tenant shall be solely responsible for payment of all water and utilities supplied to the Premises, which if not separately metered, shall be deemed to be one-third of the water and utilities consumption supplied to the building in which the Premises is located during the month of November, 1997. For purposes of this Rider 1, the foregoing costs to be paid by Tenant shall be deemed Additional Rent under this Lease.

2. During the period beginning November 1, 1997, Tenant shall also have the right to move its tangible assets which it intends to utilize in the occupancy of the Premises.

3. Notwithstanding anything to the contrary, Tenant agrees to have all requisite insurance coverage required by this Lease in effect on or before November 1, 1997 and shall deliver to Landlord evidence of such coverage prior to being entitled to access to the Premises as provided hereinabove.

4. Tenant shall furnish to Landlord, for Landlord's prior written approval, plans and specifications for Tenant's improvements (the "Plans") on or before 30 days following the date a fully executed copy of this Lease has been resumed to Tenant. The Plans shall include the actual working drawings, plus any revisions thereto, sealed by Tenant's architect and intended to be submitted to, or actually submitted to Pinellas County for obtaining a building permit. It is the purpose of this requirement that the Premises be fixtured, designed and laid out so as not to be a detriment to the other Tenants in the Building and that Tenant's work shall not be detrimental to the Building or other Tenants therein, and Landlord's approval of the plans and specifications as aforesaid for Tenant's work shall be at Landlord's reasonable discretion.

5. Tenant shall, at its own cost and expense, obtain any and all approvals of the appropriate governmental agency required in connection with the construction of the improvements to the Premises, including but not limited to all requisite building permits. Prior to the commencement of the construction of Tenant's improvements to the Premises, Tenant shall furnish the aforesaid approvals to Landlord.

6. Tenant may select contractors and subcontractors to effectuate the construction of the Premises subject to Landlord's reasonable approval. Tenant shall be responsible for all architectural and engineering fees, contractor and subcontractor costs and costs of materials.

7. Tenant shall furnish to Landlord, in writing, the name of each contractor selected to perform work on the Premises, along with a copy of a valid license issued by Pinellas County authorizing each such contractor to engage in the type of work for which the contractor has been selected. Worker's Compensation, public liability and other forms of insurance required in the discretion of the Landlord, all in amounts and with companies and on forms satisfactory to Landlord, shall be provided and at all times maintained by Tenant's contractors engaged in the performance of Tenant's work. Prior to commencing any construction of the Premises, the tenant shall furnish to Landlord all certificates of such insurance.

8. Tenant shall furnish to Landlord a copy of each contract executed between the Tenant and a contractor in connection with work to be performed on the Premises. Prior to the commencement of any work relating to the Premises, Tenant shall provide to Landlord a payment and performance bond equal to the amount of each such contract in a form which is satisfactory to Landlord and guaranteeing Landlord the timely performance of the work and specifications, and further guaranteeing the full and complete payment by or on behalf of Tenant of all costs, charges, and expenses related to the work free and clear of all mechanic's or other liens, conditional bills of sale, chattel mortgages, security instruments, or other liens or encumbrances of any kind or nature whatsoever. Further, Tenant shall furnish to Landlord

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any and all written and unconditional waivers of mechanics' liens relating to the improvements to the Premises.

9. Tenant shall furnish to Landlord a copy of a work schedule for each contractor employed in connection with the construction of the Premises.

10. Tenant shall not install any plumbing, mechanical work, electrical wiring or fixtures, or modify, alter or install any apparatus which could affect the Building's systems without the prior written approval of Landlord in each instance.

11. Tenant and its contractors and subcontractors shall abide by all of the Landlord's jobsite rules and regulations and shall fully cooperate with

Landlord's construction representative(s) in coordinating all activities in the Building, including but not limited to hours on the premises, parking and use of the construction elevator. Any and all transportation of construction materials shall be solely on the padded construction elevator.

12. Except as otherwise provided in the Lease, Rent shall in no event be abated as to the Premises as a result of Tenant's improvements. In the event that Tenant fails to complete the construction of its improvements on or before the Commencement Date, as specified in Section 3B of this Lease, said Commencement Date shall not be postponed as a result of such delay. Tenant shall commence the payment of Fixed Annual Rent and Additional Rent as provided by the other terms and conditions of this Lease, notwithstanding that the Premises may not have been completed and available for occupancy by Tenant as of the Commencement Date, except if such delay is caused by or attributable to Landlord.

13. Tenant shall be solely responsible for cleaning up, on a daily basis, any refuse or other materials disposed of by Tenant, its contractors or subcontractors, on the Building premises, including but not limited to the parking area.

14. Upon completion of the improvements, Tenant shall furnish to Landlord all forms of approval provided by appropriate local governmental authorities to certify that the Premises is suitable for occupancy.

15. Upon completion of the improvements, the Tenant shall cause the contractor to display the premises on which improvements were made to Landlord and Tenant and secure Landlord and Tenant's acceptance thereof.

16. Tenant shall complete the construction of the improvements to the Premises in accordance with the provisions stated above. Tenant shall be solely responsible for any and all delays in construction.

17. The contractor is responsible for keeping all common areas clean, including restrooms.

18. Doors to the construction area must be kept closed.

19. Loud music is prohibited.

20. Foul language will not be tolerated.

21. Proper attire must be worn at all times.

22. The service elevator is reserved for construction use only. Construction personnel are not to utilize any other elevators.

23. All construction personnel must use the service corridor for entry and exit, and delivery of materials.

24. The mechanical room must be kept clean. No material can be stored within 6 feet from the AHU on all sides.

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25. The filters in the base building AHU must be covered with filter media and changed regularly so that the air flow is not restricted.

26. The air handler can not be turned off during normal business hours.

27. Electric to common areas and other tenant areas can not be turned off during normal business hours without prior notification/consent.

28. The alley is used for delivery purposes only, no parking is allowed. Construction personnel must park on the top floor of the parking garage or the north parking lot.

29. No equipment that creates noise, fumes or smoke shall be used during normal business hours.

30. OUR STAFF WILL ASSIST YOU IN ANY WAY BUT PLEASE KEEP IN MIND THAT

IF THESE RULES ARE NOT ADHERED TO, THE PERSON(S) OR COMPANY WILL BE ASKED TO  
LEAVE THE PROPERTY.

## EXHIBIT 11.1

JABIL CIRCUIT, INC. AND SUBSIDIARIES  
 STATEMENTS OF COMPUTATION OF EARNINGS PER SHARE  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED AUGUST 31,		
	1995 (1)	1996 (1)	1997 (1)
Net income .....	\$ 7,280	\$ 24,349	\$ 52,497
	=====	=====	=====
Computation of weighted average common and common equivalent shares outstanding:			
Common stock .....	29,178	34,458	36,299
Options .....	1,922	1,876	2,041
	-----	-----	-----
Total number of shares used in computing per share amounts .....	31,100	36,334	38,340
	=====	=====	=====
Net income per share .....	\$ 0.23	\$ 0.67	\$ 1.37
	=====	=====	=====

(1) 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 presented above has been adjusted to reflect the impact of the common stock split for all periods presented.

Jabil Circuit, Inc. Subsidiaries

Jabil Circuit Limited, (United Kingdom)

Jabil Circuit SDN BHD, (Malaysia)

Jabil Circuit de Mexico, S.A. de C.V., (Mexico)

Jabil Circuit of Michigan, Inc., (Michigan)

Jabil Circuit Foreign Sales Corporation, (Barbados)

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 3, 1997, relating to the consolidated balance sheets of Jabil Circuit, Inc. and subsidiaries as of August 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows and related schedules for each of the years in the three-year period ended August 31, 1997, which report appears in the August 31, 1997 annual report on Form 10-K of Jabil Circuit, Inc.

/s/ KPMG Peat Marwick LLP

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St. Petersburg, Florida  
November 26, 1997

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF JABIL CIRCUIT, INC. FOR THE YEAR ENDED AUGUST 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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