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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 10-K**

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- (Mark One)
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_
- COMMISSION FILE NUMBER 1-9533

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**WORLD FUEL SERVICES CORPORATION**  
(Exact name of registrant as specified in its charter)

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**Florida**  
(State or other jurisdiction of incorporation or organization)

**59-2459427**  
(I.R.S. Employer Identification No.)

**9800 Northwest 41st Street, Suite 400**

**Miami, Florida**  
(Address of Principal Executive Offices)

**33178**  
(Zip Code)

**Registrant's Telephone Number, including area code: (305) 428-8000**

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

Title of each class:	Name of each exchange on which registered:
Common Stock, par value \$0.01 per share	New York Stock Exchange

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

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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  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 definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K .

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

The aggregate market value of the voting stock (which consists solely of shares of common stock) held by non-affiliates of the registrant was \$364.3 million (computed by reference to the closing sale price as of March 2, 2004).

The registrant had 10,994,000 shares of common stock, par value \$.01 per share, net of treasury stock, issued and outstanding as of March 2, 2004.

**Documents incorporated by reference:**

Part III—Definitive Proxy Statement for the 2004 Annual Meeting of Shareholders.

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## PART I

### Item 1. Business

#### Overview

World Fuel Services Corporation was incorporated in Florida in July 1984 and along with its consolidated subsidiaries is referred to collectively in this Annual Report on Form 10-K as “we,” “our” and “us.” Our principal business is the marketing of marine and aviation fuel services. In our marine fuel services business, we market marine fuel and related services to a broad base of international shipping companies and to the United States and foreign militaries. We offer 24-hour around-the-world service, credit terms, and competitively priced fuel. In our aviation fuel services business, we extend credit and provide around-the-world single-supplier convenience, 24-hour service, and competitively priced aviation fuel and other aviation related services, including fuel management and price risk management services, to passenger, cargo and charter airlines, as well as to the United States and foreign militaries. We also offer flight plans and weather reports to our corporate customers.

In August 2002, we changed our fiscal year-end from March 31st to a calendar year-end of December 31st. We initiated this change so we could be more directly comparable to other public companies that use a calendar year for their fiscal year. This change was first effective with respect to the nine months ended December 31, 2002. The results for the year ended December 31, 2002 and the nine months ended December 31, 2001, presented in this Form 10-K for comparison, are unaudited.

Our executive offices are located at 9800 Northwest 41st Street, Suite 400, Miami, Florida 33178 and our telephone number at this address is (305) 428-8000. Our website is located at [www.worldfuel.com](http://www.worldfuel.com). Our website and information contained on our website are not part of this Annual Report on Form 10-K and are not incorporated by reference in this Annual Report on Form 10-K. A copy of our latest Form 10-K, Form 10-Q, and other SEC filings can be obtained, free of charge, on our website. These SEC filings are added to the website as soon as reasonably practicable. In addition, our Corporate Code of Ethics, Board of Directors’ committee charters, and Corporate Governance Principles are shown on our website.

Our marine fuel services business is conducted from offices located in the United States, United Kingdom, Denmark, Norway, Costa Rica, South Africa, South Korea, Singapore, Japan, Hong Kong, the Netherlands, and the United Arab Emirates. Our aviation fuel services business is conducted from offices located in the United States, United Kingdom, Singapore, Mexico, and Costa Rica. See “Item 2 - Properties” for a list of principal offices by business segment and “Exhibit 21 - Subsidiaries of the Registrant” included in this Form 10-K for a list of our subsidiaries.

Financial information with respect to our business segments and the geographic areas of our business is provided in Note 8 to the accompanying consolidated financial statements, included in this Form 10-K.

#### Forward-Looking Statements

This Form 10-K and the information incorporated by reference in it includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as “may,” “will,” “anticipate,” “estimate,” “expect,” or “intend” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward looking statements include, but are not limited to, quarterly fluctuations in results; the management of growth; fluctuations in world oil prices or foreign currency; changes in political, economic, regulatory or environmental conditions; the loss of key customers, suppliers or members of senior management; uninsured losses; competition; credit risk associated with accounts and notes receivable; and other risks detailed in this Form 10-K and in our other Securities and Exchange Commission filings. A more detailed description of the principal risks in our business is set forth in “Risk Factors.” We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

## **Description of Business**

Our principal business is the marketing of marine fuel services to a broad base of international shipping companies and to the United States and foreign militaries, and of aviation fuel services to passenger, cargo and charter airlines, as well as to United States and foreign militaries. We currently employ a total of 401 people worldwide, of which 122 people are employed in our marine fuel business, 201 people are employed in our aviation fuel business, and 78 people are employed in corporate.

### *Marine Fuel Services*

We market marine fuel and services to a broad base of customers, including international container and tanker fleets, time charter operators, as well as to United States and foreign military vessels. Marine fuel and related services are provided throughout most of the world under the following trade names: World Fuel, Trans-Tec, Bunkerfuels, Oil Shipping, Marine Energy, Norse Bunker, and Casa Petro.

Through our extensive network of strategically located sales offices, we provide our customers global market intelligence and rapid access to quality and competitively priced marine fuel, 24-hours a day, every day of the year. Our marine related services include management services for the procurement of fuel, cost control through the use of hedging instruments, quality control and claims management. Our customers need cost effective and professional fuel services because the cost of fuel is a major component of a vessel's operating overhead.

As an increasing number of ship owners, time charter operators, and suppliers continue to outsource their marine fuel purchasing and/or marketing needs, our value added services have become an integral part of the oil and transportation industries' push to shed non-core functions and reduce costs. Suppliers use our global sales, marketing and financial infrastructure to sell a spot or ratable volume of product to a diverse, international purchasing community. End customers use our real time analysis of the availability, quality, and price of marine fuels in ports worldwide to maximize their competitive position.

In our marine operations, we act as a broker and as a source of market information for the end user, negotiate the transaction by arranging the fuel purchase contract between the supplier and the end user, and expedite the arrangements for the delivery of fuel. For this service, we are paid a commission from the supplier. We also act as a reseller, when we purchase the fuel from a supplier, mark it up, and resell the fuel to a customer.

We purchase our marine fuel from suppliers worldwide. Our cost of fuel is generally tied to spot pricing, market-based formulas or is governmentally controlled. We are usually extended unsecured trade credit from our suppliers for our fuel purchases. However, certain suppliers require us to provide a letter of credit. We may prepay our fuel purchases to take advantage of financial discounts, or as required to transact business in certain countries.

We utilize subcontractors to provide various services to customers, including fueling of vessels in-port and at-sea, and transportation of fuel and fuel products.

During each of the periods presented on the accompanying Consolidated Statements of Income, none of our marine customers accounted for more than 10% of total consolidated revenue.

### *Aviation Fuel Services*

We market aviation fuel and services to passenger, cargo and charter airlines, as well as corporate customers and the United States and foreign militaries. Our aviation related services include fuel management, price risk management, flight plans, weather reports, ground handling, and flight permits. We have developed an extensive network that enables us to provide aviation fuel and related services throughout most of the world under the following trade names: World Fuel, Baseops, Airdata, PetroServicios de Mexico, and PetroServicios de Costa Rica.

In general, the aviation industry is capital intensive and highly leveraged. Recognizing the financial risks of the airline industry, fuel suppliers generally refrain from extending unsecured lines of credit to smaller airlines and avoid doing business with smaller airlines directly. Consequently, most carriers are required to post a cash collateralized letter of credit or prepay for fuel purchases. This impacts the airlines' working capital. We recognize that the extension of credit is a risk, but also a significant area of opportunity. Accordingly, we extend unsecured credit to most of our customers.

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We purchase our aviation fuel from suppliers worldwide. Our cost of fuel is generally tied to market-based formulas or is governmentally controlled. We are usually extended unsecured trade credit from our suppliers for our fuel purchases. However, certain suppliers require us to provide a letter of credit. We may prepay our fuel purchases to take advantage of financial discounts, or as required to transact business in certain countries.

Outside of the United States, we do not maintain fuel inventory since we arrange to have the fuel delivered into our customers' aircraft directly from our suppliers. In the United States, fuel is delivered into our customers' aircraft or designated storage directly from our suppliers or from our fuel inventory. Inventory is held at multiple locations in the United States for competitive reasons and inventory levels are kept at an operating minimum. We have arrangements with our suppliers and other third parties for the storage and delivery of fuel, and related aviation services.

We utilize subcontractors to provide various services to customers, including into-plane fueling at airports, and transportation and storage of fuel and fuel products.

During each of the periods presented on the accompanying Consolidated Statements of Income, none of our aviation customers accounted for more than 10% of total consolidated revenue.

### *Risk Factors*

*Credit Losses.* Our marine and aviation fueling businesses extend unsecured credit to most of their customers. Part of our success in attracting business has been due, in part, to our willingness to extend credit on an unsecured basis to customers which exhibit a high credit risk profile and would otherwise be required to prepay or post letters of credit with their suppliers of fuel and related services. We recognize that extending credit and setting the appropriate reserves for receivables is largely a subjective decision based on knowledge of the customer and the industry. Active management of our credit risk is essential to our success. We do not insure our receivables. Diversification of credit risk is difficult since we sell primarily within the marine and aviation industries. Our sales executives and their respective staff meet regularly to evaluate credit exposure, in the aggregate and by individual credit. Credit exposure also includes the amount of estimated unbilled sales. We also have a credit committee for each of our segments. The credit committees are responsible for approving credit limits above certain amounts, setting and maintaining credit standards, and managing the overall quality of the credit portfolio. The level of credit granted to a customer is influenced by a customer's credit history with us, including claims experience and payment patterns. In our marine fuel services segment, we have extended lines of credit of at least \$5.0 million to 17 non-governmental customers, and four of these customers have lines of credit ranging from \$10.0 to \$14.0 million (currently, our largest credit lines). In our aviation fuel services segment, our largest credit line, extended to one non-governmental customer, is \$4.0 million.

World oil prices have been very volatile over the last several years, and since fuel costs represent a significant part of a vessel's and airline's operating expenses, the volatility in fuel prices can adversely affect our customers' business, and consequently our credit losses.

Although most of our transactions are denominated in U.S. dollars, many of our customers are non-U.S. customers and may be required to purchase U.S. dollars to pay for our products and services. A rapid devaluation in currency affecting our customers could have an adverse effect on our customers' operations and their ability to convert local currency to U.S. dollars to make the required payments to us. This will in turn result in higher credit losses for us.

We may also incur credit losses due to other causes, including deteriorating conditions in the world economy, or in the shipping or aviation industries, and continued conflicts and instability in the Middle East, Asia and Latin America, as well as potential future terrorist activities and possible military retaliation. Any credit losses, if significant, will have a material adverse effect on our financial position and results of operations.

*Senior Management.* Our ability to maintain our competitive position is dependent largely on the services of our senior management and professional team. If we are unable to retain the existing senior management and professional personnel, or to attract other qualified senior management and professional personnel, our businesses will be adversely affected.

*Revolving Line of Credit.* We are a party to a credit facility agreement that imposes certain operating and financial restrictions on us, including restrictions on the payment of dividends in excess of specified amounts. Our failure to comply with obligations under the credit agreement, including meeting certain financial ratios, could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the credit agreement, and impair our ability to receive advances and issue letters of credit, and may have a material adverse effect on us.

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*Market Risks.* We are a provider of marine fuel and related services to international container and tanker fleets, time charter operators, and the United States and foreign militaries. We also provide aviation fuel and related services primarily to secondary passenger and cargo airlines, as well as corporate customers and the United States and foreign militaries. Our fuel services are provided through relationships with the large independent oil suppliers, as well as government owned oil companies. We could be adversely affected by industry consolidation, on the customer side, because of increased merger activity in the airline and shipping industries. On the supply side, we could be adversely affected because of increased competition from the larger oil companies who may choose to directly market to smaller airlines and shipping companies or to provide less advantageous credit and price terms to us. Moreover, a rapid and sustained increase in fuel prices could affect the credit limits extended to us by our suppliers, potentially impacting our liquidity and profitability. Conversely, a rapid decline in fuel prices could adversely affect our profitability because of the inventory held by us in the United States.

We conduct the vast majority of our business transactions in U.S. dollars. However, in certain markets, primarily in Mexico, payments to our aviation fuel suppliers are denominated in local currency. In addition, in Mexico, payments from some of our customers are also denominated in local currency. This subjects us to foreign currency exchange risk, which may adversely affect our results of operations and financial condition. We seek to minimize the risks from currency exchange rate fluctuations through our regular operating and financing activities.

*Competition.* We are subject to aggressive competition in all areas of our business. Our competitors are numerous, ranging from large multinational corporations to relatively small and specialized firms. We compete primarily on the basis of credit, price, reliability, customer service and support.

*Environmental and Other Liabilities; Uninsured Risks.* In the marine and aviation fuel segments, we utilize subcontractors to provide various services to customers, including into-plane fueling at airports, fueling of vessels in-port and at-sea, and transportation and storage of fuel and fuel products. We are subject to possible claims by customers, regulators and others who may be injured by a fuel spill or other accident. In addition, we may be held liable for damages to the environment arising out of such events. Although we generally require our subcontractors to carry liability insurance, not all subcontractors carry adequate insurance. Our marine business does not have liability insurance to cover the acts or omissions of our subcontractors. None of our liability insurance covers acts of war and terrorism. If we are held responsible for any acts of war or terrorism, accidents or other events, and our liability is not adequately covered by insurance and is of sufficient magnitude, our financial position and results of operations will be adversely affected.

We have exited several businesses which handled hazardous and non-hazardous waste. We treated and/or transported this waste to various disposal facilities. We may be held liable as a potentially responsible party for the clean-up of such disposal facilities, or be required to clean-up facilities previously operated by us, pursuant to current U.S. federal and state laws and regulations. See “Regulation” and “Item 3 – Legal Proceedings.”

We continuously review the adequacy of our insurance coverage. However, we lack coverage for various risks, including environmental claims. An uninsured claim arising out of our activities, if successful and of sufficient magnitude, will have a material adverse effect on our financial position and results of operations.

### *Regulation*

The principal laws and regulations affecting our businesses are as follows:

*Environmental Regulations.* Our activities, including discontinued operations, are subject to substantial regulation by federal, state and local government agencies, both in and outside the United States, which enforce laws and regulations governing the transportation, sale, storage and disposal of fuel and the collection, transportation, processing, storage, use and disposal of hazardous substances and wastes, including waste oil and petroleum products. For example, United States Federal and state environmental laws applicable to us include statutes that: (i) allocate the cost of remedying contamination among specifically identified parties, and prevent future contamination; (ii) impose national ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health or welfare; (iii) govern the management, treatment, storage and disposal of hazardous wastes; and (iv) regulate the discharge of pollutants into waterways. International treaties also prohibit the discharge of petroleum products at sea. The penalties for violations of environmental laws include injunctive relief, recovery of damages for injury to air, water or property, and fines for non-compliance. See “Risk Factors,” above, and “Item 3 – Legal Proceedings.”

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*U.S. Federal, State, and Non-U.S. Taxes on Fuel.* Our marine and aviation fueling operations are affected by various U.S. federal and state taxes imposed on the purchase and sale of marine and aviation fuel products. In the United States, federal law imposes a manufacturer's excise tax on sales of marine and aviation fuel. Sales to aircraft and vessels engaged in non-U.S. trade are exempt from this tax. These exemptions may be realized either through tax-free or tax-reduced sales, if the seller qualifies as a producer under applicable regulations, or, if the seller does not so qualify, through a tax-paid sale followed by a refund to the exempt user. Several states, where we sell marine and aviation fuel, impose excise and sales taxes on fuel sales; certain sales of fuel by us qualify for full or partial exemptions from these state taxes. Non-U.S. jurisdictions also impose certain taxes on fuel, such as VAT and excise taxes. We continuously review our compliance with U.S. and non-U.S. laws which impose taxes on our operations. Sales and excise taxes on fuel are generally added to the sales price and passed on to our customers. However, in certain cases, we may be responsible for these taxes, including cases where the customer fails to reimburse us, or where the customer or we do not qualify for an exemption believed to be available at the time of the sale.

### **Item 2. Properties**

The following pages set forth our principal leased properties by segment as of March 2, 2004. We consider our properties and facilities to be suitable and adequate for our present needs.

#### **WORLD FUEL SERVICES CORPORATION and SUBSIDIARIES PROPERTIES**

<u>Location</u>	<u>Principal Use</u>	<u>Lease Term</u>
<u>Corporate</u> 9800 Northwest 41st Street, Suite 400 Miami, FL 33178, United States	Executive and administrative office	March 2013
<u>Marine Fuel Services</u> 9800 Northwest 41st Street, Suite 400 Miami, FL 33178, United States	Executive and administrative office	March 2013
Raritan Plaza III 101 Fieldcrest Avenue Suite 2B Edison, NJ 08837, United States	Administrative, operations and sales office	January 2010
2 Greenwich Office Park Greenwich, CT 06830, United States	Administrative, operations and sales office	December 2006
1101 Fifth Avenue, Suite 280 San Rafeal, CA 94901, United States	Administrative, operations and sales office	July 2008
101 Thomson Road #13-03/04 United Square, Singapore 307591	Administrative, operations and sales office	March 2005
Anglican Church Building, Room 403 3-7, Chung-dong, Chung-ku Seoul 100-120 South Korea	Sales office	June 2004
4th floor, Tozan Building, 4-4-2 Nihonbashi Hon-Cho, Chuo-Ku Tokyo 103-0023, Japan	Sales office	March 2005
Yam Tze Commercial Building, Unit A, 7th Floor 23 Thompson Road Wanchai, Hong Kong	Administrative, operations and sales office	March 2006

(Continued)

**WORLD FUEL SERVICES CORPORATION and SUBSIDIARIES**  
**PROPERTIES**  
(Continued)

<u>Location</u>	<u>Principal Use</u>	<u>Lease Term</u>
<u>Marine Fuel Services</u>		
Poseidonos 60 Av., Third Floor Glyfada 166-75 Athens, Greece	Sales office	February 2005
The Foundry, 4th Floor, Unit 1, Cardiff Road Green Point, South Africa 8001	Sales office	August 2007
City Tower 1 Po Box 24676 Dubai, United Arab Emirates	Sales office	March 2005
Westminster Tower 3 Albert Embankment London SE1 75P	Administrative, operations and sales office	March 2010
Gammelbyved 2 Karise, Denmark 4653	Sales office	Month-to-month
Vasteland 6 3011 BK Rotterdam, Netherlands	Administrative, operations and sales office	Month-to-month
Niels Juels gate 11 B 0272 Oslo, Norway	Administrative, operations and sales office	February 2005
Oficentro Ejecutivo La Sabana Sur, Edificio #5, Primer Piso San José, Costa Rica	Administrative, operations and sales office	April 2005
<u>Aviation Fuel Services</u>		
9800 Northwest 41st Street, Suite 400 Miami, FL 33178	Executive, administrative, operations, and sales office	March 2013
333 Cypress Run #200 Houston, Texas 77094	Administrative, operations and sales office	January 2006
4995 East Anderson Avenue Fresno, CA 93727	Administrative, operations and sales office	Month-to-month
101 Thomson Road #13-03/04 United Square, Singapore 307591	Administrative, operations and sales office	March 2005
Kingfisher House, Northwood Park, Gatwick Road Crawley, West Sussex, RH10 2XN, United Kingdom	Administrative, operations and sales office	December 2007
Oficentro Ejecutivo La Sabana Sur, Edificio #5, Primer Piso San José, Costa Rica	Administrative, operations and sales office	April 2005
Avenida Fuerza Aérea Mexicana No. 465 Colonia Federal, 15700 México, D.F.	Administrative, operations and sales office	Month-to-month
Slavjanskaya Business Center, 8th Floor Europe Square 2, Moscow 121059, Russian Federation	Administrative, operations and sales office	November 2004



### **Item 3. Legal Proceedings**

In July 2001, we settled litigation filed in February 2000 relating to a product theft off the coast of Nigeria. The settlement resulted in a recovery of \$1.0 million. In the accompanying Consolidated Statements of Income, the recovery was included as a non-recurring credit in Other income (expense), net for the nine months ended December 31, 2001 and for the year ended March 31, 2002.

In July 2001, we received a Summary Judgment from the United States District Court for the Southern District of Florida which ordered Donald F. Moorehead, Jr., Chairman of EarthCare Company ("EarthCare") on such date, to pay us compensatory damages of approximately \$5.0 million, plus interest from May 1, 2001. This judgment relates to Mr. Moorehead's default on his agreement to purchase all of the EarthCare stock owned by us for approximately \$5.0 million. We received the EarthCare stock as part payment for the sale of our oil-recycling operations in February 2000. We had been pursuing collection of this judgment, which included obtaining a court appointed receiver, and we received principal and interest payments totaling \$1.1 million from Mr. Moorehead from August 2001 to August 2002. Then, in October 2002, we received \$3.0 million as a final payment to settle the remaining balance due on our judgment. Accordingly, in connection with the settlement, we recorded a non-recurring charge of approximately \$1.6 million, which included \$346 thousand of related legal and receiver fees, for the year ended December 31, 2002 and the nine months ended December 31, 2002.

In April 2001, Miami-Dade County, Florida (the "County") filed suit (the "County Suit") against 17 defendants to seek reimbursement for the cost of remediating environmental contamination at Miami International Airport (the "Airport"). Page Avjet Fuel Corporation, now known as PAFCO L.L.C. ("PAFCO"), is a defendant. We acquired a 50% interest in PAFCO from Signature Flight Support Corporation ("Signature") in December 2000. Pursuant to the PAFCO acquisition agreement, Signature agreed to indemnify us for all PAFCO liabilities arising prior to the closing date ("Closing"). Because the Airport contamination occurred prior to Closing, we believe that the County Suit is covered by Signature's indemnification obligation. We have notified Signature of the County Suit, as stipulated in the acquisition agreement. We expect Signature to defend this claim on behalf of PAFCO and at Signature's expense.

Also in April 2001, the County sent a letter to approximately 250 potentially responsible parties ("PRP's"), including World Fuel Services Corporation and one of our subsidiaries, advising them of their potential liability for the clean-up costs which are the subject of the County Suit. The County has threatened to add the PRP's as defendants in the County Suit, unless they agree to share in the cost of the environmental clean-up at the Airport. In May 2001, we advised the County that: (1) neither we nor any of our subsidiaries were responsible for any environmental contamination at the Airport, and (2) to the extent we or any of our subsidiaries were so responsible, our liability was subject to indemnification by the County pursuant to the indemnity provisions contained in our lease agreement with the County.

We intend to vigorously defend all claims asserted by the County relating to environmental contamination at the Airport. We believe our liability in these matters (if any) should be adequately covered by the indemnification obligations of Signature as to PAFCO, and the County as to World Fuel Services Corporation and our other subsidiaries.

There can be no assurance that we will prevail on the above legal proceedings and management cannot estimate the exposure if we do not prevail. A ruling against us in any of the proceedings described above may have a material adverse effect on our financial condition and results of operations.

In addition to the matters described above, we are also involved in litigation and administrative proceedings primarily arising in the normal course of our business. In the opinion of management, except as set forth above, our liability, if any, under any other pending litigation or administrative proceedings, will not materially affect our financial condition or results of operations.

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

No matter was submitted to a vote of shareholders, through the solicitation of proxies or otherwise, during the quarter ended December 31, 2003.

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

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol INT. In August 2002, our stock was delisted from the Pacific Stock Exchange, as requested by us and approved by our Board of Directors.

The following table sets forth, for each quarter within 2003 and 2002, the closing sales prices of our common stock as reported by the NYSE.

	Price	
	High	Low
Year ended December 31, 2003		
First quarter	\$21.04	\$19.70
Second quarter	24.77	19.67
Third quarter	28.40	23.43
Fourth quarter	34.00	28.30
Year ended December 31, 2002		
First quarter	\$19.97	\$16.08
Second quarter	24.40	19.00
Third quarter	23.88	18.70
Fourth quarter	23.89	19.10

As of March 2, 2004, there were 263 shareholders of record of our common stock, and the closing price of our stock on the NYSE was \$34.69.

The following table sets forth the amount, the declaration date, record date, and payment date for each quarterly dividend declared in 2003 and 2002.

	Per Share Amount	Declaration Date	Record Date	Payment Date
Year ended December 31, 2003				
First quarter	\$ 0.075	February 28, 2003	March 14, 2003	April 3, 2003
Second quarter	0.075	June 2, 2003	June 20, 2003	July 3, 2003
Third quarter	0.075	September 1, 2003	September 19, 2003	October 2, 2003
Fourth quarter	0.075	December 1, 2003	December 19, 2003	January 2, 2004
Year ended December 31, 2002				
First quarter	\$ 0.075	March 1, 2002	March 15, 2002	April 4, 2002
Second quarter	0.075	May 31, 2002	June 14, 2002	July 2, 2002
Third quarter	0.075	August 30, 2002	September 13, 2002	October 3, 2002
Fourth quarter	0.075	November 29, 2002	December 13, 2002	January 3, 2003

Our credit facility agreement restricts the payment of cash dividends to a maximum of 35% of net income for the preceding four quarters. The payments of the above dividends were in compliance with the credit facility agreements. For additional information, see Note 3 to the accompanying consolidated financial statements, included herein, and "Liquidity and Capital Resources" in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations." On February 24, 2004, our Board of Directors approved a quarterly cash dividend of \$0.075 per share for 2004.

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### *Common Stock Grants*

Pursuant to a stock grant program for our non-employee directors; an annual non-restricted stock grant of 1,000 shares of our common stock is given to each non-employee director. Prior to 2003, each non-employee director was granted 500 shares of our common stock. In 2003, we adopted a Stock Deferral Plan for non-employee directors to provide for the deferral of the non-restricted stock grants. Each non-employee director may elect to have his or her annual non-restricted stock grants paid in stock units, in lieu of stock, with each stock unit being equivalent to one share of our common stock and deferred as provided in the Stock Deferral Plan. As of each cash dividend payment date with respect to common stock, each participant within the Stock Deferral Plan shall have credited to his or her account, as maintained by the company, a number of stock units equal to the quotient obtained by dividing: (a) the product of (i) the cash dividend payable with respect to each share of common stock on such date; and (ii) the total number of stock units credited to his or her account as of the close of business on the record date applicable to such dividend payment date, by (b) the fair market value of one share of common stock on such dividend payment date. The payment of the total number of stock units credited to the participant's account with an equal number of shares of common stock shall be made in a single distribution upon the participant's termination of service as a director of the company for any reason or upon a change of control of the company, as defined in the Stock Deferral Plan.

During the year ended December 31, 2003, we granted to our non-employee directors 4,000 shares of our common stock and 3,025 stock units. For the nine months ended December 31, 2002 and the years ended March 31, 2002 and 2001, we issued 3,500 shares, 3,000 shares and 2,500 shares, respectively, of our common stock to our non-employee directors. In addition, two non-employee directors each received an additional 300 shares of our common stock in September 2002, and one non-employee director received an additional 1,000 shares of our common stock, for additional services performed by such individuals for their respective Board of Directors committees.

### *Treasury Stock*

Our Board of Directors, from time to time, has authorized certain stock repurchase programs whereby we could repurchase our common stock, subject to certain restrictions pursuant to our credit facility. The following summarizes the status of our treasury stock repurchase programs at December 31, 2003 (in thousands, except average price per share data):

Repurchase Programs	Authorized Stock Repurchases	Repurchases			Remaining Authorized Stock Repurchases
		Shares	Aggregate Cost	Average Price	
August 1998	\$ 6,000	616	\$ 6,000	\$ 9.74	\$ —
January 2000	10,000	1,391	10,000	7.19	—
September 2000	10,000	368	3,987	10.83	6,013
		<u>2,375</u>	<u>\$ 19,987</u>		

Prior to August 1998, with the approval from our Board of Directors, we acquired approximately 22 thousand shares of our common stock with an aggregate cost of \$194 thousand.

Our Board of Directors also resolved that the repurchased shares may be reissued for any proper corporate purpose, including without limitation, future acquisitions. In March 2002, we began reissuing our repurchased shares in connection with restricted stock grants to employees, non-restricted stock grants to non-employee directors, and exercises of stock options by employee and non-employee directors. The difference between the aggregate cost of the repurchased shares and the fair value of our common stock at the date of grant of restricted and non-restricted stock or the proceeds from the employee and non-employee stock option exercises is recorded in Capital in excess of par value in the accompanying Consolidated Balance Sheets. As of December 31, 2003, we have reissued 424 thousand shares of treasury stock with an aggregate cost of \$3.6 million.

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### *Employee Stock Options, Non-Employee Directors Stock Options, and Restricted Common Stock*

In 1986, our shareholders approved the 1986 Employee Stock Option Plan (the “1986 Plan”), as amended. The 1986 Plan expired in 1996. Options granted under the 1986 Plan, but not yet exercised, survive the 1986 Plan until the options expire. Outstanding options at December 31, 2003 under the 1986 Plan expire between January 2005 and March 2005.

In 1997, our shareholders approved the 1996 Employee Stock Option Plan (the “1996 Plan”), as amended. The 1996 Plan was replaced by the 2001 Omnibus Plan (the “2001 Plan”). Options granted under the 1996 Plan, but not yet exercised, survive the 1996 Plan until the options expire. Outstanding options at December 31, 2003 under the 1996 Plan expire between August 2006 and October 2011.

The 2001 Plan was approved by our shareholders in August 2001 and provides a total of 500 thousand shares of our common stock for issuance to our employees. The 2001 Plan is administered by the Compensation Committee of the Board of Directors (the “Compensation Committee”). Additional shares of our common stock that may be granted under the 2001 Plan include any shares of our common stock that are available for future grant under any of our prior stock option plans, and any stock or options granted under the 2001 Plan or any prior plans that are forfeited, expired or canceled. Furthermore, pursuant to the 2001 Plan and upon our Board of Directors’ authorization in January 2002, any shares of our common stock that are reacquired by us in the open market or in private transactions after the effective date of the 2001 Plan, were added to the limitation on the total shares of our common stock which may be issued under the 2001 Plan. As of December 31, 2003, we have repurchased approximately 259 thousand shares since the 2001 Plan’s effective date, and accordingly increased the total number of shares of our common stock which may be delivered to participants in the 2001 Plan by the same number of shares. Accordingly, as of December 31, 2003, the aggregate limit on the total shares of our common stock which may be issued under the 2001 Plan was approximately 797 thousand shares, of which 604 thousand shares are subject to options already issued and an additional 152 thousand shares have been issued as restricted common stock grants. Unvested restricted common stock of 140 thousand shares, at December 31, 2003, will vest between October 2004 and August 2008.

Under the provisions of the 2001 Plan, the Compensation Committee is authorized to grant common stock, which can be restricted, or stock options which can be “qualified” or “nonqualified” under the Internal Revenue Code of 1986, as amended, or stock appreciation rights, or other stock or non-stock-based awards, including but not limited to stock units, performance units, or dividend equivalent payments. The 2001 Plan is unlimited in duration and, in the event of its termination, the 2001 Plan will remain in effect as long as any of the above items granted by the Compensation Committee are outstanding; provided, however, that no awards may be granted under the 2001 Plan after August 2006. The term and vesting period of awards granted under the 2001 Plan is established by the Compensation Committee, but in no event shall stock options or stock appreciation rights remain exercisable after the five-year anniversary of the date of grant. Outstanding options at December 31, 2003 under the 2001 Plan expire between September 2006 and September 2008.

Beginning in October 2001, under the 2001 Omnibus Plan, we started granting shares of restricted common stock to our employees. The following table summarizes the status of our unvested restricted stock outstanding and related transactions for year ended December 31, 2003, the nine months ended December 31, 2002, and the year ended March 31, 2002 (in thousands):

	<b>Restricted Stock Outstanding</b>
Restricted outstanding at March 31, 2001	—
Granted and issued	25
Restricted outstanding at March 31, 2002	25
Granted and issued	96
Vested	(6)
Restricted outstanding at December 31, 2002	115
Granted and issued	31
Vested	(6)
Restricted outstanding at December 31, 2003	140

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In 1994, our shareholders approved the 1993 Non-Employee Directors Stock Option Plan (the “Directors Plan”), as amended. The Directors Plan permits the issuance of options to purchase up to an aggregate of 250 thousand shares of our common stock. Additional options to purchase shares of our common stock may be granted under the Directors Plan for any options that are forfeited, expired or canceled without delivery of shares of our common stock or which result in the forfeiture of the shares of our common stock back to us. Under the Directors Plan, members of the Board of Directors who are not our employees receive a non-qualified option to purchase five thousand shares, on a pro-rata basis, when such person is first elected to the Board of Directors and will receive a non-qualified option to purchase five thousand shares each year that the individual is re-elected. Options granted are fully exercisable one year after the date of grant. All options under the Directors Plan expire five years after the date of grant. Outstanding options at December 31, 2003 under the Directors Plan expire between October 2005 and May 2008.

In addition to the above stock option plans, in 1995, we issued certain non-qualified options to various employees. These options expire in January 2005.

As of December 31, 2003, the following table summarizes the outstanding stock options which were issued pursuant to the plans described above, and the options issued outside the plans in 1995 (in thousands, except weighted-average exercise price):

<u>Plan name or description</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options</u>	<u>(b) Weighted-average exercise price of outstanding options</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
2001 Plan	604	\$ 24.27	41
1996 Plan	890	\$ 13.10	—
1986 Plan	49	\$ 6.89	—
Directors Plan	86	\$ 18.84	70
1995 non-qualified options (1)	25	\$ 6.89	—
	<u>1,654</u>	<u>\$ 17.20</u>	<u>111</u>

(1) These options were not approved by shareholders. All other plans shown in the table were approved by our shareholders.

**Item 6. Selected Financial Data**

The following selected financial data has been summarized from our consolidated financial statements set forth in Item 8 of this Form 10-K. The selected financial data should be read in conjunction with the notes set forth at the end of these tables, the accompanying consolidated financial statements and the related notes thereto, and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations."

**SELECTED FINANCIAL DATA**  
(In thousands, except earnings per share data)

	For the Year Ended December 31,		For the Nine Months Ended December 31,	
	2003	2002	2002	2001
		(Unaudited)		(Unaudited)
<b>Consolidated Income Statement Data</b>				
Revenue	\$ 2,661,790	\$ 1,898,181	\$ 1,546,897	\$ 1,013,781
Cost of sales	(2,561,082)	(1,814,114)	(1,483,976)	(958,753)
Gross profit	100,708	84,067	62,921	55,028
Operating expenses	(73,718)	(63,898)	(49,135)	(40,122)
Income from operations	26,990	20,169	13,786	14,906
Other income (expense), net	628	(1,926)	(2,030)	1,833
Income from operations before income taxes	27,618	18,243	11,756	16,739
Provision for income taxes	(5,744)	(3,898)	(1,884)	(3,977)
Net income	\$ 21,874	\$ 14,345	\$ 9,872	\$ 12,762
Basic earnings per share	\$ 2.06	\$ 1.37	\$ 0.94	\$ 1.23
Weighted average shares - basic	10,617	10,449	10,468	10,378
Diluted earnings per share	\$ 1.96	\$ 1.32	\$ 0.91	\$ 1.20
Weighted average shares - diluted	11,169	10,895	10,900	10,652

As of December 31,

	2003	2002
<b>Consolidated Balance Sheet Data</b>		
Accounts and notes receivable, net	\$ 192,119	\$ 177,360
Current assets	311,021	262,580
Goodwill and identifiable intangible asset	35,107	35,475
Other assets - investment goodwill	2,857	2,857
Total assets	357,678	312,287
Current liabilities	204,762	180,359
Long-term liabilities	4,537	4,198
Total stockholders' equity	148,379	127,730

(Continued)

**SELECTED FINANCIAL DATA**  
(In thousands, except earnings per share data)  
(Continued)

	For the Year Ended March 31,			
	2002	2001	2000	1999
<b>Consolidated Income Statement Data</b>				
Revenue	\$ 1,365,065	\$ 1,529,242	\$ 1,200,297	\$ 720,561
Cost of sales	(1,288,891)	(1,457,500)	(1,136,052)	(667,302)
Gross profit	76,174	71,742	64,245	53,259
Operating expenses	(54,885)	(57,590)	(57,327)	(38,198)
Income from operations	21,289	14,152	6,918	15,061
Other income (expense), net	1,937	2,191	(5,646)	1,539
Income from continuing operations before income taxes	23,226	16,343	1,272	16,600
Provision for income taxes	(5,991)	(4,557)	(1,444)	(2,910)
Income (loss) from continuing operations	17,235	11,786	(172)	13,690
Discontinued operations, net of tax	—	(1,152)	9,807	1,417
Net income	<u>\$ 17,235</u>	<u>\$ 10,634</u>	<u>\$ 9,635</u>	<u>\$ 15,107</u>
Basic earnings (loss) per share:				
Continuing operations	\$ 1.66	\$ 1.11	\$ (0.01)	\$ 1.11
Discontinued operations	—	(0.11)	0.81	0.11
Net income	<u>\$ 1.66</u>	<u>\$ 1.00</u>	<u>\$ 0.80</u>	<u>\$ 1.22</u>
Weighted average shares - basic	<u>10,381</u>	<u>10,644</u>	<u>12,045</u>	<u>12,375</u>
Diluted earnings (loss) per share:				
Continuing operations	\$ 1.62	\$ 1.11	\$ (0.01)	\$ 1.10
Discontinued operations	—	(0.11)	0.81	0.11
Net income	<u>\$ 1.62</u>	<u>\$ 1.00</u>	<u>\$ 0.80</u>	<u>\$ 1.21</u>
Weighted average shares - diluted	<u>10,646</u>	<u>10,663</u>	<u>12,045</u>	<u>12,533</u>

	As of March 31,		
	2002	2001	2000
<b>Consolidated Balance Sheet Data</b>			
Accounts and notes receivable, net	\$ 132,586	\$ 125,863	\$ 142,250
Current assets	213,139	188,225	196,409
Goodwill and identifiable intangible asset	35,751	24,598	23,040
Other assets - investment goodwill	2,857	2,904	—
Total assets	257,923	222,165	227,915
Net liabilities of discontinued operations	—	—	6,498
Total current liabilities	133,851	112,439	122,368
Long-term liabilities	7,633	5,866	5,886
Total stockholders' equity	116,439	103,860	99,661

## NOTES TO SELECTED FINANCIAL DATA

We declared cash dividends of \$0.30 per share for the years ended December 31, 2003 and 2002, \$0.225 per share and \$0.325 per share of common stock for the nine months ended December 31, 2002 and 2001, respectively, \$0.40 per share of common stock for the year ended March 31, 2002, and \$0.20 per share of common stock for the years ended March 31, 2001, 2000, and 1999. Included in the cash dividend for the nine months ended December 31, 2001 and the year ended March 31, 2002 was a special cash dividend of \$0.10 per share of common stock declared in May 2001.

Pursuant to various treasury stock repurchase programs, we repurchased approximately 126 thousand shares for an aggregate cost of \$2.0 million in February 2002, approximately 133 thousand shares at an aggregate cost of \$1.3 million from September 2001 to October 2001, approximately 598 thousand shares for an aggregate cost of \$4.4 million from April 2000 to March 2001, approximately 1.2 million shares for an aggregate cost of \$8.4 million from October 1999 to March 2000, and 324 thousand shares for an aggregate cost of \$3.9 million from August 1998 to March 1999. Outside of the treasury stock repurchase programs, we acquired approximately 22 thousand shares of our common stock in 1998 with an aggregate cost of \$194 thousand. See "Item 5 – Market for Registrant's Common Equity and Related Stockholder Matters" for additional information. In March 2002, we began reissuing our repurchased shares in connection with restricted stock grants to employees, non-restricted stock grants to non-employee directors, and exercises of stock options by employee and non-employee directors.

We acquired the Bunkerfuels group of companies in April 1999, Norse Bunker A.S. in February 2001, the Marine Energy group of companies in April 2001, and the Oil Shipping group of companies in January 2002. These acquisitions were accounted for as purchases. Accordingly, the results of operations of these acquisitions were included with our results since their respective dates of acquisition. In December 2000, we entered into a joint venture agreement with Signature Flight Support Corporation through the acquisition of a 50% equity interest in PAFCO. Under the equity method of accounting, we have recorded our share of the results of PAFCO since January 1, 2001.

In February 2000, we sold our oil-recycling segment to EarthCare. Accordingly, as of December 1999, we reported our oil-recycling segment as a discontinued operation. Our consolidated financial statements were reclassified to report separately the net assets or liabilities and operating results of the discontinued operation for all periods presented. For the year ended March 31, 2001, we recorded an after-tax settlement charge of \$656 thousand relating to amounts due to us from EarthCare and additional income taxes of \$496 thousand associated with the discontinued operations based on the actual income tax returns filed. See Note 2 to the accompanying consolidated financial statements, included herein, for additional information.

In connection with the amortization of the Unearned deferred compensation for restricted common stock and stock options granted to employees and non-employee directors over the minimum vesting period of each individual award, we recorded total compensation cost, which was included in Operating expenses, of \$925 thousand and \$506 thousand for the years ended December 31, 2003 and 2002, respectively, \$363 thousand and \$39 thousand for the nine months ended December 31, 2002 and 2001, respectively, and \$182 thousand for the year ended March 31, 2001. The remaining Unearned deferred compensation was \$2.8 million and \$1.9 million at December 31, 2003 and 2002, respectively, and \$116 thousand at March 31, 2002.

Included in Operating expenses were executive severance charges of \$4.5 million relating to the termination of employment of our former Chief Executive Officer, Chief Financial Officer, Chief Information Officer, and two other executives during the year ended December 31, 2002 and the nine months ended December 31, 2002.

Included in Other income (expense), net for the year ended December 31, 2002 and the nine months ended December 31, 2002 was a non-recurring charge of \$1.6 million in connection with the settlement of the remaining balance due on the Moorehead judgment. See Item 3 – Legal Proceedings for additional information

An insurance settlement recovery of \$1.0 million relating to a product theft off the coast of Nigeria was included in Other income (expense), net for the nine months ended December 31, 2001 and for the year ended March 31, 2002. The product theft, which resulted in a non-recurring charge of \$3.1 million for the year ended March 31, 2000, was included in Other income (expense), net. See Item 3 – Legal Proceedings for additional information.

Effective April 2001, we elected to early adopt SFAS No. 142, "Goodwill and Other Intangible Assets," which among other provisions, states that goodwill shall not be amortized prospectively. Accordingly, no goodwill amortization was recorded subsequent to the adoption of SFAS No. 142.



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For the year ended March 31, 2001, an executive severance charge of \$3.5 million relating to the termination of the employment of our former Chief Executive Officer was included in Operating expenses.

During the year ended March 31, 2000, a non-recurring charge of \$2.5 million relating to the write-down of our investment in the aviation joint venture in Ecuador was included in Other income (expense), net. Then, in October 2000, our aviation joint venture in Ecuador ceased operations. Finally, during the year ended March 31, 2001, we completed the closure of our aviation joint venture in Ecuador and recovered \$365 thousand of the investment write-down. The recovery was included as a non-recurring credit in Other income (expense), net.

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

The following discussion should be read in conjunction with "Item 6 - Selected Financial Data," and with the consolidated financial statements and related notes thereto appearing elsewhere in this Form 10-K.

#### **Reportable Segments**

We have two reportable operating businesses: marine and aviation fuel services. In our marine fuel services business, we market marine fuel and related management services to a broad base of international shipping companies and to the United States and foreign militaries. Services include credit terms, 24-hour around-the-world service, fuel management services, and competitively priced fuel. In our aviation fuel services business, we extend credit and provide around-the-world single-supplier convenience, 24-hour service, fuel management services, and competitively priced aviation fuel and other aviation related services to passenger, cargo and charter airlines, as well as to United States and foreign militaries. We also offer flight plans and weather reports to our corporate customers.

The following table provides the contribution percentage of each of our two reportable operating businesses on our total revenue and our operating income (excluding corporate overhead) for each of the periods presented in the accompanying Consolidated Statements of Income:

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
		(Unaudited)		(Unaudited)		
<b>Revenue:</b>						
Marine fuel services	61%	68%	66%	72%	72%	66%
Aviation fuel services	39%	32%	34%	28%	28%	34%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>Operating income, excluding corporate overhead</b>						
Marine fuel services	46%	42%	41%	56%	52%	53%
Aviation fuel services	54%	58%	59%	44%	48%	47%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

#### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon the consolidated financial statements included elsewhere in this Form 10-K, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, deferred tax assets and liabilities, goodwill and identifiable intangible asset, and certain accrued liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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We have identified the policies below as critical to our business operations and the understanding of our results of operations. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the accompanying consolidated financial statements included in this Form 10-K.

### *Revenue Recognition*

Revenue is recorded in the period when the sale is made or as the services are performed. We contract with third parties to provide fuel and/or deliver most services.

### *Accounts Receivable and Allowance for Bad Debts*

Credit extension, monitoring and collection are performed by each of our business segments. Each segment has a credit committee. The credit committees are responsible for approving credit limits above certain amounts, setting and maintaining credit standards, and managing the overall quality of the credit portfolio. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current credit worthiness, as determined by our review of our customer's credit information. We extend credit on an unsecured basis to many of our customers.

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience with our customers, current market conditions of our customers, and any specific customer collection issues that we have identified. Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. We had accounts and notes receivable of \$192.1 million and \$177.4 million, net of allowance for bad debts of \$10.5 million and \$11.1 million, as of December 31, 2003 and 2002, respectively.

We believe the level of our allowance for bad debts is reasonable based on our experience and our analysis of the net realizable value of our trade receivables at December 31, 2003. We cannot guarantee that we will continue to experience the same credit loss rates that we have experienced in the past since adverse changes in the marine and aviation industries, or changes in the liquidity or financial position of our customers, could have a material adverse effect on the collectability of our accounts receivable and our future operating results. If credit losses exceed established allowances, our results of operation and financial condition may be adversely affected. For additional information on the credit risks inherent in our business, see "Risk Factors" in Item 1 of this Form 10-K.

### *Goodwill, Identifiable Intangible Assets and Investment Goodwill*

Goodwill and investment goodwill represent our cost or investment in excess of net assets, including identifiable intangible assets, of the acquired companies. Investment goodwill of approximately \$2.9 million was included in Other assets in the accompanying Consolidated Balance Sheets at December 31, 2003 and 2002. The identifiable intangible asset for customer relations existing at the date of acquisition of \$1.8 million was recorded and is being amortized over its useful life of five years. Effective April 2001, as permitted, we elected to early adopt SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 established accounting and reporting standards for acquired goodwill and other intangible assets, and states that goodwill shall not be amortized prospectively. Accordingly, no goodwill amortization was recorded subsequent to the adoption of SFAS No. 142. We recorded goodwill amortization of \$824 thousand, including investment goodwill amortization of \$74 thousand, for the year ended March 31, 2001. We recorded amortization of our identifiable intangible asset of \$368 thousand for the years ended December 31, 2003 and 2002, \$276 thousand for the nine months ended December 31, 2002 and 2001, and \$92 thousand for the year ended March 31, 2002.

In accordance with SFAS No. 142, goodwill must be reviewed annually (or more frequently under certain circumstances) for impairment. The initial step of the goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. Based on results of these comparisons as of December 31, 2003, goodwill in each of our reporting units is not considered impaired. Accordingly, no impairment charges were recognized.

### *Income Taxes*

Our provision for income taxes was determined by taxable jurisdiction. We file a consolidated U.S. federal income tax return which includes all of our U.S. companies. Our non-U.S. companies file income tax returns in their respective countries of incorporation, as required. We do not provide for U.S. federal and state income taxes, and non-U.S. withholding taxes on the undistributed earnings of our non-U.S. companies. The distribution of these earnings would result in additional U.S. federal

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and state income taxes to the extent they are not offset by foreign tax credits and non-U.S. withholding taxes. It is our intention to reinvest undistributed earnings of our non-U.S. companies indefinitely and thereby postpone their remittance. Accordingly, no provision has been made for taxes that could result from the remittance of such earnings.

We provide for deferred income taxes on temporary differences arising from assets and liabilities whose bases are different for financial reporting and U.S. federal, state and non-U.S. income tax purposes. A valuation allowance is recorded to reduce deferred income tax assets when it is more likely than not that an income tax benefit will not be realized. No valuation allowance was recorded in the accompanying Consolidated Balance Sheets.

### **Results of Operations**

Profit from our marine fuel services business is determined primarily by the volume and commission rate of brokering business generated and by the volume and gross profit achieved on sales, as well as the overall level of operating expenses, which may be significantly affected to the extent that we are required to provide for potential bad debts. Profit from our aviation fuel services business is directly related to the volume and the gross profit achieved on sales, as well as the overall level of operating expenses, which may be significantly affected to the extent that we are required to provide for potential bad debts.

In February 2001, April 2001, and January 2002, we acquired the operations of Norse Bunker A.S., the Marine Energy group of companies, and the Oil Shipping group of companies, respectively. These acquisitions form part of our worldwide marine fuel marketing segment and were accounted for as purchases. Accordingly, the results of operations of these acquisitions were included with our results since their respective dates of acquisition. In December 2000, we entered into a joint venture agreement with Signature Flight Support Corporation through the acquisition of a 50% equity interest in PAFCO. Under the equity method of accounting, we have recorded our share of the results of PAFCO since January 2001.

Our profitability was favorably impacted in 2003 by increases in business volume for both marine and aviation, and marine's gross profit per metric ton traded and brokered. In addition, included in the results for the year ended December 31, 2002 were two non-recurring charges totaling \$6.1 million. The 2002 non-recurring charges consisted of 1) executive severance charges of \$4.5 million, of which \$3.7 million related to our former Chief Executive Officer and the remaining amounts were for our former Chief Financial Officer, Chief Information Officer, and two other executives, and 2) a \$1.6 million charge for the settlement of the remaining balance on a court judgment against Donald F. Moorehead, Jr., who defaulted on his agreement to purchase EarthCare Company stock owned by us, which was received in connection with the sale of our oil-recycling subsidiaries in February 2000. Earnings in 2003 were adversely affected by a decrease in gross profit per gallon in aviation and increases in all three categories of expenses: 'salaries and wages', 'provision for bad debts' and 'other operating expenses.'

The lower gross profit per gallon sold in aviation was primarily due to increased fuel management business and wholesale activities, which are higher credit quality and lower margin business and activities. Partially offsetting the impact of these lower margin activities on gross profit in aviation was new commercial and government business. The increase in salaries and wages was due to new employees to support our business process improvements and continued business expansion, the front-end cost of some business process improvement initiatives, and payments and accruals for performance based incentive compensation payouts. Incentive compensation accounted for the largest part of the salaries and wages increase. The increase in the provision for bad debts is primarily due to additional general provision for bad debts resulting from the write-off of receivables from two bankrupt international airlines. The increase in other operating expenses was also primarily related to our business process improvements and continued business expansion, as well as to higher overall operating costs primarily relating to insurance, office rent, depreciation and amortization, travel and entertainment, and independent directors' cash compensation and non-cash compensation related to stock-based awards.

We may experience decreases in future sales volume and margins as a result of deterioration in the world economy, or in the shipping or aviation industries, and continued conflicts and instability in the Middle East, Asia and Latin America, as well as potential future terrorist activities and possible military retaliation. In addition, world oil prices have been very volatile over the last several years. We expect continued volatility in world oil prices as a result of the instability in the Middle East. Since fuel costs represent a significant part of a vessel's and airline's operating expenses, volatility in fuel prices can adversely affect our customers' business, and consequently our results of operations. See "Risk Factors" in Item 1 of this Form 10-K.

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### *Year ended December 31, 2003 compared to Year ended December 31, 2002 (unaudited)*

Our revenue for the year ended December 31, 2003 was \$2.66 billion, an increase of \$763.6 million, or 40.2%, as compared to revenue of \$1.90 billion for the year ended December 31, 2002. Our revenue increase was mainly due to increases in both business volume and fuel sale prices, related to higher world oil prices.

Our revenue during these periods was attributable to the following segments (in thousands):

	For the year ended December 31,	
	2003	2002
Marine fuel services	\$1,636,966	(unaudited) \$1,283,113
Aviation fuel services	1,024,824	615,068
<b>Total</b>	<b>\$2,661,790</b>	<b>\$1,898,181</b>

Our marine fuel services segment contributed \$1.64 billion in revenue for the year ended December 31, 2003, an increase of \$353.9 million, or 27.6%, over the prior year. The increase in revenue was primarily due to an 18.2% increase in the average price per metric ton sold and an 8.6% increase in the volume of metric tons sold. Our aviation fuel services segment contributed \$1.02 billion in revenue for the year ended December 31, 2003, an increase of \$409.8 million, or 66.6%, over the prior year. The increase in revenue was due to a 54.2% increase in the volume of gallons sold and an 8.0% increase in the average price per gallon sold. The significant increase in aviation sales volume was due to new commercial and government business as well as increases in wholesale activities and fuel management business.

Our gross profit of \$100.7 million for the year ended December 31, 2003 increased \$16.6 million, or 19.8%, as compared to the prior year. On the other hand, our gross margin decreased from 4.4% for the year ended December 31, 2002, to 3.8% for the year ended December 31, 2003. Our marine fuel services gross margin of 3.0% was unchanged from the prior year, however, our gross profit in the marine fuel services segment increased \$10.4 million due to increases in our average gross profit per metric ton sold and brokered of 24.1% and 4.4%, respectively. The increase in our gross profit per metric ton in marine was primarily due to better pricing. Our gross profit in the aviation fuel services business increased \$6.2 million while our aviation fuel services gross margin decreased to 5.1% for the year ended December 31, 2003, as compared to 7.5% for the prior year. The increase in our gross profit in the aviation fuel services segment was primarily due to increased business volume. Whereas, the decrease in aviation fuel services gross margin reflects increases in our wholesale and fuel management business, which are higher quality, lower margin businesses. With our continued expansion in the fuel management business, we expect future decreases in our gross margin.

Total operating expenses for the year ended December 31, 2003 were \$73.7 million, as compared to \$63.9 million for the year ended December 31, 2002. Included in operating expenses for the year ended December 31, 2002 were executive severance charges totaling \$4.5 million, of which \$3.7 million related to our former Chairman and Chief Executive Officer and the remaining amounts were for our former Chief Financial Officer, Chief Information Officer, and two other executives. Excluding the 2002 executive severance charges, the increase in operating expenses of \$14.3 million related to all three categories of expenses: salaries and wages, provision for bad debts, and other operating expenses. The \$7.2 million increase in salaries and wages was due to new employees to support our business process improvements and continued business expansion, the front-end cost of some business process improvement initiatives, and payments and accruals for performance based incentive compensation payouts. Incentive compensation accounted for the largest part of the increase in salaries and wages. The increase in provision for bad debts of \$3.4 million primarily resulted from the recording of additional general allowance for bad debts for estimated credit losses. The \$3.7 million increase in other operating expenses was also primarily related to our business process improvements and continued business expansion, as well as to higher overall operating costs primarily relating to the following expenses: 1) insurance increased 22.6%, 2) office rent increased 22.9%, 3) depreciation and amortization increased 31.3%, 4) travel and entertainment increased 22.2%, and 5) independent directors' cash compensation and non-cash compensation related to stock-based awards increased 73.8%, which was mostly related to the amortization of the fair value of the stock options granted over the applicable one year vesting period.

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Our income from operations for the year ended December 31, 2003 was \$27.0 million, as compared to \$20.2 million for the year ended December 31, 2002. Income from operations during these periods was attributable to the following segments (in thousands):

	For the year ended December 31,	
	2003	2002
		(unaudited)
Marine fuel services	\$ 18,299	\$ 13,608
Aviation fuel services	21,795	18,862
Corporate overhead	(13,104)	(12,301)
Total	\$ 26,990	\$ 20,169

The marine fuel services segment earned \$18.3 million in income from operations for the year ended December 31, 2003, an increase of \$4.7 million, or 34.5%, as compared to the prior year. This increase resulted primarily from a 27.5% increase in gross profit, partially offset by higher operating expenses. The aviation fuel services segment's income from operations was \$21.8 million for the year ended December 31, 2003, an increase of \$2.9 million, or 15.5%, as compared to the prior year. This improvement was due to a 13.4% increase in gross profit, partially offset by increased provision for bad debts and other operating expenses. Corporate overhead costs not charged to the business segments totaled \$13.1 million for the year ended December 31, 2003, as compared to \$12.3 million during the prior year. For explanations of the increases in operating expenses for the year ended December 31, 2003 as compared to the prior year, see the above discussion on operating expenses.

During the year ended December 31, 2003, we reported \$628 thousand in other income, net, as compared to other expense, net, of \$1.9 million for the prior year. Included in other expense, net, for the year ended December 31, 2002, was a \$1.6 million non-recurring charge in connection with the settlement of the remaining balance due on the Moorehead judgment. The remaining positive variance of \$977 thousand was mainly related to lower net unrealized foreign currency losses and the recognition of net realized foreign exchange gains for 2003 as opposed to net foreign exchange losses for 2002. Unrealized foreign currency translation losses and gains result from the translation of monetary assets and liabilities of our non-U.S. entities at the prevailing exchange rates at year-end.

For the year ended December 31, 2003, our effective tax rate was 20.8%, for an income tax provision of \$5.7 million, as compared to 21.4% and an income tax provision of \$3.9 million for the year ended December 31, 2002. Netted with the income tax provision for the year ended December 31, 2002 were income tax benefits totaling \$2.3 million related to the 2002 executive severance charges and the 2002 non-recurring charge in connection with the settlement of the remaining balance due on the Moorehead judgment. Excluding the effects of the 2002 non-recurring items on our results, our consolidated effective tax rate for the year ended December 31, 2002 would have been 25.6%. The lower tax rate results primarily from increased operating income in low tax foreign jurisdictions as well as lower statutory tax rates on certain types of foreign income.

Net income and diluted earnings per share for the year ended December 31, 2003 were \$21.9 million and \$1.96, respectively, as compared to \$14.3 million and \$1.32 during the prior year. Included in the results for the year ended December 31, 2002 were the two non-recurring, after-tax charges totaling \$3.7 million, or \$0.34 per diluted share: 1) the charge of \$2.8 million, or \$0.25 per diluted share, related to executive severance, and 2) the charge of \$970 thousand, or \$0.09 per diluted share, related to the settlement of the remaining balance due on the Moorehead judgment.

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### *Nine months ended December 31, 2002 compared to Nine months ended December 31, 2001 (unaudited)*

Our revenue for the nine months ended December 31, 2002 was \$1.55 billion, an increase of \$533.1 million, or 52.6%, as compared to revenue of \$1.01 billion for the nine months ended December 31, 2001. Our revenue increase was primarily due to an increase in sales volume for marine and aviation, as well as an increase in marine fuel prices, partially offset by a decrease in aviation fuel prices. Our revenue during these periods was attributable to the following segments (in thousands):

	For the Nine Months Ended December 31,	
	2002	2001
		(unaudited)
Marine fuel services	\$1,026,162	\$ 727,035
Aviation fuel services	520,735	286,746
<b>Total</b>	<b>\$1,546,897</b>	<b>\$1,013,781</b>

Our marine fuel services segment contributed \$1.03 billion in revenue for the nine months ended December 31, 2002, an increase of \$299.1 million, or 41.1%, over the same period of the prior year. The increase in revenue was primarily due to a 13.1% increase in the average price per metric ton sold and a 25.2% increase in the volume of metric tons sold, which was due, in part, to our January 2002 acquisition of the Oil Shipping group of companies. Our aviation fuel services segment contributed \$520.7 million in revenue for the nine months ended December 31, 2002, an increase of \$234.0 million, or 81.6%, over the corresponding period of the prior year. The increase in revenue was due to a 97.7% increase in the volume of gallons sold, which more than offset an 8.1% decrease in the average price per gallon. The increase in aviation sales volume was due to new commercial and government business, increases in wholesale and fuel management business, and a recovery from the general slowdown in aviation activity during the prior year.

Our gross profit of \$62.9 million for the nine months ended December 31, 2002 increased \$7.9 million, or 14.3%, as compared to the corresponding period of the prior year. Our gross margin decreased from 5.4% for the nine months ended December 31, 2001, to 4.1% for the nine months ended December 31, 2002. Our marine fuel services segment achieved a 2.7% gross margin for the nine months ended December 31, 2002, as compared to a 3.9% gross margin for the same period of the prior year. This decrease resulted primarily from a lower average gross profit per metric ton sold as well as an increase in the average sales price per metric ton sold. The decrease in the gross profit per metric ton sold was primarily related to increased competitive pressures. Our aviation fuel services business achieved a 6.7% gross margin for the nine months ended December 31, 2002, as compared to 9.4% for the same period during the prior year. The decrease in gross margin reflects increases in our wholesale and fuel management businesses, which are higher quality, lower margin businesses.

Total operating expenses for the nine months ended December 31, 2002 were \$49.1 million, as compared to \$40.1 million for the nine months ended December 31, 2001. Included in operating expenses for the nine months ended December 31, 2002 were operating expenses of our January 2002 marine acquisition and executive severance charges of \$4.5 million, of which \$3.7 million related to our former Chairman and Chief Executive Officer and the remaining amounts were for our former Chief Financial Officer, Chief Information Officer, and two other executives. The remaining increase in operating expenses were primarily increases in salaries and other operating expenses, partially offset by a lower provision for bad debts for aviation and a reimbursement of legal fees associated with prior years' insurance claims in the marine segment. The increase in other operating expenses was due, in part, to overall higher insurance costs resulting from the terrorist attacks of September 11th, and increases in travel, audit fees, telecommunication, worldwide office rent and depreciation expense. In general, increases to operating expenses relate to business growth and expansion.

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Our income from operations for the nine months ended December 31, 2002 was \$13.8 million, as compared to \$14.9 million for the nine months ended December 31, 2001. Income from operations during these periods was attributable to the following segments (in thousands):

	For the Nine Months Ended December 31,	
	2002	2001
Marine fuel services	\$ 9,932	\$ 11,288
Aviation fuel services	14,103	8,950
Corporate overhead	(10,249)	(5,332)
Total	\$ 13,786	\$ 14,906

The marine fuel services segment earned \$9.9 million in income from operations for the nine months ended December 31, 2002, as compared to \$11.3 million for the corresponding period of the prior year. This decrease resulted primarily from lower gross profit due to increased competitive pressures, higher operating expenses related to the marine acquisition in January 2002, and an executive severance charge, partially offset by lower salaries and a reimbursement of legal fees associated with prior years' insurance claims. The aviation fuel services segment's income from operations was \$14.1 million for the nine months ended December 31, 2002, an increase of \$5.2 million, or 57.6%, as compared to the same period of the prior year. This improvement was due to a higher gross profit related to increases in sales volume and lower provision for bad debts, partially offset by increased salaries and other operating expenses related to business growth and expansion, and an executive severance charge. Corporate overhead costs not charged to the business segments totaled \$10.2 million for the nine months ended December 31, 2002, as compared to \$5.3 million during the same period of the prior year. The increase in corporate overhead costs was primarily due to executive severance charges of \$4.3 million and increased other operating expenses, partially offset by lower salaries.

During the nine months ended December 31, 2002, we reported \$2.0 million in other expense, net, as compared to other income, net, of \$1.8 million for the same period of the prior year. Included in other expense, net, for the nine months ended December 31, 2002, was a \$1.6 million non-recurring charge in connection with the settlement of the remaining balance due on the Moorehead judgment. Included in other income, net, for the nine months ended December 31, 2001, were a gain on the sale of a leasehold property and a \$1.0 million insurance settlement recovery related to a product theft off the coast of Nigeria in 1999. The remaining variance of \$1.1 million was primarily related to lower net interest income of \$333 thousand and an unrealized foreign currency translation loss recorded during the nine months ended December 31, 2002 as compared to an unrealized foreign currency translation gain for the corresponding period of the prior year. Unrealized foreign currency translation losses and gains result from the translation of monetary assets and liabilities of our non-U.S. entities at the prevailing exchange rates at year-end. Partially offsetting were lower net realized foreign currency exchange losses on transactions for the nine months ended December 31, 2002 as compared to the same period of the prior year.

For the nine months ended December 31, 2002, our effective tax rate was 16.0%, for an income tax provision of \$1.9 million, as compared to 23.8% and an income tax provision of \$4.0 million for the nine months ended December 31, 2001. Reflected in the income tax provision for the nine months ended December 31, 2002 were additional taxes provided for our global tax restructuring and income tax benefit totaling approximately \$2.3 million for the executive severance charges and the non-recurring charge in connection with the settlement of the remaining balance due on the Moorehead judgment. In addition, the effective tax rate for the nine months ended December 31, 2001 reflects the non-taxable insurance settlement recovery.

Net income and diluted earnings per share for the nine months ended December 31, 2002 were \$9.9 million and \$0.91, respectively, as compared to \$12.8 million and \$1.20 during the same period of the prior year. Net income for the nine months ended December 31, 2002 was impacted by two non-recurring, after-tax charges totaling \$3.7 million, or \$0.34 per diluted share: the charge of \$2.8 million, or \$0.25 per diluted share, related to executive severance, and the charge of \$970 thousand, or \$0.09 per diluted share, related to the settlement of the remaining balance due on the Moorehead judgment. In addition, net income for the nine months ended December 31, 2001 included a non-recurring credit of \$1.0 million, or \$0.09 per diluted share, from the insurance settlement recovery related to a product theft off the coast of Nigeria in 1999.

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### *Year ended March 31, 2002 compared to Year ended March 31, 2001*

Our revenue for the year ended March 31, 2002 was \$1.37 billion, a decrease of \$164.2 million, or 10.7%, as compared to revenue of \$1.53 billion for the year ended March 31, 2001. Our revenue decrease was primarily due to a decrease in world oil prices for the year ended March 31, 2002, partially offset by increases in sales resulting from our various marine segment acquisitions. Our revenue during these periods was attributable to the following segments (in thousands):

	For the Year Ended March 31,	
	2002	2001
Marine fuel services	\$ 983,986	\$1,004,572
Aviation fuel services	381,079	524,670
<b>Total</b>	<b>\$1,365,065</b>	<b>\$1,529,242</b>

Our marine fuel services segment contributed \$984.0 million in revenue for the year ended March 31, 2002, a decrease of \$20.6 million, or 2.0%, over the prior year. The decrease in revenue was due to an 18.7% decline in the average price per metric ton sold, partially offset by a 20.2% increase in the volume of metric tons sold. The increase in marine sales volume was due, in part, to sales from our February and April 2001 acquisitions. Our aviation fuel services segment contributed \$381.1 million in revenue for the year ended March 31, 2002. This represented a decrease in revenue of \$143.6 million or 27.4%, as compared to the prior year. The decrease in revenue was due to a 15.7% decrease in the volume of gallons sold and a 13.8% decrease in the average price per gallon sold. The decrease in aviation sales volume reflects management's decision to reduce our credit exposure and increase margins. Sales volume also decreased during the year ended March 31, 2002 because of a general slowdown in economic activity. During the latter part of the quarter ended March 31, 2002 and thereafter, we began to experience increased sales volumes in aviation.

Our gross profit of \$76.2 million for the year ended March 31, 2002 increased \$4.4 million, or 6.2%, as compared to the prior year. Our gross margin also increased from 4.7% for the year ended March 31, 2001 to 5.6% for the year ended March 31, 2002. Our marine fueling segment achieved a 3.9% gross margin for the year ended March 31, 2002, as compared to a 3.7% gross margin for the prior year. This gross margin increase resulted from a drop in the average price per metric ton traded, which offset a lower gross profit per metric ton traded. The narrower gross profit per metric ton traded was caused by competitive pressures, and by the marine acquisitions which resulted in the addition of lower margin trading business. By integrating the acquisitions into our existing global network, we expect to gain from synergies in purchasing and value-added services, and thereby maximize the gross profit of our acquired companies. Our aviation fueling business achieved a 9.9% gross margin for the year ended March 31, 2002, as compared to 6.6% achieved for the prior year. This increase resulted from an overall increase in the gross profit per gallon sold and the decline in the average price per gallon sold. The improvement in gross profit resulted from a revision in our pricing strategy, as well as the recovery of certain business taxes previously expensed and the favorable resolution of certain outstanding items with suppliers.

For the year ended March 31, 2002, our operating expenses were \$54.9 million, a decrease of \$2.7 million or 4.7%, as compared to the prior year. This decrease resulted from a \$4.0 million reduction in the provision for bad debts, a \$3.5 million executive severance charge for the year ended March 31, 2001 related to the termination of the employment agreement with our former Chairman of the Board, and the early adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," which eliminated the amortization of goodwill effective April 1, 2001. Partially offsetting these improvements were operating expenses of the newly acquired companies, staff additions, and various business initiatives implemented over the past year.

Our income from operations for the year ended March 31, 2002 was \$21.3 million, an increase of \$7.1 million, or 50.4%, as compared to the prior year. Income from operations during these periods was attributable to the following segments (in thousands):

	For the Year Ended March 31,	
	2002	2001
Marine fuel services	\$14,964	\$ 13,161
Aviation fuel services	13,709	11,790
Corporate overhead	(7,384)	(10,799)
<b>Total</b>	<b>\$21,289</b>	<b>\$ 14,152</b>



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The marine fuel segment earned \$15.0 million in income from operations for the year ended March 31, 2002, an increase of \$1.8 million, or 13.7%, as compared to the prior year. This increase resulted from a \$2.8 million lower provision for bad debts and a higher gross profit, partially offset by operating expenses of the newly acquired companies and staff additions. The aviation fuel segment's income from operations was \$13.7 million for the year ended March 31, 2002, an increase of \$1.9 million, or 16.3%, as compared to the prior year. This improvement was due to a higher gross profit and a \$1.2 million lower provision for bad debts, partially offset by increased operating expenses related to staff additions and various business initiatives, which were implemented over the past year. Corporate overhead costs not charged to the business segments totaled \$7.4 million during the year ended March 31, 2002, a decrease of \$3.4 million, or 31.6%, as compared to the prior year. The improvement in corporate overhead was due to the \$3.5 million executive severance charge in the prior year and lower consulting and telecommunications expenses, partially offset by staff additions and higher compensation.

During the year ended March 31, 2002, we reported \$1.9 million in other income, net, compared to \$2.2 million for the year ended March 31, 2001. This decrease was mainly due to foreign exchange losses for the year ended March 31, 2002 as opposed to foreign exchange gains in the prior year, a \$339 thousand decrease in net interest income, and a \$365 thousand non-recurring credit recorded for the year ended March 31, 2001 related to a partial recovery of a previously written-down aviation joint venture investment. Largely offsetting these decreases were the equity in earnings of our PAFCO aviation joint venture, a gain on the sale of a leasehold property, and a \$1.0 million insurance settlement recovery related to a product theft off the coast of Nigeria in 1999.

For the year ended March 31, 2002, our effective tax rate was 25.8%, for an income tax provision of \$6.0 million, as compared to an effective tax rate of 27.9% and an income tax provision of \$4.6 million for the year ended March 31, 2001. The decrease in our effective tax rate reflects the non-taxable insurance settlement recovery of \$1.0 million during the year ended March 31, 2002 related to theft of product off the coast of Nigeria during the year ended March 31, 2000.

Net income from continuing operations for the year ended March 31, 2002 was \$17.2 million, an increase of \$5.4 million, as compared to \$11.8 million for the year ended March 31, 2001. Diluted earnings per share on income from continuing operations was \$1.62, an increase of \$0.51, or 45.9%, as compared to \$1.11 per diluted share for the year ended March 31, 2001.

During the year ended March 31, 2001, we recorded a net loss from discontinued operations of \$1.2 million, or \$0.11 per diluted share. The net loss resulted from additional income taxes of \$496 thousand relating to the gain on the sale of our oil-recycling segment and a \$656 thousand after-tax write-off against the assets we ultimately realized in connection with the discontinuance of our used oil-recycling business. No discontinued operations activities were recorded for the year ended March 31, 2002. Including discontinued operations, net income for the year ended March 31, 2002 increased by \$6.6 million, or 62.1%, as compared to the prior year. Diluted earnings per share increased by \$0.62, or 62.0%, as compared to the prior year.

### **Liquidity and Capital Resources**

In our marine and aviation fuel businesses, the primary use of working capital is to finance receivables. We maintain aviation fuel inventories at certain locations in the United States, mostly for competitive reasons. Our marine and aviation fuel businesses historically have not required significant capital investment in fixed assets as we use third parties for fueling services and inventories are maintained at third party storage facilities. We have funded our operations primarily with cash flow generated from operations. As of December 31, 2003, we had \$76.3 million of cash and cash equivalents as compared to \$57.8 million at December 31, 2002.

We also have a revolving credit facility which permits borrowings of up to \$100.0 million, with a sublimit of \$40.0 million for the issuance of letters of credit. Our available borrowings under the credit facility are reduced by the amount of outstanding letters of credit. The credit facility imposes certain operating and financial restrictions, including restrictions on the payment of dividends in excess of specified amounts. Our failure to comply with the obligations under the credit facility, including meeting certain financial ratios, could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the credit facility, or impair our ability to receive advances and issue letters of credit, and may have a material adverse effect on us. As of December 31, 2003, we had no borrowings under the credit facility. Letters of credit of \$16.1 million were outstanding, at December 31, 2003, under the credit facility agreement.

Net cash provided by continuing operating activities totaled \$26.7 million for the year ended December 31, 2003, as compared to \$17.0 million of net cash provided by continuing operating activities for the year ended December 31, 2002. This \$9.7 million increase was primarily a result of additional income from continuing operations.

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During the year ended December 31, 2003, net cash used in investing activities was \$3.3 million, a decrease of \$5.4 million as compared to net cash used in investing activities for the year ended December 31, 2002. This decrease is primarily due to a cash payment on an acquisition of business in April 2002.

For the year ended December 31, 2003, net cash used in financing activities was \$5.0 million, a decrease of \$1.8 million as compared to net cash used in financing activities for the year ended December 31, 2002. This decrease was attributable to purchases of treasury stock of \$2.0 million during the year ended December 31, 2002 and a reduction in repayment of debt of \$2.4 million. Partially offsetting these decreases in usage of net cash was a decrease in the cash provided by stock option exercises of \$2.6 million.

Working capital at December 31, 2003 was \$106.2 million, representing an increase of \$24.0 million from working capital at December 31, 2002. Our accounts and notes receivable, at December 31, 2003, excluding the allowance for bad debts, amounted to \$202.7 million as compared to \$188.5 million at December 31, 2002. This \$14.2 million increase was due largely to increased sales in both our marine and aviation segments. At December 31, 2003, the allowance for bad debts of \$10.5 million decreased by \$574 thousand from the balance at December 31, 2002. During the year ended December 31, 2003, we charged \$6.3 million to the provision for bad debts, as compared to \$2.9 million for the year ended December 31, 2002. The increase in the provision for bad debts is primarily due to the recording of additional general provision for bad debts. We had charge-offs in excess of recoveries of \$6.9 million for the year ended December 31, 2003, as compared to \$2.8 million for the year ended December 31, 2002. The increase in the charge-offs in excess of recoveries was primarily related to receivables from two bankrupt international airlines. For the year ended December 31, 2003, our Days Sales Outstanding (DSO) was 24 days versus 31 days for the year ended December 31, 2002.

Inventories of \$22.9 million, at December 31, 2003, increased \$17.8 million from December 31, 2002. This increase is primarily due to changes of our fuel procurement processes. As of December 31, 2003, prepaid expenses and other current assets of \$19.7 million decreased \$2.6 million from December 31, 2002. This decrease was mainly due to a reduction in the fair market value of our outstanding derivatives at year-end, partially offset by increases in prepaid fuel, taxes receivables, and the current portion of the deferred income tax assets.

At December 31, 2003, in the aggregate, net goodwill, identifiable intangible asset, and investment goodwill decreased \$368 thousand from December 31, 2002, to \$38.0 million, due to the amortization of the identifiable intangible asset. Other asset, excluding investment goodwill, decreased \$2.8 million, to \$1.7 million, due to a decrease in the non-current portion of the deferred income tax assets.

Our current liabilities, excluding short-term debt, increased \$25.3 million primarily due to increased business activity in both our marine and aviation segments. Long-term debt and short-term debt, in the aggregate, decreased by \$588 thousand mainly due to the repayment of our acquisition debt of \$2.5 million, partially offset with increases in accruals for deferred compensation, earned and unearned, and additional deferred rental credits.

Stockholders' equity amounted to \$148.4 million at December 31, 2003, as compared to \$127.7 million at December 31, 2002. The increase in stockholders' equity was mainly due to \$21.9 million in earnings, \$922 thousand from the exercise of stock options, and \$925 thousand in amortization of unearned deferred compensation, partially offset by the declaration of dividends of \$3.2 million during the year ended December 31, 2003.

We believe that available funds from existing cash and cash equivalents, our credit facility, and cash flows generated by operations will be sufficient to fund our working capital and capital expenditure requirements for the next twelve months. Our opinions concerning liquidity and our ability to obtain financing are based on currently available information. To the extent this information proves to be inaccurate, or if circumstances change, future availability of trade credit or other sources of financing may be reduced and our liquidity would be adversely affected. Factors that may affect the availability of trade credit, or other financing, include our performance (as measured by various factors including cash provided from operating activities), the state of worldwide credit markets, and our levels of outstanding debt. In addition, we may decide to raise additional funds to respond to competitive pressures or to acquire complementary businesses. Accordingly, we cannot guarantee that financing will be available when needed or desired on terms favorable to us.

## Contractual Obligations, Commercial Commitments and Off-Balance Sheet Arrangements

Our significant contractual obligations, commercial commitments, and off-balance sheet arrangements are set forth below. For additional information on any of the following and other contractual obligations, commitments, and off-balance sheet arrangements, see Notes 3, 6 and 7 in the Notes to the Consolidated Financial Statements in Item 15 of this Form 10-K.

### *Letters of Credit*

In the normal course of business, we are required to provide letters of credit to certain suppliers. A majority of these letters of credit expire within one year from their issuance, and expired letters of credit are renewed as needed. As of December 31, 2003, we had outstanding letters of credit of \$16.1 million. The letters of credit were issued under our revolving credit facility, and count against the \$100.0 million limit on total borrowings under this facility. For additional information on our revolving credit facility and letters of credit, see the discussion thereof in "Liquidity and Capital Resources," above.

### *Lease Commitments*

As of December 31, 2003, our future minimum lease payments under non-cancelable operating leases for rental properties were as follows (in thousands):

<u>For the Year Ending December 31,</u>	
2004	\$ 1,678
2005	1,387
2006	1,202
2007	1,070
2008	915
Thereafter	2,613
	<u>\$8,865</u>

In the normal course of business, we may enter into non-cancelable operating leases for office and computer equipment, and service contracts with minimum service fee commitments for telecommunication, and computer data and document storage. As of December 31, 2003, there were no material non-cancelable operating leases for office and computer equipment or service contracts with minimum service fee commitments.

### *Surety Bonds*

In the normal course of business, we are required to post bid, performance and garnishment bonds. The majority of the surety bonds posted relate to our aviation fuel services business. As of December 31, 2003, we had approximately \$5.0 million in outstanding bonds.

### *Purchase and Sale Commitments and Derivatives*

See "Item 7A – Quantitative and Qualitative Disclosures About Market Risk," included in this Form 10-K, for a discussion of our purchase and sale commitments and derivatives.

### *Employment Agreements*

In July 2002, our Board of Directors elected a new Chairman of the Board of Directors ("Chairman") and Chief Executive Officer ("CEO") and appointed a new President and Chief Operating Officer ("COO"). In connection with the executives' promotion to their respective positions, they received new employment agreements which among other modifications and provisions, increased their individual base salary to \$525 thousand, extended their employment period to July 2007, and modified their termination severance benefits. Per the executives' employment agreements, as amended, effective April 2002, our CEO and COO are eligible to receive an annual bonus upon achievement of performance targets, which targets are based on diluted earnings per share growth and certain yearly objectives, agreed upon between the executives and the Compensation Committee. The bonus payout may range from 15% of base salary if at least 5% diluted earnings per share growth is achieved, to 200% of base salary if diluted earnings per share growth equals or exceeds 15%. For the year ended December 31, 2003, the CEO and COO earned an annual bonus equal to 200% of base salary. For the nine months ended December 31, 2002, the CEO and COO earned and received a prorated annual bonus equal to 100% of base salary.

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In addition, the payment of any portion of the bonus causing the compensation of any of the above two executives to exceed \$1.0 million during any fiscal year will be deferred and accrue interest at the U.S. Prime rate, until a fiscal year during the employment term in which the executive earns less than \$1.0 million; provided, however, that in the event of the executive's death, the termination of the executive for any reason, or the expiration of the employment agreement, the deferred portion of any bonus, including any interest earned thereon, shall be paid to the executive within ten days of such death, termination or expiration. As of December 31, 2003 and 2002, \$126 thousand was deferred under the employment agreements of our Chairman and President. Such deferred compensation was included in Long-term liabilities in the accompanying Consolidated Balance Sheets.

Pursuant to their employment agreements, our CEO and COO each is entitled to receive a cash severance payment if: (a) we terminate the executive for any reason other than death, disability or cause; (b) the executive resigns for good reason (generally a reduction in his responsibilities or compensation, or a breach by us), or resigns for any reason following a change of control; or (c) we elect not to renew the executive's employment agreement upon expiration, for any reason other than cause. The severance payment is equal to two times the executive's average salary and bonus during the three-year period preceding termination; provided, if (i) the termination occurs within three years after a change of control the multiple set forth above will be three instead of two, and (ii) in the case of a non-renewal, as described in item (c) above, the multiple will be one and the severance will be paid in 26 equal installments over a one year period. Upon any such termination, we will continue to provide coverage to the executive under our group insurance plans for up to three years, and all of the executive's stock options and stock grants will immediately vest.

In addition to the above executives, we have also entered into employment agreements with certain of our executive officers and employees. These agreements provide for minimum salary levels, and for certain executive officers and employees, bonuses which are payable if specified performance goals are attained.

As of December 31, 2003, the approximate future minimum commitments under employment agreements, excluding discretionary and performance bonuses, are as follows (in thousands):

<u>For the Year Ending December 31,</u>	
2004	\$ 8,507
2005	6,457
2006	4,626
2007	2,130
	<hr/>
	\$21,720
	<hr/>

### *Aviation Joint Venture*

In December 2000, we entered into a joint venture with Signature through the acquisition of a 50% equity interest in PAFCO from Signature. In accordance with the venture's operating agreement, we are entitled to 80% of the income from PAFCO's operations. The higher allocation percentage versus the ownership percentage is in consideration of the risks assumed by us with respect to credit losses on PAFCO's accounts receivable. We are required to purchase, without recourse, PAFCO's accounts receivable that are 120 days past due, subject to certain requirements. We also have the right to approve all credit sales by PAFCO. Net losses, including infrequent or unusual losses, and interest expense incurred by PAFCO, and any gain resulting from the liquidation of the venture, will be shared equally between Signature and us. We purchased PAFCO accounts receivable totaling \$38 thousand for the year ended December 31, 2002 and for the nine months ended December 31, 2002. Subsequent to these purchases, we wrote off these accounts. For the year ended December 31, 2003, the nine months ended December 31, 2001, and the years ended March 31, 2002 and 2001, we did not purchase any of PAFCO's accounts receivable.

## **Recent Accounting Pronouncements**

In January 2003, the Financial Accounting Standard Board ("FASB") issued Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities." FIN No. 46 expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. We determined that we do not have any variable interest entities created after January 31, 2003. In December 2003, FASB revised FIN No. 46, which deferred the effective date for the consolidation requirements of FIN No. 46 for any variable interest entities, other than special-purpose entities, created before February 1, 2003 to the period ending after March 15, 2004. We are currently evaluating the impact of FIN No. 46 on our sole variable interest entity which was created prior to February 1, 2003.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

To take advantage of favorable market conditions or for competitive reasons, we enter into short-term cancelable fuel purchase commitments for the physical delivery of product. We simultaneously may hedge the physical delivery of fuel through a commodity based derivative instrument, to minimize the effects of commodity price fluctuations.

As part of our price risk management services, we offer to our marine and aviation customers fixed fuel prices on future sales with, or without, physical delivery of fuel. Typically, we simultaneously enter into a commodity based derivative instrument with a counterparty to hedge our variable fuel price on related future purchases with, or without, physical delivery of fuel. The counterparties are major oil companies and derivative trading firms. Accordingly, we do not anticipate non-performance by such counterparties. Pursuant to these transactions, we are not affected by market price fluctuations since the contracts have the same terms and conditions except for the fee or spread earned by us. Performance risk under these contracts is considered a credit risk. This risk is minimized by dealing with customers meeting stricter credit criteria.

As of December 31, 2003, we have eight outstanding swaps contracts totaling approximately 84 thousand metric tons of marine fuel, with monthly settlements through December 2005, and nine outstanding swaps contracts totaling 17 million gallons of aviation fuel, with monthly settlements through December 2004. As of December 31, 2003, we have recorded our derivatives, which consisted of swaps contracts, at their fair market value of \$2.1 million. In the accompanying Consolidated Balance Sheets, such amount was included as Prepaid expenses and other current assets with an offsetting amount in Accrued expenses. For additional information, see "Derivatives" in Note 1 to the consolidated financial statements included herein.

We conduct the vast majority of our business transactions in U.S. dollars. However, in certain markets, primarily in Mexico, payments to our aviation fuel supplier are denominated in local currency. In addition, in Mexico, payments from some of our customers are also denominated in local currency. This subjects us to foreign currency exchange risk, which may adversely affect our results of operations and financial condition. We seek to minimize the risks from currency exchange rate fluctuations through our regular operating and financing activities.

Our policy is to not use derivative financial instruments for speculative purposes.

## **Item 8. Financial Statements and Supplementary Data**

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 4, 2004, the report thereon of Arthur Andersen LLP dated May 30, 2001, and the Selected Quarterly Financial Data (Unaudited), are set forth in Item 15 of this Form 10-K.

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

In March 2002, we changed our certifying accountants from Arthur Andersen LLP to PricewaterhouseCoopers LLP. There were no disagreements with Arthur Andersen LLP on any matter of accounting principles, accounting practices, or financial statement disclosure which have been reported on a Form 8-K within the 24 months prior to March 2002, or subsequently with PricewaterhouseCoopers LLP to the date of the most recent financial statement.

**Item 9A. Controls and Procedures**

As of December 31, 2003, we have evaluated the effectiveness of our disclosure controls and procedures, under the supervision and with the participation of our management, including our CEO, COO and Chief Financial Officer (“CFO”). Based upon this evaluation, our CEO, COO and CFO concluded that, as of December 31, 2003, our disclosure controls and procedures were effective so that the information we are required to disclose in the reports which we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (ii) is accumulated and communicated to our management, including our CEO, COO and CFO, as appropriate to allow timely decisions regarding required disclosure. Such evaluation did not identify any change in our internal controls over financial reporting that occurred during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

The information set forth under the captions “Election of Directors,” “Information Concerning Executive Officers,” and “Section 16(a) Beneficial Ownership Reporting Compliance” appearing in our Proxy Statement for the 2004 Annual Meeting of Shareholders is incorporated herein by reference.

**Item 11. Executive Compensation**

The information set forth under the captions “Compensation of Officers” and “Board of Directors - Compensation of Directors” appearing in our Proxy Statement for the 2004 Annual Meeting of Shareholders is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management**

The information set forth under the caption “Principal Shareholders and Security Ownership of Management” in our Proxy Statement for the 2004 Annual Meeting of Shareholders is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions**

The information set forth under the caption “Compensation of Officers – Compensation Committee Interlocks and Insider Participation” in our Proxy Statement for the 2004 Annual Meeting of Shareholders is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services**

The information set forth under the caption “Company’s Relationship with Independent Public Accountants” in our Proxy Statement for the 2004 Annual Meeting of Shareholders is incorporated herein by reference.

**PART IV**

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

- (a)(1) The following consolidated financial statements are filed as a part of this Form 10-K:
- (i) [Reports of Independent Certified Public Accountants.](#) 31
  - (ii) [Consolidated Balance Sheets as of December 31, 2003 and 2002.](#) 33
  - (iii) [Consolidated Statements of Income for the Years ended December 31, 2003 and 2002 \(unaudited\), the Nine Months ended December 31, 2002 and 2001 \(unaudited\), and the Years ended March 31, 2002 and 2001.](#) 34
  - (iv) [Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2003 and 2002 \(unaudited\), the Nine Months ended December 31, 2002 and 2001 \(unaudited\), and the Years ended March 31, 2002 and 2001.](#) 35
  - (v) [Consolidated Statements of Cash Flows for the Years ended December 31, 2003 and 2002 \(unaudited\), the Nine Months ended December 31, 2002 and 2001 \(unaudited\), and the Years ended March 31, 2002 and 2001.](#) 36
  - (vi) [Notes to the Consolidated Financial Statements.](#) 39
- (a)(2) Consolidated financial statement schedules have been omitted either because the required information is set forth in the consolidated financial statements or notes thereto, or the information called for is not required.
- (a)(3) The exhibits set forth in the following index of exhibits are filed or incorporated by reference as a part of this Form 10-K:

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Incorporation are incorporated by reference to our Registration Statement on Form S-18 filed February 3, 1986.
3.2	By-laws, amended and restated as of February 19, 2003, are incorporated by reference to our Transition Report on Form 10-K filed March 20, 2003.
4.1	1986 Employee Stock Option Plan is incorporated by reference to our Registration Statement on Form S-18 filed February 3, 1986.
4.2	1993 Non-Employee Directors Stock Option Plan is incorporated by reference to our Schedule 14A filed June 28, 1994.
4.3	1996 Employee Stock Option Plan is incorporated by reference to our Schedule 14A filed July 18, 1997.
4.4	2001 Omnibus Plan is incorporated by reference to our Schedule 14A filed July 17, 2001.
10.1	Employment Agreement, amended and restated as of July 26, 2003, with Mr. Paul Stebbins, Chairman to the Board of Directors and Chief Executive Officer, is incorporated by reference to our Transition Report on Form 10-K filed March 20, 2003.
10.2	Employment Agreement, amended and restated as of July 26, 2003, with Mr. Michael Kasbar, President and Chief Operating Officer, is incorporated by reference to our Transition Report on Form 10-K filed March 20, 2003.

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- 10.3 Amendment to Employment Agreement with Mr. Paul Stebbins, Chairman to the Board of Directors and Chief Executive Officer, dated October 29, 2003, is incorporated by reference to our Quarterly Report on Form 10-Q filed November 6, 2003.
- 10.4 Amendment to Employment Agreement with Mr. Michael Kasbar, President and Chief Operating Officer, dated October 29, 2003, is incorporated by reference to our Quarterly Report on Form 10-Q filed November 6, 2003.
- 10.5 Credit Agreement, excluding schedules and exhibits as listed in the agreement, dated as of December 19, 2003, between World Fuel Services Corporation, as the Company, the various Financial Institutions Party Hereto, as Lenders, and LaSalle Bank National Association, as Administrative Agent.
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Certified Public Accountants.
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).
- 31.2 Certification of the Chief Operating Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).
- 31.3 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).
- 32.1 Statement of Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

(b) Reports on Form 8-K.

*December 19, 2003.* We filed a Current Report on Form 8-K to announce the following: 1) we have entered into an agreement with Morgan Stanley Capital Group and United Airlines to provide back-office processing and other services for a number of third-party supply contracts held by United with flag carriers fueling at hub airports in the United States, and 2) we have agreed to replace our existing \$40 million revolving credit facility with a new three-year \$100 million syndicated revolving credit facility, arranged by LaSalle Bank N.A. with HSBC Bank USA, Merrill Lynch, Commercebank N.A. and Israel Discount Bank of New York.

*December 02, 2003.* We filed a Current Report on Form 8-K to announce the signing of a fuel procurement/management contract with America West Airlines, Inc. The airline purchases approximately 450 million gallons of fuel annually in over 62 domestic and international locations. Fuel expense accounts for approximately 18 percent of the airline's total annual operating costs. The program is expected to be fully operational by the end of the airline's first quarter 2004.

*October 30, 2003.* We filed a Current Report on Form 8-K to report the results of operations for the three months and nine months ended September 30, 2003.



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Stockholders and Board of Directors  
of World Fuel Services Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under item 15(a)(1) on page 29 present fairly, in all material respects, the financial position of World Fuel Services Corporation and subsidiaries (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for the year ended December 31, 2003, the nine months ended December 31, 2002, and the year ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Miami, Florida  
March 4, 2004

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To World Fuel Services Corporation:

We have audited the accompanying consolidated balance sheets of World Fuel Services Corporation (a Florida corporation) and subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2001. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits.

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

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Miami, Florida,  
May 30, 2001.

This Report of Independent Certified Public Accountants is a copy of a previously issued Arthur Andersen LLP ("Andersen") report and has not been reissued by Andersen. The inclusion of this previously issued Andersen report is pursuant to the "Temporary Final Rule and Final Rule: Requirements for Arthur Andersen LLP Auditing Clients," issued by the U.S. Securities and Exchange Commission in March 2002. Note that this previously issued Andersen report includes references to certain years, which are not required to be presented in the accompanying consolidated financial statements. In addition, this previously issued Andersen report includes reference to Schedule II, which was omitted in this report since the required information is set forth in Note 1 to the accompanying consolidated financial statements.

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	As of December 31,	
	2003	2002
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 76,256	\$ 57,776
Accounts and notes receivable, net of allowance for bad debts of \$10,538 and \$11,112 at December 31, 2003 and 2002, respectively	192,119	177,360
Inventories	22,940	5,144
Prepaid expenses and other current assets	19,706	22,300
<b>Total current assets</b>	<b>311,021</b>	<b>262,580</b>
Property and equipment:		
Leasehold and improvements	2,022	1,320
Office equipment, furniture, computer equipment and software	14,606	13,580
	16,628	14,900
Accumulated depreciation and amortization	(9,665)	(8,026)
	6,963	6,874
Other:		
Goodwill, net of amortization of \$3,490 at December 31, 2003 and 2002	34,003	34,003
Identifiable intangible asset, net of amortization of \$736 and \$368 at December 31, 2003 and 2002, respectively	1,104	1,472
Other assets	4,587	7,358
	<b>\$ 357,678</b>	<b>\$ 312,287</b>
<b>Liabilities</b>		
Current liabilities:		
Short-term debt	\$ 1,600	\$ 2,527
Accounts payable	172,885	146,784
Accrued expenses	9,987	16,788
Customer deposits	6,320	5,264
Accrued salaries and wages	9,547	5,634
Income taxes payable	4,423	3,362
<b>Total current liabilities</b>	<b>204,762</b>	<b>180,359</b>
Long-term liabilities	4,537	4,198
	209,299	184,557
Commitments and contingencies		
<b>Stockholders' Equity</b>		
Preferred stock, \$1.00 par value; shares of 100 authorized, none issued	—	—
Common stock, \$0.01 par value; shares of 25,000 authorized, issued and outstanding shares of 12,765 at December 31, 2003 and 2002	128	128
Capital in excess of par value	34,672	32,595
Retained earnings	132,976	114,334
Unearned deferred compensation	(2,788)	(1,886)
Treasury stock, at cost; shares of 1,973 and 2,071 at December 31, 2003 and 2002, respectively	(16,609)	(17,441)
	148,379	127,730
	<b>\$ 357,678</b>	<b>\$ 312,287</b>

The accompanying notes are an integral part of these consolidated financial statements.

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except earnings per share data)

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
		(Unaudited)		(Unaudited)		
Revenue	\$ 2,661,790	\$ 1,898,181	\$ 1,546,897	\$ 1,013,781	\$ 1,365,065	\$ 1,529,242
Cost of sales	(2,561,082)	(1,814,114)	(1,483,976)	(958,753)	(1,288,891)	(1,457,500)
Gross profit	100,708	84,067	62,921	55,028	76,174	71,742
Operating expenses:						
Salaries and wages	(38,757)	(31,554)	(23,484)	(22,445)	(30,515)	(26,299)
Executive severance charges	—	(4,492)	(4,492)	—	—	(3,505)
Provision for bad debts	(6,281)	(2,866)	(2,182)	(3,244)	(3,928)	(7,909)
Other	(28,680)	(24,986)	(18,977)	(14,433)	(20,442)	(19,877)
	(73,718)	(63,898)	(49,135)	(40,122)	(54,885)	(57,590)
Income from operations	26,990	20,169	13,786	14,906	21,289	14,152
Other income (expense), net:						
Interest income	823	1,547	1,227	1,499	1,819	1,965
Interest expense	(310)	(602)	(389)	(328)	(541)	(348)
Earnings from aviation joint ventures, net	493	413	310	313	416	24
Non-recurring (charge) credit	—	(1,577)	(1,577)	1,000	1,000	365
Other, net	(378)	(1,707)	(1,601)	(651)	(757)	185
	628	(1,926)	(2,030)	1,833	1,937	2,191
Income from continuing operations before income taxes	27,618	18,243	11,756	16,739	23,226	16,343
Provision for income taxes	(5,744)	(3,898)	(1,884)	(3,977)	(5,991)	(4,557)
Income from continuing operations	21,874	14,345	9,872	12,762	17,235	11,786
Discontinued operations, net of tax	—	—	—	—	—	(1,152)
Net income	\$ 21,874	\$ 14,345	\$ 9,872	\$ 12,762	\$ 17,235	\$ 10,634
Basic earnings (loss) per share:						
Continuing operations	\$ 2.06	\$ 1.37	\$ 0.94	\$ 1.23	\$ 1.66	\$ 1.11
Discontinued operations	—	—	—	—	—	(0.11)
Net income	\$ 2.06	\$ 1.37	\$ 0.94	\$ 1.23	\$ 1.66	\$ 1.00
Weighted average shares - basic	10,617	10,449	10,468	10,378	10,381	10,644
Diluted earnings (loss) per share:						
Continuing operations	\$ 1.96	\$ 1.32	\$ 0.91	\$ 1.20	\$ 1.62	\$ 1.11
Discontinued operations	—	—	—	—	—	(0.11)
Net income	\$ 1.96	\$ 1.32	\$ 0.91	\$ 1.20	\$ 1.62	\$ 1.00
Weighted average shares - diluted	11,169	10,895	10,900	10,652	10,646	10,663

The accompanying notes are an integral part of these consolidated financial statements.

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Unearned Deferred Compensation	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at March 31, 2000	12,537	\$ 125	\$ 26,800	\$ 85,256	—	1,540	\$ (12,520)	\$ 99,661
Net income	—	—	—	10,634	—	—	—	10,634
Cash dividends declared	—	—	—	(2,120)	—	—	—	(2,120)
Purchases of treasury stock	—	—	—	—	—	598	(4,404)	(4,404)
Other	4	—	89	—	—	—	—	89
<b>Balance at March 31, 2001</b>	<b>12,541</b>	<b>125</b>	<b>26,889</b>	<b>93,770</b>	<b>—</b>	<b>2,138</b>	<b>(16,924)</b>	<b>103,860</b>
Net income	—	—	—	17,235	—	—	—	17,235
Cash dividends declared	—	—	—	(4,164)	—	—	—	(4,164)
Purchases of treasury stock	—	—	—	—	—	259	(3,257)	(3,257)
Issuance of restricted stock	25	1	297	—	(298)	—	—	—
Amortization of unearned deferred compensation	—	—	—	—	182	—	—	182
Exercise of stock options, including income tax benefit of \$383	196	2	2,466	—	—	(9)	76	2,544
Other	3	—	39	—	—	—	—	39
<b>Balance at March 31, 2002</b>	<b>12,765</b>	<b>128</b>	<b>29,691</b>	<b>106,841</b>	<b>(116)</b>	<b>2,388</b>	<b>(20,105)</b>	<b>116,439</b>
Net income	—	—	—	9,872	—	—	—	9,872
Cash dividends declared	—	—	—	(2,379)	—	—	—	(2,379)
Issuance of restricted stock	—	—	1,112	—	(1,918)	(96)	806	—
Issuance of stock options	—	—	215	—	(215)	—	—	—
Amortization of unearned deferred compensation	—	—	—	—	363	—	—	363
Exercise of stock options, including income tax benefit of \$475	—	—	1,531	—	—	(217)	1,824	3,355
Other	—	—	46	—	—	(4)	34	80
<b>Balance at December 31, 2002</b>	<b>12,765</b>	<b>128</b>	<b>32,595</b>	<b>114,334</b>	<b>(1,886)</b>	<b>2,071</b>	<b>(17,441)</b>	<b>127,730</b>
Net income	—	—	—	21,874	—	—	—	21,874
Cash dividends declared	—	—	—	(3,232)	—	—	—	(3,232)
Issuance of restricted stock	—	—	388	—	(652)	(31)	264	—
Issuance of stock options	—	—	1,175	—	(1,175)	—	—	—
Amortization of unearned deferred compensation	—	—	—	—	925	—	—	925
Exercise of stock options, including income tax benefit of \$196	—	—	388	—	—	(63)	534	922
Other	—	—	126	—	—	(4)	34	160
<b>Balance at December 31, 2003</b>	<b>12,765</b>	<b>\$ 128</b>	<b>\$ 34,672</b>	<b>\$ 132,976</b>	<b>\$ (2,788)</b>	<b>1,973</b>	<b>\$ (16,609)</b>	<b>\$ 148,379</b>

The accompanying notes are an integral part of these consolidated financial statements.

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
	(Unaudited)		(Unaudited)			
<b>Cash flows from continuing operating activities:</b>						
Income from continuing operations	\$ 21,874	\$ 14,345	\$ 9,872	\$ 12,762	\$ 17,235	\$ 11,786
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities-						
Provision for bad debts	6,281	2,866	2,182	3,244	3,928	7,909
Depreciation and amortization	3,830	2,865	2,222	1,296	1,939	2,350
Deferred income tax provision (benefit)	3,175	(2,174)	(618)	(607)	(2,163)	(743)
Earnings from aviation joint ventures, net	(493)	(413)	(310)	(313)	(416)	(24)
Non-recurring charges (credits)	—	1,577	1,577	—	—	(365)
Unearned deferred compensation amortization	925	506	363	39	182	—
Other non-cash operating charges (credits)	360	292	228	(195)	(131)	155
Changes in assets and liabilities, net of acquisitions						
Accounts and notes receivable	(21,040)	(65,836)	(46,956)	26,983	8,103	9,000
Inventories	(17,796)	(2,242)	(2,925)	2,107	2,790	5,409
Prepaid expenses and other current assets	3,201	(8,229)	(7,509)	1,180	460	(1,106)
Other assets	(404)	(566)	157	430	(293)	347
Accounts payable and accrued expenses	19,250	71,941	49,834	(21,395)	712	(10,213)
Customer deposits	1,056	1,126	1,445	(1,643)	(1,962)	2,764
Accrued salaries and wages	3,913	635	(827)	(145)	1,317	1,586
Income taxes payable	1,257	1,819	(789)	(158)	2,450	162
Deferred compensation and other long-term liabilities	1,341	(1,469)	(1,712)	(183)	60	(880)
Total adjustments	4,856	2,698	(3,638)	10,640	16,976	16,351
Net cash provided by continuing operating activities	26,730	17,043	6,234	23,402	34,211	28,137
<b>Cash flows from investing activities:</b>						
Capital expenditures	(3,267)	(3,213)	(2,755)	(978)	(1,436)	(2,684)
Proceeds from the sale of leasehold property	—	—	—	296	296	—
Payment for acquisition of businesses	—	(5,461)	—	(3,113)	(8,574)	(1,824)
Investment in aviation joint venture	—	—	—	—	—	(1,036)
Net cash used in investing activities	(3,267)	(8,674)	(2,755)	(3,795)	(9,714)	(5,544)
<b>Cash flows from financing activities:</b>						
Dividends paid on common stock	(3,182)	(3,136)	(2,351)	(3,121)	(3,906)	(2,154)
Purchases of treasury stock	—	(1,978)	—	(1,279)	(3,257)	(4,404)
Repayment of debt	(2,527)	(4,944)	(4,404)	(1,510)	(2,050)	(18)
Proceeds from exercise of stock options	726	3,286	2,880	1,755	2,161	—
Net cash used in financing activities	(4,983)	(6,772)	(3,875)	(4,155)	(7,052)	(6,576)
Discontinued operations	—	—	—	1,750	1,750	(9,813)
Net increase (decrease) in cash and cash equivalents	18,480	1,597	(396)	17,202	19,195	6,204
Cash and cash equivalents, at beginning of period	57,776	56,179	58,172	38,977	38,977	32,773
Cash and cash equivalents, at end of period	\$ 76,256	\$ 57,776	\$ 57,776	\$ 56,179	\$ 58,172	\$ 38,977

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)  
(Continued)

	For the Year December 31,		For the Nine Months Ended December 31,		For the Year March 31,	
	2003	2002	2002	2001	2002	2001
	(Unaudited)		(Unaudited)			
<b>Supplemental Disclosures of Cash Flow Information</b>						
Cash paid during the period for:						
Interest	\$ 404	\$ 893	\$ 761	\$ 265	\$ 397	\$ 254
Income taxes	\$ 6,155	\$ 7,629	\$ 6,749	\$ 4,720	\$ 5,600	\$ 14,752

We paid cash and issued notes payable in connection with certain acquisitions of businesses accounted for under the purchase method for the year ended December 31, 2002, the nine months ended December 31, 2001, and the years ended March 31, 2002 and 2001. The following reconciles the fair values of the assets acquired, liabilities assumed, and promissory notes issued with cash paid:

	For the Year December 31,		For the Nine Months Ended December 31,		For the Year March 31,	
	2003	2002	2002	2001	2002	2001
	(Unaudited)		(Unaudited)			
Accounts receivable	\$ —	\$ 18,754	\$ —	\$ —	\$ 18,754	\$ —
Prepaid and other current assets	—	232	—	—	232	—
Property and equipment	—	—	—	—	—	—
Goodwill	—	4,292	—	5,113	9,405	2,364
Identifiable intangible assets	—	1,840	—	—	1,840	—
Short-term debt	—	(1,500)	—	—	(1,500)	—
Promissory notes, short-term portion	—	(952)	—	(1,000)	(1,952)	(540)
Accounts payable	—	(14,666)	—	—	(14,666)	—
Accrued expenses	—	(462)	—	—	(462)	—
Income tax payable	—	(29)	—	—	(29)	—
Promissory notes, long-term portion	—	(2,048)	—	(1,000)	(3,048)	—
Cash paid	\$ —	\$ 5,461	\$ —	\$ 3,113	\$ 8,574	\$ 1,824

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Continued)

**Supplemental Schedule of Noncash Investing and Financing Activities**

Cash dividends declared, but not yet paid, totaled \$828 thousand and \$806 thousand are included in Accrued expenses as of December 31, 2003 and 2002, respectively.

For the construction of our corporate office in 2002 and 2003, we received an office construction allowance of \$799 thousand from our landlord. We recorded the office construction allowance as Leasehold and improvements with a related deferred rental credit, which was included in Long-term liabilities. As of December 31, 2003, including the construction allowance, we recorded Leasehold and improvements totaling \$1.4 million for the construction of our corporate office. Also at December 31, 2003, unamortized deferred rental credits, relating to the construction allowance and reimbursement of certain equipment purchases from our landlord, and the recognition of the total lease obligation on a straight-line basis, amounted to \$1.2 million. The deferred rental credits are amortized into rental expense on a straight-line basis over the lease period.

In connection with the acquisition of businesses, we issued interest and non-interest bearing promissory notes amounting to \$5.0 million, in the aggregate, after discounting the non-interest bearing promissory note at 5%, in January 2002 and April 2001; \$540 thousand in February 2001; and \$4.25 million in April 1999. See Notes 1 and 3 to the consolidated financial statements for additional information.

In January 2002, we assumed short-term debt of \$1.5 million in connection with the acquisition of businesses. See Notes 1 and 3 to the consolidated financial statements for additional information.

In connection with our aviation joint venture investment in December 2000, we issued a non-interest bearing promissory note of \$1.9 million after discounting the promissory note at 9%. For additional information, see Notes 1, 3, and 7 to the consolidated financial statements.

In connection with the restricted common stock and options grants, based on the fair value of the awards, we recorded Unearned deferred compensation of \$1.8 million and \$2.1 million for the year ended December 31, 2003 and 2002, respectively, \$2.1 million and \$298 thousand for the nine months ended December 31, 2002 and 2001, respectively, and \$298 thousand for the year ended March 31, 2002. Unearned deferred compensation is being amortized over the minimum vesting period of each individual award. See Note 5 to the consolidated financial statements for additional information.

The accompanying notes are an integral part of these consolidated financial statements.



**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of Business, Recent Acquisitions and Significant Accounting Policies**

**Nature of Business**

World Fuel Services Corporation was incorporated in July 1984 and our principal business is the marketing of marine and aviation fuel services. In our marine fuel services business, we market marine fuel and related services, including price risk management services, to a broad base of international shipping companies and various militaries around the world. In our aviation fuel services business, we market aviation fuel and related services, including fuel management and price risk management services to a broad base of international airlines, as well as to various militaries around the world. We also offer flight plans and weather reports to our corporate customers. In our businesses, we offer 24-hour around-the-world service, credit terms, and competitively priced fuel and related services.

In August 2002, we changed our fiscal year-end from March 31st to a calendar year-end of December 31st. We initiated this change so we could be more directly comparable to other public companies that use a calendar year for their fiscal year. This change was first effective with respect to the nine months ended December 31, 2002. Presented for comparative purposes in this Form 10-K, the results for the year ended December 31, 2002 and the nine months ended December 31, 2001 are unaudited.

**Recent Acquisitions**

In December 2000, we entered into an aviation joint venture with Signature Flight Support Corporation (“Signature”), a Delaware corporation, through the acquisition of a 50% equity interest in PAFCO, L.L.C. (“PAFCO”), a marketer of aviation fuel and related services, from Signature for \$1.0 million in cash and \$2.5 million in the form of a non-interest bearing promissory note, payable annually over five years through January 2006. Under the equity method of accounting, we have recorded our share of PAFCO’s results since January 1, 2001. Investment goodwill related to the cost in excess of 50% of the net assets of PAFCO amounted to approximately \$2.9 million and there were no other significant intangible assets that existed on the date of acquisition. See Note 7 for additional information.

In February 2001 and March 2001, we acquired the assets of Norse Bunker A.S., a Norway corporation, and the stock of TransportEdge, Inc., a Delaware corporation, respectively, for an aggregate purchase price of \$2.4 million, including \$64 thousand in acquisition costs. The aggregate purchase price consisted of \$1.8 million in cash and \$540 thousand in the form of a 7% promissory note, due and paid in February 2002. The acquisitions of Norse Bunker A.S., a marine fuel marketer, and TransportEdge, Inc., a software development company, were accounted for as purchases. Accordingly, the operations of these acquisitions have been included in our operating results since their respective dates of acquisition. The cost in excess of net assets acquired, or goodwill, for these acquisitions amounted to \$2.4 million. No other significant intangible assets existed at the dates of the acquisitions.

Acquisitions in our marine segment continued in April 2001 and January 2002 with the stock acquisitions of Marine Energy Arabia Establishment Ltd., a British Virgin Islands (“BVI”) corporation, and the Oil Shipping group of companies, respectively. Both of these companies sell and market marine fuel services. The aggregate purchase price of these acquisitions was \$13.6 million, including \$175 thousand in acquisition costs. The components of the aggregate purchase price were \$8.6 million in cash and the remainder in promissory notes. The promissory notes consisted of a \$2.0 million note bearing interest of 7%, payable annually through April 2003, and a \$3.3 million non-interest bearing note, which was discounted to \$3.0 million using an interest rate of approximately 5%, payable annually over three years through January 2005. Both of these acquisitions were accounted for as purchases and the operations of these acquisitions have been included in our operating results since their respective dates of acquisition. Goodwill, representing the cost in excess of net assets acquired, for these acquisitions totaled \$9.4 million. At the date of our January 2002 acquisition, we identified an intangible asset of approximately \$1.8 million, relating to customer relations. This intangible asset is being amortized over five years using the straight-line method.

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The BVI company sells and markets marine fuel services through Marine Energy Arabia Co, LLC, a United Arab Emirates (“Dubai”) corporation. The BVI company owns 49% of the Dubai company. In accordance with local laws, the Dubai entity is 51% owned by a Dubai citizen, referred to as a Sponsor. The Dubai company, pursuant to a management contract, is required to pay for the staff and administrative support provided by the BVI entity. Our BVI subsidiary has entered into various agreements with the Dubai Sponsor to prevent an unauthorized ownership transfer and to effectively grant majority control of the Dubai entity to our BVI subsidiary. Accordingly, the financial position and operations of the Dubai entity have been included in our consolidated financial statements.

### Significant Accounting Policies

#### *Basis of Consolidation*

The accompanying consolidated financial statements and related notes to the consolidated financial statements include our accounts and those of our majority owned or controlled subsidiaries, after elimination of all significant intercompany accounts, transactions, and profits. Investments in non-majority controlled subsidiaries representing ownership of at least 20%, but less than or equal to 50%, are accounted for under the equity method. Accordingly, we use the equity method of accounting to record our share of the earnings and losses of our aviation joint ventures.

#### *Cash and Cash Equivalents*

Cash and cash equivalents are stated at cost, which approximates fair value. Cash equivalents consist of highly liquid investments with maturities of three months or less from the date of purchase. Our cash equivalents consist principally of bank repurchase agreements collateralized by securities issued by the United States Government, bank money market accounts, bank time deposits, and commercial paper rated A1P1.

#### *Accounts Receivable and Allowance for Bad Debts*

Credit extension, monitoring and collection are performed by each of our business segments. Each segment has a credit committee. The credit committees are responsible for approving credit limits above certain amounts, setting and maintaining credit standards, and managing the overall quality of the credit portfolio. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer’s current credit worthiness, as determined by our review of our customer’s credit information. We extend credit on an unsecured basis to many of our customers.

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience with our customers, current market conditions of our customers, and any specific customer collection issues that we have identified. Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. We had accounts and notes receivable of \$192.1 million and \$177.4 million, net of allowance for bad debts of \$10.5 million and \$11.1 million, as of December 31, 2003 and 2002, respectively.

The following table sets forth activities in our allowance for bad debts (in thousands):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
		(unaudited)		(unaudited)		
Balance at beginning of period	\$ 11,112	\$ 11,001	\$ 11,012	\$ 11,167	\$ 11,167	\$ 15,202
Charges to provision for bad debts	6,281	2,866	2,182	3,244	3,928	7,909
Write-off of uncollectible accounts receivable	(6,924)	(3,153)	(2,473)	(3,608)	(4,288)	(12,145)
Recoveries of bad debts	69	398	391	198	205	201
Balance at end of period	\$ 10,538	\$ 11,112	\$ 11,112	\$ 11,001	\$ 11,012	\$ 11,167

For additional information on accounts receivable and allowance for bad debts in our marine and aviation segments, see “Business Segments” in Note 8.

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### *Inventories*

Inventories are stated at the lower of cost (principally, first-in, first-out) or market. Components of inventory cost include fuel purchase costs, the related transportation costs, storage fees, and costs not yet billed to customers.

### *Derivatives*

We use commodity swap contracts to hedge fixed fuel prices on future sales to our customers with, or without, physical delivery of product. We also may hedge the physical delivery of future purchases through a commodity based derivative instrument.

Effective April 2001, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137 and 138 and various interpretations of the Derivatives Implementation Task Force (collectively, SFAS No. 133). SFAS No. 133 established accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or a liability, and measured at fair value.

Our swap contracts are cash flow hedges of the related sales commitments. Changes in the fair value of our swap contracts are recognized as a component of other comprehensive income (“OCI”) until the underlying hedged sale commitments are recognized in earnings. The ineffective portion of a hedge’s change in fair value is immediately recognized in earnings as part of cost of sales. We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategies for undertaking our hedge transactions.

As of December 31, 2003, we have recorded our swap contracts at their fair value of \$2.1 million. In the accompanying Consolidated Balance Sheets, such amount was included as Prepaid expenses and other current assets with an offsetting amount in Accrued expenses since our OCI amounts for swap contracts fully offset at December 31, 2003. During the years ended December 31, 2003 and 2002, and the nine months ended December 31, 2002 and 2001, all net changes in the fair value of our cash flow hedges were immaterial, as were any ineffective portions of these hedges. No cash flow hedges were derecognized or discontinued during the years ended December 31, 2003 and 2002, and the nine months ended December 31, 2002 and 2001, and the amount of estimated unrealized net gains or losses which are expected to be reclassified to earnings in the next twelve months is not material.

Prior to April 2001, the fair values of our swap contracts were not recorded in our financial statements. Any differences paid or received on swap contracts were recognized as adjustments to earnings over the life of the contracts. Any gains or losses on sale commitments were recognized as adjustments to earnings as part of cost of sales upon the delivery of fuel or maturity of the commitment.

### *Property and Equipment*

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Leasehold and improvements	5 - 10
Office equipment, furniture, computer equipment and software	3 - 7

Costs of major additions and improvements, including appropriate interest, are capitalized and expenditures for maintenance and repairs, which do not extend the life of the asset, are expensed. Upon sale or disposition of property and equipment, the cost and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Long-lived assets held and used by us are reviewed based on market factors and operational considerations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

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Computer software costs, including website development costs, are accounted for under Statement of Position (“SOP”) 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use” and Emerging Issues Task Force (“EITF”) Issue No. 00-2, “Accounting for Web Site Development Costs.” SOP 98-1 established criteria for determining which costs of developing or obtaining internal-use computer software should be charged to expense and which should be capitalized. EITF Issue No. 00-2 states that the accounting for specific web site development costs should be based on a model consistent with SOP 98-1. As of December 31, 2003 and 2002, capitalized computer software costs, including web site development costs, amounted to \$928 thousand and \$3.0 million, net of accumulated amortization of \$4.8 million and \$2.8 million, respectively.

### *Goodwill, Identifiable Intangible Asset and Investment Goodwill*

Goodwill and investment goodwill represent our cost or investment in excess of net assets, including identifiable intangible assets, of the acquired companies. Investment goodwill of approximately \$2.9 million was included in Other assets in the accompanying Consolidated Balance Sheets at December 31, 2003 and 2002. The identifiable intangible asset for customer relations existing at the date of acquisition of \$1.8 million was recorded and is being amortized over its useful life of five years. Effective April 2001, as permitted, we elected to early adopt SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 142 established accounting and reporting standards for acquired goodwill and other intangible assets, and states that goodwill shall not be amortized prospectively. Accordingly, no goodwill amortization was recorded subsequent to the adoption of SFAS No. 142. We recorded goodwill amortization of \$824 thousand, including investment goodwill amortization of \$74 thousand, for the year ended March 31, 2001. We recorded amortization of our identifiable intangible asset of \$368 thousand for the years ended December 31, 2003 and 2002, \$276 thousand for the nine months ended December 31, 2002 and 2001, and \$92 thousand for the year ended March 31, 2002.

In accordance with SFAS No. 142, goodwill must be reviewed annually (or more frequently under certain circumstances) for impairment. The initial step of the goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. Based on results of these comparisons as of December 31, 2003, goodwill in each of our reporting units is not considered impaired. Accordingly, no impairment charges were recognized.

In accordance with SFAS No. 142, the following pro forma information is presented (in thousands, except earnings per share):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
	(unaudited)		(unaudited)			
<b>Net income:</b>						
Reported net income	\$21,874	\$ 14,345	\$9,872	\$ 12,762	\$17,235	\$10,634
Add back: Goodwill amortization, net of tax	—	—	—	—	—	636
Adjusted net income	\$21,874	\$ 14,345	\$9,872	\$ 12,762	\$17,235	\$11,270
<b>Basic earnings per share:</b>						
Reported earnings per share	\$ 2.06	\$ 1.37	\$ 0.94	\$ 1.23	\$ 1.66	\$ 1.00
Add back: Goodwill amortization, net of tax	—	—	—	—	—	0.06
Adjusted basic earnings per share	\$ 2.06	\$ 1.37	\$ 0.94	\$ 1.23	\$ 1.66	\$ 1.06
<b>Diluted earnings per share:</b>						
Reported earnings per share	\$ 1.96	\$ 1.32	\$ 0.91	\$ 1.20	\$ 1.62	\$ 1.00
Add back: Goodwill amortization, net of tax	—	—	—	—	—	0.06
Adjusted diluted earnings per share	\$ 1.96	\$ 1.32	\$ 0.91	\$ 1.20	\$ 1.62	\$ 1.06

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### *Revenue Recognition*

Revenue is recorded in the period when the sale is made or as the services are performed. We contract with third parties to provide fuel and/or deliver most services.

### *Income Taxes*

Our provision for income taxes was determined by taxable jurisdiction. We file a consolidated U.S. federal income tax return which includes all of our U.S. companies. Our non-U.S. companies file income tax returns in their respective countries of incorporation, as required. We do not provide for U.S. federal and state income taxes, and non-U.S. withholding taxes on the undistributed earnings of our non-U.S. companies. The distribution of these earnings would result in additional U.S. federal and state income taxes to the extent they are not offset by foreign tax credits and non-U.S. withholding taxes. It is our intention to reinvest undistributed earnings of our non-U.S. companies indefinitely and thereby postpone their remittance. Accordingly, no provision has been made for taxes that could result from the remittance of such earnings.

We provide for deferred income taxes on temporary differences arising from assets and liabilities whose bases are different for financial reporting and U.S. federal, state and non-U.S. income tax purposes. A valuation allowance is recorded to reduce deferred income tax assets when it is more likely than not that an income tax benefit will not be realized. No valuation allowance was recorded in the accompanying Consolidated Balance Sheets.

### *Earnings Per Share*

Basic earnings per share is computed based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the sum of the weighted average number of common shares outstanding, non-vested restricted common stock and common stock equivalents arising out of employee stock options and non-employee stock options and warrants. Our net income is the same for basic and diluted earnings per share calculations. Shares used to calculate earnings per share are as follows (in thousands):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
		(unaudited)		(unaudited)		
Basic weighted average shares	10,617	10,449	10,468	10,378	10,381	10,644
Restricted stock and stock units weighted average shares	138	61	72	7	12	—
Common stock equivalents	414	385	360	267	253	19
Diluted weighted average shares used in the calculation of diluted earnings per share	11,169	10,895	10,900	10,652	10,646	10,663
Weighted average shares of stock options and warrants included in the determination of common stock equivalents for the calculation of diluted earnings per share	1,433	1,424	1,168	1,524	1,087	184
Weighted average shares of stock options which are not included in the calculation of diluted earnings per share because their impact is antidilutive	157	352	168	474	415	1,029

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### *Foreign Currency*

Our primary functional currency is the U.S. Dollar, which also serves as our reporting currency. Our non-U.S. entities translate their monetary assets and liabilities, denominated in foreign currencies, at fiscal year-end exchange rates while non-monetary assets and liabilities, denominated in foreign currencies, are translated at historical rates. Income and expense accounts, denominated in foreign currencies, are translated at the average rates in effect during the year, except for depreciation which was translated at historical rates. Unrealized foreign currency gains and losses relating to the translation of non-U.S. entities' assets, liabilities, income, and expense were included in Other, net in the accompanying Consolidated Statements of Income, in the period incurred. Some of our aviation fuel purchases are denominated in local currency. Realized foreign currency exchange gains and losses on transactions were included in Other, net in the accompanying Consolidated Statements of Income, in the period incurred.

The following table identifies the unrealized and realized foreign currency gains and losses included in Other, net in the accompanying Consolidated Statements of Income:

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
Unrealized foreign currency (losses) gains, net	\$(592)	\$ (1,177) (unaudited)	\$(1,234)	\$ 77 (unaudited)	\$ 134	\$(127)
Realized foreign currency gains (losses), net	\$ 70	\$ (519)	\$ (364)	\$ (1,023)	\$(1,178)	\$ 376

### *Comprehensive Income*

There were no significant items of other comprehensive income, and, thus, net income was equal to comprehensive income for all periods presented.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates primarily relate to the realizability of accounts and notes receivable, and unsettled transactions and events as of the date of the financial statements. Accordingly, actual results could differ from estimated amounts.

### *Fair Value of Financial Instruments*

The estimated fair values of financial instruments, which are presented herein, have been determined by our management using available market information and appropriate valuation methodologies. However, considerable judgment was required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of amounts we could realize in a current market sale.

Accounts and notes receivable, net, and accounts payable are reflected in the accompanying Consolidated Balance Sheets at amounts considered by management to reasonably approximate fair value due to their short-term nature.

We estimate the fair value of our long-term debt using discounted cash flow analysis based on our current borrowing rates for similar types of debt. As of December 31, 2003, the carrying value of the long-term debt approximated the fair value of such instruments.

### *Reclassifications*

Certain amounts in prior periods have been reclassified to conform to current year's presentation.

*Recent Accounting Pronouncements*

In January 2003, the Financial Accounting Standard Board (“FASB”) issued Interpretation No. 46 (“FIN No. 46”), “Consolidation of Variable Interest Entities.” FIN No. 46 expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity’s activities or is entitled to receive a majority of the entity’s residual returns or both. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. We determined that we do not have any variable interest entities created after January 31, 2003. In December 2003, FASB revised FIN No. 46, which deferred the effective date for the consolidation requirements for variable interest entities, other than special-purpose entities, created before February 1, 2003 to the period ending after March 15, 2004. We are currently evaluating the impact of FIN No. 46 on our sole variable interest entity which was created prior to February 1, 2003.

**2. Discontinued Operations**

In February 2000, we sold the stock of our oil-recycling subsidiaries, the International Petroleum Corporation group (“IPC”), to EarthCare Company (“EarthCare”), for \$33.0 million, of which we received \$28.0 million in cash and \$5.0 million in EarthCare common stock, subject to lock-up and price protection agreements. In addition, after the sale, EarthCare was to pay us the value of certain assets employed in the oil-recycling business through the collection of our accounts receivable by EarthCare and the sale of inventory, prepaid expenses and other assets to EarthCare. EarthCare failed to pay us the amounts due after closing of the sale, and we commenced legal proceedings to collect these amounts. In March 2001, we entered into a settlement agreement with EarthCare (the “Settlement Agreement”) which dismissed the pending proceedings. Pursuant to this settlement, in April 2001, we received \$1.75 million from EarthCare in settlement of amounts due to us. The Settlement Agreement also released us from all indemnifications previously provided to EarthCare, including environmental indemnifications, as stated in the original purchase agreement for the IPC companies. The settlement resulted in a reduction in the amount of assets we ultimately realized in connection with the discontinuance of our used oil-recycling business, which amounted to an after-tax settlement charge of \$656 thousand. In addition, we also recorded additional income taxes of \$496 thousand associated with the discontinued operations based on the actual income tax returns filed. We recorded the non-recurring settlement after-tax charge and additional income taxes as Discontinued operations, net of tax in the accompanying Consolidated Statements of Income for the year ended March 31, 2001.

As part of the Settlement Agreement, Donald F. Moorehead, Jr., Chairman of EarthCare on the closing of the sale, agreed to purchase the EarthCare stock owned by us for approximately \$5.0 million. In May 2001, Mr. Moorehead defaulted on his agreement to purchase those shares. We commenced legal proceedings against Mr. Moorehead to enforce his contract to purchase the EarthCare stock owned by us. In July 2001, we received a Summary Judgment from the United States District Court for the Southern District of Florida which ordered Mr. Moorehead to pay us compensatory damages of approximately \$5.0 million, plus interest from May 1, 2001. We had been pursuing collection of this judgment, which included obtaining a court appointed receiver, and we received principal and interest payments totaling \$1.1 million from Mr. Moorehead from August 2001 to August 2002. Then, in October 2002, we received \$3.0 million as a final payment to settle the remaining balance due on our judgment. Accordingly, in connection with the settlement, we recorded a non-recurring charge of approximately \$1.6 million, which included \$346 thousand of related legal and receiver fees, for the year ended December 31, 2002 and the nine months ended December 31, 2002. See Note 6, Commitments and Contingencies – Legal matters, for additional information.

### 3. Debt

In December 2003, we replaced our former \$40.0 million revolving credit facility with a new \$100.0 million syndicated revolving credit facility. Our new credit facility has a sublimit of \$40.0 million for the issuance of letters of credit. Our available borrowings under the credit facility are reduced by the amount of outstanding letters of credit. Borrowings under the revolving credit facility bear interest at market rates plus applicable margins ranging from zero percent to 0.75% for U.S. Prime Rate loans and 1.25% to 2.00% for LIBOR Rate loans, as defined. Interest is payable quarterly and at maturity in arrears. The credit facility agreement expires on December 19, 2006. The credit facility agreement imposes certain operating and financial restrictions on us, including restrictions on the payment of dividends in excess of specified amounts. Our failure to comply with obligations under the revolving credit agreement, including meeting certain financial ratios, could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the credit agreement, and impair our ability to receive advances and issue letters of credit, and may have a material adverse effect on us.

As of December 31, 2003, we had no borrowings under the credit facility. Letters of credit of \$16.1 million were outstanding, at December 31, 2003, under the credit facility agreement. A majority of these letters of credit, provided to certain suppliers under the normal course of business, expire within one year from their issuance, and expired letters of credit are renewed as needed.

Our debt consisted of the following (in thousands):

	As of	
	December 31, 2003	December 31, 2002
Promissory notes issued in connection with business acquisitions, including the investment in aviation joint venture:		
Non-interest bearing promissory note of \$2.5 million, payable annually through January 2006, net of unamortized imputed discount (at 9%) of \$112 and \$226 at December 31, 2003 and 2002, respectively	\$ 1,388	\$ 1,774
Non-interest bearing promissory note of \$3.3 million, payable annually through January 2005, net of unamortized imputed discount (at 5%) of \$52 and \$152 at December 31, 2003 and 2002, respectively	2,148	3,074
7.0% promissory note, payable annually through April 2003	—	1,000
<b>Total debt</b>	<b>\$ 3,536</b>	<b>\$ 5,848</b>
<b>Short-term debt</b>	<b>\$ 1,600</b>	<b>\$ 2,527</b>
<b>Long-term debt</b>	<b>\$ 1,936</b>	<b>\$ 3,321</b>

As of December 31, 2003, the aggregate annual maturities of debt, net of unamortized imputed discount, are as follows (in thousands):

For the Year Ending December 31,	
2004	\$1,600
2005	1,469
2006	467
	<b>\$3,536</b>



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**4. Income Taxes**

U.S. and non-U.S. income (loss) from continuing operations before income taxes consist of the following (in thousands):

	For the Year December 31,		For the Nine Months Ended December 31,		For the Year March 31,	
	2003	2002 (unaudited)	2002	2001 (unaudited)	2002	2001
United States	\$ (6,786)	\$ (5,189)	\$ (5,674)	\$ (1,536)	\$ (1,051)	\$ (5,014)
Non-U.S.	34,404	23,432	17,430	18,275	24,277	21,357
	<u>\$27,618</u>	<u>\$ 18,243</u>	<u>\$ 11,756</u>	<u>\$ 16,739</u>	<u>\$23,226</u>	<u>\$ 16,343</u>

The income tax provision (benefit) related to continuing operations consist of the following components (in thousands):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002 (unaudited)	2002	2001 (unaudited)	2002	2001
<b>Current:</b>						
U.S. federal	\$ (1,752)	\$ 340	\$ (805)	\$ (197)	\$ 948	\$ 106
State	356	552	140	37	449	(99)
Non-U.S.	3,965	5,180	3,167	4,744	6,757	5,293
	<u>2,569</u>	<u>6,072</u>	<u>2,502</u>	<u>4,584</u>	<u>8,154</u>	<u>5,300</u>
<b>Deferred:</b>						
U.S. federal	1,800	(475)	(211)	(222)	(486)	(1,109)
State	(365)	(878)	(288)	53	(537)	233
Non-U.S.	1,740	(821)	(119)	(438)	(1,140)	133
	<u>3,175</u>	<u>(2,174)</u>	<u>(618)</u>	<u>(607)</u>	<u>(2,163)</u>	<u>(743)</u>
<b>Total</b>	<u>\$ 5,744</u>	<u>\$ 3,898</u>	<u>\$ 1,884</u>	<u>\$ 3,977</u>	<u>\$ 5,991</u>	<u>\$ 4,557</u>

Our share of undistributed earnings of non-U.S. subsidiaries, not included in the consolidated U.S. federal income tax return which could be subject to additional U.S. federal income taxes, if remitted, was approximately \$87.1 million and \$60.3 million at December 31, 2003 and 2002, respectively. The distribution of these earnings would result in additional U.S. federal and state income taxes to the extent they are not offset by foreign tax credits and non-U.S. withholding taxes. It is our intention to reinvest undistributed earnings of our non-U.S. companies indefinitely and thereby postpone their remittance. Accordingly, no provision has been made for taxes that could result from the remittance of such earnings and it is not practicable to estimate the amount of such taxes.

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A reconciliation of the Federal statutory tax rate with the effective tax rate is as follows (in thousands):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
		(Unaudited)		(Unaudited)		
U.S. federal statutory rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Foreign earnings, net of foreign taxes	(12.8)	(16.1)	(21.7)	(11.0)	(11.4)	(12.9)
State income taxes, net of U.S. federal income tax benefit	0.6	0.5	1.1	0.4	2.9	5.7
Net operating loss	(0.4)	1.8	—	—	—	—
Income tax credits	(0.9)	0.8	—	—	—	—
Non-deductible goodwill amortization	—	—	—	—	—	0.6
Other permanent differences	0.3	0.4	2.6	0.4	0.3	0.5
Effective income tax rate	20.8%	21.4%	16.0%	23.8%	25.8%	27.9%

The temporary differences which comprise our net deferred income tax assets are as follows (in thousands):

	As of December 31,	
	2003	2002
Excess of provision for bad debts over charge-offs	\$ 2,974	\$ 4,971
Net operating loss	1,730	2,231
Income tax credits	248	3,325
Excess of tax over financial reporting for depreciation of fixed assets	(150)	(559)
Excess of tax over financial reporting amortization of identifiable intangibles and goodwill	(2,414)	(1,924)
Accrued compensation expenses recognized for financial reporting purposes, not currently deductible for tax purposes	2,453	707
Accrued expenses recognized for financial reporting purposes, not currently deductible for tax purposes	3,250	1,186
Total deferred income tax assets, net	\$ 8,091	\$ 9,937
Deferred income tax assets, current	\$ 7,165	\$ 5,837
Deferred income tax assets, non-current	\$ 926	\$ 4,100

In the accompanying Balance Sheets, the current deferred income tax assets are included in Prepaid expenses and other current assets, and the non-current income tax assets are included in Other assets. The income tax credits of \$248 thousand at December 31, 2003 represented an alternative minimum tax (“AMT”) credit carryforward, which can be used to offset our regular income tax payable in future fiscal years. As of December 31, 2002, income tax credits consisted of \$2.8 million in foreign income tax credit carryovers and \$486 thousand of AMT credit carryforward.

As of December 31, 2003, we have non-U.S. and U.S. state non-capital net operating losses of approximately \$4.4 million and \$3.0 million, respectively. At December 31, 2002, we had U.S. federal, non-U.S., and U.S. state non-capital net operating losses of approximately \$5.3 million, \$300 thousand, and \$5.0 million, respectively. These losses, if unused, will start to expire, in varying amounts, after 2020, and 2012, respectively. Also, at December 31, 2002, we had U.S. federal capital losses of approximately \$1.6 million. During the year ended December 31, 2003, our capital and non-capital U.S. net operating losses were carried back to prior years and fully utilized.

During the year ended March 31, 2002, the Internal Revenue Service (“IRS”) completed an examination of our consolidated U.S. Federal income tax returns for the years ended March 31, 1999 and 1998. The results of the IRS examination did not have a material effect on our consolidated financial statements.

**5. Stockholders' Equity**

*Common Stock Grants*

Pursuant to a stock grant program for our non-employee directors, an annual non-restricted stock grant of 1,000 shares of our common stock is given to each non-employee director. Prior 2003, each non-employee director was granted 500 shares of our common stock. In 2003, we adopted a Stock Deferral Plan for non-employee directors to provide for the deferral of the non-restricted stock grants. Each non-employee director may elect to have his or her annual non-restricted stock grants paid in stock units, in lieu of stock, with each stock unit being equivalent to one share of our common stock and deferred as provided in the Stock Deferral Plan. As of each cash dividend payment date with respect to common stock, each participant within the Stock Deferral Plan shall have credited to his or her account, as maintained by the company, a number of stock units equal to the quotient obtained by dividing: (a) the product of (i) the cash dividend payable with respect to each share of common stock on such date; and (ii) the total number of stock units credited to his or her account as of the close of business on the record date applicable to such dividend payment date, by (b) the fair market value of one share of common stock on such dividend payment date. The payment of the total number of stock units credited to the participant's account with an equal number of shares of common stock shall be made in a single distribution upon the participant's termination of service as a director of the company for any reason or upon a change of control of the company, as defined in the Stock Deferral Plan. Stock units issued to non-employee directors are recorded as stockholders' equity with a related non-employee director compensation expense based on the equivalent common stock fair market value at the date of issuance. As of December 31, 2003, there were 3,025 stock units with an aggregate value of \$69 thousand included in Capital in excess of par value in the accompanying Consolidated Balance Sheets.

During the year ended December 31, 2003, we granted to our non-employee directors 4,000 shares of our common stock and 3,025 stock units. For the nine months ended December 31, 2002 and the years ended March 31, 2002 and 2001, we issued 3,500 shares, 3,000 shares and 2,500 shares, respectively, of our common stock to our non-employee directors. In addition, two non-employee directors each received an additional 300 shares of our common stock in September 2002, and one non-employee director received an additional 1,000 shares of our common stock, for additional services performed by such individuals for their respective Board of Directors committees.

*Dividends*

We declared cash dividends of \$0.30 per share for the years ended December 31, 2003 and 2002, \$0.225 per share and \$0.325 per share of common stock for the nine months ended December 31, 2002 and 2001, respectively, \$0.40 per share of common stock for the year ended March 31, 2002, and \$0.20 per share of common stock for the year ended March 31, 2001. Included in the cash dividend for the nine months ended December 31, 2001 and the year ended March 31, 2002 was a special cash dividend of \$0.10 per share of common stock declared in May 2001.

*Treasury Stock*

Our Board of Directors, from time to time, has authorized certain stock repurchase programs whereby we repurchase our common stock, subject to certain restrictions pursuant to our credit facility. The following summarizes the status of our treasury stock repurchase programs at December 31, 2003 (in thousands, except average price per share data):

Repurchase Programs	Authorized Stock Repurchases	Repurchases			Remaining Authorized Stock Repurchases
		Shares	Aggregate Cost	Average Price	
August 1998	\$ 6,000	616	\$ 6,000	\$ 9.74	\$ —
January 2000	10,000	1,391	10,000	7.19	—
September 2000	10,000	368	3,987	10.83	6,013
		<u>2,375</u>	<u>\$ 19,987</u>		

Prior to August 1998, with the approval from our Board of Directors, we acquired approximately 22 thousand shares of our common stock with an aggregate cost of \$194 thousand.

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Our Board of Directors also resolved that the repurchased shares may be reissued for any proper corporate purpose, including without limitation, future acquisitions. In March 2002, we began reissuing our repurchased shares in connection with restricted stock grants to employees, non-restricted stock grants to non-employee directors, and exercises of stock options by employee and non-employee directors. The difference between the aggregate cost of the repurchased shares and the fair value of our common stock at the date of grant of restricted and non-restricted stock or the proceeds from the employee and non-employee stock option exercises is recorded in Capital in excess of par value in the accompanying Consolidated Balance Sheets. As of December 31, 2003, we have reissued 424 thousand shares of treasury stock with an aggregate cost of \$3.6 million.

### *Employee Stock Options, Non-Employee Directors Stock Options, and Restricted Common Stock*

In 1986, our shareholders approved the 1986 Employee Stock Option Plan (the "1986 Plan"), as amended. The 1986 Plan expired in 1996. Options granted under the 1986 Plan, but not yet exercised, survive the 1986 Plan until the options expire. Outstanding options at December 31, 2003 under the 1986 Plan expire between January 2005 and March 2005.

In 1997, our shareholders approved the 1996 Employee Stock Option Plan (the "1996 Plan"), as amended. The 1996 Plan was replaced by the 2001 Omnibus Plan (the "2001 Plan"). Options granted under the 1996 Plan, but not yet exercised, survive the 1996 Plan until the options expire. Outstanding options at December 31, 2003 under the 1996 Plan expire between August 2006 and October 2011.

The 2001 Plan was approved by our shareholders in August 2001 and provides a total of 500 thousand shares of our common stock for issuance to our employees. The 2001 Plan is administered by the Compensation Committee of the Board of Directors (the "Compensation Committee"). Additional shares of our common stock that may be granted under the 2001 Plan include any shares of our common stock that are available for future grant under any of our prior stock option plans, and any stock or options granted under the 2001 Plan or any prior plans that are forfeited, expired or canceled. Furthermore, pursuant to the 2001 Plan and upon our Board of Directors' authorization in January 2002, any shares of our common stock that are reacquired by us in the open market or in private transactions after the effective date of the 2001 Plan, were added to the limitation on the total shares of our common stock which may be issued under the 2001 Plan. As of December 31, 2003, we have repurchased approximately 259 thousand shares since the 2001 Plan's effective date, and accordingly increased the total number of shares of our common stock which may be delivered to participants in the 2001 Plan by the same number of shares. Accordingly, as of December 31, 2003, the aggregate limit on the total shares of our common stock which may be issued under the 2001 Plan was approximately 797 thousand shares, of which 604 thousand shares are subject to options already issued and an additional 152 thousand shares have been issued as restricted common stock grants. Unvested restricted common stock of 140 thousand shares, at December 31, 2003, will vest between October 2004 and August 2008.

Under the provisions of the 2001 Plan, the Compensation Committee is authorized to grant common stock, which can be restricted, or stock options which can be "qualified" or "nonqualified" under the Internal Revenue Code of 1986, as amended, or stock appreciation rights, or other stock or non-stock-based awards, including but not limited to stock units, performance units, or dividend equivalent payments. The 2001 Plan is unlimited in duration and, in the event of its termination, the 2001 Plan will remain in effect as long as any of the above items granted by the Compensation Committee are outstanding; provided, however, that no awards may be granted under the 2001 Plan after August 2006. The term and vesting period of awards granted under the 2001 Plan is established by the Compensation Committee, but in no event shall stock options or stock appreciation rights remain exercisable after the five-year anniversary of the date of grant. Outstanding options at December 31, 2003 under the 2001 Plan expire between September 2006 and September 2008.

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Beginning in October 2001, under the 2001 Omnibus Plan, we started granting shares of restricted common stock to our employees. The following table summarizes the status of our unvested restricted stock outstanding and related transactions for year ended December 31, 2003, the nine months ended December 31, 2002, and the year ended March 31, 2002 (in thousands):

	<b>Restricted Stock Outstanding</b>
Restricted outstanding at March 31, 2001	—
Granted and issued	25
Restricted outstanding at March 31, 2002	25
Granted and issued	96
Vested	(6)
Restricted outstanding at December 31, 2002	115
Granted and issued	31
Vested	(6)
Restricted outstanding at December 31, 2003	140

In 1994, our shareholders approved the 1993 Non-Employee Directors Stock Option Plan (the “Directors Plan”), as amended. The Directors Plan permits the issuance of options to purchase up to an aggregate of 250 thousand shares of our common stock. Additional options to purchase shares of our common stock may be granted under the Directors Plan for any options that are forfeited, expired or canceled without delivery of shares of our common stock or which result in the forfeiture of the shares of our common stock back to us. Under the Directors Plan, members of the Board of Directors who are not our employees receive a non-qualified option to purchase five thousand shares, on a pro-rata basis, when such person is first elected to the Board of Directors and will receive a non-qualified option to purchase five thousand shares each year that the individual is re-elected. Options granted are fully exercisable one year after the date of grant. All options under the Directors Plan expire five years after the date of grant. Outstanding options at December 31, 2003 under the Directors Plan expire between October 2005 and May 2008.

In addition to the above stock option plans, in 1995, we issued certain non-qualified options to various employees. These options expire in January 2005.

As of December 31, 2003, the following table summarizes the outstanding stock options which were issued pursuant to the plans described above, and the options issued outside the plans in 1995 (in thousands, except weighted-average exercise price):

<b>Plan name or description</b>	<b>(a) Number of securities to be issued upon exercise of outstanding options</b>	<b>(b) Weighted-average exercise price of outstanding options</b>	<b>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
2001 Plan	604	\$ 24.27	41
1996 Plan	890	\$ 13.10	—
1986 Plan	49	\$ 6.89	—
Directors Plan	86	\$ 18.84	70
1995 non-qualified options (1)	25	\$ 6.89	—
	<b>1,654</b>	<b>\$ 17.20</b>	<b>111</b>

(1) These options were not approved by shareholders. All other plans shown in the table were approved by our shareholders.

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The following table summarizes the status of our stock options outstanding and exercisable, and related transactions for year ended December 31, 2003, the nine months ended December 31, 2002, and the years ended March 31, 2002 and 2001 (in thousands, except weighted-average exercise price):

	Options Outstanding		Options Exercisable	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Options outstanding at March 31, 2000	1,088	\$ 14.30	602	\$ 12.22
Granted	428	\$ 8.20		
Forfeited/expired	(58)	\$ 14.04		
Options outstanding at March 31, 2001	1,458	\$ 12.52	602	\$ 12.22
Granted	148	\$ 13.38		
Exercised	(205)	\$ 10.53		
Forfeited/expired	(30)	\$ 12.59		
Options outstanding at March 31, 2002	1,371	\$ 12.90	1,130	\$ 13.14
Granted	81	\$ 18.52		
Exercised	(221)	\$ 13.46		
Forfeited/expired	(28)	\$ 17.39		
Options outstanding at December 31, 2002	1,203	\$ 13.13	949	\$ 12.89
Granted	523	\$ 25.94		
Exercised	(72)	\$ 12.82		
Options outstanding at December 31, 2003	1,654	\$ 17.20	1,065	\$ 12.97

The following table summarizes the exercise prices of our stock options outstanding and exercisable at December 31, 2003 (in thousands, except exercise price data and contractual life):

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Options	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
\$ 6.89 to \$ 9.25	435	5.9	\$ 7.97	430	\$ 7.96
\$10.75 to \$13.69	307	4.0	\$ 11.56	286	\$ 11.51
\$16.75 to \$20.70	328	4.1	\$ 19.78	183	\$ 19.42
\$21.00 to \$22.41	201	4.2	\$ 21.53	166	\$ 21.34
\$24.22 to \$28.73	383	4.5	\$ 27.72	—	\$ —
Total	1,654		\$ 17.20	1,065	\$ 12.97

The fair value of each stock option granted was estimated using the Black-Scholes option pricing model. The following table summarizes the weighted average fair value of the stock options granted for each of the following periods and the related weighted average assumptions:

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended December 31,	
	2003	2002	2002	2001	2002	2001
Fair-value of stock option (per share)	\$ 2.25	\$ 2.66	\$ 2.66	\$ 2.36	\$ 2.36	\$ 2.12
Expected life (in years)	3.00	2.86	2.86	4.00	4.00	4.00
Dividend yields	1.41%	1.39%	1.39%	2.16%	2.16%	1.74%
Risk-free interest rates	1.95%	2.47%	2.47%	4.13%	4.13%	5.04%
Volatility	20.00%	18.80%	18.80%	20.00%	20.00%	20.00%

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The fair value of restricted common stock granted to employees, based on the market value of our common stock on the date of grant, is recorded as Unearned deferred compensation and is being amortized over the minimum vesting period of each individual stock grant. The weighted average fair value of the restricted stock granted and issued was \$20.76 per share and \$20.04 per share for the years ended December 31, 2003 and 2002, respectively, \$20.04 per share and \$11.90 per share for the nine months ended December 31, 2002 and 2001, respectively, and \$11.90 per share for the year ended March 31, 2002.

Effective April 2002, we adopted the accounting provision of Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” as amended by SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123,” to account for stock options granted to our employees and non-employee directors using the prospective method. Under the fair value recognition provision, as of the grant date, we recorded the fair value of the stock options granted as Unearned deferred compensation, which is amortized over the minimum vesting period of each individual award as compensation cost. For stock options granted prior to April 2002, we continued to use the intrinsic value method of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employee,” and related interpretations. Accordingly, no compensation expense has been recognized for such stock options when the exercise price was at or above market price of our common stock on the date of grant.

The following table reflects pro forma net income and earnings per share if the fair value based method had been applied to all outstanding and unvested stock-based awards in each period (in thousands, except earnings per share):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
	(Unaudited)		(Unaudited)			
<b>Net income:</b>						
Net income, as reported	\$ 21,874	\$ 14,345	\$ 9,872	\$ 12,762	\$ 17,235	\$ 10,634
Add: Employee and non-employee compensation expense, net of taxes, included in reported net income for restricted stock and stock options granted	569	311	223	24	112	—
Deduct: Employee and non-employee compensation expense, net of taxes, determined under the fair value method for restricted stock and stock options granted	(636)	(458)	(325)	(157)	(290)	(435)
<b>Pro forma net income</b>	<b>\$ 21,807</b>	<b>\$ 14,198</b>	<b>\$ 9,770</b>	<b>\$ 12,629</b>	<b>\$ 17,057</b>	<b>\$ 10,199</b>
<b>Basic earnings per share:</b>						
As reported	\$ 2.06	\$ 1.37	\$ 0.94	\$ 1.23	\$ 1.66	\$ 1.00
<b>Pro forma</b>	<b>\$ 2.05</b>	<b>\$ 1.36</b>	<b>\$ 0.93</b>	<b>\$ 1.22</b>	<b>\$ 1.64</b>	<b>\$ 0.96</b>
<b>Diluted earnings per share:</b>						
As reported	\$ 1.96	\$ 1.32	\$ 0.91	\$ 1.20	\$ 1.62	\$ 1.00
<b>Pro forma</b>	<b>\$ 1.95</b>	<b>\$ 1.30</b>	<b>\$ 0.90</b>	<b>\$ 1.19</b>	<b>\$ 1.60</b>	<b>\$ 0.96</b>

### *Warrant*

In July 2000, we granted a warrant to an investment-banking firm in connection with the engagement of such firm to provide advisory services to us. The warrant entitled the holder to purchase up to 50,000 shares of our common stock at an exercise price of \$9.50 per share, for a period of three years. In accordance with EITF Issue No. 96-18, “Accounting for Equity Instruments That Are Issued through Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services,” we determined the fair value of this warrant to be approximately \$60 thousand based on the Black-Scholes option-pricing model. In October 2000, we terminated our relationship with the investment-banking firm. Accordingly, we expensed the entire estimated value of this warrant during the year ended March 31, 2001. This warrant expired unused in July 2003.

## 6. Commitments and Contingencies

### *Lease Commitments*

As of December 31, 2003, our future minimum lease payments under non-cancelable operating leases for rental properties were as follows (in thousands):

<u>For the Year Ending December 31,</u>	
2004	\$1,678
2005	1,387
2006	1,202
2007	1,070
2008	915
Thereafter	2,613
	<u>\$8,865</u>

We incurred rental expense for all properties of \$2.3 million and \$1.9 million for the years ended December 31, 2003 and 2002, respectively, \$1.5 million and \$1.1 million during the nine months ended December 31, 2002 and 2001, respectively, and \$1.5 million and \$1.3 million for the years ended March 31, 2002 and 2001, respectively.

In the normal course of business, we may enter into non-cancelable operating leases for office and computer equipment, and service contracts with minimum service fee commitments for telecommunication, and computer data and document storage. As of December 31, 2003, there were no materially significant non-cancelable operating leases for office and computer equipment or service contracts with minimum service fee commitments.

### *Surety Bonds*

In the normal course of business, we are required to post bid, performance and garnishment bonds. The majority of the surety bonds posted relate to our aviation fuel services business. As of December 31, 2003, we had \$5.0 million in outstanding bonds.

### *Concentration of Credit Risk*

Our marine and aviation fueling businesses extend unsecured credit to most of their customers. Part of our success in attracting business has been due, in part, to our willingness to extend credit on an unsecured basis to customers which exhibit a high credit risk profile and would otherwise be required to prepay or post letters of credit with their suppliers of fuel and related services. We recognize that extending credit and setting the appropriate reserves for receivables is largely a subjective decision based on knowledge of the customer and the industry. Active management of our credit risk is essential to our success. We do not insure our receivables. Diversification of credit risk is difficult since we sell primarily within the marine and aviation industries. Our sales executives and their respective staff meet regularly to evaluate credit exposure, in the aggregate and by individual credit. Credit exposure also includes the amount of estimated unbilled sales. We also have a credit committee for each of our segments. The credit committees are responsible for approving credit limits above certain amounts, setting and maintaining credit standards, and managing the overall quality of the credit portfolio. The level of credit granted to a customer is influenced by a customer's credit history with us, including claims experience and payment patterns. In our marine fuel services segment, we have extended lines of credit of at least \$5.0 million to 17 non-governmental customers, and four of these customers have lines of credit ranging from \$10.0 to \$14.0 million. In our aviation fuel services segment, our largest credit line, extended to one non-governmental customer, is \$4.0 million.

World oil prices have been very volatile over the last several years, and since fuel costs represent a significant part of a vessel's and airline's operating expenses, the volatility in fuel prices can adversely affect our customers' business, and consequently our credit losses.



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Although most of our transactions are denominated in U.S. dollars, many of our customers are non-U.S. customers and may be required to purchase U.S. dollars to pay for our products and services. A rapid devaluation in currency affecting our customers could have an adverse effect on our customers' operations and their ability to convert local currency to U.S. dollars to make the required payments to us. This will in turn result in higher credit losses for us.

We may also incur credit losses due to other causes, including deteriorating conditions in the world economy, or in the shipping or aviation industries, and continued conflicts and instability in the Middle East, Asia and Latin America, as well as potential future terrorist activities and possible military retaliation. Any credit losses, if significant, will have a material adverse effect on our financial position and results of operations.

### *Environmental and Other Liabilities; Uninsured Risks*

In the marine and aviation fuel segments, we utilize subcontractors to provide various services to customers, including into-plane fueling at airports, fueling of vessels in-port and at-sea, and transportation and storage of fuel and fuel products. We are subject to possible claims by customers, regulators and others who may be injured by a fuel spill or other accident. In addition, we may be held liable for damages to the environment arising out of such events. Although we generally require our subcontractors to carry liability insurance, not all subcontractors carry adequate insurance. Our marine business does not have liability insurance to cover the acts or omissions of our subcontractors. None of our liability insurance covers acts of war and terrorism. If we are held responsible for any acts of war or terrorism, accident or other event, and the liability is not adequately covered by insurance and is of sufficient magnitude, our financial position and results of operations will be adversely affected.

We have exited several businesses which handled hazardous and non-hazardous waste. We treated and/or transported this waste to various disposal facilities. We may be held liable as a potentially responsible party for the clean-up of such disposal facilities, or required to clean up facilities previously operated by us, pursuant to current U.S. federal and state laws and regulations.

We continuously review the adequacy of our insurance coverage. However, we lack coverage for various risks, including environmental claims. An uninsured claim arising out of our activities, if successful and of sufficient magnitude, will have a material adverse effect on our financial position and results of operations.

### *Legal Matters*

In July 2001, we settled litigation filed in February 2000 relating to a product theft off the coast of Nigeria. The settlement resulted in a recovery of \$1.0 million. In the accompanying Consolidated Statements of Income, the recovery was included as a non-recurring credit in Other income (expense), net for the nine months ended December 31, 2001 and for the year ended March 31, 2002.

In July 2001, we received a Summary Judgment from the United States District Court for the Southern District of Florida which ordered Donald F. Moorehead, Jr., Chairman of EarthCare on such date, to pay us compensatory damages of approximately \$5.0 million, plus interest from May 1, 2001. This judgment relates to Mr. Moorehead's default on his agreement to purchase all of the EarthCare stock owned by us for approximately \$5.0 million. We received the EarthCare stock as part payment for the sale of our oil-recycling operations in February 2000. We had been pursuing collection of this judgment, which included obtaining a court appointed receiver, and we received principal and interest payments totaling \$1.1 million from Mr. Moorehead from August 2001 to August 2002. Then, in October 2002, we received \$3.0 million as a final payment to settle the remaining balance due on our judgment. Accordingly, in connection with the settlement, we recorded a non-recurring charge of approximately \$1.6 million, which included \$346 thousand of related legal and receiver fees, for the year ended December 31, 2002 and the nine months ended December 31, 2002.

In April 2001, Miami-Dade County, Florida (the "County") filed suit (the "County Suit") against 17 defendants to seek reimbursement for the cost of remediating environmental contamination at Miami International Airport (the "Airport"). Page Avjet Fuel Corporation, now known as PAFCO L.L.C. ("PAFCO"), is a defendant. We acquired a 50% interest in PAFCO from Signature Flight Support Corporation ("Signature") in December 2000. Pursuant to the PAFCO acquisition agreement, Signature agreed to indemnify us for all PAFCO liabilities arising prior to the closing date ("Closing"). Because the Airport contamination occurred prior to Closing, we believe that the County Suit is covered by Signature's indemnification obligation. We have notified Signature of the County Suit, as stipulated in the acquisition agreement. We expect Signature to defend this claim on behalf of PAFCO and at Signature's expense.

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Also in April 2001, the County sent a letter to approximately 250 potentially responsible parties (“PRP’s”), including World Fuel Services Corporation and one of our subsidiaries, advising them of their potential liability for the clean-up costs which are the subject of the County Suit. The County has threatened to add the PRP’s as defendants in the County Suit, unless they agree to share in the cost of the environmental clean-up at the Airport. In May 2001, we advised the County that: (1) neither we nor any of our subsidiaries were responsible for any environmental contamination at the Airport, and (2) to the extent we or any of our subsidiaries were so responsible, our liability was subject to indemnification by the County pursuant to the indemnity provisions contained in our lease agreement with the County.

We intend to vigorously defend all claims asserted by the County relating to environmental contamination at the Airport. We believe our liability in these matters (if any) should be adequately covered by the indemnification obligations of Signature as to PAFCO, and the County as to World Fuel Services Corporation and our other subsidiaries.

There can be no assurance that we will prevail on the above legal proceedings and management cannot estimate the exposure if we do not prevail. A ruling against us in any of the proceedings described above may have a material adverse effect on our financial condition and results of operations.

In addition to the matters described above, we are also involved in litigation and administrative proceedings primarily arising in the normal course of our business. In the opinion of management, except as set forth above, our liability, if any, under any other pending litigation or administrative proceedings, will not materially affect our financial condition or results of operations.

### *Purchase and Sales Commitments and Derivatives*

To take advantage of favorable market conditions or for competitive reasons, we enter into short-term cancelable fuel purchase commitments for the physical delivery of product. We simultaneously may hedge the physical delivery of fuel through a commodity based derivative instrument, to minimize the effects of commodity price fluctuations.

As part of our price risk management services, we offer to our marine and aviation customers fixed fuel prices on future sales with, or without, physical delivery of fuel. Typically, we simultaneously enter into a commodity based derivative instrument with a counterparty to hedge our variable fuel price on related future purchases with, or without, physical delivery of fuel. The counterparties are major oil companies and derivative trading firms. Accordingly, we do not anticipate non-performance by such counterparties. Pursuant to these transactions, we are not affected by market price fluctuations since the contracts have the same terms and conditions except for the fee or spread earned by us. Performance risk under these contracts is considered a credit risk. This risk is minimized by dealing with customers meeting stricter credit criteria.

As of December 31, 2003, we have eight outstanding swaps contracts totaling approximately 84 thousand metric tons of marine fuel, expiring through December 2005, and nine outstanding swaps contracts totaling 17 million gallons of aviation fuel, with monthly settlements through December 2004.

### *Employment Agreements*

In July 2000, our Board of Directors terminated the employment of our Chairman of the Board of Directors (“Former Chairman”). Pursuant to the terms of our Former Chairman’s employment agreement, we were required to pay severance equal to three times the executive’s average salary and bonus during the five-year period preceding termination, plus all deferred compensation, including accrued interest. Accordingly, during the year ended March 31, 2001, we recorded an executive severance charge of \$3.5 million and, in August 2000, paid our Former Chairman his executive severance plus deferred compensation, including accrued interest.

In July 2002, our Board of Directors elected a new Chairman of the Board of Directors (“Chairman”) and Chief Executive Officer (“CEO”), and agreed to employ our former Chairman and CEO as an advisor to the new Chairman for a term of two years. During this two-year period, the advisor will receive a salary of \$100 thousand per year, and he will not be an officer or director of the company. Pursuant to the terms of our former Chairman and CEO’s employment contract, the changes in his compensation and responsibilities entitles him to receive a severance equal to three times his average salary and bonus during the five-year period preceding termination, plus all deferred compensation, including accrued interest. In addition, from July to September 2002, we terminated the employment of our former Chief Financial Officer, Chief Information Officer, and two other executives. Accordingly, we recorded severance expense totaling \$4.5 million, of which \$3.7 million related to our former Chairman and CEO during the year ended December 31, 2002 and the nine months ended December 31, 2002. In

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August 2002, we paid our former Chairman and CEO his executive severance plus deferred compensation, including accrued interest. The other executive severance amounts are paid on a monthly basis over a period of six months to twenty-one months from the date of termination. As of December 31, 2003, our remaining severance liability was approximately \$61 thousand.

In connection with the promotion of our new Chairman and Chief Executive Officer (“CEO”) and new President and Chief Operating Officer (“COO”) to their respective positions, in July 2002, they received new employment agreements, which among other modifications and provisions, increased their individual base salary to \$525 thousand, extended their employment period to July 2007, and modified their termination severance benefits. Per the executives’ employment agreements, as amended, effective April 2002, our CEO and COO are eligible to receive an annual bonus upon achievement of performance targets, which targets are based on diluted earnings per share growth and certain yearly objectives, agreed upon between the executives and the Compensation Committee. The bonus payout may range from 15% of base salary if at least 5% diluted earnings per share growth is achieved, to 200% of base salary if diluted earnings per share growth equals or exceeds 15%. For the year ended December 31, 2003, the CEO and COO earned an annual bonus equal to 200% of base salary. For the nine months ended December 31, 2002, the CEO and COO earned and received a prorated annual bonus equal to 100% of base salary. As of December 31, 2003 and 2002, \$2.1 million and \$788 thousand, respectively, was included in Accrued salaries and wages in the accompanying Consolidated Balance Sheets.

In addition, the payment of any portion of the bonus causing the compensation of any of the above two executives to exceed \$1.0 million during any fiscal year will be deferred and accrue interest at the U.S. Prime rate, until a fiscal year during the employment term in which the executive earns less than \$1.0 million; provided, however, that in the event of the executive’s death, the termination of the executive for any reason, or the expiration of the employment agreement, the deferred portion of any bonus, including any interest earned thereon, shall be paid to the executive within ten days of such death, termination or expiration. As of December 31, 2003 and 2002, \$126 thousand was deferred under the employment agreements of our Chairman and President. Such deferred compensation was included in Long-term liabilities in the accompanying Consolidated Balance Sheets.

Pursuant to their employment agreements, our CEO and COO each is entitled to receive a cash severance payment if: (a) we terminate the executive for any reason other than death, disability or cause; (b) the executive resigns for good reason (generally a reduction in his responsibilities or compensation, or a breach by us), or resigns for any reason following a change of control; or (c) we elect not to renew the executive’s employment agreement upon expiration, for any reason other than cause. The severance payment is equal to two times the executive’s average salary and bonus during the three-year period preceding termination; provided, if (i) the termination occurs within three years after a change of control the multiple set forth above will be three instead of two, and (ii) in the case of a non-renewal, as described in item (c) above, the multiple will be one and the severance will be paid in 26 equal installments over a one year period. Upon any such termination, we will continue to provide coverage to the executive under our group insurance plans for up to three years, and all of the executive’s stock options and stock grants will immediately vest.

In addition to the above executives, we have also entered into employment agreements with certain of our executive officers and employees. These agreements provide for minimum salary levels, and for certain executive officers and employees, bonuses which are payable if specified performance goals are attained. As of December 31, 2003, the approximate future minimum commitments under employment agreements, excluding discretionary and performance bonuses, are as follows (in thousands):

**For the Year Ending December 31,**

2004	\$ 8,507
2005	6,457
2006	4,626
2007	2,130
	<hr/>
	\$21,720

We recorded expenses under the terms of the above described agreements, including discretionary and performance bonuses, and executive severance charges of approximately \$13.0 million and \$11.4 million for the years ended December 31, 2003 and 2002, respectively, approximately \$14.9 million and \$12.5 million for the nine months ended December 31, 2002 and 2001, respectively, and approximately \$15.1 million and \$18.6 million for the years ended March 31, 2002 and 2001, respectively.

*Deferred Compensation Plans*

In August 1997, we suspended a long-term incentive compensation plan which provided incentive compensation to certain key personnel whose performance contributed to the profitability and growth of our Trans-Tec group of companies (the "Trans-Tec Deferred Compensation Plan.") The Trans-Tec Deferred Compensation Plan was unfunded and was not a qualified plan under the Internal Revenue Code. The Deferred Compensation Plan allowed for distributions of vested amounts over a five-year period, subject to certain requirements, during and after employment with us. Fully vested participants must wait two years from the year of contribution to be eligible for the distribution of deferred account balances. Currently, all participants in the Trans-Tec Deferred Compensation Plan are vested. Our liability under the Deferred Plan was \$37 thousand and \$267 thousand at December 31, 2003 and 2002, respectively, and was included in Long-term liabilities in the accompanying Consolidated Balance Sheets.

In September 2003, the Compensation Committee amended our Executive Incentive Compensation Plan to provide for long-term incentive awards ("LTIP awards") in addition to the annual bonuses already provided in the plan. Under the terms of the plan, as amended, senior executives will be eligible to receive cash relating to LTIP awards upon achievement of long-term performance goals. Achievement of performance goals will be measured over a series of rolling three-year performance periods, with the first period commencing in January 2003. The plan is designed to reward strong financial performance on a sustained basis over a period of years, as measured by the Compound Average Annual Growth Rates ("CAGR") in net income, as defined in the plan. Target awards are \$750 thousand each for our CEO and COO, and \$200 thousand each for the other three senior executives. The executives would earn 50% of the target award if we achieve a 15% CAGR in net income over a three-year performance period, and 100% of the target award if an 18% CAGR in net income is achieved over three years. The maximum award is 200% of the target award, and would be earned if a CAGR in net income of at least 21% is achieved over the three-year performance period. If and when each cash award is earned over each individual award's three-year performance period, the executives will have the option of deferring the cash award on such terms and conditions as may be approved by the Compensation Committee. The deferred amounts will earn interest at the U.S. Prime Rate, with a maximum rate of 10% per year. The accrual for LTIP awards will be made equally over each award's three-year performance period based on management's estimate of the ultimate award to be earned by the senior executives at the end of each three-year performance period. As of December 31, 2003, we have accrued \$700 thousand for LTIP awards, which was included in Long-term liabilities in the accompanying Consolidated Balance Sheets.

In addition to LTIP awards, senior executives, including our CEO and COO, are eligible to receive annual bonuses under the Executive Incentive Plan upon achievement of annual performance targets, which targets are based on diluted earnings per share growth and other yearly objectives determined by the Compensation Committee. The bonus payout may range from 15% of base salary if at least 5% diluted earnings per share growth is achieved, to 200% of base salary if diluted earnings per share growth equals or exceeds 15%. As previously stated above in "Employment Agreements," as of December 31, 2003 and 2002, our CEO and COO earned an aggregate annual bonus of \$2.1 million, or 200% of base salary, for the year ended December 31, 2003 and \$788 thousand, or prorated 100% of base salary, for the nine-months ended December 31, 2002. Under the Executive Incentive Plan, our other senior executives earned an aggregate annual bonus of \$1.1 million for the year ended December 31, 2003 and \$365 thousand for the nine months ended December 31, 2002. As of December 31, 2003 and 2002, annual bonuses for senior executives amounted to \$3.2 million and \$1.2 million, respectively, and was included in Accrued salaries and wages in the accompanying Consolidated Balance Sheets.

We maintain a 401(k) defined contribution plan which covers all U.S. employees who meet minimum requirements and elect to participate. Participants may contribute up to 15% of their compensation, subject to certain limitations. During each of the periods presented on the Consolidated Statements of Income, we made matching contributions of 25% of each 1% of the participants' contributions up to the first 4% contributed. Annual contributions by us are made at our sole discretion, as approved by the Compensation Committee. We recorded expenses for our contribution of approximately \$100 thousand and \$97 thousand for the years ended December 31, 2003 and 2002, respectively, \$71 thousand and \$49 thousand for the nine months ended December 31, 2002 and 2001, respectively, and \$76 thousand and \$60 thousand for the years ended March 31, 2002 and 2001, respectively.

Certain of our non-U.S. subsidiaries have defined contribution benefit plans, which allow for voluntary contributions by the employees. The non-U.S. subsidiaries paid all general and administrative expenses of the plans and in some cases made employer contributions on behalf of the employees. We recorded expenses for our contribution of approximately \$193 thousand and \$134 thousand for the years ended December 31, 2003 and 2002, \$104 thousand and \$75 thousand for the nine months ended December 31, 2002 and 2001, respectively, and \$105 thousand and \$77 thousand for the years ended March 31, 2002 and 2001, respectively.

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### *Severance Benefits Payable*

In accordance with local laws which apply to certain non-U.S. subsidiaries, we have accrued employee severance benefits payable of approximately \$123 thousand and \$104 thousand at December 31, 2003 and 2002, respectively.

### **7. Aviation Joint Ventures**

During the year ended March 31, 2001, we completed the closure of an aviation joint venture in Ecuador, which ceased operations in October 2000, and recovered \$365 thousand of previously provisioned write-down of investment. The recovery was included as a non-recurring credit in Other income (expense), net in the accompanying Consolidated Statements of Income for the year ended March 31, 2001.

As described in Note 1, in December 2000, we entered into a joint venture with Signature through the acquisition of a 50% equity interest in PAFCO from Signature. We paid Signature \$1.0 million in cash and a \$2.5 million note, payable over five years through January 2006. PAFCO markets aviation fuel and related services. The non-interest bearing promissory note was discounted at 9% and the discount of \$558 thousand is being amortized as interest expense over five-year term using the interest method. We recorded interest expense of \$114 thousand and \$146 thousand for the years ended December 31, 2003 and 2002, respectively, \$110 thousand and \$131 thousand for the nine months ended December 31, 2002 and 2001, respectively, and \$167 thousand and \$45 thousand for the years ended March 31, 2002 and 2001, respectively. The interest expense was included in Earnings from aviation joint ventures, net in the accompanying Consolidated Statements of Income.

In accordance with PAFCO's operating agreement, we are entitled to 80% of the income from PAFCO's operations. The higher allocation percentage versus the ownership percentage is in consideration of the risks assumed by us with respect to credit losses on PAFCO's accounts receivable. We are required to purchase, without recourse, PAFCO's accounts receivable that are 120 days past due, subject to certain requirements. Net losses, including infrequent or unusual losses, and interest expense incurred by PAFCO, and any gain resulting from the liquidation of the venture, will be shared equally between Signature and us. We purchased PAFCO accounts receivable totaling \$38 thousand for the year ended December 31, 2002 and for the nine months ended December 31, 2002. Subsequent to these purchases, we wrote off these accounts. For the year ended December 31, 2003, the nine months ended December 31, 2001 and the years ended March 31, 2002 and 2001, we did not purchase any of PAFCO's accounts receivable.

We recorded equity earnings from the PAFCO aviation joint venture of \$607 thousand and \$559 thousand for the years ended December 31, 2003 and 2002, respectively, \$420 thousand and \$444 thousand for the nine months ended December 31, 2002 and 2001, respectively, and \$583 thousand and \$143 thousand for the years ended March 31, 2002 and 2001, respectively. These equity earnings were included in Earnings from aviation joint ventures, net in the accompanying Consolidated Statements of Income. As of December 31, 2003 and 2002, amounts due from PAFCO of \$280 thousand and \$136 thousand, respectively, were included in Prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

### **8. Business Segments, Geographic Information, and Major Customers**

#### **Business Segments**

We market fuel and related services, and have two reportable operating segments: marine and aviation fuel services. In our marine fuel services business, we market marine fuel and related management services to a broad base of international shipping companies and to the United States and foreign militaries. Services include credit terms, 24-hour around-the-world service, fuel management services, and competitively priced fuel. In our aviation fuel services business, we extend credit and provide around-the-world single-supplier convenience, 24-hour service, fuel management services, and competitively priced aviation fuel and other aviation related services to passenger, cargo and charter airlines, as well as to the United States and foreign militaries. We also offer flight plans and weather reports to our corporate customers.

Performance measurement and resource allocation for the reportable operating segments are based on many factors. One of the primary financial measures used is income from operations. We employ shared-service concepts to realize economies of scale and efficient use of resources. The costs of shared services and other corporate center operations managed on a common basis are allocated to the segments based on usage, where possible, or on other factors according to the nature of the activity. The accounting policies of the reportable operating segments are the same as those described in the Summary of Significant Accounting Policies (see Note 1).

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Information concerning our operations by business segment is as follows (in thousands):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
	(Unaudited)		(Unaudited)			
<b>Revenue:</b>						
Marine fuel services	\$ 1,636,966	\$ 1,283,113	\$ 1,026,162	\$ 727,035	\$ 983,986	\$ 1,004,572
Aviation fuel services	1,024,824	615,068	520,735	286,746	381,079	524,670
	<u>\$ 2,661,790</u>	<u>\$ 1,898,181</u>	<u>\$ 1,546,897</u>	<u>\$ 1,013,781</u>	<u>\$ 1,365,065</u>	<u>\$ 1,529,242</u>
<b>Income from operations:</b>						
Marine fuel services	\$ 18,299	\$ 13,608	\$ 9,932	\$ 11,288	\$ 14,964	\$ 13,161
Aviation fuel services	21,795	18,862	14,103	8,950	13,709	11,790
Corporate overhead	(13,104)	(12,301)	(10,249)	(5,332)	(7,384)	(10,799)
	<u>\$ 26,990</u>	<u>\$ 20,169</u>	<u>\$ 13,786</u>	<u>\$ 14,906</u>	<u>\$ 21,289</u>	<u>\$ 14,152</u>
<b>Depreciation and amortization:</b>						
Marine fuel services	\$ 1,487	\$ 1,195	\$ 911	\$ 194	\$ 478	\$ 822
Aviation fuel services	234	227	169	184	242	435
Corporate	2,109	1,443	1,142	918	1,219	1,093
	<u>\$ 3,830</u>	<u>\$ 2,865</u>	<u>\$ 2,222</u>	<u>\$ 1,296</u>	<u>\$ 1,939</u>	<u>\$ 2,350</u>
<b>Capital expenditures:</b>						
Marine fuel services	\$ 490	\$ 1,194	\$ 540	\$ 183	\$ 837	\$ 1,276
Aviation fuel services	919	214	180	184	218	251
Corporate	1,858	1,805	2,035	611	381	1,157
	<u>\$ 3,267</u>	<u>\$ 3,213</u>	<u>\$ 2,755</u>	<u>\$ 978</u>	<u>\$ 1,436</u>	<u>\$ 2,684</u>
					<b>As of December 31,</b>	
					<u>2003</u>	<u>2002</u>
<b>Accounts and notes receivable, net:</b>						
Marine fuel services, net of allowance for bad debts of \$5,704 and \$5,319 at December 31, 2003 and 2002, respectively					\$ 127,717	\$ 118,548
Aviation fuel services, net of allowance for bad debts of \$4,834 and \$5,793 at December 31, 2003 and 2002, respectively					64,402	58,812
					<u>\$ 192,119</u>	<u>\$ 177,360</u>
<b>Goodwill, identifiable intangible asset, and investment goodwill:</b>						
Marine fuel services, net of accumulated amortization of \$3,166 and \$2,798 at December 31, 2003 and 2002, respectively					\$ 29,755	\$ 30,123
Aviation fuel services, net of accumulated amortization of \$1,134 at December 31, 2003 and 2002					8,209	8,209
					<u>\$ 37,964</u>	<u>\$ 38,332</u>
<b>Total assets:</b>						
Marine fuel services					\$ 194,263	\$ 187,155
Aviation fuel services					134,180	108,999
Corporate					29,235	16,133
					<u>\$ 357,678</u>	<u>\$ 312,287</u>

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**Geographic Information**

Information concerning our operations, as segregated between U.S. and non-U.S., is presented as follows, based on the country of incorporation of the relevant subsidiary (in thousands):

	For the Year Ended December 31,		For the Nine Months Ended December 31,		For the Year Ended March 31,	
	2003	2002	2002	2001	2002	2001
	(Unaudited)		(Unaudited)			
<b>Revenue:</b>						
United States	\$1,182,247	\$1,042,530	\$ 843,543	\$ 624,841	\$ 823,828	\$ 940,036
Singapore	778,418	277,356	235,399	124,070	166,027	191,937
United Kingdom	277,971	239,909	194,398	142,122	187,633	204,409
Other non-U.S. countries	423,154	338,386	273,557	122,748	187,577	192,860
<b>Total</b>	<b>\$2,661,790</b>	<b>\$1,898,181</b>	<b>\$1,546,897</b>	<b>\$1,013,781</b>	<b>\$1,365,065</b>	<b>\$1,529,242</b>
<b>Income (loss) from operations:</b>						
United States	\$ (6,944)	\$ (5,387)	\$ (5,639)	\$ (2,868)	\$ (2,616)	\$ (4,933)
Singapore	15,904	8,768	6,681	5,787	7,874	6,761
United Kingdom	5,717	5,305	3,873	4,386	5,818	5,896
Other non-U.S. countries	12,313	11,483	8,871	7,601	10,213	6,428
<b>Total</b>	<b>\$ 26,990</b>	<b>\$ 20,169</b>	<b>\$ 13,786</b>	<b>\$ 14,906</b>	<b>\$ 21,289</b>	<b>\$ 14,152</b>

	As of December 31,	
	2003	2002
<b>Total assets:</b>		
United States	\$168,376	\$152,067
Singapore	87,662	49,671
United Kingdom	37,135	33,828
Other non-U.S. countries	64,505	76,721
	<b>\$357,678</b>	<b>\$312,287</b>

**Major Customers**

During each of the periods presented on the Consolidated Statements of Income, none of our customers accounted for more than 10% of total consolidated revenue.

**9. Summary Quarterly Information (Unaudited)**

A summary of the unaudited quarterly results for the years ended December 31, 2003 and 2002 (in thousands):

	For the Three Months Ended			
	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003
Revenue	\$ 658,000	\$ 645,918	\$ 652,301	\$ 705,571
Gross profit	\$ 27,311	\$ 25,482	\$ 24,535	\$ 23,380
Net income	\$ 5,268	\$ 5,443	\$ 5,534	\$ 5,629
Basic earnings per share	\$ 0.50	\$ 0.51	\$ 0.52	\$ 0.53
Diluted earnings per share	\$ 0.48	\$ 0.49	\$ 0.49	\$ 0.50

	For the Three Months Ended			
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002
Revenue	\$ 351,284	\$ 458,909	\$ 510,601	\$ 577,387
Gross profit	\$ 21,146	\$ 20,106	\$ 20,134	\$ 22,681
Net income	\$ 4,473	\$ 4,406	\$ 747(1)	\$ 4,719
Basic earnings per share	\$ 0.43	\$ 0.42	\$ 0.07(1)	\$ 0.45
Diluted earnings per share (2)	\$ 0.42	\$ 0.41	\$ 0.07(1)	\$ 0.43

- (1) Includes two non-recurring, after-tax charges totaling \$3.7 million, or \$0.36 per basic share and \$0.34 per diluted share, relating to judgment settlement and executive severance charges. See Legal Matters and Employment Agreements in Note 5 for additional information.
- (2) The earnings per share on the Consolidated Statements of Income differs from the sum of each of the quarterly per share data because all repurchases of the common stock during calendar year 2002, pursuant to the stock repurchase programs, were made during the three months ended March 31, 2002.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 9th day of March 2004.

WORLD FUEL SERVICES CORPORATION

/s/ Michael J. Kasbar

\_\_\_\_\_  
Michael J. Kasbar  
Director, President, and Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities on the 9th day of March 2004.

<u>Signature</u>	<u>Title</u>
/s/ Paul H. Stebbins _____ Paul H. Stebbins	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ Michael J. Kasbar _____ Michael J. Kasbar	Director, President, and Chief Operating Officer
/s/ Francis X. Shea _____ Francis X. Shea	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Ken Bakshi _____ Ken Bakshi	Director
/s/ John R. Benbow _____ John R. Benbow	Director
/s/ Richard A. Kassar _____ Richard A. Kassar	Director
/s/ Myles Klein _____ Myles Klein	Director
/s/ J. Thomas Presby _____ J. Thomas Presby	Director
/s/ Jerome Sidel _____ Jerome Sidel	Director
/s/ Luis R. Tinoco _____ Luis R. Tinoco	Director

**CREDIT AGREEMENT**

**dated as of December 19, 2003**

**among**

**WORLD FUEL SERVICES CORPORATION,  
as the Company**

**THE VARIOUS FINANCIAL INSTITUTIONS PARTY HERETO,  
as Lenders,**

**and**

**LASALLE BANK NATIONAL ASSOCIATION,  
as Administrative Agent**

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**LASALLE BANK NATIONAL ASSOCIATION,  
as Arranger**

**and**

**HSBC BANK USA,  
as Documentation Agent**

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EXHIBIT G	Form of Guaranty
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## CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of December 19, 2003 (this "Agreement") is entered into among WORLD FUEL SERVICES CORPORATION (the "Company"), the financial institutions that are or may from time to time become parties hereto (together with their respective successors and assigns, the "Lenders") and LASALLE BANK NATIONAL ASSOCIATION (in its individual capacity, "LaSalle"), as administrative agent for the Lenders.

The Lenders have agreed to make available to the Company a revolving credit facility (which includes letters of credit) upon the terms and conditions set forth herein.

In consideration of the mutual agreements herein contained, the parties hereto agree as follows:

### SECTION 1 DEFINITIONS.

1.1 Definitions. When used herein the following terms shall have the following meanings:

Account Debtor is defined in the UCC.

Account or Accounts is defined in the UCC.

Acquisition means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of all or substantially all of any business or division of a Person, (b) the acquisition of in excess of 50% of the Capital Securities of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is already a Subsidiary).

Administrative Agent means LaSalle in its capacity as administrative agent for the Lenders hereunder and any successor thereto in such capacity.

Affected Loan - see Section 8.3.

Affiliate of any Person means (a) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person, (b) any officer or director of such Person and (c) with respect to any Lender, any entity administered or managed by such Lender or an Affiliate or investment advisor thereof and which is engaged in making, purchasing, holding or otherwise investing in commercial loans. A Person shall be deemed to be "controlled by" any other Person if such Person possesses, directly or indirectly, power to vote

5% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managers or power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Unless expressly stated otherwise herein, neither the Administrative Agent nor any Lender shall be deemed an Affiliate of any Loan Party.

Agent Fee Letter means the Fee letter dated as of October 31, 2003 between the Company and the Administrative Agent.

Agreement - see the Preamble.

Applicable Margin means, for any day, the rate per annum set forth below opposite the level (the "Level") then in effect, it being understood that the Applicable Margin for (i) LIBOR Loans shall be the percentage set forth under the column "LIBOR Margin", (ii) Base Rate Loans shall be the percentage set forth under the column "Base Rate Margin", (iii) the Non-Use Fee Rate shall be the percentage set forth under the column "Non-Use Fee Rate" and (iv) the L/C Fee shall be the percentage set forth under the column "L/C Fee Rate":

<u>Level</u>	<u>Total Debt to EBITDA Ratio</u>	<u>LIBOR Margin</u>	<u>Base Rate Margin</u>	<u>Non-Use Fee Rate</u>	<u>L/C Fee Rate</u>
I	Greater than or equal to 1.50:1	2.00%	.75%	.500%	2.00%
II	Greater than or equal to 1.25:1 but less than 1.50:1	1.75%	.50%	.375%	1.75%
III	Greater than or equal to 1.00:1 but less than 1.25:1	1.50%	.25%	.375%	1.50%
IV	Less than 1.00:1	1.25%	0%	.250%	1.25%

The LIBOR Margin, the Base Rate Margin, the Non-Use Fee Rate and the L/C Fee Rate shall be adjusted, to the extent applicable, on the fifth (5th) Business Day after the Company provides or is required to provide the annual and quarterly financial statements and other information pursuant Section 10.1.1 or 10.1.2, as applicable, and the related Compliance Certificate, pursuant to Section 10.1.3. Notwithstanding anything contained in this paragraph to the contrary, (a) if the Company fails to deliver the such financial statements and Compliance Certificate in accordance with the provisions of Section 10.1.1, 10.1.2 and 10.1.3, the LIBOR Margin, the Base Rate Margin, the Non-Use Fee Rate and the L/C Fee Rate shall be based upon Level I above beginning on the date such financial statements and Compliance Certificate were required to be delivered until the fifth (5th) Business Day after such financial statements and Compliance Certificate are actually delivered, whereupon the Applicable Margin shall be determined by the then current Level; (b) no reduction to any Applicable Margin shall become effective at any time when an Event of Default or Unmatured Event of Default has occurred and

is continuing; (c) the initial Applicable Margin on the Closing Date shall be based on Level II until the date on which the financial statements and Compliance Certificate are required to be delivered for the Fiscal Quarter ending June 30, 2004; and (d) if the average Revolving Outstandings during any month hereunder are less than 35% of the Revolving Commitment, the Non-Use Fee Rate for each Level shall be increased by .125% until such time as the average Revolving Outstandings during a month hereunder equal or exceed 35% of the Revolving Commitment.

Asset Coverage Amount means an amount equal to the total of (a) 80% of the unpaid amount of all Eligible Accounts plus (b) 50% of the value of all Eligible Inventory valued at the lower of cost or market plus (c) 100% of the amount, if any, by which cash shown on the Company's balance sheet exceeds \$15,000,000.

Asset Disposition means the sale, lease, assignment or other transfer for value (each, a "Disposition") by any Loan Party to any Person (other than a Loan Party) of any asset or right of such Loan Party (including, the loss, destruction or damage of any thereof or any actual or threatened (in writing to any Loan Party) condemnation, confiscation, requisition, seizure or taking thereof) other than (a) the Disposition of any asset which is to be replaced, and is in fact replaced, within 30 days with another asset performing the same or a similar function, and (b) the sale or lease of inventory in the ordinary course of business.

Assignee - see Section 15.6.1.

Assignment Agreement - see Section 15.6.1.

Attorney Costs means, with respect to any Person, all reasonable fees and charges of any counsel to such Person, the reasonable allocable cost of internal legal services of such Person, all reasonable disbursements of such internal counsel and all court costs and similar legal expenses.

Bank Product Agreements means those certain cash management and other service agreements entered into from time to time between any Loan Party and a Lender or its Affiliates in connection with any of the Bank Products.

Bank Products Obligations means all obligations, liabilities, contingent reimbursement obligations, fees and expenses owing by the Loan Parties to any Lender or its Affiliates pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all such amounts that a Loan Party is obligated to reimburse to the Administrative Agent or any Lender as a result of the Administrative Agent or such Lender purchasing participations or executing indemnities or reimbursement obligations with respect to the Bank Products provided to the Loan Parties pursuant to the Bank Product Agreements.

Bank Products means any service or facility extended to any Loan Party by any Lender or its Affiliates including: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH Transactions, (f) cash management, including controlled disbursement, accounts or services, or (g) Hedging Agreements.

Base Rate means at any time the Prime Rate.

Base Rate Loan means any Loan which bears interest at or by reference to the Base Rate.

Base Rate Margin – see the definition of Applicable Margin.

BSA - see Section 10.4.

Business Day means any day on which LaSalle is open for commercial banking business in Chicago, Illinois and, in the case of a Business Day which relates to a LIBOR Loan, on which dealings are carried on in the London interbank eurodollar market.

Capital Expenditures means all expenditures which, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of the Company, including expenditures in respect of Capital Leases, but excluding expenditures made in connection with the replacement, substitution or restoration of assets to the extent financed (a) from insurance proceeds (or other similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored or (b) with awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced.

Capital Lease means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

Capital Securities means, with respect to any Person, all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued or acquired after the Closing Date, including common shares, preferred shares, membership interests in a limited liability company, limited or general partnership interests in a partnership or any other equivalent of such ownership interest.

Cash Collateralize means to deliver cash collateral to the Administrative Agent, to be held as cash collateral for outstanding Letters of Credit, pursuant to documentation satisfactory to the Administrative Agent. Derivatives of such term have corresponding meanings.

Cash Equivalent Investment means, at any time, (a) any evidence of Debt, maturing not more than one year after such time, issued or guaranteed by the United States Government or any agency thereof, (b) commercial paper, maturing not more than one year from the date of issue, or corporate demand notes, in each case (unless issued by a Lender or its holding company) rated at least A-1 by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or P-1 by Moody's Investors Service, Inc., (c) any certificate of deposit, time deposit or banker's acceptance, maturing not more than one year after such time, or any overnight Federal Funds transaction that is issued or sold by any Lender or its holding company (or by a

commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than \$500,000,000), (d) any repurchase agreement entered into with any Lender (or commercial banking institution of the nature referred to in clause (c)) which (i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (c) above and (ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such Lender (or other commercial banking institution) there under and (e) money market accounts or mutual funds which invest exclusively in assets satisfying the foregoing requirements, and (f) other short term liquid investments approved in writing by the Administrative Agent.

CERCLA – see Section 9.15(a).

Change of Control means that, except to the extent set forth on Schedule 9.8 hereto, the Company shall cease to, directly or indirectly, own and control 100% of each class of the outstanding Capital Securities of each Subsidiary.

Closing Date - see Section 12.1.

Code means the Internal Revenue Code of 1986.

Collateral Documents means, collectively, the Pledge Agreements, each UCC financing statement, any control agreement and any other agreement or instrument pursuant to which the Company, any Subsidiary or any other Person grants or purports to grant collateral to the Administrative Agent for the benefit of the Lenders or otherwise relates to such collateral.

Commitment means, as to any Lender, such Lender's commitment to make Loans, and to issue or participate in Letters of Credit, under this Agreement. The initial amount of each Lender's commitment to make Loans is set forth on Annex A.

Company - see the Preamble.

Compliance Certificate means a Compliance Certificate in substantially the form of Exhibit B.

Computation Period means each period of four consecutive Fiscal Quarters ending on the last day of a Fiscal Quarter.

Consolidated Net Income means, with respect to the Company and its Subsidiaries for any period, the net income (or loss) of the Company and its Subsidiaries for such period, excluding any gains from Asset Dispositions, any extraordinary gains and any gains from discontinued operations.

Contingent Liability means, with respect to any Person, each obligation and liability of such Person and all such obligations and liabilities of such Person incurred pursuant to any

agreement, undertaking or arrangement by which such Person: (a) guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, dividend, obligation or other liability of any other Person in any manner (other than by endorsement of instruments in the course of collection), including any indebtedness, dividend or other obligation which may be issued or incurred at some future time; (b) guarantees the payment of dividends or other distributions upon the Capital Securities of any other Person; (c) undertakes or agrees (whether contingently or otherwise): (i) to purchase, repurchase, or otherwise acquire any indebtedness, obligation or liability of any other Person or any or any property or assets constituting security therefor, (ii) to advance or provide funds for the payment or discharge of any indebtedness, obligation or liability of any other Person (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, working capital or other financial condition of any other Person, or (iii) to make payment to any other Person other than for value received; (d) agrees to lease property or to purchase securities, property or services from such other Person with the purpose or intent of assuring the owner of such indebtedness or obligation of the ability of such other Person to make payment of the indebtedness or obligation; (e) to induce the issuance of, or in connection with the issuance of, any letter of credit for the benefit of such other Person; or (f) undertakes or agrees otherwise to assure a creditor against loss. The amount of any Contingent Liability shall (subject to any limitation set forth herein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the indebtedness, obligation or other liability guaranteed or supported thereby.

Controlled Group means all members of a controlled group of corporations, all members of a controlled group of trades or businesses (whether or not incorporated) under common control and all members of an affiliated service group which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

Debt of any Person means, without duplication, (a) all indebtedness of such Person, (b) all borrowed money of such Person, whether or not evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person as lessee under Capital Leases which have been or should be recorded as liabilities on a balance sheet of such Person in accordance with GAAP, (d) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), (e) all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person; provided that if such Person has not assumed or otherwise become liable for such indebtedness, such indebtedness shall be measured at the fair market value of such property securing such indebtedness at the time of determination, (f) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), (g) all Hedging Obligations of such Person, (h) all Contingent Liabilities of such Person and (i) all Debt of any partnership of which such Person is a general partner.

Debt to be Repaid means Debt listed on Schedule 12.1.

Dollar and the sign “\$” mean lawful money of the United States of America.

Domestic Subsidiary means any Subsidiary of the Company organized under the laws of the United States of America, any state or territory thereof or the District of Columbia.

EBITDA means, for any period, Consolidated Net Income for such period plus, to the extent deducted in determining such Consolidated Net Income, Interest Expense, income tax expense, depreciation and amortization for such period.

Eligible Account means an Account owing to the Company or any Subsidiary which meets each of the following requirements:

(a) it arises from the sale or lease of goods or the rendering of services which have been fully performed by the Company or the applicable Subsidiary; and if it arises from the sale or lease of goods, (i) such goods comply with such Account Debtor’s specifications (if any) and have been delivered to such Account Debtor and (ii) the Company or the applicable Subsidiary has possession of, or if requested by the Administrative Agent has delivered to the Administrative Agent, delivery receipts evidencing such delivery;

(b) it is not subject to any assignment, claim or Lien;

(c) it is a valid, legally enforceable and unconditional obligation of the Account Debtor with respect thereto, and is not subject to the fulfillment of any condition whatsoever or any counterclaim, credit, allowance, discount, rebate or adjustment by the Account Debtor with respect thereto, or to any claim by such Account Debtor denying liability thereunder in whole or in part and the Account Debtor has not refused to accept and/or has not returned or offered to return any of the goods or services which are the subject of such Account;

(d) there is no bankruptcy, insolvency or liquidation proceeding pending by or against the Account Debtor with respect thereto;

(e) it is not an Account arising from a “sale on approval,” “sale or return,” “consignment” or “bill and hold” or subject to any other repurchase or return agreement;

(f) it is not an Account with respect to which possession and/or control of the goods sold giving rise thereto is held, maintained or retained by the Company or any Subsidiary (or by any agent or custodian of the Company or any Subsidiary) for the account of or subject to further and/or future direction from the Account Debtor with respect thereto;

- (g) it arises in the ordinary course of business of the Company or the applicable Subsidiary;
- (h) if the Account Debtor is the United States or any department, agency or instrumentality thereof, the Company or the applicable Subsidiary shall, if requested by the Administrative Agent, assign its right to payment of such Account to the Administrative Agent pursuant to the Assignment of Claims Act of 1940, and evidence (satisfactory to the Administrative Agent) of such assignment shall be delivered to the Administrative Agent;
- (i) if the Company maintains a credit limit for an Account Debtor, the aggregate dollar amount of Accounts due from such Account Debtor, including such Account, does not exceed such credit limit;
- (j) if the Account is evidenced by chattel paper or an instrument, the originals of such chattel paper or instrument shall, if requested by the Administrative Agent, be endorsed and/or assigned and delivered to the Administrative Agent or, in the case of electronic chattel paper, shall be in the control of the Administrative Agent, in each case in a manner satisfactory to the Administrative Agent;
- (k) such Account is evidenced by an invoice delivered to the related Account Debtor and is not more than (i) 90 days past the due date thereof or (ii) 120 days past the original invoice date thereof, in each case according to the original terms of sale;
- (l) the Account Debtor with respect thereto is not the Company or an Affiliate of the Company;
- (m) it is not owed by an Account Debtor with respect to which 25% or more of the aggregate amount of outstanding Accounts owed at such time by such Account Debtor is classified as ineligible under clause (l) of this definition;
- (n) if the aggregate amount of all Accounts owed by the Account Debtor thereon exceeds 25% of the aggregate amount of all Accounts at such time, then all Accounts owed by such Account Debtor in excess of such amount shall be deemed ineligible; and
- (o) it is otherwise not unacceptable to the Administrative Agent in its reasonable discretion for any other reason.

An Account, which is at any time an Eligible Account, but which subsequently, fails to meet any of the foregoing requirements, shall forthwith cease to be an Eligible Account. Further, with respect to any Account, if the Administrative Agent or the Required Lenders at any time



hereafter determine in its or their discretion that the prospect of payment or performance by the Account Debtor with respect thereto is materially impaired for any reason whatsoever, such Account shall cease to be an Eligible Account after notice of such determination is given to the Company.

Eligible Inventory means Inventory of the Company or any Subsidiary which meets each of the following requirements:

- (a) it is not subject to any assignment, claim or Lien;
- (b) it is salable and not slow moving, obsolete or discontinued;
- (c) it is not Inventory produced in violation of the Fair Labor Standards Act and subject to the “hot goods” provisions contained in Title 29 U.S.C. §215;
- (d) it is located in the United States or in any territory or possession of the United States that has adopted Article 9 of the Uniform Commercial Code;
- (e) it is not held by the Company or any Subsidiary on consignment;
- (f) it is not “work-in-progress” Inventory;
- (g) it is not supply items or packaging;
- (h) it is not identified to any purchase order or contract to the extent progress or advance payments are received with respect to such Inventory;
- (i) it does not breach any of the representations, warranties or covenants pertaining to Inventory set forth in the Loan Documents; and
- (j) the Administrative Agent shall not have determined in its reasonable discretion that it is unacceptable due to age, type, category, quality, quantity and/or any other reason whatsoever.

Inventory which is at any time Eligible Inventory but which subsequently fails to meet any of the foregoing requirements shall forthwith cease to be Eligible Inventory.

Environmental Claims means all claims, however asserted, by any governmental, regulatory or judicial authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

Environmental Laws means all present or future federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any governmental authority, in each case relating to any matter

arising out of or relating to public health and safety, or pollution or protection of the environment or workplace, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Substance.

ERISA means the Employee Retirement Income Security Act of 1974.

Event of Default means any of the events described in Section 13.1.

Excluded Taxes means taxes based upon, or measured by, the Lender's or Administrative Agent's (or a branch of the Lender's or Administrative Agent's) overall net income, overall net receipts, or overall net profits (including franchise taxes imposed in lieu of such taxes), but only to the extent such taxes are imposed by a taxing authority (a) in a jurisdiction in which either such Lender or the Administrative Agent is organized, (b) in a jurisdiction in which either the Lender's or the Administrative Agent's principal office is located, or (c) in a jurisdiction in which either such Lender's or the Administrative Agent's lending office (or branch) is located.

Fiscal Quarter means a fiscal quarter of a Fiscal Year.

Fiscal Year means the fiscal year of the Company and its Subsidiaries, which period shall be the 12-month period ending on December 31 of each year. References to a Fiscal Year with a number corresponding to any calendar year (e.g., "Fiscal Year 2003") refer to the Fiscal Year ending on December 31 of such calendar year.

Foreign Subsidiary means a Subsidiary other than a Domestic Subsidiary.

FRB means the Board of Governors of the Federal Reserve System or any successor thereto.

Funded Debt means, as to any Person, all Debt of such Person that matures more than one year from the date of its creation (or is renewable or extendible, at the option of such Person, to a date more than one year from such date).

GAAP means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession) and the Securities and Exchange Commission, which are applicable to the circumstances as of the date of determination.

Group - see Section 2.2.1.

Guarantors means all Domestic Subsidiaries set forth on Schedule 1.1(a) hereto.

Guaranty means the Guaranty, substantially in the form of Exhibit G, executed by the Guarantors in favor of the Lenders, together with any joinders thereto and any other guaranty executed and delivered to the Administrative Agent or the Lenders in connection with the Obligations.

Hazardous Substances means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, dielectric fluid containing levels of polychlorinated biphenyls, radon gas and mold; (b) any chemicals, materials, pollutant or substances defined as or included in the definition of “hazardous substances”, “hazardous waste”, “hazardous materials”, “extremely hazardous substances”, “restricted hazardous waste”, “toxic substances”, “toxic pollutants”, “contaminants”, “pollutants” or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the exposure to, or release of which is prohibited, limited or regulated by any governmental authority or for which any duty or standard of care is imposed pursuant to, any Environmental Law.

Hedging Agreement means any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

Hedging Obligation means, with respect to any Person, any liability of such Person under any Hedging Agreement. The amount of any Person’s obligation in respect of any Hedging Obligation shall be deemed to be the incremental obligation that would be reflected in the financial statements of such Person in accordance with GAAP.

Indemnified Liabilities - see Section 15.16.

Interest Coverage Ratio means, for any Computation Period, the ratio of (a) EBITDA for such Computation Period less Capital Expenditures for such Computation Period to (b) cash Interest Expense for such Computation Period.

Interest Expense means for any period the consolidated interest expense of the Company and its Subsidiaries for such period (including all imputed interest on Capital Leases).

Interest Period means, as to any LIBOR Loan, the period commencing on the date such Loan is borrowed or continued as, or converted into, a LIBOR Loan and ending on the date one, two, three or six months thereafter as selected by the Company pursuant to Section 2.2.2 or 2.2.3, as the case may be; provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) the Company may not select any Interest Period for a Revolving Loan which would extend beyond the scheduled Termination Date.

Inventory is defined in the UCC.

Investment means, with respect to any Person, any investment in another Person, whether by acquisition of any debt or Capital Security, by making any loan or advance, by becoming obligated with respect to a Contingent Liability in respect of obligations of such other Person (other than travel and similar advances to employees in the ordinary course of business) or by making an Acquisition.

Issuing Lender means LaSalle, in its capacity as the issuer of Letters of Credit hereunder, or any Affiliate of LaSalle that may from time to time issue Letters of Credit, and their successors and assigns in such capacity.

LaSalle - see the Preamble.

L/C Application means, with respect to any request for the issuance of a Letter of Credit, a letter of credit application in the form being used by the Issuing Lender at the time of such request for the type of letter of credit requested.

L/C Fee Rate - see the definition of Applicable Margin.

Lender - see the Preamble. References to the "Lenders" shall include the Issuing Lender; for purposes of clarification only, to the extent that LaSalle (or any successor Issuing Lender) may have any rights or obligations in addition to those of the other Lenders due to its status as Issuing Lender, its status as such will be specifically referenced. In addition to the foregoing, for the purpose of identifying the Persons entitled to share in the Collateral and the proceeds thereof under, and in accordance with the provisions of, this Agreement and the Collateral Documents, the term "Lender" shall include Affiliates of a Lender providing a Bank Product.

Lender Party - see Section 15.16.

Letter of Credit - see Section 2.1.2.

LIBOR Loan means any Loan which bears interest at a rate determined by reference to the LIBOR Rate.

LIBOR Margin - see the definition of Applicable Margin.

LIBOR Office means with respect to any Lender the office or offices of such Lender which shall be making or maintaining the LIBOR Loans of such Lender hereunder. A LIBOR Office of any Lender may be, at the option of such Lender, either a domestic or foreign office.

LIBOR Rate means a rate of interest equal to (a) the per annum rate of interest at which United States dollar deposits in an amount comparable to the amount of the relevant LIBOR Loan and for a period equal to the relevant Interest Period are offered in the London Interbank Eurodollar market at 11:00 A.M. (London time) two (2) Business Days prior to the commencement of such Interest Period (or three (3) Business Days prior to the commencement of such Interest Period if banks in London, England were not open and dealing in offshore United States dollars on such second preceding Business Day), as displayed in the *Bloomberg Financial Markets* system (or other authoritative source selected by the Administrative Agent in its sole discretion) or, if the *Bloomberg Financial Markets* system or another authoritative source is not available, as the LIBOR Rate is otherwise determined by the Administrative Agent in its sole and absolute discretion, divided by (b) a number determined by subtracting from 1.00 the then stated maximum reserve percentage for determining reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D), such rate to remain fixed for such Interest Period. The Administrative Agent's determination of the LIBOR Rate shall be conclusive, absent manifest error.

Lien means, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person (including an interest in respect of a Capital Lease) which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, title retention lien, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise.

Loan Documents means this Agreement, the Notes, the Letters of Credit, the Master Letter of Credit Agreement, the L/C Applications, the Agent Fee Letter, the Guaranty, the Collateral Documents, the Subordination Agreements (if any) and all documents, instruments and agreements delivered in connection with the foregoing.

Loan Party means the Company, each Guarantor and each Subsidiary pledging Collateral to the Administrative Agent for the benefit of the Lenders.

Loan or Loans means the Revolving Loans.

Margin Stock means any "margin stock" as defined in Regulation U.

Master Letter of Credit Agreement means, at any time, with respect to the issuance of Letters of Credit, a master letter of credit agreement or reimbursement agreement in the form, if any, being used by the Issuing Lender at such time.

Material Adverse Effect means (a) a material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, properties or prospects of the Loan Parties taken as a whole, (b) a material impairment of the ability of any Loan Party to perform any of the Obligations under any Loan Document or (c) a material adverse effect upon any substantial portion of the collateral under the Collateral Documents or upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document.

Material Foreign Subsidiary means a Foreign Subsidiary (i) in which the Company's and its other Subsidiaries proportionate share of the total assets of such Foreign Subsidiary exceeds five percent (5%) of the total assets of the Company and its Subsidiaries, on a consolidated basis, as of the end of the most recently completed Fiscal Year and/or (ii) which is listed on Schedule 1.1(b).

Multiemployer Pension Plan means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any other member of the Controlled Group may have any liability.

Non-U.S. Participant - see Section 7.6(d).

Non-Use Fee Rate - see the definition of Applicable Margin.

Note means a promissory note substantially in the form of Exhibit A.

Notice of Borrowing - see Section 2.2.2.

Notice of Conversion/Continuation - - see Section 2.2.3.

Obligations means all obligations (monetary (including post-petition interest, allowed or not) or otherwise) of any Loan Party under this Agreement and any other Loan Document including Attorney Costs and any reimbursement obligations of each Loan Party in respect of Letters of Credit and surety bonds, all Hedging Obligations permitted hereunder which are owed to any Lender, and all Bank Products Obligations, all in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

OFAC - see Section 10.4.

Operating Lease means any lease of (or other agreement conveying the right to use) any real or personal property by any Loan Party, as lessee, other than any Capital Lease.

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

Participant - see Section 15.6.2.

Pension Plan means a “pension plan”, as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA or the minimum funding standards of ERISA (other than a Multiemployer Pension Plan), and as to which the Company or any member of the Controlled Group may have any liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA.

Person means any natural person, corporation, partnership, trust, limited liability company, association, governmental authority or unit, or any other entity, whether acting in an individual, fiduciary or other capacity.

Pledge Agreement means each Securities Pledge Agreement, substantially in the form of Exhibit H hereto, between the Company and the Administrative Agent or any Subsidiary and the Administrative Agent, pursuant to which the Company and the Subsidiaries shall pledge to the Administrative Agent, for the benefit of the Lenders, sixty-five percent (65%) of the capital stock of each Foreign Subsidiary set forth on Schedule 1.1(b) hereto.

Prime Rate means, for any day, the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its prime rate (whether or not such rate is actually charged by the Administrative Agent), which is not intended to be the Administrative Agent’s lowest or most favorable rate of interest at any one time. Any change in the Prime Rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change; provided that the Administrative Agent shall not be obligated to give notice of any change in the Prime Rate.

Pro Rata Share means:

- (a) with respect to a Lender’s obligation to make Revolving Loans, participate in Letters of Credit, reimburse the Issuing Lender, and receive payments of principal, interest, fees, costs, and expenses with respect thereto, (x) prior to the Revolving Commitment being terminated or reduced to zero, the percentage obtained by dividing (i) such Lender’s Revolving Commitment, by (ii) the aggregate Revolving Commitment of all Lenders and (y) from and after the time the Revolving Commitment has been terminated or reduced to zero, the percentage obtained by dividing (i) the aggregate unpaid principal amount of such Lender’s Revolving Outstandings by (ii) the aggregate unpaid principal amount of all Revolving Outstandings; and
- (b) with respect to all other matters as to a particular Lender, the percentage obtained by dividing (i) such Lender’s Revolving Commitment, by (ii) the aggregate amount of Revolving Commitment of all Lenders; provided that in the event the Commitments have been terminated or reduced to zero, Pro Rata Share shall be the percentage obtained by dividing (A) the principal amount of such Lender’s Revolving Outstandings by (B) the principal amount of all outstanding Revolving Outstandings.

RCRA – see Section 9.15(a).

Regulation D means Regulation D of the FRB.

Regulation U means Regulation U of the FRB.

Release has the meaning specified in CERCLA and the term “Disposal” (or “Disposed”) has the meaning specified in RCRA; provided that in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply as of the effective date of such amendment; and provided, further, that to the extent that the laws of a state wherein any affected property lies establish a meaning for “Release” or “Disposal” which is broader than is specified in either CERCLA or RCRA, such broader meaning shall apply.

Replacement Lender - see Section 8.7(b).

Reportable Event means a reportable event as defined in Section 4043 of ERISA and the regulations issued thereunder as to which the PBGC has not waived the notification requirement of Section 4043(a), or the failure of a Pension Plan to meet the minimum funding standards of Section 412 of the Code (without regard to whether the Pension Plan is a plan described in Section 4021(a)(2) of ERISA) or under Section 302 of ERISA.

Required Lenders means, at any time, Lenders whose Pro Rata Shares in the aggregate exceed 66 <sup>2</sup>/<sub>3</sub>% as determined pursuant to clause (d) of the definition of “Pro Rata Share”.

Revolving Commitment means \$100,000,000, as reduced from time to time pursuant to Section 6.1 or as increased pursuant to Section 2.6.

Revolving Loan - see Section 2.1.1.

Revolving Outstandings means, at any time, the sum of (a) the aggregate principal amount of all outstanding Revolving Loans, plus (b) the Stated Amount of all outstanding Letters of Credit.

SEC means the Securities and Exchange Commission or any other governmental authority succeeding to any of the principal functions thereof.

Senior Officer means, with respect to any Loan Party, any of the chief executive officer, the chief financial officer, the chief operating officer or the treasurer of such Loan Party.

Stated Amount means, with respect to any Letter of Credit at any date of determination, (a) the maximum aggregate amount available for drawing thereunder under any and all circumstances plus (b) the aggregate amount of all unreimbursed payments and disbursements under such Letter of Credit.



Subordinated Debt means any unsecured Debt of the Company which has subordination terms, covenants, pricing and other terms which have been approved in writing by the Required Lenders.

Subordination Agreements means all subordination agreements executed by a holder of Subordinated Debt in favor of the Administrative Agent and the Lenders from time to time after the Closing Date.

Subsidiary means, with respect to any Person, a corporation, partnership, limited liability company or other entity of which such Person owns, directly or indirectly, such number of outstanding Capital Securities as have more than 50% of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of the Company.

Tangible Net Worth means, with respect to the Company and its Subsidiaries, consolidated shareholders' equity (including retained earnings) less the book value of all intangible assets, all as determined pursuant to GAAP applied on a basis consistent with the financial statements delivered pursuant to Section 10.1.1 and Section 10.1.2.

Taxes means any and all present and future taxes, duties, levies, imposts, deductions, assessments, charges or withholdings, and any and all liabilities (including interest and penalties and other additions to taxes) with respect to the foregoing, but excluding Excluded Taxes.

Termination Date means the earlier to occur of (a) December 19, 2006 or (b) such other date on which the Commitments terminate pursuant to this Agreement. The Company may, upon written request delivered to the Administrative Agent not later than ninety (90) days prior to the one year anniversary of the Closing Date, and provided that no Event of Default or Unmatured Event of Default then exists, request the Lenders to extend the Termination Date for one (1) additional year, subject to the approval of the Lenders as set forth in Section 15.1 hereof. The Administrative Agent shall provide written notice of the decision of the Lenders to the Company within thirty (30) days of receipt of the Company's request therefor. In the event Administrative Agent fails to provide such written notice to the Company, the Company's request shall be deemed to be denied.

Termination Event means, with respect to a Pension Plan that is subject to Title IV of ERISA, (a) a Reportable Event, (b) the withdrawal of Company or any other member of the Controlled Group from such Pension Plan during a plan year in which Company or any other member of the Controlled Group was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA, (c) the termination of such Pension Plan, the filing of a notice of intent to terminate the Pension Plan or the treatment of an amendment of such Pension Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Pension Plan or (e) any event or condition that might constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Pension Plan.

Total Debt means all Debt of the Company and its Subsidiaries, determined on a consolidated basis, excluding (a) contingent obligations in respect of Contingent Liabilities (except to the extent constituting Contingent Liabilities in respect of Debt of a Person other than any Loan Party), (b) Hedging Obligations and (c) Debt of the Company to Subsidiaries and Debt of Subsidiaries to the Company or to other Subsidiaries.

Total Debt to EBITDA Ratio means, as of the last day of any Fiscal Quarter, the ratio of (a) Total Debt as of such day to (b) EBITDA for the Computation Period ending on such day.

Total Liabilities means, with respect to the Company and its Subsidiaries, the aggregate amount of liabilities required to be reflected on the balance sheet of the Company and its Subsidiaries, on a consolidated basis after eliminating all intercompany items, determined in accordance with GAAP on a consistent basis less any such amounts constituting Obligations.

Total Plan Liability means, at any time, the present value of all vested and unvested accrued benefits under all Pension Plans, determined as of the then most recent valuation date for each Pension Plan, using PBGC actuarial assumptions for single employer plan terminations.

type – see Section 2.2.1.

UCC means the Uniform Commercial Code as in effect on the date hereof and from time to time in the State of Illinois, provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interests in any Collateral or the availability of any remedy hereunder or under any other Loan Document is governed by the Uniform Commercial Code as in effect on or after the date hereof in any other jurisdiction, “UCC” means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy.

Unfunded Liability means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Pension Plans exceeds the fair market value of all assets allocable to those benefits, all determined as of the then most recent valuation date for each Pension Plan, using PBGC actuarial assumptions for single employer plan terminations.

Unmatured Event of Default means any event that, if it continues uncured, will, with lapse of time or notice or both, constitute an Event of Default.

Withholding Certificate - see Section 7.6(d).

Wholly-Owned Subsidiary means, as to any Person, a Subsidiary all of the Capital Securities of which (except directors’ qualifying Capital Securities) are at the time directly or indirectly owned by such Person and/or another Wholly-Owned Subsidiary of such Person.

1.2 Other Interpretive Provisions. (a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) Section, Annex, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The term “including” is not limiting and means “including without limitation.”

(d) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”, and the word “through” means “to and including.”

(e) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement and the other Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, supplements and other modifications thereto, but only to the extent such amendments, restatements, supplements and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation shall be construed as including all statutory and regulatory provisions amending, replacing, supplementing or interpreting such statute or regulation.

(f) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and each shall be performed in accordance with its terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Administrative Agent, the Company, the Lenders and the other parties thereto and are the products of all parties. Accordingly, they shall not be construed against the Administrative Agent or the Lenders merely because of the Administrative Agent’s or Lenders’ involvement in their preparation.

## SECTION 2 COMMITMENTS OF THE LENDERS; BORROWING, CONVERSION AND LETTER OF CREDIT PROCEDURES.

2.1 Commitments. On and subject to the terms and conditions of this Agreement, each of the Lenders, severally and for itself alone, agrees to make loans to, and to issue or participate in letters of credit for the account of, the Company as follows:

2.1.1 Revolving Loan Commitment. Each Lender agrees to make loans on a revolving basis (“Revolving Loans”) from time to time until the Termination Date in such Lender’s Pro Rata Share of such aggregate amounts as the Company may request from all Lenders; provided that the Revolving Outstandings will not at any time exceed the Revolving Commitment.

2.1.2 L/C Commitment. Subject to Section 2.3.1, the Issuing Lender agrees to issue letters of credit, in each case containing such terms and conditions as are permitted by this Agreement, the applicable L/C Application and the Master Letter of Credit Agreement and are reasonably satisfactory to the Issuing Lender (each, a "Letter of Credit"), at the request of and for the account of the Company from time to time before the scheduled Termination Date and, as more fully set forth in Section 2.3.2, each Lender agrees to purchase a participation in each such Letter of Credit; provided that (a) the aggregate Stated Amount of all Letters of Credit shall not at any time exceed \$40,000,000 and (b) the Revolving Outstandings shall not at any time exceed the Revolving Commitment.

## 2.2 Loan Procedures.

2.2.1 Various Types of Loans. Each Revolving Loan shall be divided into tranches which are either a Base Rate Loan or a LIBOR Loan (each a "type" of Loan) as the Company shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3. LIBOR Loans having the same Interest Period are sometimes called a "Group" or collectively "Groups". Base Rate Loans and LIBOR Loans may be outstanding at the same time, provided that not more than five different Groups of LIBOR Loans shall be outstanding at any one time. All borrowings, conversions and repayments of Revolving Loans shall be effected so that each Lender will have a ratable share (according to its Pro Rata Share) of all types and Groups of Loans.

2.2.2 Borrowing Procedures. The Company shall give written notice (each such written notice, a "Notice of Borrowing") substantially in the form of Exhibit E or telephonic notice (followed immediately by a Notice of Borrowing) to the Administrative Agent of each proposed borrowing not later than (a) in the case of a Base Rate borrowing, 11:00 A.M., Chicago time, on the proposed date of such borrowing, and (b) in the case of a LIBOR borrowing, 11:00 A.M., Chicago time, at least three Business Days prior to the proposed date of such borrowing. Each such notice shall be effective upon receipt by the Administrative Agent, shall be irrevocable, and shall specify the date, amount and type of borrowing and, in the case of a LIBOR borrowing, the initial Interest Period therefor. Promptly upon receipt of such notice, the Administrative Agent shall advise each Lender thereof. Not later than 1:00 P.M., Chicago time, on the date of a proposed borrowing, each Lender shall provide the Administrative Agent at the office specified by the Administrative Agent with immediately available funds covering such Lender's Pro Rata Share of such borrowing and, so long as the Administrative Agent has not received written notice that the conditions precedent set forth in Section 12 with respect to such borrowing have not been satisfied, the Administrative Agent shall pay over the funds received by the Administrative Agent to the Company on the requested borrowing date. Each borrowing shall be on a Business Day. Each Base Rate borrowing shall be in an aggregate amount of at least \$100,000 or an integral multiple of \$100,000, and each LIBOR borrowing shall be in an aggregate amount of at least \$100,000 or an integral multiple of \$100,000.

2.2.3 Conversion and Continuation Procedures. (a) Subject to Section 2.2.1, the Company may, upon irrevocable written notice to the Administrative Agent in accordance with clause (b), below:

(A) elect, as of any Business Day, to convert any Loans (or any part thereof in an aggregate amount not less than \$100,000 or a higher integral multiple of \$100,000) into Loans of the other type; or

(B) elect, as of the last day of the applicable Interest Period, to continue any LIBOR Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than \$100,000 or a higher integral multiple of \$100,000) for a new Interest Period;

provided that after giving effect to any prepayment, conversion or continuation, the aggregate principal amount of each Group of LIBOR Loans shall be at least \$100,000 or an integral multiple of \$100,000.

(b) The Company shall give written notice (each such written notice, a “Notice of Conversion/Continuation”) substantially in the form of Exhibit F or telephonic notice (followed immediately by a Notice of Conversion/Continuation) to the Administrative Agent of each proposed conversion or continuation not later than (i) in the case of conversion into Base Rate Loans, 11:00 A.M., Chicago time, on the proposed date of such conversion and (ii) in the case of conversion into or continuation of LIBOR Loans, 11:00 A.M., Chicago time, at least three Business Days prior to the proposed date of such conversion or continuation, specifying in each case:

(A) the proposed date of conversion or continuation;

(B) the aggregate amount of Loans to be converted or continued;

(C) the type of Loans resulting from the proposed conversion or continuation; and

(D) in the case of conversion into, or continuation of, LIBOR Loans, the duration of the requested Interest Period therefor.

(c) If upon the expiration of any Interest Period applicable to LIBOR Loans, the Company has failed to select timely a new Interest Period to be applicable to such LIBOR Loans, the Company shall be deemed to have elected to convert such LIBOR Loans into Base Rate Loans effective on the last day of such Interest Period.

(d) The Administrative Agent will promptly notify each Lender of its receipt of a notice of conversion or continuation pursuant to this Section 2.2.3 or, if no timely notice is provided by the Company, of the details of any automatic conversion.

(e) Any conversion of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 8.4.

### 2.3 Letter of Credit Procedures.

2.3.1 L/C Applications. The Company shall execute and deliver to the Issuing Lender the Master Letter of Credit Agreement from time to time in effect. The Company shall give notice to the Administrative Agent and the Issuing Lender of the proposed issuance of each Letter of Credit on a Business Day which is at least three Business Days (or such lesser number of days as the Administrative Agent and the Issuing Lender shall agree in any particular instance in their sole discretion) prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by an L/C Application, duly executed by the Company and in all respects satisfactory to the Administrative Agent and the Issuing Lender, together with such other documentation as the Administrative Agent or the Issuing Lender may request in support thereof, it being understood that each L/C Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, the expiration date of such Letter of Credit (which shall not be later than the earlier of (i) one year after the date of issuance of the Letter of Credit or (ii) 25 days prior to the scheduled Termination Date, unless such Letter of Credit is Cash Collateralized) and whether such Letter of Credit is to be transferable in whole or in part. Any Letter of Credit outstanding after the scheduled Termination Date which is Cash Collateralized for the benefit of the Issuing Lender shall be the sole responsibility of the Issuing Lender. So long as the Issuing Lender has not received written notice that the conditions precedent set forth in Section 12 with respect to the issuance of such Letter of Credit have not been satisfied, the Issuing Lender shall issue such Letter of Credit on the requested issuance date. The Issuing Lender shall promptly advise the Administrative Agent of the issuance of each Letter of Credit and of any amendment thereto, extension thereof or event or circumstance changing the amount available for drawing thereunder. In the event of any inconsistency between the terms of the Master Letter of Credit Agreement, any L/C Application and the terms of this Agreement, the terms of this Agreement shall control.

2.3.2 Participations in Letters of Credit. Concurrently with the issuance of each Letter of Credit, the Issuing Lender shall be deemed to have sold and transferred to each Lender with a Revolving Loan Commitment, and each such Lender shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Lender, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Pro Rata Share, in such Letter of Credit and the Company's reimbursement obligations with respect thereto. If the Company does not pay any reimbursement obligation when due, the Company shall be deemed to have immediately requested that the Lenders make a Revolving Loan which is a Base Rate Loan in a principal amount equal to such reimbursement obligations. The Administrative Agent shall promptly notify such Lenders of such deemed request and, without the necessity of compliance with the requirements of Section 2.2.2, 12.2 or otherwise such Lender shall make available to the Administrative Agent its Pro Rata Share of such Loan. The proceeds of such Loan shall be paid over by the Administrative Agent to the Issuing Lender for the account of the Company in satisfaction of such reimbursement obligations. For the purposes of this Agreement,

the unparticipated portion of each Letter of Credit shall be deemed to be the Issuing Lender's "participation" therein. The Issuing Lender hereby agrees, upon request of the Administrative Agent or any Lender, to deliver to the Administrative Agent or such Lender a list of all outstanding Letters of Credit issued by the Issuing Lender, together with such information related thereto as the Administrative Agent or such Lender may reasonably request.

2.3.3 Reimbursement Obligations. (a) The Company hereby unconditionally and irrevocably agrees to reimburse the Issuing Lender for each payment or disbursement made by the Issuing Lender under any Letter of Credit honoring any demand for payment made by the beneficiary thereunder, in each case on the date that such payment or disbursement is made. Any amount not reimbursed on the date of such payment or disbursement shall bear interest from the date of such payment or disbursement to the date that the Issuing Lender is reimbursed by the Company therefor, payable on demand, at a rate per annum equal to the Base Rate from time to time in effect plus the Base Rate Margin from time to time in effect plus, beginning on the third Business Day after receipt of notice from the Issuing Lender of such payment or disbursement, 2%. The Issuing Lender shall notify the Company and the Administrative Agent whenever any demand for payment is made under any Letter of Credit by the beneficiary thereunder; provided that the failure of the Issuing Lender to so notify the Company shall not affect the rights of the Issuing Lender or the Lenders in any manner whatsoever.

(b) In determining whether to pay under any Letter of Credit, the Issuing Lender shall not have any obligation to the Company other than to confirm that any documents required to be delivered under such Letter of Credit have been delivered and comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Issuing Lender under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence and willful misconduct, shall not impose upon the Issuing Lender any liability to the Company and shall not reduce or impair the Company's reimbursement obligations set forth in Section 2.3.3(a).

2.3.4 Funding by Lenders to Issuing Lender. If the Issuing Lender makes any payment or disbursement under any Letter of Credit and (a) the Company has not reimbursed the Issuing Lender in full for such payment or disbursement by 11:00 A.M., Chicago time, on the date of such payment or disbursement, (b) a Revolving Loan may not be made in accordance with Section 2.3.2 or (c) any reimbursement received by the Issuing Lender from the Company is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Company or otherwise, each other Lender with a Revolving Loan Commitment shall be obligated to pay to the Administrative Agent for the account of the Issuing Lender, in full or partial payment of the purchase price of its participation in such Letter of Credit, its Pro Rata Share of such payment or disbursement (but no such payment shall diminish the obligations of the Company under Section 2.3.3), and, upon notice from the Issuing Lender, the Administrative Agent shall promptly notify each other Lender thereof. Each other Lender irrevocably and unconditionally agrees to so pay to the Administrative Agent in immediately available funds for the Issuing Lender's account the amount of such other Lender's Pro Rata Share of such payment or disbursement. If and to the extent any Lender shall not have made such amount available to

the Administrative Agent by 2:00 P.M., Chicago time, on the Business Day on which such Lender receives notice from the Administrative Agent of such payment or disbursement (it being understood that any such notice received after noon, Chicago time, on any Business Day shall be deemed to have been received on the next following Business Day), such Lender agrees to pay interest on such amount to the Administrative Agent for the Issuing Lender's account forthwith on demand, for each day from the date such amount was to have been delivered to the Administrative Agent to the date such amount is paid, at a rate per annum equal to the Base Rate from time to time in effect. Any Lender's failure to make available to the Administrative Agent its Pro Rata Share of any such payment or disbursement shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent such other Lender's Pro Rata Share of such payment, but no Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent such other Lender's Pro Rata Share of any such payment or disbursement.

2.4 Commitments Several. The failure of any Lender to make a requested Loan on any date shall not relieve any other Lender of its obligation (if any) to make a Loan on such date, but no Lender shall be responsible for the failure of any other Lender to make any Loan to be made by such other Lender.

2.5 Certain Conditions. Notwithstanding any other provision of this Agreement, no Lender shall have an obligation to make any Loan, or to permit the continuation of or any conversion into any LIBOR Loan, and the Issuing Lender shall not have any obligation to issue any Letter of Credit, if an Event of Default or Unmatured Event of Default exists.

2.6 Increase in Aggregate Commitments. The Company shall have the right up to six months prior to the Termination Date, without the consent of the Lenders, by notice to the Administrative Agent, to effectuate from time to time an increase in the aggregate Commitments under this Agreement by adding to this Agreement one or more commercial banks or financial institutions (who shall, upon completion of the requirements of this Section 2.6, constitute "Lenders" hereunder) (each, an "Added Lender"), or by allowing one or more Lenders in their sole discretion to increase their respective Commitments hereunder (each, an "Increasing Lender"), so that such added and increased Commitments shall equal the increase in the Commitment effectuated pursuant to this Section 2.6; provided that (i) no added Commitment shall be less than \$5,000,000, (ii) no increase in or added Commitments pursuant to this Section 2.6 shall result in aggregate Commitments exceeding \$125,000,000, and (iii) no Lender's Commitment shall be increased under this Section 2.6 without the consent of such Lender. The Company shall deliver to the Administrative Agent, on or before the effective date of any increase in the aggregate Commitments, each of the following items with respect to each Added Lender and Increasing Lender:

- (x) a written notice of the Company's intention to increase the aggregate Commitments pursuant to this Section 2.6, which shall specify each new Lender, if any, the changes in amounts of Commitments that will result, and such other information as is reasonably requested by the Administrative Agent;



- (y) an agreement, substantially in the form of Exhibit C hereto, executed and delivered by each Added Lender and each Increasing Lender, pursuant to which it becomes a party hereto or increases its Commitment, as the case may be; and
- (z) Notes or replacement Notes, as the case may be, executed and delivered by the Company.

Upon receipt of any notice referred to in clause (a)(x) above, the Administrative Agent shall promptly notify each Lender thereof. Upon execution and delivery of such documents (the "Increased Commitment Date"), such new Lender shall constitute a "Lender" hereunder with a Commitment as specified therein, or such Lender's Commitment shall increase as specified therein, as the case may be. Immediately upon the effectiveness of the addition of such Added Lender or the increase in the Commitment of such Increasing Lender under this Section 2.6, (I) the respective Pro Rata Shares of the Lenders shall be deemed modified as appropriate to correspond to such changed Commitments and the aggregate Commitment, and (II) if there are at such time outstanding any Loans, each Lender whose Pro Rata Share has been decreased as a result of the increase in the aggregate Commitments shall be deemed to have assigned, without recourse, to each Added Lender and Increasing Lender such portion of such Lender's Loans as shall be necessary to effectuate such adjustment in Pro Rata Shares. Each Increasing Lender and Added Lender (A) shall be deemed to have assumed such portion of such Loans and (B) shall fund to each other Lender on the Increased Commitment Date the amount of Loans assigned by it to such Lender.

### SECTION 3 EVIDENCING OF LOANS.

3.1 Notes. The Loans of each Lender shall be evidenced by a Note, with appropriate insertions, payable to the order of such Lender in a face principal amount equal to the sum of such Lender's Revolving Loan Commitment.

3.2 Recordkeeping. The Administrative Agent, on behalf of each Lender, shall record in its records, the date and amount of each Loan made by each Lender, each repayment or conversion thereof and, in the case of each LIBOR Loan, the dates on which each Interest Period for such Loan shall begin and end. The aggregate unpaid principal amount so recorded shall be rebuttably presumptive evidence of the principal amount of the Loans owing and unpaid. The failure to so record any such amount or any error in so recording any such amount shall not, however, limit or otherwise affect the Obligations of the Company hereunder or under any Note to repay the principal amount of the Loans hereunder, together with all interest accruing thereon.

SECTION 4 INTEREST.

4.1 Interest Rates. The Company promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full as follows:

(a) at all times while such Loan is a Base Rate Loan, at a rate per annum equal to the sum of the Base Rate from time to time in effect plus the Base Rate Margin from time to time in effect; and

(b) at all times while such Loan is a LIBOR Loan, at a rate per annum equal to the sum of the LIBOR Rate applicable to each Interest Period for such Loan plus the LIBOR Margin from time to time in effect;

provided that at any time an Event of Default exists, unless the Required Lenders otherwise consent, the interest rate applicable to each Loan shall be increased by 2% (and, in the case of Obligations not bearing interest, such Obligations shall bear interest at the Base Rate applicable to Revolving Loans plus 2%), provided further that such increase may thereafter be rescinded by the Required Lenders, notwithstanding Section 15.1. Notwithstanding the foregoing, upon the occurrence of an Event of Default under Section 13.1.1 or 13.1.4, such increase shall occur automatically.

4.2 Interest Payment Dates. Accrued interest on each Base Rate Loan shall be payable in arrears on the last day of each calendar quarter and at maturity. Accrued interest on each LIBOR Loan shall be payable on the last day of each Interest Period relating to such Loan (and, in the case of a LIBOR Loan with an Interest Period in excess of three months, on the three-month anniversary of the first day of such Interest Period), upon a prepayment of such Loan, and at maturity. After maturity, and at any time an Event of Default exists, accrued interest on all Loans shall be payable on demand.

4.3 Setting and Notice of LIBOR Rates. The applicable LIBOR Rate for each Interest Period shall be determined by the Administrative Agent, and notice thereof shall be given by the Administrative Agent promptly to the Company and each Lender. Each determination of the applicable LIBOR Rate by the Administrative Agent shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error. The Administrative Agent shall, upon written request of the Company or any Lender, deliver to the Company or such Lender a statement showing the computations used by the Administrative Agent in determining any applicable LIBOR Rate hereunder.

4.4 Computation of Interest. Interest shall be computed for the actual number of days elapsed on the basis of a year of 360 days. The applicable interest rate for each Base Rate Loan shall change simultaneously with each change in the Base Rate.

## SECTION 5 FEES.

5.1 Non-Use Fee. The Company agrees to pay to the Administrative Agent for the account of each Lender a non-use fee, for the period from the Closing Date to the Termination Date, at the Non-Use Fee Rate in effect from time to time multiplied by such Lender's Pro Rata Share (as adjusted from time to time) of the daily unused amount of the Revolving Commitment. For purposes of calculating usage under this Section, the Revolving Commitment shall be deemed used to the extent of Revolving Outstandings. Such non-use fee shall be payable in arrears on the last day of each calendar quarter and on the Termination Date for any period then ending for which such non-use fee shall not have previously been paid. The non-use fee shall be computed for the actual number of days elapsed on the basis of a year of 360 days.

5.2 Letter of Credit Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Lender a letter of credit fee for each Letter of Credit equal to the L/C Fee Rate in effect from time to time of such Lender's Pro Rata Share (as adjusted from time to time) of the undrawn amount of such Letter of Credit (computed for the actual number of days elapsed on the basis of a year of 360 days); provided that, unless the Required Lenders otherwise consent, the rate applicable to each Letter of Credit shall be increased by 2% at any time that an Event of Default exists. Such letter of credit fee shall be payable in arrears on the last day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit expires or is terminated) for the period from the date of the issuance of each Letter of Credit (or the last day on which the letter of credit fee was paid with respect thereto) to the date such payment is due or, if earlier, the date on which such Letter of Credit expired or was terminated.

(b) In addition, with respect to each Letter of Credit, the Company agrees to pay to the Issuing Lender, for its own account, (i) such fees and expenses as the Issuing Lender customarily requires in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations and (ii) a letter of credit fronting fee in the amount and at the times agreed to by the Company and the Issuing Lender.

5.3 Administrative Agent's Fees. The Company agrees to pay to the Administrative Agent such agent's fees as are mutually agreed to from time to time by the Company and the Administrative Agent including the fees set forth in the Agent Fee Letter.

5.4 Facility Fee. The Company agrees to pay to each Lender an upfront facility fee equal to such Lender's Commitment multiplied by (i) 0.2% if the amount of the Commitment is less than or equal to \$20,000,000 or (ii) 0.3% if the amount of the Commitment is greater than \$20,000,000. The upfront facility fee will be paid on the Closing Date.

SECTION 6 REDUCTION OR TERMINATION OF THE REVOLVING COMMITMENT; PREPAYMENTS.

6.1 Reduction or Termination of the Revolving Commitment.

6.1.1 Voluntary Reduction or Termination of the Revolving Commitment. The Company may from time to time on at least five Business Days' prior written notice received by the Administrative Agent (which shall promptly advise each Lender thereof) permanently reduce the Revolving Commitment to an amount not less than the Revolving Outstandings. Any such reduction shall be in an amount not less than \$100,000 or a higher integral multiple of \$100,000. Concurrently with any reduction of the Revolving Commitment to zero, the Company shall pay all interest on the Revolving Loans, all non-use fees and all letter of credit fees and shall Cash Collateralize in full all obligations arising with respect to the Letters of Credit.

6.1.2 All Reductions of the Revolving Commitment. All reductions of the Revolving Commitment shall reduce the Commitments ratably among the Lenders according to their respective Pro Rata Shares.

6.2 Prepayments. (a) The Company may from time to time prepay the Loans in whole or in part; provided that the Company shall give the Administrative Agent (which shall promptly advise each Lender) notice thereof not later than 11:00 A.M., Chicago time, on the day of such prepayment (which shall be a Business Day), specifying the Loans to be prepaid and the date and amount of prepayment. Any such partial prepayment shall be in an amount equal to \$100,000 or a higher integral multiple of \$100,000.

(b) If at the end of any Fiscal Quarter, the Company is not in compliance with the Asset Coverage Ratio in Section 11.13.6 hereof, the Company shall immediately prepay Revolving Loans and/or Cash Collateralize the outstanding Letters of Credit, or do a combination of the foregoing, in an amount sufficient to come into compliance with such financial covenant.

6.3 Manner of Prepayments.

6.3.1 All Prepayments. Each voluntary partial prepayment shall be in a principal amount of \$100,000 or a higher integral multiple of \$100,000. Any partial prepayment of a Group of LIBOR Loans shall be subject to the proviso to Section 2.2.3(a). Any prepayment of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall include interest on the principal amount being repaid and shall be subject to Section 8.4. Except as otherwise provided by this Agreement, all principal payments in respect of the Loans shall be applied first, to repay outstanding Base Rate Loans and then to repay outstanding LIBOR Rate Loans in direct order of Interest Period maturities.

6.4 Repayments.

6.4.1 Revolving Loans. The Revolving Loans of each Lender shall be paid in full and the Revolving Commitment shall terminate on the Termination Date.

SECTION 7 MAKING AND PRORATION OF PAYMENTS; SETOFF; TAXES.

7.1 Making of Payments. All payments of principal or interest on the Notes, and of all fees, shall be made by the Company to the Administrative Agent in immediately available funds at the office specified by the Administrative Agent not later than noon, Chicago time, on the date due; and funds received after that hour shall be deemed to have been received by the Administrative Agent on the following Business Day. The Administrative Agent shall promptly remit to each Lender its share of all such payments received in collected funds by the Administrative Agent for the account of such Lender. All payments under Section 8.1 shall be made by the Company directly to the Lender entitled thereto without setoff, counterclaim or other defense.

7.2 Application of Certain Payments. So long as no Unmatured Event of Default or Event of Default has occurred and is continuing, (a) payments matching specific scheduled payments then due shall be applied to those scheduled payments and (b) voluntary and mandatory prepayments shall be applied as set forth in Sections 6.2 and 6.3. After the occurrence and during the continuance of an Unmatured Event of Default or Event of Default, all amounts collected or received by the Administrative Agent or any Lender as proceeds from the sale of, or other realization upon, all or any part of the collateral for the Loans shall be applied as the Administrative Agent shall determine in its discretion or, in the absence of a specific determination by the Administrative Agent, as set forth in the Collateral Documents. Concurrently with each remittance to any Lender of its share of any such payment, the Administrative Agent shall advise such Lender as to the application of such payment.

7.3 Due Date Extension. If any payment of principal or interest with respect to any of the Loans, or of any fees, falls due on a day which is not a Business Day, then such due date shall be extended to the immediately following Business Day (unless, in the case of a LIBOR Loan, such immediately following Business Day is the first Business Day of a calendar month, in which case such due date shall be the immediately preceding Business Day) and, in the case of principal, additional interest shall accrue and be payable for the period of any such extension.

7.4 Setoff. The Company agrees that the Administrative Agent and each Lender have all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, the Company agrees that at any time any Event of Default exists, the Administrative Agent and each Lender may apply to the payment of any Obligations of the Company hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of the Company then or thereafter with the Administrative Agent or such Lender.

7.5 Proration of Payments. If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise, on account of (a) principal of or interest on any Loan, but excluding (i) any payment pursuant to Section 8.7 or 15.6 and (ii) payments of interest on any Affected Loan) or (b) its participation in any Letter of Credit) in excess of its applicable Pro Rata Share of payments and other recoveries obtained by all Lenders on account of principal of and interest on the Loans (or such participation) then held by them,

then such Lender shall purchase from the other Lenders such participations in the Loans (or sub-participations in Letters of Credit) held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery.

#### 7.6 Taxes.

(a) All payments made by the Company hereunder or under any Loan Documents shall be made without setoff, counterclaim, or other defense. To the extent permitted by applicable law, all payments hereunder or under the Loan Documents (including any payment of principal, interest, or fees) to, or for the benefit, of any person shall be made by the Company free and clear of and without deduction or withholding for, or account of, any Taxes now or hereinafter imposed by any taxing authority.

(b) If the Company makes any payment hereunder or under any Loan Document in respect of which it is required by applicable law to deduct or withhold any Taxes, the Company shall increase the payment hereunder or under any such Loan Document such that after the reduction for the amount of Taxes withheld (and any taxes withheld or imposed with respect to the additional payments required under this Section 7.6(b)), the amount paid to the Lenders or the Administrative Agent equals the amount that was payable hereunder or under any such Loan Document without regard to this Section 7.6(b). To the extent the Company withholds any Taxes on payments hereunder or under any Loan Document, the Company shall pay the full amount deducted to the relevant taxing authority within the time allowed for payment under applicable law and shall deliver to the Administrative Agent within 30 days after it has made payment to such authority a receipt issued by such authority (or other evidence satisfactory to the Administrative Agent) evidencing the payment of all amounts so required to be deducted or withheld from such payment.

(c) If any Lender or the Administrative Agent is required by law to make any payments of any Taxes on or in relation to any amounts received or receivable hereunder or under any other Loan Document, or any Tax is assessed against a Lender or the Administrative Agent with respect to amounts received or receivable hereunder or under any other Loan Document, the Company will indemnify such person against (i) such Tax (and any reasonable counsel fees and expenses associated with such Tax) and (ii) any taxes imposed as a result of the receipt of the payment under this Section 7.6(c). A certificate prepared in good faith as to the amount of such payment by such Lender or the Administrative Agent shall, absent manifest error, be final, conclusive, and binding on all parties.

(d) (i) To the extent permitted by applicable law, each Lender that is not a United States person within the meaning of Code section 7701(a)(30) (a "Non-U.S. Participant") shall deliver to the Company and the Administrative Agent on or prior to the Closing Date (or in the case of a Lender that is an Assignee, on the date of such assignment to such Lender) two

accurate and complete original signed copies of IRS Form W-8BEN, W-8ECI, or W-8IMY (or any successor or other applicable form prescribed by the IRS) certifying to such Lender's entitlement to a complete exemption from, or a reduced rate in, United States withholding tax on interest payments to be made hereunder or any Loan. If a Lender that is a Non-U.S. Participant is claiming a complete exemption from withholding on interest pursuant to Sections 871(h) or 881(c) of the Code, the Lender shall deliver (along with two accurate and complete original signed copies of IRS Form W-8BEN) a certificate in form and substance reasonably acceptable to Administrative Agent (any such certificate, a "Withholding Certificate"). In addition, each Lender that is a Non-U.S. Participant agrees that from time to time after the Closing Date, (or in the case of a Lender that is an Assignee, after the date of the assignment to such Lender), when a lapse in time (or change in circumstances occurs) renders the prior certificates hereunder obsolete or inaccurate in any material respect, such Lender shall, to the extent permitted under applicable law, deliver to the Company and the Administrative Agent two new and accurate and complete original signed copies of an IRS Form W-8BEN, W-8ECI, or W-8IMY (or any successor or other applicable forms prescribed by the IRS), and if applicable, a new Withholding Certificate, to confirm or establish the entitlement of such Lender or the Administrative Agent to an exemption from, or reduction in, United States withholding tax on interest payments to be made hereunder or any Loan.

(ii) Each Lender that is not a Non-U.S. Participant (other than any such Lender which is taxed as a corporation for U.S. federal income tax purposes) shall provide two properly completed and duly executed copies of IRS Form W-9 (or any successor or other applicable form) to the Company and the Administrative Agent certifying that such Lender is exempt from United States backup withholding tax. To the extent that a form provided pursuant to this Section 7.6(d)(ii) is rendered obsolete or inaccurate in any material respects as result of change in circumstances with respect to the status of a Lender, such Lender shall, to the extent permitted by applicable law, deliver to the Company and the Administrative Agent revised forms necessary to confirm or establish the entitlement to such Lender's or Agent's exemption from United States backup withholding tax.

(iii) The Company shall not be required to pay additional amounts to a Lender, or indemnify any Lender, under this Section 7.6 to the extent that such obligations would not have arisen but for the failure of such Lender to comply with Section 7.6(d).

(iv) Each Lender agrees to indemnify the Administrative Agent and hold the Administrative Agent harmless for the full amount of any and all present or future Taxes and related liabilities (including penalties, interest, additions to tax and expenses, and any Taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this Section 7.6) which are imposed on or with respect to principal, interest or fees payable to such Lender hereunder and which are not paid by the Company pursuant to this Section 7.6, whether or not such Taxes or related liabilities were correctly or legally asserted. This indemnification shall be made within 30 days from the date the Administrative Agent makes written demand therefor.

SECTION 8 INCREASED COSTS; SPECIAL PROVISIONS FOR LIBOR LOANS.

8.1 Increased Costs. (a) If, after the date hereof, the adoption of, or any change in, any applicable law, rule or regulation, or any change in the interpretation or administration of any applicable law, rule or regulation by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency: (i) shall impose, modify or deem applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of the LIBOR Rate pursuant to Section 4), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Lender; or (ii) shall impose on any Lender any other condition affecting its LIBOR Loans, its Note or its obligation to make LIBOR Loans; and the result of anything described in clauses (i) and (ii) above is to increase the cost to (or to impose a cost on) such Lender (or any LIBOR Office of such Lender) of making or maintaining any LIBOR Loan, or to reduce the amount of any sum received or receivable by such Lender (or its LIBOR Office) under this Agreement or under its Note with respect thereto, then upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay directly to such Lender such additional amount as will compensate such Lender for such increased cost or such reduction, so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.

(b) If any Lender shall reasonably determine that any change in, or the adoption or phase-in of, any applicable law, rule or regulation regarding capital adequacy, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or the compliance by any Lender or any Person controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or such controlling Person's capital as a consequence of such Lender's obligations hereunder or under any Letter of Credit to a level below that which such Lender or such controlling Person could have achieved but for such change, adoption, phase-in or compliance (taking into consideration such Lender's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by such Lender or such controlling Person to be material, then from time to time, upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay to such Lender such additional amount as will compensate such Lender or such controlling Person for such reduction so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.



**8.2 Basis for Determining Interest Rate Inadequate or Unfair.** If

(a) the Administrative Agent reasonably determines (which determination shall be binding and conclusive on the Company) that by reason of circumstances affecting the interbank LIBOR market adequate and reasonable means do not exist for ascertaining the applicable LIBOR Rate; or

(b) the Required Lenders advise the Administrative Agent that the LIBOR Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of maintaining or funding LIBOR Loans for such Interest Period (taking into account any amount to which such Lenders may be entitled under Section 8.1) or that the making or funding of LIBOR Loans has become impracticable as a result of an event occurring after the date of this Agreement which in the opinion of such Lenders materially affects such Loans;

then the Administrative Agent shall promptly notify the other parties thereof and, so long as such circumstances shall continue, (i) no Lender shall be under any obligation to make or convert any Base Rate Loans into LIBOR Loans and (ii) on the last day of the current Interest Period for each LIBOR Loan, such Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan.

**8.3 Changes in Law Rendering LIBOR Loans Unlawful.** If any change in, or the adoption of any new, law or regulation, or any change in the interpretation of any applicable law or regulation by any governmental or other regulatory body charged with the administration thereof, should make it (or in the good faith judgment of any Lender cause a substantial question as to whether it is) unlawful for any Lender to make, maintain or fund LIBOR Loans, then such Lender shall promptly notify each of the other parties hereto and, so long as such circumstances shall continue, (a) such Lender shall have no obligation to make or convert any Base Rate Loan into a LIBOR Loan (but shall make Base Rate Loans concurrently with the making of or conversion of Base Rate Loans into LIBOR Loans by the Lenders which are not so affected, in each case in an amount equal to the amount of LIBOR Loans which would be made or converted into by such Lender at such time in the absence of such circumstances) and (b) on the last day of the current Interest Period for each LIBOR Loan of such Lender (or, in any event, on such earlier date as may be required by the relevant law, regulation or interpretation), such LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan. Each Base Rate Loan made by a Lender which, but for the circumstances described in the foregoing sentence, would be a LIBOR Loan (an "Affected Loan") shall remain outstanding for the period corresponding to the Group of LIBOR Loans of which such Affected Loan would be a part absent such circumstances.

**8.4 Funding Losses.** The Company hereby agrees that upon demand by any Lender (which demand shall be accompanied by a statement setting forth the basis for the amount being claimed, a copy of which shall be furnished to the Administrative Agent), the Company will indemnify such Lender against any net loss or expense which such Lender may sustain or incur (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any LIBOR Loan), as reasonably determined by such Lender, as a result of (a) any payment, prepayment or conversion

of any LIBOR Loan of such Lender on a date other than the last day of an Interest Period for such Loan (including any conversion pursuant to Section 8.3) or (b) any failure of the Company to borrow, convert or continue any Loan on a date specified therefor in a notice of borrowing, conversion or continuation pursuant to this Agreement. For this purpose, all notices to the Administrative Agent pursuant to this Agreement shall be deemed to be irrevocable.

8.5 Right of Lenders to Fund through Other Offices. Each Lender may, if it so elects, fulfill its commitment as to any LIBOR Loan by causing a foreign branch or Affiliate of such Lender to make such Loan; provided that in such event for the purposes of this Agreement such Loan shall be deemed to have been made by such Lender and the obligation of the Company to repay such Loan shall nevertheless be to such Lender and shall be deemed held by it, to the extent of such Loan, for the account of such branch or Affiliate.

8.6 Discretion of Lenders as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Lender had actually funded and maintained each LIBOR Loan during each Interest Period for such Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the LIBOR Rate for such Interest Period.

8.7 Mitigation of Circumstances; Replacement of Lenders. (a) Each Lender shall promptly notify the Company and the Administrative Agent of any event of which it has knowledge which will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's sole judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Company to pay any amount pursuant to Section 7.6 or 8.1 or (ii) the occurrence of any circumstances described in Section 8.2 or 8.3 (and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify the Company and the Administrative Agent). Without limiting the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Company of) any event described in clause (i) or (ii) above and such designation will not, in such Lender's sole judgment, be otherwise disadvantageous to such Lender.

(b) If the Company becomes obligated to pay additional amounts to any Lender pursuant to Section 7.6 or 8.1, or any Lender gives notice of the occurrence of any circumstances described in Section 8.2 or 8.3, the Company may designate another bank which is acceptable to the Administrative Agent and the Issuing Lender in their reasonable discretion (such other bank being called a "Replacement Lender") to purchase the Loans of such Lender and such Lender's rights hereunder, without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Lender and any other amounts payable to such Lender under this Agreement, and to assume all the obligations of such Lender hereunder, and, upon such purchase and assumption (pursuant to an

Assignment Agreement), such Lender shall no longer be a party hereto or have any rights hereunder (other than rights with respect to indemnities and similar rights applicable to such Lender prior to the date of such purchase and assumption) and shall be relieved from all obligations to the Company hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder.

8.8 Conclusiveness of Statements; Survival of Provisions. Determinations and statements of any Lender pursuant to Section 8.1, 8.2, 8.3 or 8.4 shall be conclusive absent demonstrable error. Lenders may use reasonable averaging and attribution methods in determining compensation under Sections 8.1 and 8.4, and the provisions of such Sections shall survive repayment of the Obligations, cancellation of any Notes, expiration or termination of the Letters of Credit and termination of this Agreement.

#### SECTION 9 REPRESENTATIONS AND WARRANTIES.

To induce the Administrative Agent and the Lenders to enter into this Agreement and to induce the Lenders to make Loans and issue and participate in Letters of Credit hereunder, the Company represents and warrants to the Administrative Agent and the Lenders that:

9.1 Organization. Each Loan Party is validly existing and in good standing under the laws of its jurisdiction of organization; and each Loan Party is duly qualified to do business in each jurisdiction where, because of the nature of its activities or properties, such qualification is required, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect.

9.2 Authorization; No Conflict. Each Loan Party is duly authorized to execute and deliver each Loan Document to which it is a party, the Company is duly authorized to borrow monies hereunder and each Loan Party is duly authorized to perform its Obligations under each Loan Document to which it is a party. The execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, and the borrowings by the Company hereunder, do not and will not (a) require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in full force and effect), (b) conflict with (i) any provision of law, (ii) the charter, by-laws or other organizational documents of any Loan Party or (iii) any agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon any Loan Party or any of their respective properties or (c) require, or result in, the creation or imposition of any Lien on any asset of any Loan Party (other than Liens in favor of the Administrative Agent created pursuant to the Collateral Documents).

9.3 Validity and Binding Nature. Each of this Agreement and each other Loan Document to which any Loan Party is a party is the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

9.4 Financial Condition. The audited consolidated financial statements of the Company and its Subsidiaries as at December 31, 2002 and the unaudited consolidated financial statements of the Company and the Subsidiaries as at September 30, 2003, copies of each of which have been delivered to each Lender, were prepared in accordance with GAAP (subject, in the case of such unaudited statements, to normal year-end adjustments) and present fairly the consolidated financial condition of the Company and its Subsidiaries as at such dates and the results of their operations for the periods then ended.

9.5 No Material Adverse Change. Since December 31, 2002, there has been no material adverse change in the financial condition, operations, assets, business, properties or prospects of the Loan Parties taken as a whole.

9.6 Litigation and Contingent Liabilities. No litigation (including derivative actions), arbitration proceeding or governmental investigation or proceeding is pending or, to the Company's knowledge, threatened against any Loan Party which might reasonably be expected to have a Material Adverse Effect, except as set forth in Schedule 9.6. Other than any liability incident to such litigation or proceedings, no Loan Party has any material contingent liabilities not listed on Schedule 9.6 or permitted by Section 11.1.

9.7 Ownership of Properties; Liens. Each Loan Party owns good and, in the case of real property, marketable title to all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights), free and clear of all Liens, charges and claims (including infringement claims with respect to patents, trademarks, service marks, copyrights and the like) except as permitted by Section 11.2.

9.8 Equity Ownership; Subsidiaries. All issued and outstanding Capital Securities of each Loan Party are duly authorized and validly issued, fully paid, non-assessable, and free and clear of all Liens other than those in favor of the Administrative Agent, and such securities were issued in compliance with all applicable state and federal laws concerning the issuance of securities. Schedule 9.8 sets forth the authorized Capital Securities of each Loan Party as of the Closing Date. All of the issued and outstanding Capital Securities of the Company are owned as set forth on Schedule 9.8 as of the Closing Date, and all of the issued and outstanding Capital Securities of each Wholly-Owned Subsidiary is, directly or indirectly, owned by the Company. As of the Closing Date, except as set forth on Schedule 9.8, there are no pre-emptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the purchase or acquisition of any Capital Securities of any Loan Party. Schedule 9.8 also sets forth a complete list of all Subsidiaries as of the date hereof.

9.9 Pension Plans. (a) The Unfunded Liability of all Pension Plans does not in the aggregate exceed twenty percent of the Total Plan Liability for all such Pension Plans. Each Pension Plan complies in all material respects with all applicable requirements of law and regulations. No contribution failure under Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan has occurred with respect to any Pension Plan, sufficient to give rise

to a Lien under Section 302(f) of ERISA, or otherwise to have a Material Adverse Effect. There are no pending or, to the knowledge of Company, threatened, claims, actions, investigations or lawsuits against any Pension Plan, any fiduciary of any Pension Plan, or Company or other any member of the Controlled Group with respect to a Pension Plan or a Multiemployer Pension Plan which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any other member of the Controlled Group has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Pension Plan or Multiemployer Pension Plan which would subject that Person to any material liability. Within the past five years, neither the Company nor any other member of the Controlled Group has engaged in a transaction which resulted in a Pension Plan with an Unfunded Liability being transferred out of the Controlled Group, which could reasonably be expected to have a Material Adverse Effect. No Termination Event has occurred or is reasonably expected to occur with respect to any Pension Plan, which could reasonably be expected to have a Material Adverse Effect.

(b) All contributions (if any) have been made to any Multiemployer Pension Plan that are required to be made by the Company or any other member of the Controlled Group under the terms of the plan or of any collective bargaining agreement or by applicable law; neither the Company nor any other member of the Controlled Group has withdrawn or partially withdrawn from any Multiemployer Pension Plan, incurred any withdrawal liability with respect to any such plan or received notice of any claim or demand for withdrawal liability or partial withdrawal liability from any such plan, and no condition has occurred which, if continued, could result in a withdrawal or partial withdrawal from any such plan; and neither the Company nor any other member of the Controlled Group has received any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of any excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent.

9.10 Investment Company Act. No Loan Party is an “investment company” or a company “controlled” by an “investment company” or a “subsidiary” of an “investment company,” within the meaning of the Investment Company Act of 1940.

9.11 Public Utility Holding Company Act. No Loan Party is a “holding company”, or a “subsidiary company” of a “holding company,” or an “affiliate” of a “holding company” or of a “subsidiary company” of a “holding company,” within the meaning of the Public Utility Holding Company Act of 1935.

9.12 Regulation U. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

### 9.13 Taxes; Tax Shelter Registration.

(a) Each Loan Party has timely filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges due and payable with respect to such return, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Loan Parties have made adequate reserves on their books and records in accordance with GAAP for all taxes that have accrued but which are not yet due and payable. No Loan Party has participated in any transaction that relates to a year of the taxpayer (which is still open under the applicable statute of limitations) which is a “reportable transaction” within the meaning of Treasury Regulation section 1.6011-4(b)(2) (irrespective of the date when the transaction was entered into).

(b) No Loan Party intends to treat any of the transactions contemplated by any Loan Document as being a “reportable transaction” within the meaning of Treasury Regulation Section 1.6011-4.

9.14 Solvency, etc. On the Closing Date, and immediately prior to and after giving effect to the issuance of each Letter of Credit and each borrowing hereunder and the use of the proceeds thereof, with respect to each Loan Party, individually, (a) the fair value of its assets is greater than the amount of its liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated, (b) the present fair saleable value of its assets is not less than the amount that will be required to pay the probable liability on its debts as they become absolute and matured, (c) it is able to realize upon its assets and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) it does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature and (e) it is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which its property would constitute unreasonably small capital.

### 9.15 Environmental Matters.

(a) No Violations. Except as set forth on Schedule 9.15, neither the Company nor any Subsidiary, nor any operator of the Company’s or any Subsidiary’s properties, is in violation, or alleged violation, of any judgment, decree, order, law, permit, license, rule or regulation pertaining to environmental matters, including those arising under the Resource Conservation and Recovery Act (“RCRA”), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), the Superfund Amendments and Reauthorization Act of 1986 or any other Environmental Law which (i) in any single case, requires expenditures in any three-year period of \$250,000 or more by the Company and its Subsidiaries in penalties and/or for investigative, removal or remedial actions or (ii) individually or in the aggregate otherwise might reasonably be expected to have a Material Adverse Effect.

(b) Notices. Except as set forth on Schedule 9.15 and for matters arising after the Closing Date, in each case none of which could singly or in the aggregate be expected

to have a Material Adverse Effect, neither the Company nor any Subsidiary has received notice from any third party, including any Federal, state or local governmental authority: (a) that any one of them has been identified by the U.S. Environmental Protection Agency as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (b) that any Hazardous Substances which any one of them has generated, transported or disposed of has been found at any site at which a Federal, state or local agency or other third party has conducted a remedial investigation, removal or other response action pursuant to any Environmental Law; (c) that the Company or any Subsidiary must conduct a remedial investigation, removal, response action or other activity pursuant to any Environmental Law; or (d) of any Environmental Claim.

(c) Handling of Hazardous Substances. Except as set forth on Schedule 9.15, (i) no portion of the real property or other assets of the Company or any Subsidiary has been used for the handling, processing, storage or disposal of Hazardous Substances except in accordance in all material respects with applicable Environmental Laws; and no underground tank or other underground storage receptacle for Hazardous Substances is located on such properties; (ii) in the course of any activities conducted by the Company, any Subsidiary or the operators of any real property of the Company or any Subsidiary, no Hazardous Substances have been generated or are being used on such properties except in accordance in all material respects with applicable Environmental Laws; (iii) there have been no Releases or threatened Releases of Hazardous Substances on, upon, into or from any real property or other assets of the Company or any Subsidiary, which Releases singly or in the aggregate might reasonably be expected to have a material adverse effect on the value of such real property or assets; (iv) there have been no Releases on, upon, from or into any real property in the vicinity of the real property or other assets of the Company or any Subsidiary which, through soil or groundwater contamination, may have come to be located on, and which might reasonably be expected to have a material adverse effect on the value of, the real property or other assets of the Company or any Subsidiary; and (v) any Hazardous Substances generated by the Company and its Subsidiaries have been transported offsite only by properly licensed carriers and delivered only to treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities have been and are operating in compliance in all material respects with such permits and applicable Environmental Laws.

9.16 Insurance. Set forth on Schedule 9.16 is a complete and accurate summary of the property and casualty insurance program of the Loan Parties as of the Closing Date (including the names of all insurers, policy numbers, expiration dates, amounts and types of coverage, annual premiums, exclusions, deductibles, self-insured retention, and a description in reasonable detail of any self-insurance program, retrospective rating plan, fronting arrangement or other risk assumption arrangement involving any Loan Party). Each Loan Party and its properties are insured with financially sound and reputable insurance companies which are not Affiliates of the

Loan Parties, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where such Loan Parties operate.

9.17 Real Property. Set forth on Schedule 9.17 is a complete and accurate list, as of the Closing Date, of the address of all real property owned or leased by any Loan Party, together with, in the case of leased property, the name and mailing address of the lessor of such property.

9.18 Information. All information heretofore or contemporaneously herewith furnished in writing by any Loan Party to the Administrative Agent or any Lender for purposes of or in connection with this Agreement and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made (it being recognized by the Administrative Agent and the Lenders that any projections and forecasts provided by the Company are based on good faith estimates and assumptions believed by the Company to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

9.19 Intellectual Property. Each Loan Party owns and possesses or has a license or other right to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights and copyrights as are necessary for the conduct of the businesses of the Loan Parties, without any infringement upon rights of others which could reasonably be expected to have a Material Adverse Effect.

9.20 Burdensome Obligations. No Loan Party is a party to any agreement or contract or subject to any restriction contained in its organizational documents which could reasonably be expected to have a Material Adverse Effect.

9.21 Labor Matters. Except as set forth on Schedule 9.21, no Loan Party is subject to any labor or collective bargaining agreement. There are no existing or threatened strikes, lockouts or other labor disputes involving any Loan Party that singly or in the aggregate could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Loan Parties are not in violation of the Fair Labor Standards Act or any other applicable law, rule or regulation dealing with such matters.

9.22 No Default. No Event of Default or Unmatured Event of Default exists or would result from the incurrence by any Loan Party of any Debt hereunder or under any other Loan Document.



## SECTION 10 AFFIRMATIVE COVENANTS.

Until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full and all Letters of Credit have been terminated, the Company agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

10.1 Reports, Certificates and Other Information. Furnish to the Administrative Agent and each Lender:

10.1.1 Annual Report. Promptly when available and in any event within 90 days after the close of each Fiscal Year: a copy of the Company's Annual Report on Form 10-K as filed with the SEC, together with a written statement from the accountants to the effect that in making the examination necessary for the signing of such Annual Report by such accountants, nothing came to their attention that caused them to believe that the Company was not in compliance with any provision of Section 10.1, 10.3, 10.4 or 11.13 of this Agreement insofar as such provision relates to accounting matters or, if something has come to their attention that caused them to believe that the Company was not in compliance with any such provision, describing such non-compliance in reasonable detail.

10.1.2 Interim Reports. Promptly when available and in any event within 45 days after the end of each Fiscal Quarter, a copy of the Company's Quarterly Report on Form 10-Q as filed with the SEC.

10.1.3 Compliance Certificates. Contemporaneously with the furnishing of a copy of each annual report pursuant to Section 10.1.1 and each set of interim reports pursuant to Section 10.1.2, a duly completed compliance certificate in the form of Exhibit B, with appropriate insertions, dated the date of such annual report or such quarterly statements and signed by a Senior Officer of the Company, containing (i) a computation of each of the financial ratios and restrictions set forth in Section 11.13 and to the effect that such officer has not become aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such event, describing it and the steps, if any, being taken to cure it and (ii) a written statement of the Company's management setting forth a discussion of the Company's financial condition, changes in financial condition and results of operations.

10.1.4 Reports to the SEC and to Shareholders. Promptly upon the filing or sending thereof, copies of all annual, regular, periodic or special reports of any Loan Party filed with the SEC; copies of all registration statements of any Loan Party filed with the SEC (other than on Form S-8); and copies of all proxy statements or other communications made to security holders generally.

10.1.5 Notice of Default, Litigation and ERISA Matters. Promptly upon becoming aware of any of the following, written notice describing the same and the steps being taken by the Company or the Subsidiary affected thereby with respect thereto:

- (a) the occurrence of an Event of Default or an Unmatured Event of Default;

(b) any litigation, arbitration or governmental investigation or proceeding not previously disclosed by the Company to the Lenders which has been instituted or, to the knowledge of the Company, is threatened against any Loan Party or to which any of the properties of any thereof is subject which might reasonably be expected to have a Material Adverse Effect;

(c) the institution of any steps by any member of the Controlled Group or any other Person to terminate any Pension Plan, or the failure of any member of the Controlled Group to make a required contribution to any Pension Plan (if such failure is sufficient to give rise to a Lien under Section 302(f) of ERISA) or to any Multiemployer Pension Plan, or the taking of any action with respect to a Pension Plan which could result in the requirement that the Company furnish a bond or other security to the PBGC or such Pension Plan, or the occurrence of any event with respect to any Pension Plan or Multiemployer Pension Plan which could result in the incurrence by any member of the Controlled Group of any material liability, fine or penalty (including any claim or demand for withdrawal liability or partial withdrawal from any Multiemployer Pension Plan), or any material increase in the contingent liability of the Company with respect to any post-retirement welfare benefit plan or other employee benefit plan of the Company or another member of the Controlled Group, or any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of an excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent;

(d) any cancellation or material change in any insurance maintained by any Loan Party; or

(e) any other event (including (i) any violation of any Environmental Law or the assertion of any Environmental Claim or (ii) the enactment or effectiveness of any law, rule or regulation) which might reasonably be expected to have a Material Adverse Effect.

10.1.6 Management Reports. Promptly upon receipt thereof, copies of all detailed financial and management reports submitted to the Company by independent auditors in connection with each annual or interim audit made by such auditors of the financial statements of the Company.

10.1.7 Other Information. Promptly from time to time, such other information concerning the Loan Parties as any Lender or the Administrative Agent may reasonably request.

10.1.8 Subordinated Debt Notices. Promptly following receipt, copies of any notices (including notices of default or acceleration) received from any holder or trustee of, under or with respect to any Subordinated Debt

10.2 Books, Records and Inspections. Keep, and cause each other Loan Party to keep, its books and records in accordance with sound business practices sufficient to allow the preparation of financial statements in accordance with GAAP; permit, and cause each other Loan Party to permit, any Lender or the Administrative Agent or any representative thereof to inspect the properties and operations of the Loan Parties; and permit, and cause each other Loan Party to permit, at any reasonable time and with reasonable notice (or at any time without notice if an Event of Default exists), any Lender or the Administrative Agent or any representative thereof to visit any or all of its offices, to discuss its financial matters with its officers and its independent auditors (and the Company hereby authorizes such independent auditors to discuss such financial matters with any Lender or the Administrative Agent or any representative thereof), and to examine (and, at the expense of the Loan Parties, photocopy extracts from) any of its books or other records; and permit, and cause each other Loan Party to permit, the Administrative Agent and its representatives to inspect the Inventory and other tangible assets of the Loan Parties, to perform appraisals of the equipment of the Loan Parties, and to inspect, audit, check and make copies of and extracts from the books, records, computer data, computer programs, journals, orders, receipts, correspondence and other data relating to Inventory, Accounts and any other collateral. All such inspections or audits by the Administrative Agent shall be at the Company's expense.

10.3 Maintenance of Property; Insurance. (a) Keep, and cause each other Loan Party to keep, all property useful and necessary in the business of the Loan Parties in good working order and condition, ordinary wear and tear excepted.

(b) Maintain, and cause each other Loan Party to maintain, with responsible insurance companies, such insurance coverage as may be required by any law or governmental regulation or court decree or order applicable to it and such other insurance, to such extent and against such hazards and liabilities, as is customarily maintained by companies similarly situated, but which shall insure against all risks and liabilities of the type identified on Schedule 9.16 and shall have insured amounts no less than, and deductibles no higher than, those set forth on such schedule; and, upon request of the Administrative Agent or any Lender, furnish to the Administrative Agent or such Lender a certificate setting forth in reasonable detail the nature and extent of all insurance maintained by the Loan Parties. The Company shall cause each issuer of an insurance policy to provide the Administrative Agent with an endorsement (i) showing the Administrative Agent as loss payee with respect to each policy of property or casualty insurance and naming the Administrative Agent and each Lender as an additional insured with respect to each policy of liability insurance, (ii) providing that 30 days' notice will be given to the Administrative Agent prior to any cancellation of, material reduction or change in coverage provided by or other material modification to such policy and (iii) reasonably acceptable in all other respects to the Administrative Agent.

(c) UNLESS THE COMPANY PROVIDES THE ADMINISTRATIVE AGENT WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS AGREEMENT, THE ADMINISTRATIVE AGENT MAY PURCHASE INSURANCE AT THE COMPANY'S EXPENSE TO PROTECT THE ADMINISTRATIVE AGENT'S AND THE LENDERS' INTERESTS IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT ANY LOAN PARTY'S INTERESTS. THE COVERAGE THAT THE ADMINISTRATIVE AGENT PURCHASES MAY NOT PAY ANY CLAIM THAT IS MADE AGAINST ANY LOAN PARTY IN CONNECTION WITH THE COLLATERAL. THE COMPANY MAY LATER CANCEL ANY INSURANCE PURCHASED BY THE ADMINISTRATIVE AGENT, BUT ONLY AFTER PROVIDING THE ADMINISTRATIVE AGENT WITH EVIDENCE THAT THE COMPANY HAS OBTAINED INSURANCE AS REQUIRED BY THIS AGREEMENT. IF THE ADMINISTRATIVE AGENT PURCHASES INSURANCE FOR THE COLLATERAL, THE COMPANY WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES THAT MAY BE IMPOSED WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE PRINCIPAL AMOUNT OF THE LOANS OWING HEREUNDER. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF THE INSURANCE THE LOAN PARTIES MAY BE ABLE TO OBTAIN ON THEIR OWN.

10.4 Compliance with Laws; Payment of Taxes and Liabilities. (a) Comply, and cause each other Loan Party to comply, in all material respects with all applicable laws, rules, regulations, decrees, orders, judgments, licenses and permits, except where failure to comply could not reasonably be expected to have a Material Adverse Effect; (b) without limiting clause (a) above, ensure, and cause each other Loan Party to ensure, that no person who owns a controlling interest in or otherwise controls a Loan Party is or shall be (i) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (ii) a person designated under Section 1(b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders, (c) without limiting clause (a) above, comply, and cause each other Loan Party to comply, with all applicable Bank Secrecy Act ("BSA") and anti-money laundering laws and regulations and (d) pay, and cause each other Loan Party to pay, prior to delinquency, all taxes and other governmental charges against it or any collateral, as well as claims of any kind which, if unpaid, could become a Lien on any of its property; provided that the foregoing shall not require any Loan Party to pay any such tax or charge so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall set aside on its books adequate reserves with respect thereto in accordance with GAAP and, in the case of a claim which could become a Lien on any collateral, such contest proceedings shall stay the foreclosure of such Lien or the sale of any portion of the collateral to satisfy such claim.

10.5 Maintenance of Existence, etc. Maintain and preserve, and (subject to Section 11.5) cause each other Loan Party to maintain and preserve, (a) its existence and good standing in the jurisdiction of its organization and (b) its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing could not reasonably be expected to have a Material Adverse Effect).

10.6 Use of Proceeds. Use the proceeds of the Loans, and the Letters of Credit, solely for working capital purposes, for Capital Expenditures and for other general business purposes; and not use or permit any proceeds of any Loan to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of “purchasing or carrying” any Margin Stock.

10.7 Employee Benefit Plans.

(a) Maintain, and cause each other member of the Controlled Group to maintain, each Pension Plan in substantial compliance with all applicable requirements of law and regulations.

(b) Make, and cause each other member of the Controlled Group to make, on a timely basis, all required contributions to any Multiemployer Pension Plan.

(c) Not, and not permit any other member of the Controlled Group to (i) seek a waiver of the minimum funding standards of ERISA, (ii) terminate or withdraw from any Pension Plan or Multiemployer Pension Plan or (iii) take any other action with respect to any Pension Plan that would reasonably be expected to entitle the PBGC to terminate, impose liability in respect of, or cause a trustee to be appointed to administer, any Pension Plan, unless the actions or events described in clauses (i), (ii) and (iii) individually or in the aggregate would not have a Material Adverse Effect.

10.8 Environmental Matters. If any release or threatened Release or other Disposal of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of any Loan Party, the Company shall, or shall cause the applicable Loan Party to, cause the prompt containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets. Without limiting the generality of the foregoing, the Company shall, and shall cause each other Loan Party to, comply with any Federal or state judicial or administrative order requiring the performance at any real property of any Loan Party of activities in response to the Release or threatened Release of a Hazardous Substance. To the extent that the transportation of Hazardous Substances is permitted by this Agreement, the Company shall, and shall cause its Subsidiaries to, dispose of such Hazardous Substances, or of any other wastes, only at licensed disposal facilities operating in compliance with Environmental Laws.

10.9 Tax Shelter Registration. Notify the Administrative Agent of any action (or the intention to take an action) inconsistent with the representation in Section 9.13(b). If the Company so notifies the Administrative Agent, the Company acknowledges and agrees that the Administrative Agent and the Lenders may treat the transactions contemplated hereby (or any single transaction contemplated hereby) as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and the Administrative Agent and such Lender, as applicable, may maintain the lists and other regulations required by such Treasury Regulation. To the extent the Administrative Agent or a Lender determines to maintain such list, each Loan Party shall cooperate with the Administrative Agent and Lenders in obtaining the information required under such Treasury Regulation. Within 10 days after notifying the Administrative Agent under this Section 10.9, the Company shall deliver to the Administrative Agent a duly completed copy of IRS Form 8886 or any successor form.

10.10 Further Assurances. Take, and cause each other Loan Party to take, such actions as are necessary or as the Administrative Agent or the Required Lenders may reasonably request from time to time to ensure that the Obligations of each Loan Party under the Loan Documents are secured by the Collateral Documents, including (a) the execution and delivery of guaranties, security agreements, pledge agreements, mortgages, deeds of trust, financing statements and other documents, and the filing or recording of any of the foregoing and (b) the delivery of certificated securities and other collateral with respect to which perfection is obtained by possession.

10.11 Accounts. Unless the Administrative Agent otherwise consents in writing (and except as permitted by Section 11.11(e)), maintain all of their primary operating accounts and primary investment accounts with the Administrative Agent.

10.12 Syndication. Enter into such modifications to the Loan Documents as the Administrative Agent may reasonably request as necessary for the initial syndication of the Loans and the Commitments and, in the event such initial syndication shall prove to be impracticable in the Administrative Agent's reasonable determination, such modifications (including adjustments to the LIBOR Margin) as the Administrative Agent may reasonably request as necessary to make the syndication of the Loans and the Commitments reasonably practicable.

10.13 New Subsidiaries. In the event of an acquisition or creation of any Domestic Subsidiary or Foreign Subsidiary, or in the case of a Foreign Subsidiary that becomes a Material Foreign Subsidiary, the Company shall deliver, or cause to be delivered as the case may be, to the Administrative Agent within thirty (30) days (provided, in the case of a Foreign Subsidiary, such time period shall be extended to sixty (60) days with regards to (b), (c) and (d) below) of such acquisition or creation:

- (a) in the case of a Domestic Subsidiary, a Guaranty executed by such Subsidiary substantially in the form of Exhibit G;

- (b) in the case of a Foreign Subsidiary that becomes a Material Foreign Subsidiary or a Foreign Subsidiary is formed after the date hereof (a “New Foreign Subsidiary”), a Pledge Agreement substantially in the form of Exhibit H executed by the Company or a Subsidiary, as applicable, (unless, in the Administrative Agent’s sole discretion, such Pledge Agreement is not required as the Collateral to be pledged thereby is already covered by an existing Pledge Agreement) together with (x) stock certificates or other appropriate evidence of ownership representing sixty-five percent (65%) of the voting stock of such New Foreign Subsidiary or Material Foreign Subsidiary, (y) duly executed stock powers of assignment or stock transfer forms in blank affixed thereto and (z) such other documents as the Administrative Agent may request including UCC-1 financing statements;
- (c) in each instance where the voting stock of a Material Foreign Subsidiary is pledged, an opinion of counsel to such Material Foreign Subsidiary and the Company or a Subsidiary, as applicable, in form and substance acceptable to the Administrative Agent; and
- (d) copies of all current entity documents, including articles of incorporation or organization, By-laws, operating or partnership agreements, certificates of good standing or active status, resolutions of the Board of Directors, members, managers, partners or appropriate committees thereof (each as applicable) of such New Foreign Subsidiary or Material Foreign Subsidiary, as the case may be.

#### SECTION 11 NEGATIVE COVENANTS

Until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full and all Letters of Credit have been terminated or Cash Collateralized, the Company agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

11.1 Debt. Not, and not permit any other Loan Party to, create, incur, assume or suffer to exist any Debt, except:

- (a) Obligations under this Agreement and the other Loan Documents;
- (b) Debt secured by Liens permitted by Section 11.2(d), and extensions, renewals and refinancings thereof; provided that the aggregate amount of all such Debt at any time outstanding shall not exceed \$2,000,000;
- (c) (i) Debt of any Guarantor to the Company, (ii) Debt of Loan Parties (other than a Guarantor) to the Company in an amount not to exceed \$30,000,000 in the aggregate at any time outstanding for all such Loan Parties, and (iii) Debt of any Subsidiary (other than a Loan Party) to the Company in an amount not to exceed

\$10,000,000 in the aggregate at any time outstanding for all such Subsidiaries; provided that any Debt in excess of the limits set forth in (ii) or (iii) above shall be evidenced by a demand note in form and substance reasonably satisfactory to the Administrative Agent and pledged and delivered to the Administrative Agent pursuant to the Collateral Documents as additional collateral security for the Obligations, and the obligations under such demand note shall be subordinated to the Obligations of the Company hereunder in a manner reasonably satisfactory to the Administrative Agent;

(d) Subordinated Debt;

(e) Non-speculative fuel Hedging Obligations incurred in the normal course of business; provided, however, that the Company may incur speculative fuel Hedging Obligations so long as such Hedging Obligations do not exceed \$5,000,000 in the aggregate at any time outstanding;

(f) Debt described on Schedule 11.1 and any extension, renewal or refinancing thereof so long as the principal amount thereof is not increased;

(g) the Debt to be Repaid (so long as such Debt is repaid on the Closing Date with the proceeds of the initial Loans hereunder);

(h) Contingent Liabilities permitted in Section 11.11; and

(i) Debt of Subsidiaries other than those described in Section 11.1(c) to the Company in an amount not to exceed \$10,000,000 in the aggregate at any time outstanding.

11.2 Liens. Not, and not permit any other Loan Party to, create or permit to exist any Lien on any of its real or personal properties, assets or rights of whatsoever nature (whether now owned or hereafter acquired), except:

(a) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and, in each case, for which it maintains adequate reserves;

(b) Liens arising in the ordinary course of business (such as (i) Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by law and (ii) Liens in the form of deposits or pledges incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any advances or borrowed money or the deferred purchase price of property or services and, in each case, for which it maintains adequate reserves;



(c) Liens described on Schedule 11.2 as of the Closing Date;

(d) subject to the limitation set forth in Section 11.1(b), (i) Liens arising in connection with Capital Leases (and attaching only to the property being leased), (ii) Liens existing on property at the time of the acquisition thereof by any Loan Party (and not created in contemplation of such acquisition) and (iii) Liens that constitute purchase money security interests on any property securing debt incurred for the purpose of financing all or any part of the cost of acquiring such property, provided that any such Lien attaches to such property within 60 days of the acquisition thereof and attaches solely to the property so acquired;

(e) attachments, appeal bonds, judgments and other similar Liens, for sums not exceeding \$100,000 arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(f) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of any Loan Party;

(g) Liens arising under the Loan Documents; and

(h) the replacement, extension or renewal of any Lien permitted by clause (c) above upon or in the same property subject thereto arising out of the extension, renewal or replacement of the Debt secured thereby (without increase in the amount thereof).

11.3 Operating Leases. Not permit the aggregate amount of all rental payments under Operating Leases made (or scheduled to be made) by the Loan Parties (on a consolidated basis) to exceed \$5,000,000 in any Fiscal Year.

11.4 Restricted Payments. Except as permitted in Section 11.13.4, not, and not permit any other Loan Party to, (a) make any distribution to any holders (other than to a Loan Party) of its Capital Securities, (b) purchase or redeem any of its Capital Securities (except as permitted by Schedule 11.4), (c) pay any management fees or similar fees to any of its equityholders holding an equity stake in excess of 5% or any Affiliate thereof, (d) make any redemption, prepayment, defeasance, repurchase or any other payment in respect of any Subordinated Debt or (e) set aside funds for any of the foregoing.

11.5 Acquisitions, Sales. Not, and not permit any other Loan Party to, (a) be a party to, or make, an Acquisition of any other Person if such Person is not engaged in the same line of business as the Company, or in instances where such Person(s) are in the same line of business as the Company, then only if (I) such Acquisition is in an amount not to exceed \$50,000,000 for any individual Acquisition or \$65,000,000 in the aggregate during any Fiscal Year, (II) no Default or Event of Default shall then exist or would exist after giving effect thereto, (III) the Loan Parties shall demonstrate to the reasonable satisfaction of the Administrative Agent and the

Required Lenders that (A) the Loan Parties will be in compliance on a pro forma basis with all of the terms and provisions of the financial covenants set forth in Section 11.13 as of the end of the most recently ended Fiscal Quarter and (B) the Leverage Ratio shall be less than or equal to 2.0 to 1.0 after giving effect to such Acquisition, (IV) the Person to be acquired has EBITDA for the most recent four fiscal quarters prior to the acquisition date for which financial statements are available in an amount greater than \$0, and (V) such acquisition is not a “hostile” acquisition and has been approved by the Board of Directors and/or shareholders of the applicable Loan Party and the Person to be acquired; (b) sell, transfer, convey or lease all or any substantial part of its assets or Capital Securities (including the sale of Capital Securities of any Subsidiary) except for sales of inventory in the ordinary course of business; or (c) sell or assign with or without recourse any receivables; except that the limitations in (a) through (c) above shall not apply to: (i) any such Acquisition, sale, transfer, conveyance, lease or assignment of or by any Wholly-Owned Subsidiary into the Company or into any other domestic Wholly-Owned Subsidiary; (ii) any such purchase or other acquisition by the Company or any domestic Wholly-Owned Subsidiary of the assets or Capital Securities of any Wholly-Owned Subsidiary; (iii) sales and dispositions to Loan Parties, and (iv) sales and dispositions of assets (including the Capital Securities of Subsidiaries) for at least fair market value (as determined by the Board of Directors of the Company) so long as the net book value of all assets sold or otherwise disposed of in any Fiscal Year does not exceed \$5,000,000 in the aggregate.

11.6 Modification of Organizational Documents. Not permit the charter, by-laws or other organizational documents of any Loan Party to be amended or modified in any way which could reasonably be expected to materially adversely affect the interests of the Lenders.

11.7 Transactions with Affiliates. Not, and not permit any other Loan Party to, enter into, or cause, suffer or permit to exist any transaction, arrangement or contract with any of its other Affiliates (other than the Loan Parties) which is on terms which are less favorable than are obtainable from any Person which is not one of its Affiliates.

11.8 Unconditional Purchase Obligations. Not, and not permit any other Loan Party to, enter into or be a party to any contract for the purchase of materials, supplies or other property or services if such contract requires that payment be made by it regardless of whether delivery is ever made of such materials, supplies or other property or services; provided, however, that this Section shall not prohibit the Company from entering into forward commitments for fuel purchases in the ordinary course of business.

11.9 Inconsistent Agreements. Not, and not permit any other Loan Party to, enter into any agreement containing any provision which would (a) be violated or breached by any borrowing by the Company hereunder or by the performance by any Loan Party of any of its Obligations hereunder or under any other Loan Document, (b) prohibit any Loan Party from granting to the Administrative Agent and the Lenders, a Lien on any of its assets or (c) create or permit to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make other distributions to the Company or any other Subsidiary, or pay any Debt owed to the Company or any other Subsidiary, (ii) make loans or

advances to any Loan Party or (iii) transfer any of its assets or properties to any Loan Party, other than (A) customary restrictions and conditions contained in agreements relating to the sale of all or a substantial part of the assets of any Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary to be sold and such sale is permitted hereunder (B) restrictions or conditions imposed by any agreement relating to purchase money Debt, Capital Leases and other secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt and (C) customary provisions in leases and other contracts restricting the assignment thereof.

11.10 Business Activities. Not, and not permit any other Loan Party to, engage in any line of business other than the businesses engaged in on the date hereof and businesses reasonably related thereto.

11.11 Investments. Not, and not permit any other Loan Party to, make or permit to exist any Investment in any other Person, except the following:

(a) contributions by the Company to the capital of any Wholly-Owned Subsidiary that is a Guarantor, or by any such Subsidiary to the capital of any of its Wholly-Owned Subsidiaries that are Guarantors;

(b) Investments constituting Debt permitted by Section 11.1;

(c) Contingent Liabilities not to exceed \$100,000 in the aggregate at any one time outstanding (except as otherwise permitted hereunder);

(d) Cash Equivalent Investments;

(e) bank deposits in the ordinary course of business, provided that the aggregate amount of all such deposits which are maintained with any bank other than a Lender shall not at any time exceed an average monthly balance of \$5,000,000;

(f) Investments in securities of Account Debtors received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such account debtors;

(g) Investments listed on Schedule 11.11 as of the Closing Date; and

(h) Investments to consummate Acquisitions permitted by Section 11.5.

provided that (x) any Investment which when made complies with the requirements of the definition of the term "Cash Equivalent Investment" may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements; (y) no Investment otherwise permitted by clause (b) or (c) shall be permitted to be made if, immediately before or after giving effect thereto, any Event of Default or Unmatured Event of Default exists.

11.12 Fiscal Year. Not change its Fiscal Year.

11.13 Financial Covenants.

11.13.1 Tangible Net Worth. Not permit Tangible Net Worth at any time to be an amount less than (i) 85% of the Tangible Net Worth as of the Closing Date plus (ii) 50% of Consolidated Net Income for each Fiscal Quarter thereafter.

11.13.2 Leverage Ratio. Not permit the ratio of Total Liabilities to Tangible Net Worth at any time to be greater than 3.00 to 1.00.

11.13.3 Interest Coverage Ratio. Not permit the Interest Coverage Ratio for any Computation Period to be less than 2.00 to 1.00 for such Computation Period.

11.13.4 Dividends. Not pay any dividend during any Fiscal Quarter if the cumulative amount of (i) such dividend, (ii) all other dividends paid during such quarter, and (iii) all dividends paid during the immediately preceding three fiscal quarters exceeds thirty-five percent (35%) of the Consolidated Net Income for the four fiscal quarters ended on the last day of such three fiscal quarter period.

11.13.5 Total Debt to EBITDA Ratio. Not permit the Total Debt to EBITDA Ratio as of the last day of any Computation Period to exceed 3.00 to 1.00.

11.13.6 Asset Coverage Ratio. Not permit the ratio of the Asset Coverage Amount to the sum of (i) Funded Debt of the Company (including the Revolving Outstandings) plus (ii) fifty percent (50%) of the accounts payable of the Company at any time to be less than 1.00 to 1.00.

11.14 Cancellation of Debt. Not, and not permit any other Loan Party to, cancel any claim or debt owing to it, except for reasonable consideration or in the ordinary course of business, and except for the cancellation of debts or claims not to exceed \$100,000 in any Fiscal Year.

SECTION 12 EFFECTIVENESS; CONDITIONS OF LENDING, ETC.

The obligation of each Lender to make its Loans and of the Issuing Lender to issue Letters of Credit is subject to the following conditions precedent:

12.1 Initial Credit Extension. The obligation of the Lenders to make the initial Loans and the obligation of the Issuing Lender to issue its initial Letter of Credit (whichever first occurs) is, in addition to the conditions precedent specified in Section 12.2, subject to the conditions precedent that (a) all Debt to be Repaid has been (or concurrently with the initial borrowing will be) paid in full, and that all agreements and instruments governing the Debt to be Repaid and that all Liens securing such Debt to be Repaid have been (or concurrently with the initial borrowing will be) terminated and (b) the Administrative Agent shall have received all of

the following, each duly executed and dated the Closing Date (or such earlier date as shall be satisfactory to the Administrative Agent), in form and substance satisfactory to the Administrative Agent (and the date on which all such conditions precedent have been satisfied or waived in writing by the Administrative Agent and the Lenders is called the "Closing Date"):

12.1.1 Notes. A Note for each Lender.

12.1.2 Authorization Documents. For each Loan Party, such Person's (a) charter (or similar formation document), certified by the appropriate governmental authority; (b) good standing certificates in its state of incorporation (or formation) and in each other state requested by the Administrative Agent; (c) bylaws (or similar governing document); (d) resolutions of its board of directors (or similar governing body) approving and authorizing such Person's execution, delivery and performance of the Loan Documents to which it is party and the transactions contemplated thereby; and (e) signature and incumbency certificates of its officers executing any of the Loan Documents (it being understood that the Administrative Agent and each Lender may conclusively rely on each such certificate until formally advised by a like certificate of any changes therein), all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification.

12.1.3 Consents, etc. Certified copies of all documents evidencing any necessary corporate or partnership action, consents and governmental approvals (if any) required for the execution, delivery and performance by the Loan Parties of the documents referred to in this Section 12.

12.1.4 Letter of Direction. A letter of direction containing funds flow information with respect to the proceeds of the Loans on the Closing Date.

12.1.5 Guaranty. A counterpart of the Guaranty, executed by each of the Guarantors.

12.1.6 Pledge Agreement. A counterpart of each Pledge Agreement, executed by the Company or a Subsidiary, as applicable, pursuant to which the Company and certain of its Subsidiaries pledge to the Administrative Agent, for the benefit of the Lenders, sixty-five percent (65%) of the capital stock of each existing Material Foreign Subsidiary, together with undated stock powers or other appropriate transfer documents endorsed in blank pertaining thereto, and any stock certificates; provided, however, that in the event any required stock power or stock certificate is not available at the Closing Date, such stock power(s) or stock certificate(s) shall be delivered as soon as possible thereafter, but in no event later than January 15, 2004.

12.1.7 Subordination Agreements. Subordination Agreements with respect to any Subordinated Debt.

12.1.8 Opinions of Counsel. Opinions of counsel for each Loan Party, including local counsel reasonably requested by the Administrative Agent; provided, however, that in the event any required opinion of counsel to any Loan Party that is a Foreign Subsidiary is not available at the Closing Date, such opinion(s) shall be delivered as soon as possible thereafter, but in no

event later than January 15, 2004; provided, further, however, that no legal opinion shall be required in connection with the pledge of stock of Marine Energy Arabia Co., LLC, Marine Energy Arabia Establishment Ltd., Trans-Tec International S.R.L., Servicios Auxiliares de Mexico S.A. de C.V., PetroServicios de Mexico S.A. de C.V. or Oil Shipping (Hong Kong) Ltd.

12.1.9 Insurance. Evidence of the existence of insurance required to be maintained pursuant to Section 10.3(b), together with evidence that the Administrative Agent has been named as a lender's loss payee and an additional insured on all related insurance policies.

12.1.10 Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with all Attorney Costs of the Administrative Agent to the extent invoiced prior to the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by the Administrative Agent through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and the Administrative Agent).

12.1.11 Environmental Reports. Environmental site assessment reports requested by the Administrative Agent.

12.1.12 Search Results; Lien Terminations. Certified copies of Uniform Commercial Code search reports dated a date reasonably near to the Closing Date, listing all effective financing statements which name any Loan Party (under their present names and any previous names) as debtors, together with (a) copies of such financing statements, (b) payoff letters evidencing repayment in full of all Debt to be Repaid, the termination of all agreements relating thereto and the release of all Liens granted in connection therewith, with Uniform Commercial Code or other appropriate termination statements and documents effective to evidence the foregoing (other than Liens permitted by Section 11.2) and (c) such other Uniform Commercial Code termination statements as the Administrative Agent may reasonably request.

12.1.13 Filings, Registrations and Recordings. The Administrative Agent shall have received each document (including Uniform Commercial Code financing statements) required by the Collateral Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the collateral described therein, prior to any other Liens (subject only to Liens permitted pursuant to Section 11.2), in proper form for filing, registration or recording. The Administrative Agent is hereby irrevocably authorized to execute and file or cause to be filed, with or if permitted by applicable law without the signatures of the Company or other Loan Party, as applicable, UCC financing statements reflecting the Company or any other Loan Party as "debtor" and the Administrative Agent as "secured party", and continuations thereof and amendments thereto, as the Administrative Agent reasonably deems necessary or advisable to give effect to the transactions contemplated hereby and by the other Loan Documents.

12.1.14 Compliance Certificate. A Compliance Certificate dated as of the Closing Date.

12.1.15 Closing Certificate; Solvency Certificate. (i) A certificate executed by an officer of the Company on behalf of the Company certifying the matters set forth in Section 12.2.1 as of the Closing Date; (ii) a Solvency Certificate, substantially in the form of Exhibit I, executed by the Chief Financial Officer of each Guarantor, and (iii) such additional certificates as the Administrative Agent may from time to time request.

12.1.16 Other. Such other documents as the Administrative Agent or any Lender may reasonably request.

12.2 Conditions. The obligation (a) of each Lender to make each Loan and (b) of the Issuing Lender to issue each Letter of Credit is subject to the following further conditions precedent that:

12.2.1 Compliance with Warranties, No Default, etc. Both before and after giving effect to any borrowing and the issuance of any Letter of Credit, the following statements shall be true and correct:

(a) the representations and warranties of each Loan Party set forth in this Agreement and the other Loan Documents shall be true and correct in all respects with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date); and

(b) no Event of Default or Unmatured Event of Default shall have then occurred and be continuing.

12.2.2 Confirmatory Certificate. If requested by the Administrative Agent or any Lender, the Administrative Agent shall have received (in sufficient counterparts to provide one to each Lender) a certificate dated the date of such requested Loan or Letter of Credit and signed by a duly authorized representative of the Company as to the matters set out in Section 12.2.1 (it being understood that each request by the Company for the making of a Loan or the issuance of a Letter of Credit shall be deemed to constitute a representation and warranty by the Company that the conditions precedent set forth in Section 12.2.1 will be satisfied at the time of the making of such Loan or the issuance of such Letter of Credit), together with such other documents as the Administrative Agent or any Lender may reasonably request in support thereof.

#### SECTION 13 EVENTS OF DEFAULT AND THEIR EFFECT.

13.1 Events of Default. Each of the following shall constitute an Event of Default under this Agreement:

13.1.1 Non-Payment of the Loans, etc. Default in the payment when due of the principal of any Loan; or default, and continuance thereof for five days, in the payment when due of any interest, fee, reimbursement obligation with respect to any Letter of Credit or other amount payable by the Company hereunder or under any other Loan Document.

13.1.2 Non-Payment of Other Debt. Any default shall occur under the terms applicable to any Debt of any Loan Party and such default shall (a) consist of the failure to pay such Debt when due, whether by acceleration or otherwise, or (b) accelerate the maturity of such Debt or permit the holder or holders thereof, or any trustee or agent for such holder or holders, to cause such Debt to become due and payable (or require any Loan Party to purchase or redeem such Debt or post cash collateral in respect thereof) prior to its expressed maturity.

13.1.3 Other Material Obligations. Default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, any Loan Party with respect to any material purchase or lease of goods or services where such default, singly or in the aggregate with all other such defaults, might reasonably be expected to have a Material Adverse Effect.

13.1.4 Bankruptcy, Insolvency, etc. Any Loan Party becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay, debts as they become due; or any Loan Party applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for such Loan Party or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for any Loan Party or for a substantial part of the property of any thereof and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of any Loan Party, and if such case or proceeding is not commenced by such Loan Party, it is consented to or acquiesced in by such Loan Party, or remains for 60 days undismissed; or any Loan Party takes any action to authorize, or in furtherance of, any of the foregoing.

13.1.5 Non-Compliance with Loan Documents. (a) Failure by any Loan Party to comply with or to perform any covenant set forth in Section 10.1.5, 10.3(b), 10.5 or 10.9 or Section 11; or (b) failure by any Loan Party to comply with or to perform any other provision of this Agreement or any other Loan Document (and not constituting an Event of Default under any other provision of this Section 13) and continuance of such failure described in this clause (b) for 30 days.

13.1.6 Representations; Warranties. Any representation or warranty made by any Loan Party herein or any other Loan Document is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice or other writing furnished by any Loan Party to the Administrative Agent or any Lender in connection herewith is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.



13.1.7 Pension Plans. (a) Any Person institutes steps to terminate a Pension Plan if as a result of such termination the Company or any member of the Controlled Group could be required to make a contribution to such Pension Plan, or could incur a liability or obligation to such Pension Plan, in excess of \$250,000; (b) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA; (c) the Unfunded Liability exceeds twenty percent of the Total Plan Liability, or (d) there shall occur any withdrawal or partial withdrawal from a Multiemployer Pension Plan and the withdrawal liability (without unaccrued interest) to Multiemployer Pension Plans as a result of such withdrawal (including any outstanding withdrawal liability that the Company or any member of the Controlled Group have incurred on the date of such withdrawal) exceeds \$250,000.

13.1.8 Judgments. Final judgments which exceed an aggregate of \$1,000,000 shall be rendered against any Loan Party and shall not have been paid, discharged or vacated or had execution thereof stayed pending appeal within 30 days after entry or filing of such judgments.

13.1.9 Invalidity of Collateral Documents, etc. Any Collateral Document shall cease to be in full force and effect; or any Loan Party (or any Person by, through or on behalf of any Loan Party) shall contest in any manner the validity, binding nature or enforceability of any Collateral Document.

13.1.10 Invalidity of Subordination Provisions, etc. Any subordination provision in any document or instrument governing Subordinated Debt, or any subordination provision in any guaranty by any Subsidiary of any Subordinated Debt, shall cease to be in full force and effect, or any Loan Party or any other Person (including the holder of any applicable Subordinated Debt) shall contest in any manner the validity, binding nature or enforceability of any such provision.

13.1.11 Material Adverse Effect. The occurrence of any event having a Material Adverse Effect.

13.1.12 Change of Control. A Change of Control shall occur.

13.1.13 Stock Certificates; Legal Opinions. Borrower shall fail to deliver to Administrative Agent all stock powers and stock certificates in accordance with the provisions of Section 12.1.6 or all opinions of counsel in accordance with the provisions of Section 12.1.8, unless, in each case, such failure to so provide is waived in writing by Administrative Agent, in its sole and absolute discretion.

13.2 Effect of Event of Default. If any Event of Default described in Section 13.1.4 shall occur in respect of the Company, the Commitments shall immediately terminate and the Loans and all other Obligations hereunder shall become immediately due and payable and the Company shall become immediately obligated to Cash Collateralize all Letters of Credit, all without presentment, demand, protest or notice of any kind; and, if any other Event of Default shall occur and be continuing, the Administrative Agent may (and, upon the written request of

the Required Lenders shall) declare the Commitments to be terminated in whole or in part and/or declare all or any part of the Loans and all other Obligations hereunder to be due and payable and/or demand that the Company immediately Cash Collateralize all or any Letters of Credit, whereupon the Commitments shall immediately terminate (or be reduced, as applicable) and/or the Loans and other Obligations hereunder shall become immediately due and payable (in whole or in part, as applicable) and/or the Company shall immediately become obligated to Cash Collateralize the Letters of Credit (all or any, as applicable), all without presentment, demand, protest or notice of any kind. The Administrative Agent shall promptly advise the Company of any such declaration, but failure to do so shall not impair the effect of such declaration. Any cash collateral delivered hereunder shall be held by the Administrative Agent (without liability for interest thereon) and applied to the Obligations arising in connection with any drawing under a Letter of Credit. After the expiration or termination of all Letters of Credit, such cash collateral shall be applied by the Administrative Agent to any remaining Obligations hereunder and any excess shall be delivered to the Company or as a court of competent jurisdiction may elect.

#### SECTION 14 THE ADMINISTRATIVE AGENT.

14.1 Appointment and Authorization. Each Lender hereby irrevocably (subject to Section 14.10) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” herein and in other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

14.2 Issuing Lender. The Issuing Lender shall act on behalf of the Lenders (according to their Pro Rata Shares) with respect to any Letters of Credit issued by it and the documents associated therewith. The Issuing Lender shall have all of the benefits and immunities (a) provided to the Administrative Agent in this Section 14 with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term “Administrative Agent”, as used in this Section 14, included the Issuing Lender with respect to such acts or omissions and (b) as additionally provided in this Agreement with respect to the Issuing Lender.

14.3 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

14.4 Exculpation of Administrative Agent. None of the Administrative Agent nor any of its directors, officers, employees or agents shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except to the extent resulting from its own gross negligence or willful misconduct in connection with its duties expressly set forth herein as determined by a final, nonappealable judgment by a court of competent jurisdiction), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Loan Party or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document (or the creation, perfection or priority of any Lien or security interest therein), or for any failure of the Company or any other party to any Loan Document to perform its Obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

14.5 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, electronic mail message, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, confirmation from the Lenders of their obligation to indemnify the Administrative Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon each Lender. For purposes of determining compliance with the conditions specified in Section 12, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or

other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

14.6 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a “notice of default”. The Administrative Agent will promptly notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as may be requested by the Required Lenders in accordance with Section 13; provided that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Lenders.

14.7 Credit Decision. Each Lender acknowledges that the Administrative Agent has not made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent and acceptance of any assignment or review of the affairs of the Loan Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender as to any matter, including whether the Administrative Agent has disclosed material information in its possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of the Company which may come into the possession of the Administrative Agent.

14.8 Indemnification. Whether or not the transactions contemplated hereby are consummated, each Lender shall indemnify upon demand the Administrative Agent and its directors, officers, employees and agents (to the extent not reimbursed by or on behalf of the

Company and without limiting the obligation of the Company to do so), according to its applicable Pro Rata Share, from and against any and all Indemnified Liabilities (as hereinafter defined); provided that no Lender shall be liable for any payment to any such Person of any portion of the Indemnified Liabilities to the extent determined by a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the applicable Person's own gross negligence or willful misconduct. No action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs and Taxes) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive repayment of the Loans, cancellation of the Notes, expiration or termination of the Letters of Credit, any foreclosure under, or modification, release or discharge of, any or all of the Collateral Documents, termination of this Agreement and the resignation or replacement of the Administrative Agent.

14.9 Administrative Agent in Individual Capacity. LaSalle and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Loan Parties and Affiliates as though LaSalle were not the Administrative Agent hereunder and without notice to or consent of any Lender. Each Lender acknowledges that, pursuant to such activities, LaSalle or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to their Loans (if any), LaSalle and its Affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though LaSalle were not the Administrative Agent, and the terms "Lender" and "Lenders" include LaSalle and its Affiliates, to the extent applicable, in their individual capacities.

14.10 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall, with (so long as no Event of Default exists) the consent of the Company (which shall not be unreasonably withheld or delayed), appoint from among the Lenders a successor agent for the Lenders. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent, and the retiring

Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 14 and Sections 15.5 and 15.16 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

14.11 Collateral Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, (a) to release any Lien granted to or held by the Administrative Agent under any Collateral Document (i) upon termination of the Commitments and payment in full of all Loans and all other obligations of the Company hereunder and the expiration or termination of all Letters of Credit; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; or (iii) subject to Section 15.1, if approved, authorized or ratified in writing by the Required Lenders; or (b) to subordinate its interest in any collateral to any holder of a Lien on such collateral which is permitted by Section 11.2(d)(i) or (d)(iii) (it being understood that the Administrative Agent may conclusively rely on a certificate from the Company in determining whether the Debt secured by any such Lien is permitted by Section 11.1(b)). Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release, or subordinate its interest in, particular types or items of collateral pursuant to this Section 14.11. Each Lender hereby authorizes the Administrative Agent to give blockage notices in connection with any Subordinated Debt at the direction of Required Lenders and agrees that it will not act unilaterally to deliver such notices.

14.12 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 5, 15.5 and 15.16) allowed in such judicial proceedings; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 5, 15.5 and 15.16.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

14.13 Other Agents; Arrangers and Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a “syndication agent,” “documentation agent,” “co-agent,” “book manager,” “lead manager,” “arranger,” “lead arranger” or “co-arranger”, if any, shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

#### SECTION 15 GENERAL.

15.1 Waiver; Amendments. No delay on the part of the Administrative Agent or any Lender in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by Lenders having an aggregate Pro Rata Shares of not less than the aggregate Pro Rata Shares expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement, by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment, modification, waiver or consent shall (a) extend or increase the Commitment of any Lender without the written consent of such Lender, (b) extend the date scheduled for payment of any principal (excluding mandatory prepayments) of or interest on the Loans or any fees payable hereunder without the written

consent of each Lender directly affected thereby, (c) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder, without the consent of each Lender directly affected thereby; (d) extend the Termination Date, or (e) release any party from its obligations under the Guaranty or all or any substantial part of the collateral granted under the Collateral Documents, change the definition of Required Lenders, any provision of this Section 15.1 or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case, the written consent of all Lenders. No provision of Section 14 or other provision of this Agreement affecting the Administrative Agent in its capacity as such shall be amended, modified or waived without the consent of the Administrative Agent. No provision of this Agreement relating to the rights or duties of the Issuing Lender in its capacity as such shall be amended, modified or waived without the consent of the Issuing Lender.

15.2 Confirmations. The Company and each holder of a Note agree from time to time, upon written request received by it from the other, to confirm to the other in writing (with a copy of each such confirmation to the Administrative Agent) the aggregate unpaid principal amount of the Loans then outstanding under such Note.

15.3 Notices. Except as otherwise provided in Sections 2.2.2 and 2.2.3, all notices hereunder shall be in writing (including facsimile transmission) and shall be sent to the applicable party at its address shown on Annex B or at such other address as such party may, by written notice received by the other parties, have designated as its address for such purpose. Notices sent by facsimile transmission shall be deemed to have been given when sent; notices sent by mail shall be deemed to have been given three Business Days after the date when sent by registered or certified mail, postage prepaid; and notices sent by hand delivery or overnight courier service shall be deemed to have been given when received. For purposes of Sections 2.2.2 and 2.2.3, the Administrative Agent shall be entitled to rely on telephonic instructions from any person that the Administrative Agent in good faith believes is an authorized officer or employee of the Company, and the Company shall hold the Administrative Agent and each other Lender harmless from any loss, cost or expense resulting from any such reliance.

15.4 Computations. Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purpose of this Agreement, such determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement, be made in accordance with GAAP, consistently applied; provided that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Section 11 (or any related definition) to eliminate or to take into account the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Section 11 (or any related definition) for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant (or related definition) is amended in a manner satisfactory to the Company and the Required Lenders.



**15.5 Costs, Expenses and Taxes.** The Company agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent (including Attorney Costs and any Taxes) in connection with the preparation, execution, syndication, delivery and administration (including perfection and protection of any collateral and the costs of Intralinks (or other similar service), if applicable) of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), whether or not the transactions contemplated hereby or thereby shall be consummated, and all reasonable out-of-pocket costs and expenses (including Attorney Costs and any Taxes) incurred by the Administrative Agent and each Lender after an Event of Default in connection with the collection of the Obligations or the enforcement of this Agreement the other Loan Documents or any such other documents or during any workout, restructuring or negotiations in respect thereof. In addition, the Company agrees to pay, and to save the Administrative Agent and the Lenders harmless from all liability for, any fees of the Company's auditors in connection with any reasonable exercise by the Administrative Agent and the Lenders of their rights pursuant to Section 10.2. All Obligations provided for in this Section 15.5 shall survive repayment of the Loans, cancellation of the Notes, expiration or termination of the Letters of Credit and termination of this Agreement.

**15.6 Assignments; Participations.**

**15.6.1 Assignments.** (a) Any Lender may at any time assign to one or more Persons (any such Person, an "Assignee") all or any portion of such Lender's Loans and Commitments, with the prior written consent of the Administrative Agent, the Issuing Lender (for an assignment of the Revolving Loans and the Revolving Commitment) and, so long as no Event of Default exists, the Company (which consents shall not be unreasonably withheld or delayed and shall not be required for an assignment by a Lender to a Lender or an Affiliate of a Lender). Except as the Administrative Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to \$5,000,000 or, if less, the remaining Commitment and Loans held by the assigning Lender. The Company and the Administrative Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned to an Assignee until the Administrative Agent shall have received and accepted an effective assignment agreement in substantially the form of Exhibit D hereto (an "Assignment Agreement") executed, delivered and fully completed by the applicable parties thereto and a processing fee of \$3,500. No assignment may be made to any Person if at the time of such assignment the Company would be obligated to pay any greater amount under Section 7.6 or 8 to the Assignee than the Company is then obligated to pay to the assigning Lender under such Sections (and if any assignment is made in violation of the foregoing, the Company will not be required to pay such greater amounts). Any attempted assignment not made in accordance with this Section 15.6.1 shall be treated as the sale of a participation under Section 15.6.2. The Company shall be deemed to have granted its consent to any assignment requiring its consent hereunder unless the Company has expressly objected to such assignment within three Business Days after notice thereof.

(b) From and after the date on which the conditions described above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment Agreement, the Company shall execute and deliver to the Administrative Agent for delivery to the Assignee (and, as applicable, the assigning Lender) a Note in the principal amount of the Assignee's Pro Rata Share of the Revolving Commitment (and, as applicable, a Note in the principal amount of the Pro Rata Share of the Revolving Commitment retained by the assigning Lender). Each such Note shall be dated the effective date of such assignment. Upon receipt by the assigning Lender of such Note, the assigning Lender shall return to the Company any prior Note held by it.

(c) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

15.6.2 Participations. Any Lender may at any time sell to one or more Persons participating interests in its Loans, Commitments or other interests hereunder (any such Person, a "Participant"). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender's obligations hereunder shall remain unchanged for all purposes, (b) the Company and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder and (c) all amounts payable by the Company shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender. No Participant shall have any direct or indirect voting rights hereunder except with respect to any event described in Section 15.1 expressly requiring the unanimous vote of all Lenders or, as applicable, all affected Lenders. Each Lender agrees to incorporate the requirements of the preceding sentence into each participation agreement which such Lender enters into with any Participant. The Company agrees that if amounts outstanding under this Agreement are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement and with respect to any Letter of Credit to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided that such right of set-off shall be subject to the obligation of each Participant to share with the Lenders, and the Lenders agree to share with each Participant, as provided in Section 7.5. The Company also agrees that each Participant shall be entitled to the benefits of Section 7.6 or 8 as if it were a Lender (provided that on the date of the participation no Participant shall be entitled to any greater compensation pursuant to Section 7.6 or 8 than would have been paid to the participating Lender on such date if no participation had been sold and that each Participant complies with Section 7.6(d) as if it were an Assignee).

15.7 Register. The Administrative Agent shall maintain a copy of each Assignment Agreement delivered and accepted by it and register (the “Register”) for the recordation of names and addresses of the Lenders and the Commitment of each Lender from time to time and whether such Lender is the original Lender or the Assignee. No assignment shall be effective unless and until the Assignment Agreement is accepted and registered in the Register. All records of transfer of a Lender’s interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in the Loans. The Administrative Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register.

**15.8 GOVERNING LAW. THIS AGREEMENT AND EACH NOTE SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.**

15.9 Confidentiality. The Administrative Agent and each Lender agree to use commercially reasonable efforts (equivalent to the efforts the Administrative Agent or such Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all information provided to them by any Loan Party and designated as confidential, except that the Administrative Agent and each Lender may disclose such information (a) to Persons employed or engaged by the Administrative Agent or such Lender in evaluating, approving, structuring or administering the Loans and the Commitments; (b) to any assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 15.9 (and any such assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any federal or state regulatory authority or examiner, or any insurance industry association, or as reasonably believed by the Administrative Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of the Administrative Agent’s or such Lender’s counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any litigation to which the Administrative Agent or such Lender is a party; (f) to any nationally recognized rating agency that requires access to information about a Lender’s investment portfolio in connection with ratings issued with respect to such Lender; (g) to any Affiliate of the Administrative Agent, the Issuing Lender or any other Lender who may provide Bank Products to the Loan Parties; or (h) that ceases to be confidential through no fault of the Administrative Agent or any Lender. Notwithstanding the foregoing, the Company consents to the publication by the Administrative Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement, and the Administrative Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

Notwithstanding anything in this Agreement or any other Loan Document to the contrary, any information with respect to the “tax treatment” or “tax structure” (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby shall not be confidential and the Administrative Agent and the Lenders and other parties hereto may disclose without limitation of any kind any information that is provided to the Administrative Agent or the Lenders with respect to the “tax treatment” or “tax structure” (in each case, within the meaning of Treasury Regulation Section 1.6011-4); provided, that to the extent any Loan Document contains information that relates to the “tax treatment” or “tax structure” and contains other information, this paragraph shall only apply to the information regarding the “tax treatment” or “tax structure.”

15.10 Severability. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations of the Company and rights of the Administrative Agent and the Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law.

15.11 Nature of Remedies. All Obligations of the Company and rights of the Administrative Agent and the Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

15.12 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof (except as relates to the fees described in Section 5.3) and any prior arrangements made with respect to the payment by the Company of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Administrative Agent or the Lenders.

15.13 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Receipt of an executed signature page to this Agreement by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by the Lenders shall be deemed to be originals.

15.14 Successors and Assigns. This Agreement shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall

inure to the benefit of the Company, the Lenders and the Administrative Agent and the successors and assigns of the Lenders and the Administrative Agent. No other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. The Company may not assign or transfer any of its rights or Obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

15.15 Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

15.16 **INDEMNIFICATION BY THE COMPANY. IN CONSIDERATION OF THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE ADMINISTRATIVE AGENT AND THE LENDERS AND THE AGREEMENT TO EXTEND THE COMMITMENTS PROVIDED HEREUNDER, THE COMPANY HEREBY AGREES TO INDEMNIFY, EXONERATE AND HOLD THE ADMINISTRATIVE AGENT, EACH LENDER AND EACH OF THE OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES AND AGENTS OF THE ADMINISTRATIVE AGENT AND EACH LENDER (EACH A "LENDER PARTY") FREE AND HARMLESS FROM AND AGAINST ANY AND ALL ACTIONS, CAUSES OF ACTION, SUITS, LOSSES, LIABILITIES, DAMAGES AND EXPENSES, INCLUDING ATTORNEY COSTS (COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"), INCURRED BY THE LENDER PARTIES OR ANY OF THEM AS A RESULT OF, OR ARISING OUT OF, OR RELATING TO (A) ANY TENDER OFFER, MERGER, PURCHASE OF CAPITAL SECURITIES, PURCHASE OF ASSETS OR OTHER SIMILAR TRANSACTION FINANCED OR PROPOSED TO BE FINANCED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, WITH THE PROCEEDS OF ANY OF THE LOANS, (B) THE USE, HANDLING, RELEASE, EMISSION, DISCHARGE, TRANSPORTATION, STORAGE, TREATMENT OR DISPOSAL OF ANY HAZARDOUS SUBSTANCE AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY, (C) ANY VIOLATION OF ANY ENVIRONMENTAL LAWS WITH RESPECT TO CONDITIONS AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY OR THE OPERATIONS CONDUCTED THEREON, (D) THE INVESTIGATION, CLEANUP OR REMEDIATION OF OFFSITE LOCATIONS AT WHICH ANY LOAN PARTY OR THEIR RESPECTIVE PREDECESSORS ARE ALLEGED TO HAVE DIRECTLY OR INDIRECTLY DISPOSED OF HAZARDOUS SUBSTANCES OR (E) THE EXECUTION, DELIVERY, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BY ANY OF THE LENDER PARTIES, EXCEPT FOR ANY SUCH INDEMNIFIED LIABILITIES ARISING ON ACCOUNT OF THE APPLICABLE LENDER PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL, NONAPPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION. IF AND TO THE EXTENT THAT THE FOREGOING UNDERTAKING MAY BE UNENFORCEABLE FOR ANY REASON, THE COMPANY HEREBY AGREES TO MAKE THE MAXIMUM CONTRIBUTION TO THE**

**PAYMENT AND SATISFACTION OF EACH OF THE INDEMNIFIED LIABILITIES WHICH IS PERMISSIBLE UNDER APPLICABLE LAW. ALL OBLIGATIONS PROVIDED FOR IN THIS SECTION 15.16 SHALL SURVIVE REPAYMENT OF THE LOANS, CANCELLATION OF THE NOTES, EXPIRATION OR TERMINATION OF THE LETTERS OF CREDIT, ANY FORECLOSURE UNDER, OR ANY MODIFICATION, RELEASE OR DISCHARGE OF, ANY OR ALL OF THE COLLATERAL DOCUMENTS AND TERMINATION OF THIS AGREEMENT.**

15.17 Nonliability of Lenders. The relationship between the Company on the one hand and the Lenders and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Loan Party arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Loan Parties, on the one hand, and the Administrative Agent and the Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor. Neither the Administrative Agent nor any Lender undertakes any responsibility to any Loan Party to review or inform any Loan Party of any matter in connection with any phase of any Loan Party's business or operations. The Company agrees, on behalf of itself and each other Loan Party, that neither the Administrative Agent nor any Lender shall have liability to any Loan Party (whether sounding in tort, contract or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. **NO LENDER PARTY SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY OTHERS OF ANY INFORMATION OR OTHER MATERIALS OBTAINED THROUGH INTRALINKS OR OTHER SIMILAR INFORMATION TRANSMISSION SYSTEMS IN CONNECTION WITH THIS AGREEMENT, NOR SHALL ANY LENDER PARTY HAVE ANY LIABILITY WITH RESPECT TO, AND THE COMPANY ON BEHALF OF ITSELF AND EACH OTHER LOAN PARTY, HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ARISING OUT OF ITS ACTIVITIES IN CONNECTION HERewith OR THEREWITH (WHETHER BEFORE OR AFTER THE CLOSING DATE).** The Company acknowledges that it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party. No joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Loan Parties and the Lenders

15.18 **FORUM SELECTION AND CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR**

THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE ADMINISTRATIVE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE COMPANY ALSO HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF FLORIDA AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF FLORIDA FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE IF THE ADMINISTRATIVE AGENT SHALL SO ELECT. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

15.19 WAIVER OF JURY TRIAL. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY LENDING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

[signature pages follow]

The parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the date first set forth above.

WORLD FUEL SERVICES CORPORATION

By: /s/ Peter Tonyan

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Peter Tonyan, Treasurer

Signature Page to Credit  
Agreement



LASALLE BANK NATIONAL ASSOCIATION,  
as Administrative Agent, as Issuing Lender and as a Lender

By: /s/ Robert Lozano

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Robert Lozano, First Vice President

**COMMERCEBANK, N.A.**

By: /s/ Alan Hills

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Alan Hills, Vice President

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**HSBC BANK USA**

By: /s/ Jose M. Cruz

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Jose M. Cruz, Senior Vice President

**MERRILL LYNCH BUSINESS FINANCIAL  
SERVICES INC.**

By: /s/ Andrew M. Richards

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Andrew M. Richards, Vice President

**ISRAEL DISCOUNT BANK OF NEW YORK**

By: /s/ Scott Fishbein

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Scott Fishbein, First Vice President

By: /s/ Alan Lefkowitz

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Alan Lefkowitz, First Vice President

## ANNEX A

## LENDERS AND PRO RATA SHARES

<u>Lender</u>	<u>Revolving Commitment Amount</u>	<u>Pro Rata Share</u>
LaSalle Bank National Association	\$ 40,000,000	40%
Commercebank, N.A.	\$ 15,000,000	15%
Merrill Lynch Business Financial Services Inc.	\$ 15,000,000	15%
HSBC Bank USA	\$ 20,000,000	20%
Israel Discount Bank of New York	\$ 10,000,000	10%
<b>TOTALS</b>	<b>\$ 100,000,000</b>	<b>100%</b>

ANNEX B  
ADDRESSES FOR NOTICES

**WORLD FUEL SERVICES CORPORATION**

9800 N.W. 41<sup>st</sup> Street, Suite 400  
Miami, Florida 33178  
Attention: Francis X. Shea  
Chief Financial Officer  
Telephone: (305) 428-8127  
Facsimile: (305) 392-5621

LASALLE BANK NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender and a Lender

Notices of Borrowing, Conversion, Continuation and Letter of Credit Issuance

135 South LaSalle Street  
Chicago, Illinois 60603  
Attention: \_\_\_\_\_  
Telephone: (312) \_\_\_\_\_  
Facsimile: (312) \_\_\_\_\_

All Other Notices

135 South LaSalle Street  
Chicago, Illinois 60603  
Attention: \_\_\_\_\_  
Telephone: (312) \_\_\_\_\_  
Facsimile: (312) \_\_\_\_\_

**COMMERCEBANK, N.A.**

Domestic Banking Department  
Commercebank, N.A.  
1000 South Powerline Road  
Pompano Beach, FL 33069  
Attention: Alan Hills  
Vice President-Commercial Lending  
Phone : (954) 600-9421  
Fax: (954) 975-6442  
E-mail: [ahills@commercebankfl.com](mailto:ahills@commercebankfl.com)

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**HSBC BANK USA**

HSBC Bank USA  
2 South Biscayne Blvd  
Suite 1920  
Miami, FL 33131  
Attention: Jose M. Cruz  
Senior Vice President  
Phone: (305) 539-4944  
Fax: (305) 539-4930  
E-mail: jose.m.cruz@us.hsbc.com

**MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.**

Merrill Lynch Business Financial Services Inc.  
800 Scudders Mill Road, 1E  
Plainsboro, NJ 08536  
Attention: Andrew M. Richards  
Vice President  
Phone: (609) 282-2227  
Fax: 609-282-1745  
E-mail: andrew\_richards@ml.com

**ISRAEL DISCOUNT BANK OF NEW YORK**

511 Fifth Ave.  
New York, NY 10017  
Attention: Scott Fishbein  
First Vice President  
Phone: (212)551 8896  
Fax: (212)551 8567  
E-mail: [sfishbein@idbny.com](mailto:sfishbein@idbny.com)



EXHIBIT A

FORM OF  
NOTE

December \_\_, 2003  
Chicago, Illinois

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

The undersigned, for value received, promises to pay to the order of \_\_\_\_\_ (the "Lender") at the principal office of LaSalle Bank National Association (the "Administrative Agent") in Chicago, Illinois the aggregate unpaid amount of all Loans made to the undersigned by the Lender pursuant to the Credit Agreement referred to below (as shown on the schedule attached hereto (and any continuation thereof) or in the records of the Lender), such principal amount to be payable on the dates set forth in the Credit Agreement.

The undersigned further promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such Loan is paid in full, payable at the rate(s) and at the time(s) set forth in the Credit Agreement. Payments of both principal and interest are to be made in lawful money of the United States of America.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Credit Agreement, dated as of December 19, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; terms not otherwise defined herein are used herein as defined in the Credit Agreement), among the undersigned, certain financial institutions (including the Lender) and the Administrative Agent, to which Credit Agreement reference is hereby made for a statement of the terms and provisions under which this Note may or must be paid prior to its due date or its due date accelerated.

This Note is made under and governed by the laws of the State of Illinois applicable to contracts made and to be performed entirely within such State.

**WORLD FUEL SERVICES  
CORPORATION**

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

Title: \_\_\_\_\_

FORM OF COMPLIANCE CERTIFICATE

To: LaSalle Bank National Association, as Administrative Agent

Please refer to the Credit Agreement dated as of December 19, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”) among World Fuel Services Corporation (the “Company”), various financial institutions and LaSalle Bank National Association, as Administrative Agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

- I. Reports. Enclosed herewith is a copy of the [annual audited/quarterly/monthly] report of the Company as at \_\_\_\_\_, \_\_\_\_\_ (the “Computation Date”), which report fairly presents in all material respects the financial condition and results of operations (subject to, in the case of quarterly reports, normal year-end adjustments) of the Company as of the Computation Date and has been prepared in accordance with GAAP consistently applied.
- II. Financial Tests. The Company hereby certifies and warrants to you that the following is a true and correct computation as at the Computation Date of the following ratios and/or financial restrictions contained in the Credit Agreement:

**A. Section 11.13.1 - Minimum Tangible Net Worth**

1.	Consolidated Shareholder’s Equity	\$ _____
2.	Less: Book Value of Intangible Assets	\$ _____
3.	Total (Tangible Net Worth)	\$ _____
4.	Minimum required	\$ _____

**B. Section 11.13.2 - Maximum Leverage Ratio**

1.	Total Liabilities	\$ _____
2.	Tangible Net Worth	\$ _____
3.	Ratio of (1) to (2)	_____ to 1
4.	Maximum Allowed	3 to 1

**C. Section 11.13.3 - Minimum Interest Coverage Ratio**

1.	Consolidated Net Income	\$ _____
2.	Plus: Interest Expense	\$ _____
	income tax expense	\$ _____
	depreciation	\$ _____
	amortization	\$ _____

3.	Total (EBITDA)	\$ _____
4.	Less: Capital Expenditures	\$ _____
5.	Product of subtracting (4) from (3)	\$ _____
6.	Interest Expense	\$ _____
7.	Ratio of (5) to (6)	_____ to 1
8.	Minimum required	2 to 1

**D. Section 11.13.5 - Maximum Total Debt to EBITDA Ratio**

1.	Total Debt	\$ _____
2.	EBITDA (from Item C(3) above)	\$ _____
3.	Ratio of (1) to (2)	_____ to 1
4.	Maximum allowed	3 to 1

**E. Section 11.13.6 – Asset Coverage Ratio**

1.	Asset Coverage Amount (see schedule hereto)	\$ _____
2.	Funded Debt of the Company	\$ _____
3.	50% of Accounts Payable of the Company	\$ _____
4.	Total of (2) plus (3)	\$ _____
5.	Ratio of (1) to (4)	_____ to 1
6.	Minimum allowed	1 to 1

The Company further certifies that it has not paid any dividend during this past Fiscal Quarter such that the cumulative amount of (i) such dividend, (ii) all other dividends paid during such quarter, and (iii) all dividends paid during the immediately preceding three fiscal quarters exceeds thirty-five percent (35%) of the Consolidated Net Income for the four fiscal quarters ended on the last day of such three fiscal quarter period.

The Company further certifies to you that no Event of Default or Unmatured Event of Default has occurred and is continuing.

The Company has caused this Certificate to be executed and delivered by its duly authorized officer on \_\_\_\_\_, \_\_\_\_\_.

WORLD FUEL SERVICES CORPORATION

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

Title: \_\_\_\_\_

SCHEDULE TO COMPLIANCE CERTIFICATE  
ASSET COVERAGE COMPUTATION  
Dated as of [\_\_\_\_\_]

1.	Gross Accounts Receivables		\$ _____
2.	Less Ineligibles		
	- Subject to other Lien	\$ _____	
	- Subject to Offset, etc.	\$ _____	
	- Sale on Approval, Sale or Return, Bill and Hold or Consignment	\$ _____	
	- Over 90 days past due or over 120 days past invoice date	\$ _____	
	- Affiliate Receivables	\$ _____	
	- Non-assignable	\$ _____	
	- Other	\$ _____	
	- Total	\$ _____	
3.	Eligible Accounts [ <i>Item 1 minus Item 2</i> ]		\$ _____
4.	Item 3 times 80%		\$ _____
5.	Gross Inventory		\$ _____
6.	Less Ineligibles		
	- Subject to other Lien	\$ _____	
	- Not Salable	\$ _____	
	- Not located in U.S.	\$ _____	
	- Supply items; packaging	\$ _____	
	- Advance payments received	\$ _____	
	- Other	\$ _____	
	- Total	\$ _____	
7.	Eligible Inventory [ <i>Item 5 minus Item 6</i> ]		\$ _____
8.	Item 7 times 50%		\$ _____
9.	Cash in excess of \$15,000,000 on the Company's balance sheet		\$ _____
10.	Asset Coverage Amount [ <i>Item 4 plus Item 8 plus Item 9</i> ]		\$ _____
11.	Funded Debt of the Company (including Standby LC's)		\$ _____
12.	Collateral Excess/Shortfall [ <i>Excess of Item 11 over Item 10</i> ]		\$ _____

**EXHIBIT C**  
**FORM OF ADDED LENDER AGREEMENT**

Date: \_\_\_\_\_

LaSalle Bank National Association  
as Administrative Agent  
135 South LaSalle Street  
Chicago, Illinois 60603

World Fuel Services Corporation  
9800 N.W. 41<sup>st</sup> Street, Suite 400  
Miami, Florida 33178

Ladies and Gentlemen:

We refer to the Credit Agreement dated as of December \_\_, 2003 (as amended, restated, modified, supplemented or renewed from time to time, the "Credit Agreement") among World Fuel Services Corporation, as borrower, the Lenders referred to therein, and LaSalle Bank National Association, as administrative agent (in such capacity, the "Administrative Agent"). Terms defined in the Credit Agreement are used herein as therein defined.

This Added Lender Agreement is made and delivered pursuant to Section 2.6 of the Credit Agreement.

Subject to the terms and conditions of Section 2.6 of the Credit Agreement, \_\_\_\_\_ (the "Added Lender") will become a party to the Credit Agreement as a Lender, with a Commitment equal to \$\_\_\_\_\_, on the Increased Commitment Date applicable to it. The Added Lender hereby confirms and agrees that with effect on and after such Increased Commitment Date, the Added Lender shall be and become a party to the Credit Agreement as a Lender and have all of the rights and be obligated to perform all of the obligations of a Lender thereunder with a Commitment in the amount set forth above.

Effective on the Increased Commitment Date applicable to it, the Added Lender (i) accepts and assumes from the assigning Lenders, without recourse, such assignment of Loans as shall be necessary to effectuate the adjustments in the Pro Rata Shares of the Lenders contemplated by Section 2.6 of the Credit Agreement, and (ii) agrees to fund on such Increased Commitment Date such assumed amounts of Loans to the Administrative Agent for the account of the assigning Lenders in accordance with the provisions of the Credit Agreement, in the amount notified to the Added Lender by the Administrative Agent.

The following administrative details apply to the Added Lender:

(A) Lending Office(s):

Lender name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

Telephone: ( ) \_\_\_\_\_

Facsimile: ( ) \_\_\_\_\_

Lender name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

Telephone: ( ) \_\_\_\_\_

Facsimile: ( ) \_\_\_\_\_

(B) Notice Address:

Lender name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

Telephone: ( ) \_\_\_\_\_

Facsimile: ( ) \_\_\_\_\_

(C) Payment Instructions:

Account No.: \_\_\_\_\_

At: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Reference: \_\_\_\_\_

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

This Added Lender Agreement shall constitute a Loan Document under the Credit Agreement.

THIS ADDED LENDER AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF ILLINOIS, NOTWITHSTANDING ITS EXECUTION OUTSIDE SUCH STATE.

IN WITNESS WHEREOF, the Added Lender has caused this Added Lender Agreement to be duly executed and delivered in \_\_\_\_\_, \_\_\_\_\_, by its proper and duly authorized officer as of the day and year first above written.

**[ADDED LENDER]**

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

Title: \_\_\_\_\_

CONSENTED TO as of \_\_\_\_\_:

WORLD FUEL SERVICES CORPORATION

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

Title: \_\_\_\_\_

ACKNOWLEDGED as of \_\_\_\_\_:

LASALLE BANK NATIONAL ASSOCIATION,  
as Administrative Agent

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

Title: \_\_\_\_\_

**Exhibit D**

**Form of  
ASSIGNMENT**

This Assignment is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 19\_\_ by and between \_\_\_\_\_, a national banking association, with its offices at \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (“Assignor”) and \_\_\_\_\_, a \_\_\_\_\_ with its offices at \_\_\_\_\_, \_\_\_\_\_ (“Assignee”).

For value received, Assignor does hereby assign and transfer to Assignee [all] of its right, title and interest in and to (i) that certain Credit Agreement dated December 19, 2003, entered into by and between Assignor, LaSalle Bank National Association as Administrative Agent, the other Lenders party thereto and World Fuel Services Corporation (“Borrower”), as it may be amended from time to time, (the “Credit Agreement”) and all instruments, documents and agreements related thereto (referred to hereinafter, together with the Credit Agreement, as the “Loan Agreements”), (ii) all loans and advances made by Assignor to Borrower thereunder (the “Loans”), and (iii) any and all collateral and security for the Loans (the “Collateral”).

This Assignment of (i) the Loan Agreements, (ii) the Loans, and (iii) the Collateral is made without recourse and without any covenants, warranties or representations by Assignor.

This Assignment shall be governed and controlled by the internal laws of the State of Illinois.

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment as of the day of \_\_\_\_\_, 200\_\_.

Assignor:  
\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_, its \_\_\_\_\_

Acknowledged and Agreed to by:  
LaSalle Bank National Association, as Administrative Agent

By: \_\_\_\_\_  
\_\_\_\_\_, its \_\_\_\_\_



EXHIBIT E

FORM OF NOTICE OF BORROWING

To: LaSalle Bank National Association, as Administrative Agent

Please refer to the Credit Agreement dated as of December 19, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among World Fuel Services Corporation (the "Company"), various financial institutions and LaSalle Bank National Association, as Administrative Agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

The undersigned hereby gives irrevocable notice, pursuant to Section 2.2.2 of the Credit Agreement, of a request hereby for a borrowing as follows:

(i) The requested borrowing date for the proposed borrowing (which is a Business Day) is \_\_\_\_\_, \_\_\_\_.

(ii) The aggregate amount of the proposed borrowing is \$\_\_\_\_\_.

(iii) The type of Revolving Loans comprising the proposed borrowing are [Base Rate] [LIBOR] Loans.

(iv) The duration of the Interest Period for each LIBOR Loan made as part of the proposed borrowing, if applicable, is \_\_\_\_\_ months (which shall be 1, 2, 3 or 6 months).

The undersigned hereby certifies that on the date hereof and on the date of borrowing set forth above, and immediately after giving effect to the borrowing requested hereby: (i) there exists and there shall exist no Unmatured Event of Default or Event of Default under the Credit Agreement; and (ii) each of the representations and warranties contained in the Credit Agreement and the other Loan Documents is true and correct as of the date hereof, except to the extent that such representation or warranty expressly relates to another date and except for changes therein expressly permitted or expressly contemplated by the Credit Agreement.

The Company has caused this Notice of Borrowing to be executed and delivered by its officer thereunto duly authorized on \_\_\_\_\_, \_\_\_\_\_.

WORLD FUEL SERVICES CORPORATION

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

Title: \_\_\_\_\_

EXHIBIT F

FORM OF NOTICE OF CONVERSION/CONTINUATION

To: LaSalle Bank National Association, as Administrative Agent

Please refer to the Credit Agreement dated as of December 19, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among World Fuel Services Corporation (the "Company"), various financial institutions and LaSalle Bank National Association, as Administrative Agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

The undersigned hereby gives irrevocable notice, pursuant to Section 2.2.3 of the Credit Agreement, of its request to:

(a) on [ date ] convert \$[\_\_\_\_\_] of the aggregate outstanding principal amount of the [\_\_\_\_\_] Loan, bearing interest at the [\_\_\_\_\_] Rate, into a(n) [\_\_\_\_\_] Loan [and, in the case of a LIBOR Loan, having an Interest Period of [\_\_\_\_\_] month(s)];

[(b) on [ date ] continue \$[\_\_\_\_\_] of the aggregate outstanding principal amount of the [\_\_\_\_\_] Loan, bearing interest at the LIBOR Rate, as a LIBOR Loan having an Interest Period of [\_\_\_\_\_] month(s)].

The undersigned hereby represents and warrants that all of the conditions contained in Section 12.2 of the Credit Agreement have been satisfied on and as of the date hereof, and will continue to be satisfied on and as of the date of the conversion/continuation requested hereby, before and after giving effect thereto.

The Company has caused this Notice of Conversion/Continuation to be executed and delivered by its officer thereunto duly authorized on \_\_\_\_\_, \_\_\_\_\_.

WORLD FUEL SERVICES CORPORATION

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

Title: \_\_\_\_\_

**Exhibit G**

**Form of  
CONTINUING UNCONDITIONAL GUARANTY**

**THIS GUARANTY** (this "Guaranty"), dated as of \_\_\_\_\_, 200\_\_, made by [**Guarantor**], a \_\_\_\_\_ corporation (the "Guarantor"), is in favor of **LaSalle Bank National Association**, as the Administrative Agent (the "**Administrative Agent**") for all the Lenders party to the Credit Agreement (as hereafter defined).

WHEREAS, **World Fuel Services Corporation**, a Florida corporation ("Borrower"), has entered into a Credit Agreement, dated as of even date herewith (as it may be amended from time to time, the "**Credit Agreement**"), pursuant to which the Lenders have agreed to extend loans and certain other financial accommodations to Borrower and Borrower has agreed to cause certain of its Subsidiaries to guaranty Borrower's obligations under the Credit Agreement;

WHEREAS, the Guarantor is a Subsidiary of Borrower and is desirous of having the Lenders extend and/or continue the extension of credit to Borrower, and Administrative Agent and the other Lenders have required that the Guarantor execute and deliver this Guaranty to Administrative Agent for the ratable benefit of all the Lenders as a condition to the extension and continuation of credit by the Lenders; and

WHEREAS, the extension and/or continued extension of credit, as aforesaid, by Lenders is necessary and desirable to the conduct and operation of the business of Borrower and will inure to the economic benefit of the undersigned.

NOW, THEREFORE, for value received and in consideration of any loan, advance, or financial accommodation of any kind whatsoever heretofore, now or hereafter made, given or granted to Borrower by the Lenders pursuant to the Credit Agreement, the Guarantor unconditionally guaranties to the Administrative Agent for the ratable benefit of the Lenders (i) the full and prompt payment when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of all of the indebtedness, liabilities and obligations of every kind and nature of Borrower to Lenders or any parent, affiliate or subsidiary of any Lender (the terms "Lender" and "Administrative Agent" as used hereafter shall include all parents, affiliates and subsidiaries of each), howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, joint or several, now or hereafter existing, or due or to become due, and howsoever owned, held or acquired by Lenders, whether through discount, overdraft, purchase, direct loan or as collateral or otherwise, including without limitation all obligations and liabilities of Borrower to Administrative Agent and the Lenders under the Credit Agreement and (ii) the prompt, full and faithful discharge by Borrower of each and every term, condition, agreement, representation and warranty

now or hereafter made by Borrower to the Administrative Agent and/or the Lenders (all such indebtedness, liabilities and obligations being hereinafter referred to as the "Borrower's Liabilities"). Guarantor further agrees to pay all costs and expenses, including, without limitation, all court costs and reasonable attorneys' and paralegals' fees paid or incurred by Administrative Agent or any Lender in endeavoring to collect all or any part of Borrower's Liabilities from, or in prosecuting any action against, Guarantor or any other guarantor of all or any part of Borrower's Liabilities. All amounts payable by Guarantor under this Guaranty shall be payable upon demand by Administrative Agent.

Notwithstanding any provision of this Guaranty to the contrary, it is intended that this Guaranty, and any liens and security interests granted by Guarantor to secure this Guaranty, not constitute a "Fraudulent Conveyance" (as defined below). Consequently, Guarantor agrees that if this Guaranty, or any liens or security interests securing this Guaranty, would, but for the application of this sentence, constitute a Fraudulent Conveyance, this Guaranty and each such lien and security interest shall be valid and enforceable only to the maximum extent that would not cause this Guaranty or such lien or security interest to constitute a Fraudulent Conveyance, and this Guaranty shall automatically be deemed to have been amended accordingly at all relevant times. For purposes hereof, "Fraudulent Conveyance" means a fraudulent conveyance under Section 548 of the "Bankruptcy Code" (as hereinafter defined) or a fraudulent conveyance or fraudulent transfer under the provisions of any applicable fraudulent conveyance or fraudulent transfer law or similar law of any state, nation or other governmental unit, as in effect from time to time.

Guarantor hereby agrees that, except as hereinafter provided, its obligations under this Guaranty shall be unconditional, irrespective of (i) the validity or enforceability of Borrower's Liabilities or any part thereof, or of any promissory note or other document evidencing all or any part of Borrower's Liabilities, (ii) the absence of any attempt to collect Borrower's Liabilities from Borrower or any other guarantor or other action to enforce the same, (iii) the waiver or consent by Administrative Agent or any Lender with respect to any provision of any instrument evidencing Borrower's Liabilities, or any part thereof, or any other agreement heretofore, now or hereafter executed by Borrower and delivered to Administrative Agent, (iv) failure by Administrative Agent to take any steps to perfect and maintain its security interest in, or to preserve its or any Lender's rights to, any security or collateral for Borrower's Liabilities, (v) the institution of any proceeding under Chapter 11 of Title 11 of the United States Code (11 U.S.C. §101 et seq.), as amended (the "Bankruptcy Code"), or any similar proceeding, by or against Borrower, or Administrative Agent's election in any such proceeding of the application of Section 1111(b)(2) of the Bankruptcy Code, (vi) any borrowing or grant of a security interest by Borrower as debtor-in-possession, under Section 364 of the Bankruptcy Code, (vii) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of Administrative Agent's or other Lender's claim(s) for repayment of Borrower's Liabilities, or (viii) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of Guarantor.

Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of receivership or bankruptcy of Borrower, protest or notice with respect to Borrower's Liabilities and all demands whatsoever, and covenants that this Guaranty will not be discharged, except by complete performance of the obligations and liabilities contained herein. Upon any default by Borrower as provided in any instrument or document evidencing all or any part of Borrower's Liabilities, including without limitation the Credit Agreement, Administrative Agent may, at its sole election, proceed directly and at once, without notice, against Guarantor to collect and recover the full amount or any portion of Borrower's Liabilities, without first proceeding against Borrower, any other guarantor or any other person, firm, or corporation, or against any security or collateral for Borrower's Liabilities.

Administrative Agent is hereby authorized, without notice or demand and without affecting the liability of Guarantor hereunder, to at any time and from time to time (i) renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, Borrower's Liabilities or otherwise modify, amend or change the terms of any promissory note or other agreement, document or instrument now or hereafter executed by Borrower and delivered to Administrative Agent; (ii) accept partial payments on Borrower's Liabilities; (iii) take and hold security or collateral for the payment of Borrower's Liabilities guaranteed hereby, or for the payment of this Guaranty, or for the payment of any other guaranties of Borrower's Liabilities or other liabilities of Borrower, and exchange, enforce, waive and release any such security or collateral; (iv) apply such security or collateral and direct the order or manner of sale thereof as in its sole discretion it may determine; and (v) settle, release, compromise, collect or otherwise liquidate Borrower's Liabilities and any security or collateral therefor in any manner, without affecting or impairing the obligations of Guarantor hereunder. Administrative Agent shall have the exclusive right to determine the time and manner of application of any payments or credits, whether received from Borrower or any other source, and such determination shall be binding on Guarantor. All such payments and credits may be applied, reversed and reapplied, in whole or in part, to any of Borrower's Liabilities as Administrative Agent shall determine in its sole discretion without affecting the validity or enforceability of this Guaranty.

Guarantor agrees, at any time after maturity of Borrower's Liabilities by reason of acceleration or otherwise, Administrative Agent may, in its sole discretion, without notice to Guarantor and regardless of the acceptance of any security or collateral for the payment hereof, appropriate and apply toward the payment of Borrower's Liabilities (i) any indebtedness due or to become due from Administrative Agent or other Lender to Guarantor, and (ii) any moneys, credits or other property belonging to Guarantor, at any time held by or coming into the possession of Administrative Agent or other Lender whether for deposit or otherwise.

Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of Borrower, and any and all endorsers and/or other guarantors of

any instrument or document evidencing all or any part of Borrower's Liabilities and of all other circumstances bearing upon the risk of nonpayment of Borrower's Liabilities or any part thereof that diligent inquiry would reveal and Guarantor hereby agrees that Administrative Agent shall have no duty to advise Guarantor of information known to Administrative Agent regarding such condition or any such circumstances or to undertake any investigation not a part of its regular business routine. If Administrative Agent, in its sole discretion, undertakes at any time or from time to time to provide any such information to Guarantor, Administrative Agent shall be under no obligation to update any such information or to provide any such information to Guarantor on any subsequent occasion.

Guarantor consents and agrees that Administrative Agent shall be under no obligation to marshal any assets in favor of Guarantor or against or in payment of any or all of Borrower's Liabilities. Guarantor further agrees that, to the extent that Borrower makes a payment or payments to Administrative Agent, or Administrative Agent receives any proceeds of collateral, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to Borrower, its estate, trustee, receiver or any other party, including, without limitation, Guarantor, under any bankruptcy law, state or federal law, common law or equitable theory, then to the extent of such payment or repayment, Borrower's Liabilities or the part thereof which has been paid, reduced or satisfied by such amount, and Guarantor's obligations hereunder with respect to such portion of Borrower's Liabilities, shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred.

Guarantor agrees that any and all claims of Guarantor against Borrower, any endorser or any other guarantor of all or any part of Borrower's Liabilities, or against any of Borrower's properties, whether arising by reason of any payment by Guarantor to Administrative Agent pursuant to the provisions hereof, or otherwise, shall be subordinate and subject in right of payment to the prior payment, in full, of all of Borrower's Liabilities.

Administrative Agent may, without notice to anyone, sell or assign Borrower's Liabilities or any part thereof, or grant participations therein, and in any such event each and every immediate or remote assignee or holder of, or participant in, all or any of Borrower's Liabilities shall have the right to enforce this Guaranty, by suit or otherwise for the benefit of such assignee, holder, or participant, as fully as if herein by name specifically given such right, but Administrative Agent shall have an unimpaired right, prior and superior to that of any such assignee, holder or participant, to enforce this Guaranty for the benefit of Administrative Agent, as to any part of Borrower's Liabilities retained by Administrative Agent.

This Guaranty shall be binding upon Guarantor and upon the successors (including without limitation, any receiver, trustee or debtor in possession of or for Guarantor) of Guarantor and shall inure to the benefit of Administrative Agent and the

Lenders and their respective successors and assigns. Guarantor hereby represents and warrants that it has all necessary corporate, company or partnership authority, as the case may be, to execute and deliver this Guaranty and to perform its obligations hereunder.

This Guaranty shall continue in full force and effect, and Administrative Agent and the other Lenders shall be entitled to make loans and advances and extend financial accommodations to Borrower on the faith hereof until such time as Administrative Agent has, in writing, notified Guarantor that all of Borrower's Liabilities have been paid in full and discharged and the Credit Agreement has been terminated or until Administrative Agent has actually received written notice from Guarantor of the discontinuance of this Guaranty, or written notice of the death, incompetency or dissolution of Guarantor (as applicable). In case of any discontinuance by, or death, incompetency or dissolution of, Guarantor (collectively, a "Termination Event"), this Guaranty and the obligations of Guarantor and his or its heirs, legal representatives, successors or assigns, as the case may be, shall remain in full force and effect with respect to all of Borrower's Liabilities incurred prior to the receipt by Administrative Agent of written notice of the Terminating Event. The occurrence of a Terminating Event with respect to any other guarantor shall not affect or impair the obligations of Guarantor hereunder.

Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

**THIS GUARANTY SHALL BE GOVERNED AND CONTROLLED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS.**

**ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS GUARANTY, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. GUARANTOR HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. GUARANTOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. GUARANTOR**

**HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.**

**GUARANTOR HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS GUARANTY, ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING WITH ANY LENDER IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.**

**SIGNATURE APPEARS ON FOLLOWING PAGE**



IN WITNESS WHEREOF, this Guaranty has been duly executed by the undersigned as of this \_\_\_\_ day of \_\_\_\_\_ 200\_\_.

**GUARANTOR:**

\_\_\_\_\_, a \_\_\_\_\_  
corporation

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

STATE OF FLORIDA            )  
  ) SS:  
COUNTY OF MIAMI-DADE    )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 200\_ by \_\_\_\_\_, as \_\_\_\_\_ of Guarantor.

Personally Known \_\_\_OR Produced Identification \_\_\_

Type of Identification Produced \_\_\_\_\_

\_\_\_\_\_  
Print or Stamp Name:  
Notary Public, State of Florida  
Commission No.:  
My Commission Expires:

**Exhibit H**  
**Form of**  
**SECURITIES PLEDGE AGREEMENT**

**THIS PLEDGE AGREEMENT** (this “**Agreement**”), dated as of \_\_\_\_\_, 200\_\_, made by the undersigned pledgor (the “**Pledgor**”), is in favor of **LaSalle Bank National Association**, as the Administrative Agent (the “**Administrative Agent**”) for all the Lenders party to the Credit Agreement (as hereafter defined).

**WITNESSETH**

**WHEREAS**, World Fuel Services Corporation, a Florida corporation (“**World**”), and the Lenders are parties to a Credit Agreement, dated as of even date herewith (as it may be amended from time to time, the “**Credit Agreement**”), pursuant to which the Pledgee has agreed to extend loans and certain other financial accommodations to World and World has agreed to grant, or to cause certain of its Subsidiaries to grant, to the Pledgee a security interest in certain assets of World or such Subsidiaries; and

**WHEREAS**, the Pledgor is a Subsidiary of World and presently owns all of the issued and outstanding shares of capital stock as more fully described in Schedule I attached hereto and made a part hereof and issued by the corporations or other entities named therein (each such corporation or other entity being referred to in said Schedule I as an “**Issuer**”), which shares comprise 65% of the capital stock or other equity interests of all Issuers (the “**Pledged Shares**”).

**NOW, THEREFORE**, for good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the Pledgor hereby agrees as follows:

**1. Pledge.** The Pledgor hereby pledges and grants to the Administrative Agent for the ratable benefit of the Lenders a security interest in the following (the “**Pledged Collateral**”):

(i) the Pledged Shares now owned by the Pledgor and the certificates, if any, representing such Pledged Shares, and all dividends, cash, securities, instruments, rights and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Shares;

(ii) 65% of the issued and outstanding capital stock (or comparable securities or equity interest) of any Person which, after the date of this Agreement, becomes a Material Foreign Subsidiary or New Foreign Subsidiary (each as defined in the Credit Agreement) of World that is owned by Pledgor; and

(iii) all other property hereafter delivered to the Administrative Agent in substitution for, as proceeds of, or in addition to any of the foregoing, all certificates, instruments and documents representing or evidencing such property, and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof.

**2. Security for Liabilities.** The Pledged Collateral secures the payment of all of the Obligations (as defined in the Credit Agreement) to the Administrative Agent and the other Lenders, whether for principal, interest, fees, expenses or otherwise, and all obligations of the Pledgor now or hereafter existing under this Agreement (the Obligations under the Credit Agreement and all obligations of the Pledgor now or hereafter existing under this Agreement being referred to herein as the “**Liabilities**”).

**3. Delivery of Pledged Shares.** All certificates, instruments or documents, if any, representing or evidencing the Pledged Shares shall be delivered to and held by or on behalf of the Administrative Agent pursuant hereto and shall be in suitable form for transfer by delivery, shall be accompanied by duly executed instruments of transfer, stock powers or assignment in blank, all in form and substance satisfactory to the Administrative Agent. In the event any or all of the Pledged Shares are evidenced by a book entry, Pledgor shall execute and deliver or cause to be executed and delivered to Administrative Agent such control agreements, documents, and agreements as are required by Administrative Agent to create and perfect a security interest in such uncertificated Pledged Shares. In addition, the Administrative Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Shares for certificates or instruments of smaller or larger denominations.

**4. Representations and Warranties.** The Pledgor represents and warrants as follows:

(a) The Pledged Shares have been duly authorized and validly issued and are fully paid and non-assessable.

(b) The Pledgor is, or at the time of any future delivery, pledge, assignment or transfer will be, the legal and beneficial owner of the Pledged Collateral, free and clear of any lien, security interest, pledge, warrant, option, purchase agreement, shareholders’ agreement, restriction, redemption agreement or other charge, encumbrance or restriction of any nature on the Pledged Collateral, except for the lien created by this Agreement, with full right to deliver, pledge, assign and transfer the Pledged Collateral to the Administrative Agent for the ratable benefit of the Lenders as Pledged Collateral hereunder.

(c) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid, perfected and first priority security interest in the Pledged Collateral, securing the payment of the Liabilities.

(d) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by the Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Pledgor, or (ii) for the exercise by the Administrative Agent of the voting or other rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement (except as may be required in connection with a disposition of such shares by laws affecting the offering and sale of securities generally).

(e) The Pledgor has full power and authority to enter into this Agreement and has the right to vote, pledge and grant a security interest in the Pledged Collateral as provided by this Agreement.

(f) None of the Pledged Shares has been issued in violation of any federal, state or other law, regulation or rule pertaining to the issuance of securities, or in violation of any rights, pre-emptive or otherwise, of any present or past stockholder of any Issuer described in Schedule I attached hereto and made a part hereof.

**5. Further Assistance.** The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver, or cause to be executed and delivered, all certificates, if any, representing the Pledged Shares, stock and/or bond powers, proxies, assignments, instruments and documents; will take all steps necessary to properly register the transfer of the security interest hereunder on the books of the Issuer of any uncertificated securities included in the Pledged Shares; and will take all further action that may be necessary or desirable, or that the Administrative Agent may request in its sole discretion, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Administrative Agent to exercise and enforce its and the other Lenders' rights and remedies hereunder with respect to any Pledged Collateral and to carry out the provisions and purposes hereof. Pledgor further authorizes Administrative Agent to file such UCC financing statements regarding the Pledged Collateral as Administrative Agent deems necessary from time to time.

**6. Voting Rights; Dividends; Etc.**

(a) So long as no Event of Default (as hereinafter defined) or event which, with the giving of notice or the lapse of time, or both, would become an Event of Default, shall have occurred:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Shares or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; provided, however, that the Pledgor shall not exercise nor shall it refrain from exercising any such right if such action could have a Material Adverse Effect (as defined in the Credit Agreement) on the value of the Pledged Collateral or any part thereof.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral, provided however, that any and all

a. dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

b. dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

c. cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral, shall be Pledged Collateral, shall be forthwith delivered to the Administrative Agent to hold as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Administrative Agent and the other Lenders, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Administrative Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

(iii) The Pledgor shall execute and deliver (or cause to be executed and delivered) to the Administrative Agent all such proxies and other instruments as the Administrative Agent may request for the purpose of enabling the Administrative Agent to exercise the voting and other rights which it is entitled to exercise pursuant to Section 6(a)(i) above and to receive the dividends or interest payments which it is authorized to receive pursuant to Section 6(a)(ii) above.

(b) Upon the occurrence of an Event of Default (as hereinafter defined) or an event which, with the giving of notice or the lapse of time, or both, would become an Event of Default:

(i) All rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) and to receive the dividends, interest payments and distributions which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall cease, and all such rights shall thereupon become vested in the Administrative Agent which shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends, interest payments and distributions; and

(ii) All dividends, interest payments and distributions which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Administrative Agent and the other Lenders, shall be segregated from other funds and property of the Pledgor and shall be forthwith paid and transferred over to the Administrative Agent as Pledged Collateral in the same form as so received (with any necessary endorsements).

**7. Transfers and Other Liens; Additional Shares.** The Pledgor agrees that it will not (i) sell, assign, transfer, convey, exchange, pledge or otherwise dispose of, or grant any option, warrant, right, contract or commitment with respect to, any of the Pledged Collateral without the prior written consent of the Administrative Agent, or (ii) create or permit to exist any lien, security interest, pledge, proxy, purchase arrangement, restriction, redemption agreements, shareholders' agreement or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest created by this Agreement.

**8. Application of Proceeds of Sale or Cash Held as Collateral.** The proceeds of sale of Pledged Collateral sold pursuant to this Agreement and/or any cash held as Pledged Collateral hereunder shall be (a) retained by the Administrative Agent for the benefit of the Lenders as cash collateral for the Liabilities, or (b) at the election of the Administrative Agent, applied by the Administrative Agent as follows:

**First:** to payment of the costs and expenses of such sale, including the out-of-pocket expenses of the Administrative Agent and the reasonable fees and out-of-pocket expenses of counsel employed in connection therewith, and to the payment of all advances made by the Administrative Agent for the account of the Pledgor hereunder, and the payment of all costs and expenses incurred by the Administrative Agent in connection with the administration and enforcement of this Agreement, to the extent that such advances, costs and expenses shall not have been reimbursed to the Administrative Agent;

**Second:** to the payment of interest accrued and unpaid, if any, on any of the Liabilities to and including the date of such application and then to the

payment or prepayment of principal of any of the Liabilities and then to the payment of the balance of the Liabilities in such order as Administrative Agent may determine in its sole discretion; and

**Third:** the balance, if any, of such proceeds shall be paid to the Pledgor, or its successors or assigns, or as a court of competent jurisdiction may direct.

**9. The Administrative Agent Appointed Attorney-in-Fact.** The Pledgor hereby appoints the Administrative Agent as the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Administrative Agent's discretion to take any action and to execute any instrument which the Administrative Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same.

**10. The Administrative Agent May Perform.** If the Pledgor fails to perform any agreement contained herein, the Administrative Agent may itself perform, or cause performance of, such agreement, and the expenses of the Administrative Agent incurred in connection therewith shall be payable by the Pledgor under Section 16.

**11. Reasonable Care.** The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which the Administrative Agent accords its own property, it being understood that the Administrative Agent shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Administrative Agent has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

**12. Subsequent Changes Affecting Collateral.** The Pledgor represents to the Administrative Agent that the Pledgor has made its own arrangements for keeping informed of changes or potential changes affecting the Pledged Collateral (including, but not limited to, rights to convert, rights to subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights), and the Pledgor agrees that the Administrative Agent shall have no responsibility or liability for informing the Pledgor of any such changes or potential changes or for taking any action or omitting to take any action with respect thereto.

**13. Events of Default; Remedies Upon an Event of Default.**

- (a) The occurrence of any one or more of the following events shall constitute an "Event of Default" by Pledgor under this Agreement:
- (i) there exists an Event of Default under and as defined in the Credit Agreement;



(ii) the Pledgor fails to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed, or any representation or warranty made by the Pledgor in this Agreement shall be untrue or misleading in any material respect as of the date with respect to which such representation or warranty was made;

(iii) a notice of lien, levy or assessment is filed or recorded with respect to all or a substantial part of the Pledged Collateral, except for a lien, levy or assessment which relates to current taxes not yet due and payable; or

(iv) all or a substantial part of the Pledged Collateral is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors.

(b) If any Event of Default shall have occurred, the Administrative Agent shall have, in addition to all other rights given by law or by this Agreement, the Credit Agreement or otherwise, all of the rights and remedies with respect to the Pledged Collateral of a secured party under the Uniform Commercial Code (“**Code**”) in effect in the State of Illinois at that time and the Administrative Agent may, without notice and at its option, transfer or register the Pledged Collateral or any part thereof on the books of the Issuer thereof into the name of the Administrative Agent or the Administrative Agent’s nominee(s), with or without any indication that such Pledged Collateral is subject to the security interest hereunder. In addition, with respect to any Pledged Collateral which shall then be in or shall thereafter come into the possession or custody of the Administrative Agent, the Administrative Agent may sell or cause the same to be sold at any broker’s board or at public or private sale, in one or more sales or lots, at such price or prices as the Administrative Agent may deem best, for cash or on credit or for future delivery, without assumption of any credit risk. The purchaser of any or all Pledged Collateral so sold shall thereafter hold the same absolutely, free from any claim, encumbrance or right of any kind whatsoever, except for claims, encumbrances or rights that may arise without the knowledge or consent of the Pledgor. Unless any of the Pledged Collateral threatens to decline speedily in value, in the Administrative Agent’s sole discretion, or is or becomes of a type sold on a recognized market, the Administrative Agent will give the Pledgor reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or other intended disposition is to be made. Any sale of the Pledged Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies, commercial

finance companies, or other financial institutions disposing of property similar to the Pledged Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to the Pledgor as provided in Section 19 below, at least ten (10) days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is, to the extent permitted by law, waived. The Administrative Agent may, in its own name or in the name of a designee or nominee, buy any of the Pledged Collateral at any public sale and, if permitted by applicable law, at any private sale. All expenses (including court costs and reasonable attorneys' fees and expenses) of, or incident to, the enforcement of any of the provisions hereof shall be recoverable from the proceeds of the sale or other disposition of Pledged Collateral. In view of the fact that federal and state securities laws may impose certain restrictions on the method by which a sale of the Pledged Collateral may be effected after an Event of Default, the Pledgor agrees that upon the occurrence or existence of any Event of Default, the Administrative Agent may, from time to time, attempt to sell all or any part of the Pledged Collateral by means of a private placement, restricting the prospective purchasers to those who can make the representations and agreements required of purchasers of securities in private placements. In so doing, the Administrative Agent may solicit offers to buy the Pledged Collateral, or any part of it, for cash, from a limited number of investors deemed by the Administrative Agent in its judgment, to be responsible parties who might be interested in purchasing the Pledged Collateral, and if the Administrative Agent solicits such offers from not less than three (3) such investors, then the acceptance by the Administrative Agent of the highest offer obtained therefrom shall be deemed to be a commercially reasonable method of disposition of the Pledged Collateral.

In addition, upon the occurrence of an Event of Default, all rights of the Pledgor to exercise the voting and other rights which it would otherwise be entitled to exercise and to receive cash dividends and interest payments, shall cease, and all such rights shall thereupon become vested in the Administrative Agent as provided in Section 6.

**14. Authority of the Administrative Agent.** The Administrative Agent shall have and be entitled to exercise all such powers hereunder as are specifically delegated to the Administrative Agent by the terms hereof, together with such powers as are incidental thereto. The Administrative Agent may execute any of its duties hereunder by or through agents or employees. Neither the Administrative Agent, nor any director, officer, agent or employee of the Administrative Agent, shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct. The Pledgor hereby agrees to indemnify and hold harmless the Administrative Agent and/or any such director, officer, agent or employee from and against any and all liability incurred by any of them, hereunder or in connection herewith, unless such liability shall be due to its or their own gross negligence or willful misconduct.

**15. Termination.** This Agreement shall terminate when all the Liabilities have been fully paid and performed, at which time the Administrative Agent shall reassign and redeliver (or cause to be reassigned and redelivered) to the Pledgor, or to such person or persons as the Pledgor shall designate, against receipt, such of the Pledged Collateral (if any) as shall not have been sold or otherwise applied by the Administrative Agent pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse upon or warranty by the Administrative Agent and at the expense of the Pledgor.

**16. Expenses.** The Pledgor agrees to reimburse the Administrative Agent, on demand for any and all reasonable expenses, including Administrative Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the registration of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Administrative Agent hereunder, or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

**17. Security Interest Absolute.** All rights of the Administrative Agent and security interests hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Credit Agreement or an other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Liabilities, or any other amendment or waiver of or any consent to any departure from the Credit Agreement;

(iii) any exchange, surrender, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Liabilities; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Pledgor in respect of the Liabilities or of this Agreement.

**18. Amendments, Waivers and Consents.** No amendment or waiver of any provision of this Agreement nor consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Administrative Agent, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

**19. Notices.** Any notice required or desired to be served, given or delivered hereunder shall be in writing (including facsimile transmission), and shall be deemed to

have been validly served, given or delivered upon the earlier of (a) personal delivery to the address set forth below (b) in the case of mailed notice, three (3) days after deposit in the United States mails, with proper postage for certified mail, return receipt requested, prepaid, or in the case of notice by Federal Express or other reputable overnight courier service, one (1) Business Day (as defined in the Credit Agreement) after delivery to such courier service, and (c) in the case of facsimile transmission, upon transmission with confirmation of receipt, addressed to the party to be notified as follows:

If to the Pledgor: c/o World Fuel Services Corporation  
9800 N.W. 41<sup>st</sup> Street, Suite 400  
Miami, Florida 33178  
Attention: \_\_\_\_\_, Chief Financial Officer  
Facsimile Number: (305) 884-9993

With a copy to: Shutts & Bowen LLP  
1500 Miami Center  
201 S. Biscayne Boulevard  
Miami, Florida 33131  
Attention: Luis A. de Armas, Esq.  
Facsimile No.: (305) 381-9982

If to the Administrative Agent: LaSalle Bank National Association  
135 South LaSalle Street  
Chicago, Illinois 60603  
Attention: \_\_\_\_\_  
Facsimile Number: (312) \_\_\_\_\_

With a copy to: Stearns Weaver Miller Weissler Alhadeff  
& Sitterson, P.A.  
Museum Tower, Suite 2200  
150 West Flagler Street  
Miami, Florida 33130  
Attention: Jimmy L. Morales, Esq.  
Facsimile Number: (305) 789-3395

or to such other address as any of the parties may hereafter designate for itself by written notice to the other parties in the manner herein prescribed.

**20. Continuing Security Interest.** This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) remain in full force and effect until payment in full of the Liabilities; (ii) be binding upon the Pledgor, its successors and assigns; and (iii) inure to the benefit of the Administrative Agent and the other Lenders and their respective successors, transferees and assigns.

**21. Waivers.** The Pledgor waives presentment and demand for payment of any of the Liabilities, protest and notice of dishonor or default with respect to any of the Liabilities, and all other notices to which the Pledgor might otherwise be entitled, except as otherwise expressly provided herein or in the Credit Agreement.

**22. Governing Law; Terms.** This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to conflict of laws provisions) and decisions of the State of Illinois. Unless otherwise defined herein, terms defined in Articles 8 and 9 of the Illinois Uniform Commercial Code, as same may be amended from time to time, are used herein as therein defined. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but, if any provision of this Agreement shall be interpreted in such manner as to be ineffective or invalid under applicable law, such provisions shall be ineffective or invalid only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

**23. Definitions.** The singular shall include the plural and vice versa and any gender shall include any other gender as the text shall indicate.

**24. Section Headings.** The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

**25. Forum Selection and Consent to Jurisdiction.** ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE PLEDGOR HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE PLEDGOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. THE PLEDGOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

**26. Waiver of Jury Trial.** EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

**IN WITNESS WHEREOF**, the Pledgor and the Administrative Agent have each caused this Agreement to be duly executed and delivered by its officer, if any, thereunto duly authorized as of the date first above written.

\_\_\_\_\_  
\_\_\_\_\_,  
\_\_\_\_\_ corporation a

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

**LASALLE BANK NATIONAL  
ASSOCIATION**, as Administrative Agent for the Lenders

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

ACKNOWLEDGMENT

\_\_\_\_\_  
\_\_\_\_\_) )  
\_\_\_\_\_) SS  
\_\_\_\_\_) )

I, \_\_\_\_\_, a Notary Public in and for and residing in \_\_\_\_\_, DO HEREBY CERTIFY THAT \_\_\_\_\_, the \_\_\_\_\_ of Advance Petroleum, Inc., personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered said instrument as his/her own free and voluntary act and as the free and voluntary act of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this \_\_\_\_ day of \_\_\_\_\_ 200\_\_.

\_\_\_\_\_  
Notary Public  
My Commission Expires:  
\_\_\_\_\_

ACKNOWLEDGMENT

STATE OF ILLINOIS        )  
                                  ) SS  
COUNTY OF COOK        )

I, \_\_\_\_\_, a Notary Public in and for and residing in said County and State, DO HEREBY CERTIFY THAT \_\_\_\_\_, a \_\_\_\_\_ of LaSalle Bank National Association, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free and voluntary act and as the free and voluntary act of said bank for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this \_\_\_\_ day of \_\_\_\_\_ 200\_\_.

\_\_\_\_\_  
Notary Public  
My Commission Expires:  
\_\_\_\_\_



SCHEDULE I

Description of Pledged Shares

ISSUER

NUMBER OF SHARES

\_\_\_\_\_

\_\_\_\_\_ shares

\_\_\_\_\_

\_\_\_\_\_ shares

**Exhibit I**  
**Form of**  
**SOLVENCY CERTIFICATE**

I, \_\_\_\_\_, the Chief Financial Officer of [Guarantor], a \_\_\_\_\_ corporation (the "Company"), hereby certify to the best of my knowledge, on behalf of the Company, that:

1. I am the duly elected, qualified and acting Chief Financial Officer of the Company and am familiar with the business and financial matters and things hereinafter described.

2. This Certificate is made and delivered to LaSalle Bank National Association, as Administrative Agent (the "Administrative Agent") for the purpose of inducing the Lenders (as defined in the Credit Agreement), now and from time to time hereafter, to advance monies and offer other financial assistance to World Fuel Services Corporation, a Florida corporation (the "Borrower"), pursuant to that certain Credit Agreement, dated as of December 19, 2003, between the Borrower, the Administrative Agent and the Lenders (the "Credit Agreement") (the Credit Agreement, together with all notes, guarantees, agreements, instruments and documents executed by the Company and delivered to the Administrative Agent being hereinafter referred to as the "Agreements").

3. The Company does not intend to incur debts beyond its ability to pay them as they mature.

4. The Company does not contemplate filing a petition in bankruptcy or for an arrangement or reorganization under the Federal Bankruptcy Code, nor are there any threatened bankruptcy or insolvency proceedings against the Company.

\_\_\_\_\_, a  
corporation  
  
By: \_\_\_\_\_  
\_\_\_\_\_, Chief Financial Officer

Date: \_\_\_\_\_, 200\_\_

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**Schedule 1.1(a) - Guarantors**

Advance Petroleum, Inc.  
Baseops International, Inc.  
Trans-Tec Services, Inc.  
World Fuel Services, Inc.  
World Fuel Services Company, Inc.

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## Schedule 1.1(b) – Pledged Stock of Foreign Subsidiaries

### With Local Country Legal Opinion

- World Fuel Cayman Holding Company I
  - World Fuel International S.R.L.
- World Fuel Singapore Holding Company I Pte. Ltd.
  - World Fuel Services (Singapore) Pte. Ltd.
  - Trans-Tec Services (UK) Ltd.
  - World Fuel Services, Ltd.
    - Bunkerfuels UK Limited
  - Oil Shipping B.V.
    - Oil Shipping (Bunkering) B.V.
  - World Fuel Singapore Holding Company II, Pte. Ltd.
  - World Fuel Cayman Holding Company III
    - World Fuel Services Finance Company S.A.R.L.
  - World Fuel Services European Holding Company I, Ltd.
    - World Fuel Services Europe, Ltd.

### Without Local Country Legal Opinion

- Servicios Auxiliares de Mexico S.A. de C.V.
- PetroServicios de Mexico S.A. de C.V.
- Trans-Tec International S.R.L.
- Oil Shipping (Hong Kong) Ltd.
- Marine Energy Arabia Establishment Ltd.
  - Marine Energy Arabia Co., LLC

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### Schedule 9.6 – Litigation and Contingent Liabilities

In April 2001, Miami-Dade County, Florida (the “County”) filed suit (the “County Suit”) against 17 defendants to seek reimbursement for the cost of remediating environmental contamination at Miami International Airport (the “Airport”). Page Avjet Fuel Corporation, now known as PAFCO L.L.C. (“PAFCO”), is a defendant.

Also in April 2001, the County sent a letter to approximately 250 potentially responsible parties (“PRP’s”), including World Fuel Services Corporation and one subsidiary, advising them of their potential liability for the clean-up costs which are the subject of the County Suit. The County has threatened to add the PRP’s as defendants in the County Suit, unless they agree to share in the cost of the environmental clean-up at the Airport.

In addition to the matters described above, World Fuel Services Corporation and subsidiaries are also involved in litigation and administrative proceedings primarily arising in the normal course of our business.

## Schedule 9.8 - Subsidiaries

- Advance Petroleum, Inc., a Florida corporation, operates under the name “World Fuel Services of FL.”
  - PetroServicios de Mexico S.A. de C.V., a Mexico corporation (1)
  - Servicios Auxiliares de Mexico S.A. de C.V., a Mexico corporation (1)
  - Baseops Mexico S.A. de C.V., a Mexico corporation (1) (3)
- Atlantic Fuel Services, S.A., a Costa Rica corporation (3)
- Baseops International, Inc., a Texas corporation
- Casa Petro S.A., a Costa Rica corporation
  - PetroServicios de Costa Rica S.A., a Costa Rica corporation (2)
- IRC Oil Technics, Inc., a Delaware corporation (3)
- Pacific Horizon Petroleum Services, Inc., a Delaware corporation
- Resource Recovery of America, Inc., a Florida corporation (3)
- Trans-Tec Services, Inc., a Delaware corporation
- World Fuel Cayman Holding Company I, a Cayman Islands corporation
  - Marine Energy Arabia Establishment Ltd., a British Virgin Islands corporation
    - Marine Energy Arabia Co. LLC, a United Arab Emirate corporation, a majority controlled subsidiary
  - Norse Bunkers AS, a Norway corporation
  - Trans-Tec International S.R.L., a Costa Rica corporation
  - World Fuel ApS, a Denmark corporation (3)
  - World Fuel International S.R.L., a Costa Rica corporation
  - World Fuel Singapore Holding Company I Pte. Ltd., a Singapore corporation
    - Baseops Europe Limkited, a United Kingdom corporation
      - AirData Limited, a United Kingdom corporation
    - Trans-Tec Services (UK) Ltd., a United Kingdom corporation
      - Trans-Tec Services (Singapore) Pte. Ltd., a Singapore corporation (3)
    - Oil Shipping B.V., a Netherlands corporation
      - Oil Shipping (Bunkering) B.V., a Netherlands corporation
      - Oil Shipping (Hong Kong) Ltd., a Hong Kong corporation
    - World Fuel Services, Ltd., a United Kingdom corporation
      - Bunkerfuels UK Limited, a United Kingdom corporation
- World Fuel Services (Singapore) Pte. Ltd., a Singapore corporation
  - Trans-Tec Services (Japan) Co., K.K., a Japan corporation
  - World Fuel Services (Thailand) Ltd., a Thailand corporation (4)
  - World Fuel Services Thailand I LLC, a Florida limited liability corporation
  - World Fuel Services Thailand II LLC, a Florida limited liability corporation
  - World Fuel Services Thailand III LLC, a Florida limited liability corporation
  - World Fuel Services Thailand IV LLC, a Florida limited liability corporation
  - World Fuel Services Thailand V LLC, a Florida limited liability corporation
  - World Fuel Services Thailand VI LLC, a Florida limited liability corporation
- World Fuel Cayman Holding Company III, a Cayman Islands corporation
  - World Fuel Services Finance Company S.A.R.L., a Luxembourg corporation
- World Fuel Singapore Holding Company II Pte. Ltd., a Singapore corporation (3)
- World Fuel Services European Holding Company I, Ltd., a United Kingdom corporation

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- World Fuel Services Europe, Ltd., a United Kingdom corporation
  - World Fuel Cayman Holding Company II, a Cayman Islands corporation (3)
  - World Fuel Services, Inc., a Texas corporation
    - PAFCO LLC, a Delaware limited liability company (5)
  - World Fuel Services Company, Inc., a Florida corporation

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- (1) These corporations are owned 50% by Advance Petroleum, Inc. and 50% by World Fuel Services Corporation.
  - (2) This corporation is owned 55% by Casa Petro S.A. and 45% by World Fuel Services Corporation.
  - (3) These corporations are inactive.
  - (4) This corporation is owned 94% by World Fuel Services (Singapore) Pte. Ltd. and by, 1% each, World Fuel Services Thailand I, II, III, IV, V and VI.
  - (5) This limited liability company is a joint venture company which is equally owned by World Fuel Services, Inc. and Signature Flight Support Corporation, a Delaware corporation unrelated to the Registrant.

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### Schedule 9.15 – Environmental Matters

In April 2001, Miami-Dade County, Florida (the “County”) filed suit (the “County Suit”) against 17 defendants to seek reimbursement for the cost of remediating environmental contamination at Miami International Airport (the “Airport”). Page Avjet Fuel Corporation, now known as PAFCO L.L.C. (“PAFCO”), is a defendant.

Also in April 2001, the County sent a letter to approximately 250 potentially responsible parties (“PRP’s”), including World Fuel Services Corporation and one subsidiary, advising them of their potential liability for the clean-up costs which are the subject of the County Suit. The County has threatened to add the PRP’s as defendants in the County Suit, unless they agree to share in the cost of the environmental clean-up at the Airport.

World Fuel Services Corporation (the “Company”) have exited several businesses which handled hazardous and non-hazardous waste. The Company treated and/or transported this waste to various disposal facilities. The Company may be held liable as a potentially responsible party for the clean-up of such disposal facilities, or required to clean up facilities previously operated by us, pursuant to current U.S. federal and state laws and regulations.



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**Schedule 9.16 – Insurance**

“Information separately provided by the Company.”

## Schedule 9.17 – Real Property

All of the following real property are leased as executive, administrative, operations, or sales offices:

**World Fuel Services Corporation**  
9800 Northwest 41st Street, Suite 400  
**Miami, FL 33178, United States**

**Trans-Tec Services, Inc.**  
2 Greenwich Office Park  
Greenwich, CT 06830, United States

Raritan Plaza III  
101 Fieldcrest Avenue Suite 2B  
Edison, NJ 08837, United States

1101 Fifth Avenue, Suite 280  
San Rafael, CA 94901, United States

**World Fuel Services Ltd.**  
Kingfisher House, Northwood Park, Gatwick Rd.  
Crawley, West Sussex, RH10 2XN  
United Kingdom

**Bunkerfuels UK Limited**  
Westminster Tower, 3 Albert Embankment  
London SE1 75P

**Trans-Tec Denmark, a branch of Trans-Tec Services (UK) Ltd.**  
Gammelbyved 2  
Karise, Denmark 4653

**Marine Energy Arabia Co. LLC**  
City Tower 1  
Dubai, United Arab Emirates

**Norse Bunkers AS**  
Niels Juels gate 11 B  
**0272 Oslo, Norway**

**Oil Shipping (Bunkering) BV**  
Vasteland 6  
**3011 BK Rotterdam, Netherlands**

**Oil Shipping (Bunkering) BV**  
Vasteland 6  
3011 BK Rotterdam, Netherlands

**Oil Shipping (Hong Kong) Ltd.**  
Yam Tze Commercial Building, Unit A, 7th Floor  
23 Thompson Road  
**Wanchai, Hong Kong**

**World Fuel Services, Inc.**  
4995 East Anderson Avenue  
Fresno, CA 93727

**Baseops International, Inc.**  
333 Cypress Run #200  
Houston, Texas 77094

**Pacific Horizon Petroleum Services, Inc.**  
2025 First Ave., Suite 1110  
Seattle, WA 98121, United States

**World Fuel Services (Singapore) Pte., Ltd.**  
101 Thomson Road #13-03/04, United Square  
Singapore 307591

**Trans-Tec Korea, a branch of World Fuel Services (Singapore) Pte., Ltd.**  
Room 403, Anglican Church Building  
3-7, Chung-dong, Chung-ku  
Seoul 100-120, South Korea

**Trans-Tec South Africa, a branch of World Fuel Services (Singapore) Pte., Ltd.**  
4th Floor, Unit 1, The Foundry, Cardiff Road  
Green Point- Cape Town, South Africa 8051

**Bunkerfuels Hellas, a branch of World Fuel Services (Singapore) Pte., Ltd.**  
Poseidonos 60 Av., Third Floor  
Glyfada 166-75 Athens, Greece

**Trans-Tec Services (Japan) Co. K.K.**  
4th floor, Tozan Building, 4-4-2  
Nihonbashi Hon-Cho, Chuo-Ku  
Tokyo 103-0023, Japan

**PetroServicios de México S.A. de C.V.**  
Avenida Fuerza Aérea Mexicana No. 465  
Colonia Federal  
15700 México, D.F.

**World Fuel International S.R.L.**  
Oficentro Ejecutivo La Sabana Sur  
Edificio #5, Primer Piso  
San José, Costa Rica

Not applicable

**Schedule 11.1 – Existing Debt (including Letters of Credit)**

Borrowings on December 2001 revolving credit facility	\$ 5,000,000
Promissory notes issued in connection with business acquisitions, including the investment in aviation joint venture:	
Non-interest bearing promissory note of \$2.5 million, payable annually through January 2006, net of unamortized imputed discount (at 9.0%) of \$122,000 at November 30, 2003.	\$ 1,378,000
Non-interest bearing promissory note of \$3.3 million, payable annually through January 2005, net of unamortized imputed discount (at 5.0%) of \$60,000 at November 30, 2003	\$ 2,140,000
Letters of credit on December 2001 revolving credit facility	\$ 16,176,000
	<hr/>
Total Debt (including Letters of Credit)	\$ 24,694,000

Not applicable

**Schedule 11.4 – Stock Purchase Programs**

The following summarizes the status of the Company's treasury stock repurchase programs at December 31, 2002 (in thousands, except average price per share data):

<u>Repurchase Program</u>	<u>Authorized Stock Repurchases</u>	<u>Repurchases</u>			<u>Remaining Authorized Stock Repurchases</u>
		<u>Shares</u>	<u>Aggregate Cost</u>	<u>Average Price</u>	
August 1998	\$ 6,000	616	\$ 6,000	\$ 9.74	\$ —
January 2000	10,000	1,391	10,000	7.19	—
September 2000	10,000	368	3,987	10.83	6,013
		<u>2,375</u>	<u>\$ 19,987</u>		

Outside of the treasury stock repurchase programs, the Company acquired approximately 22 thousand shares of its common stock in 1998 with an aggregate cost of \$194 thousand.

**Schedule 11.11 – Investments**

	<u>Cost</u>	<u>No. of Shares</u>	<u>Date</u>	<u>Value Per Share</u>	<u>Total Value</u>
Chevron Texaco Corp.	\$ 5,322	80	12/16/2003	\$ 80.82	\$ 6,466

**Schedule 12.1 – Debt to be Repaid**

Borrowings on December 2001 revolving credit facility	\$ 5,000,000
Letters of credit on December 2001 revolving credit facility	\$ 16,176,000
Total Debt (including Letters of Credit)	<u>\$ 21,176,000</u>



**SUBSIDIARIES OF THE REGISTRANT**

World Fuel Services Corporation, a Florida corporation

- Advance Petroleum, Inc., a Florida corporation
  - PetroServicios de Mexico S.A. de C.V., a Mexico corporation (1)
  - Servicios Auxiliares de Mexico S.A. de C.V., a Mexico corporation (1)
  - Baseops Mexico S.A. de C.V. (1) (3)
- Atlantic Fuel Services, S.A., a Costa Rica corporation (3)
- Baseops International, Inc., a Texas corporation
- Casa Petro S.A., a Costa Rica corporation
  - PetroServicios de Costa Rica S.A., a Costa Rica corporation (2)
- Resource Recovery of America, Inc., a Florida corporation (3)
- World Fuel Cayman Holding Company I, a Cayman Islands corporation
  - Marine Energy Arabia Establishment Ltd., a British Virgin Islands corporation
    - Marine Energy Arabia Co. LLC, a United Arab Emirate corporation, a majority controlled subsidiary
  - Norse Bunkers AS, a Norway corporation
  - Trans-Tec International S.R.L., a Costa Rica corporation
  - World Fuel ApS, a Denmark corporation (3)
  - World Fuel International S.R.L., a Costa Rica corporation
  - World Fuel Singapore Holding Company I Pte. Ltd., a Singapore corporation
    - Baseops Europe Ltd., a United Kingdom corporation (3)
      - AirData Limited, a United Kingdom corporation (3)
    - Trans-Tec Services (UK) Ltd., a United Kingdom corporation (3)
      - Trans-Tec Services (Singapore) Pte. Ltd., a Singapore corporation (3)
    - Oil Shipping B.V., a Netherlands corporation
      - Oil Shipping (Bunkering) B.V., a Netherlands corporation
      - Oil Shipping (Hong Kong) Ltd., a Hong Kong corporation (3)
    - World Fuel Services European Holding Company I, Ltd., a United Kingdom corporation
      - World Fuel Services Europe, Ltd., a United Kingdom corporation
    - World Fuel Services Limited, a United Kingdom corporation (3)
      - Bunkerfuels UK Limited, a United Kingdom corporation (3)
    - World Fuel Services (Thailand) Ltd., a Thailand corporation (3)
    - World Fuel Singapore Holding Company II Pte. Ltd., a Singapore corporation
      - World Fuel Services (Singapore) Pte. Ltd., a Singapore corporation
        - Trans-Tec Services (Japan) Co., K.K., a Japan corporation
    - World Fuel Cayman Holding III, a Cayman Islands corporation
      - World Fuel Services Finance Company, a Luxembourg corporation
- World Fuel Cayman Holding Company II, a Cayman Islands corporation (3)
- World Fuel Services, Inc., a Texas corporation
  - PAFCO LLC, a Delaware limited liability company (4)
- World Fuel Services Americas, Inc., a Delaware corporation
- World Fuel Services Company, Inc., a Florida corporation

(1) These corporations are owned 50% by Advance Petroleum, Inc. and 50% by World Fuel Services Corporation.

(2) This corporation is owned 55% by Casa Petro S.A. and 45% by World Fuel Services Corporation.

(3) These corporations are inactive.

(4) This unconsolidated limited liability company is a joint venture company which is equally owned by World Fuel Services, Inc. and Signature Flight Support Corporation, a Delaware corporation unrelated to the Registrant.

**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-68276) of World Fuel Services Corporation of our report dated March 4, 2004 relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Miami, Florida  
March 9, 2004

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**  
**pursuant to**  
**Rule 13a-14(a) or Rule 15d-14(a)**

I, Paul H. Stebbins, certify that:

1. I have reviewed this Form 10-K of World Fuel Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

/s/ Paul H. Stebbins

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Paul H. Stebbins  
Chairman and Chief Executive Officer

**CERTIFICATION OF THE CHIEF OPERATING OFFICER**  
**pursuant to**  
**Rule 13a-14(a) or Rule 15d-14(a)**

I, Michael J. Kasbar, certify that:

1. I have reviewed this Form 10-K of World Fuel Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

/s/ Michael J. Kasbar

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Michael J. Kasbar  
President and Chief Operating Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**  
**pursuant to**  
**Rule 13a-14(a) or Rule 15d-14(a)**

I, Francis X. Shea, certify that:

1. I have reviewed this Form 10-K of World Fuel Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

/s/ Francis X. Shea

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Francis X. Shea  
Executive Vice President and Chief Financial Officer

**STATEMENT OF CHIEF EXECUTIVE OFFICER, CHIEF OPERATING OFFICER  
AND CHIEF FINANCIAL OFFICER  
under Section 906 of the Sarbanes-Oxley Act of 2002  
(18 U.S.C. Section 1350)**

We, Paul H. Stebbins, the Chairman and Chief Executive Officer of World Fuel Services Corporation (the "Company"), Michael J. Kasbar, the President and Chief Operating Officer of the Company, and Francis X. Shea, the Executive Vice-President and Chief Financial Officer of the Company, certify for the purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code that, to the best of our knowledge,

- (i) the Annual Report of the Company on Form 10-K, for the fiscal year ended December 31, 2003 (the "Report"), fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 9, 2004

/s/ Paul H. Stebbins

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Paul H. Stebbins  
Chairman and Chief Executive Officer

/s/ Michael J. Kasbar

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Michael J. Kasbar  
President and Chief Operating Officer

/s/ Francis X. Shea

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Francis X. Shea  
Executive Vice-President and Chief Operating Officer

**A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906  
HAS BEEN PROVIDED TO THE COMPANY AND WILL BE RETAINED BY THE COMPANY AND  
FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.**