

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED OCTOBER 1, 2000
OR

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 333-33208

SMTC CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 98-0197680
(STATE OR OTHER JURISDICTION (I.R.S. EMPLOYER
OF INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

635 HOOD ROAD
MARKHAM, ONTARIO, CANADA L3R 4N6
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(905) 479-1810
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether SMTC Corporation: (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 .

As of October 1, 2000, SMTC Corporation had 20,169,234 shares of common stock,
par value \$0.01 per share, and one share of special voting stock, par value
\$0.01 per share, outstanding. As of October 1, 2000, SMTC Corporation's
subsidiary, SMTC Manufacturing Corporation of Canada, had 5,844,445 exchangeable
shares outstanding, each of which is exchangeable into one share of common stock
of SMTC Corporation.

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SMTC CORPORATION
FORM 10-Q

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars)

(Unaudited)

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>

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	October 1, 2000	December 31, 1999
<S>	<C>	<C>
Assets		
Current assets:		
Cash and short-term investments	\$ 1,353	\$ 2,083
Accounts receivable	220,031	71,597
Inventories	214,213	61,680
Prepaid expenses	6,260	3,647
Deferred income taxes	1,047	1,527
	442,904	140,534
Capital assets	45,708	35,003
Goodwill	63,895	40,800
Other assets	10,542	11,145
Deferred income taxes	3,151	623
	\$566,200	\$228,105

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$126,219	\$ 53,119
Accrued liabilities	119,557	29,307
Income taxes payable	-	1,127
Current portion of long-term debt	6,250	2,000
Current portion of capital lease obligations	1,012	1,541
	253,038	87,094

Capital lease obligations	1,459	1,537
Long-term debt	96,227	128,942
Deferred income taxes	3,119	2,733

Stockholders' equity:

Capital stock	277	3
Warrants	367	367
Loans receivable	(45)	(60)
Additional paid-in-capital	216,770	11,804
Deficit	(5,012)	(4,315)
	212,357	7,799

\$566,200 \$228,105

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Earnings (Loss)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

(Unaudited)

<TABLE>

<CAPTION>

	Three months ended		Nine months ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>

Revenue	\$231,492	\$88,018	\$522,961	\$134,579
Cost of sales	211,957	81,357	478,475	124,764

Gross profit	19,535	6,661	44,486	9,815
Selling, general and administrative expenses	9,335	4,207	24,279	5,779
Amortization	1,663	769	4,165	899

Operating income	8,537	1,685	16,042	3,137
Interest	2,665	2,265	10,569	3,794

Earnings (loss) before income taxes	5,872	(580)	5,473	(657)
Income tax expense	2,567	161	3,492	133

Earnings (loss) before extraordinary loss	3,305	(741)	1,981	(790)
Extraordinary loss, net of tax recovery of \$1,640 (1999 - \$811)	2,678	1,279	2,678	1,279

Net earnings (loss)	\$ 627	\$(2,020)	\$ (697)	\$(2,069)
=====				
Earnings (loss) per share:				
Basic earnings (loss) per share before extraordinary item	\$0.14	\$(0.73)	\$(0.14)	\$(0.97)
Extraordinary loss per share	(0.13)	(0.61)	(0.32)	(0.78)

Basic net earnings (loss) per share	\$0.01	\$(1.34)	\$(0.46)	\$(1.75)
=====				
Diluted earnings (loss) per share				
	\$0.01	\$(1.34)	\$(0.46)	\$(1.75)

Weighted average number of common shares used in the calculations earnings (loss) per share:				
Basic	20,334,099	2,089,373	8,349,896	1,626,624
Diluted	21,098,232	2,089,373	8,349,896	1,626,624
=====				

</TABLE>

See accompanying notes to consolidated financial statements.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Changes in Stockholders' Equity
(Expressed in thousands of U.S. dollars)

Nine months ended October 1, 2000
(Unaudited)

<TABLE>
<CAPTION>

	Capital stock	Warrants	Additional paid-in capital	Loans receivable	Stockholders' Deficit	equity	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Balance, December 31, 1999		\$ 3	\$ 367	\$ 11,804	\$(60)	\$ (4,315)	\$ 7,799
Warrants issued	-	3,598	-	-	-	3,598	
Warrants exercised	4	(3,598)	3,594	-	-	-	
Impact of share conversion		131	-	(131)	-	-	
Shares issued on completion of initial public offering, net of costs of \$19,937	127	-	182,336	-	-	182,463	
Shares issued on acquisition of Pensar Corporation	12	-	19,007	-	-	19,019	
Options exercised	-	-	160	-	-	160	
Repayment of loans receivable		-	-	-	15	-	15

Loss for the nine months - - - - (697) (697)

Balance, October 1, 2000 \$ 277 \$ 367 \$216,770 \$(45) \$ (5,012) \$212,357

</TABLE>

See accompanying notes to consolidated financial statements.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

(Unaudited)

<TABLE>

<CAPTION>

	Three months ended		Nine months ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Cash provided by (used in):				
Operations:				
Net earnings (loss)	\$ 627	\$ (2,020)	\$ (697)	\$ (2,069)
Items not involving cash:				
Amortization	1,663	769	4,165	899
Depreciation	2,819	2,080	7,659	3,873
Deferred income taxes	(2,140)	305	(1,662)	277
Loss on disposition of capital assets	-	-	(44)	-
Write-off of deferred financing costs	2,461	1,279	2,461	1,279
Change in non-cash operating working capital:				
Accounts receivable	(90,498)	(4,687)	(139,441)	1,537
Inventories	(83,713)	(12,366)	(145,100)	(10,999)
Prepaid expenses	(960)	(2,085)	(2,430)	(2,442)
Accounts payable, accrued liabilities and income taxes payable	81,682	(6,575)	156,277	(9,256)
	(88,059)	(23,300)	(118,812)	(16,901)
Financing:				
Repayment of bank indebtedness	-	(1,540)	-	(6,559)
Increase in long-term debt	-	76,519	-	76,357
Decrease in long-term debt	(63,599)	-	(33,045)	-
Principal payments on capital leases	(427)	(1,806)	(1,148)	(2,653)
Proceeds from warrants	-	-	2,500	-
Issuance of demand notes	9,925	-	9,925	-
Repayment of demand notes	(9,925)	-	(9,925)	-
Stockholders' loans payable	(5,200)	-	-	-
Proceeds from issue of capital stock	182,623	-	182,623	-
Repayment of loans receivable	15	-	15	-
Debt issuance costs	(1,450)	(3,975)	(1,450)	(3,975)
	111,962	69,198	149,495	63,170
Investments:				
Purchase of capital assets	(5,370)	(2,494)	(12,524)	(2,625)
Purchase of other assets, net	(933)	(1,778)	(933)	(1,778)
Proceeds from sale of capital assets	-	-	44	-
Acquisition of Pensar Corporation	(18,000)	-	(18,000)	-
Acquisition of SMTC Corporation, net of \$698 cash acquired	-	(3,595)	-	(3,595)
Acquisition of W.F. Wood and Chihuahua, Mexico facility	-	(28,024)	-	(28,024)
Cash in escrow	-	(5,735)	-	(5,735)
	(24,303)	(41,626)	(31,413)	(41,757)
Increase (decrease) in cash and cash equivalents	(400)	4,272	(730)	4,512
Cash and cash equivalents, beginning period	1,753	726	2,083	486
Cash and cash equivalents, end of period	\$ 1,353	\$ 4,998	\$ 1,353	\$ 4,998

</TABLE>

See accompanying notes to consolidated financial statements.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Statements of Cash Flows (continued)
(Expressed in thousands of U.S. dollars)

(Unaudited)

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Supplemental disclosures:				
Cash paid during the period:				
Income taxes	\$ 1,440	\$ 1,460	\$ 3,042	\$ 1,460
Interest	2,272	4,027	10,167	5,155
Non-cash investing and financing activities:				
Shares issued on acquisition of Pensar Corporation				
	19,019	-	19,019	-
Shares issued on acquisition of SMTC Corporation				
	-	20,410	-	20,410
Acquisition of equipment under capital lease				
	-	-	541	-
Value of warrants issued in excess of proceeds received				
	-	-	1,098	-

</TABLE>

Cash and cash equivalents is defined as cash and short-term investments.

See accompanying notes to consolidated financial statements.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

1. BASIS OF PRESENTATION:

The Company's accounting principles are in accordance with accounting principles generally accepted in the United States.

The accompanying unaudited consolidated balance sheets as at October 1, 2000 and December 31, 1999; the related unaudited consolidated statements of earnings (loss) for the three and nine month periods ended October 1, 2000 and September 30, 1999; the unaudited consolidated statement of changes in stockholders' equity for the nine month period ended October 1, 2000; and the unaudited consolidated statements of cash flows for the three and nine month periods ended October 1, 2000 and September 30, 1999 have been prepared on substantially the same basis as the annual consolidated financial statements. Management believes the financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the Company's financial position, operating results and cash flows for the periods presented. The results of operations for the three and nine month periods ended October 1, 2000 are not necessarily indicative of results to be expected for the entire year. These unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 1999.

2. INITIAL PUBLIC OFFERING:

On July 27, 2000, the Company completed an initial public offering of its common stock in the United States and exchangeable shares of its subsidiary, SMTC Manufacturing Corporation of Canada, in Canada. The offering consisted of 6,625,000 shares of common stock at a price of U.S. \$16.00 per share and 4,375,000 exchangeable shares at a price of Canadian \$23.60 per share. The total net proceeds to the Company from the offering of approximately U.S. \$157,900 were used to reduce its indebtedness under the senior credit facility, repay the subordinated stockholders' notes issued in May 2000, repay the demand notes issued in July 2000 and finance the cash portion of the purchase price of the Pensar Corporation acquisition which closed simultaneously with the initial public offering. The Company has recorded an after-tax charge on early repayment of the indebtedness and subordinated notes amounting to \$2,678. The charge was recorded as an extraordinary loss.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

2. INITIAL PUBLIC OFFERING (CONTINUED):

On August 18, 2000, the underwriters exercised their over-allotment option with respect to 1,650,000 shares of common stock at a price of U.S. \$16.00 per share. The net proceeds to the Company from the sale of those shares of \$24,600 were used to reduce indebtedness under the senior credit facility.

3. ACQUISITION OF PENSAR CORPORATION:

On July 27, 2000, simultaneously with the closing of the initial public offering, the Company acquired Pensar Corporation, an electronics manufacturing services company specializing in design services and located in Appleton, Wisconsin. The total purchase price including transaction costs was \$37,019 resulting in a premium over tangible net book value of approximately \$26,563. The purchase consideration consisted of \$18,000 cash and the balance in shares of common stock of the Company. The cash portion of the acquisition was financed with a portion of the proceeds from the initial public offering.

Details of the net assets acquired in this acquisition, at fair value, are as follows:

Current assets	\$ 16,609
Capital assets	5,299
Other long-term assets	581
Goodwill	26,563
Liabilities assumed	(12,033)
<hr/>	
Net assets acquired	\$ 37,019

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

3. ACQUISITION OF PENSAR CORPORATION (CONTINUED):

The following unaudited pro forma consolidated financial information reflects the impact of the Pensar acquisition assuming the acquisition had occurred at the beginning of the periods presented. This unaudited pro forma consolidated financial information has been provided for information purposes only and is not necessarily indicative of the results of operations or financial condition that actually would have been achieved if the acquisitions had been on the date indicated, or that may be reported in the future:

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Revenue	\$236,291	\$102,711	\$561,316	\$170,531
Earnings (loss) before extraordinary loss	3,269	(618)	1,835	(1,504)
Net earnings (loss)	591	(1,897)	(843)	(2,782)
Basic earnings (loss) per share	\$ 0.02	\$ (1.11)	\$ (0.74)	\$ (1.83)
Diluted earnings (loss) per share	\$ 0.00	\$ (1.11)	\$ (0.74)	\$ (1.83)

</TABLE>

4. INVENTORIES:

	October 1, 2000	December 31, 1999
Raw materials	\$135,580	\$35,371

Work in process	61,010	17,124
Finished goods	16,201	8,578
Other	1,422	607

	\$214,213	\$61,680
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5. DEMAND NOTES:

On July 3, 2000, the Company issued demand notes in the aggregate principal amount of \$9,925. Of these demand notes, \$5,925 in aggregate principal amount were secured by a portion of the Company's capital assets. The demand notes bore interest of 3% of the principal amount accruing on the date of issuance and 13.75% per year thereafter and were repaid with the proceeds of the offering.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

6. CREDIT FACILITY:

In connection with the initial public offering, the Company entered into an amended and restated credit agreement with its lenders which provides for an initial term loan of \$50,000 (October 1, 2000 -- \$48,750) and revolving credit loans, swing line loans and letters of credit up to \$100,000.

7. SHARE RECLASSIFICATION:

Concurrent with the effectiveness of the initial public offering, SMTC Corporation completed a share capital reorganization effected as follows:

- . each outstanding Class Y share of the Company's subsidiary, SMTC Manufacturing Corporation of Canada, was purchased in exchange for shares of Class L common stock;
- . each outstanding share of Class L common stock was converted into one share of Class A common stock plus an additional number of shares of Class A common stock determined by dividing the preference amount by the value of a share of Class A common stock based on the initial public offering price;
- . each outstanding share of Class A common stock was converted into approximately 3.67 shares of common stock;
- . all outstanding Class N common stock were redeemed and one share of special voting stock was issued, which is held by a trustee for the benefit of the holders of the exchangeable shares; and
- . each Class L exchangeable share was converted into exchangeable shares of the same class as those offered in the offering at the same ratio that the shares of Class L common stock were converted to shares of common stock.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

8. EARNINGS (LOSS) PER SHARE:

The following table sets forth the calculation of basic and diluted loss per common share:

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Numerator:				
Earnings (loss) before				

extraordinary loss	\$ 3,305	\$ (741)	\$ 1,981	\$ (790)
Less Class L preferred entitlement	(390)	(790)	(3,164)	(790)

Earnings (loss) before extraordinary item available to common shareholders	\$ 2,915	\$ (1,531)	\$ (1,183)	\$ (1,580)
--	----------	------------	------------	------------

Denominator:

Weighted-average shares - basic	20,334,099	2,089,373	8,349,896	1,626,624
Effect of dilutive securities:				
Employee stock options	332,125	-	-	-
Warrants	432,008	-	-	-

Weighted-average shares - diluted	21,098,232	2,089,373	8,349,896	1,626,624
-----------------------------------	------------	-----------	-----------	-----------

Earnings (loss) per share before extraordinary item:

Basic	\$ 0.14	\$ (0.73)	\$ (0.14)	\$ (0.97)
Diluted	\$ 0.14	\$ (0.73)	\$ (0.14)	\$ (0.97)

</TABLE>

For the nine month period ended October 1, 2000 and the three and nine month periods ended September 30, 1999, options and warrants to purchase common stock were outstanding during those periods but were not included in the computation of diluted loss per share because their effect would be anti-dilutive on the loss per share for the period.

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

9. INCOME TAXES:

The Company's effective tax rate exceeds the statutory rate primarily due to non-deductible goodwill amortization and operating losses in certain jurisdictions.

10. SEGMENTED INFORMATION:

The Company derives its revenue from one dominant industry segment, the electronics manufacturing services industry. The Company is operated and managed geographically and has nine facilities in the United States, Canada, Europe and Mexico. The Company monitors the performance of its geographic operating segments based on EBITA (earnings before interest, taxes and amortization). Intersegment adjustments reflect intersegment sales that are generally recorded at prices that approximate arm's-length transactions. Information about the operating segments is as follows:

<TABLE>
<CAPTION>

	Three months ended October 1, 2000			Nine months ended October 1, 2000		
	Total revenue	Net intersegment revenue	external revenue	Total revenue	Net intersegment revenue	external revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	\$188,680	\$(2,103)	\$186,577	\$428,700	\$(5,672)	\$423,028
Canada	18,998	(1,541)	17,457	49,003	(3,963)	45,040
Europe	5,530	(449)	5,081	14,895	(2,610)	12,285
Mexico	27,144	(4,767)	22,377	48,614	(6,006)	42,608
	\$240,352	\$(8,860)	\$231,492	\$541,212	\$(18,251)	\$522,961

EBITA:

United States	\$ 7,104	\$ 16,181
Canada	2,802	5,030
Europe	(246)	(1,468)
Mexico	540	464

10,200 20,207

Interest	2,665	10,569
Amortization	1,663	4,165

Earnings before income taxes	\$ 5,872	\$ 5,473
Capital expenditures		
United States	\$ 2,474	\$ 6,439
Canada	964	1,821
Europe	513	732
Mexico	1,419	4,073
	\$5,370	\$ 13,065

</TABLE>

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

10. SEGMENTED INFORMATION (CONTINUED):

<TABLE>
<CAPTION>

	Three months ended September 30, 1999			Nine months ended September 30, 1999		
	Total revenue	Net Intersegment revenue	external revenue	Total revenue	Net Intersegment revenue	external revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	\$71,779	\$(190)	\$71,589	\$118,340	\$(190)	\$118,150
Canada	8,065		8,065	8,065	8,065	
Europe	3,008	(455)	2,553	3,008	(455)	2,553
Mexico	5,811		5,811	5,811	5,811	
	\$88,663	\$(645)	\$88,018	\$135,224	\$(645)	\$134,579

EBITA:

United States	\$ 2,357	\$ 3,939
Canada	873	873
Europe	(494)	(494)
Mexico	(282)	(282)
	2,454	4,036
Interest	2,265	3,794
Amortization	769	899
Earnings before income taxes	\$ (580)	\$ (657)

Capital expenditures:		
United States	\$ 1,526	\$ 1,657
Canada	442	442
Europe	23	23
Mexico	503	503
	\$2,494	\$ 2,625

</TABLE>

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SMTC CORPORATION
(FORMERLY HTM HOLDINGS, INC.)

Consolidated Notes to Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three and nine months ended October 1, 2000 and September 30, 1999
(Unaudited)

10. SEGMENTED INFORMATION (CONTINUED):

The following enterprise-wide information is provided. Geographic revenue information reflects the destination of the product shipped. Long-lived assets information is based on the principal location of the asset.

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
Geographic revenue:				
United States	\$206,869	\$ 78,665	\$465,453	\$123,209
Canada	4,725	3,939	13,219	3,939
Europe	14,635	4,814	33,085	6,460
Asia	5,206	600	11,147	971
Mexico	57	-	57	-
	\$231,492	\$ 88,018	\$522,961	\$134,579

	October 1, 2000	December 31, 1999
Long-lived assets:		
United States	\$ 75,579	\$ 40,304
Canada	24,647	25,585
Europe	1,216	735
Mexico	18,703	9,179
	\$120,145	\$ 75,803

</TABLE>

11. PENDING ACQUISITION OF QUALTRON TEORANTA:

On September 29, 2000, the Company announced that it had signed a letter of intent to acquire privately held Qualtron Teoranta, a leading provider of specialized custom made cable harnesses and fiber optic assemblies.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

SELECTED CONSOLIDATED FINANCIAL DATA

The pro forma results of operations included in this report for the quarter ended October 1, 2000 and September 30, 1999 and the nine month period ended October 1, 2000 and September 30, 1999 contain the results of Surface Mount, HTM Holdings, W.F. Wood, and Pensar as if the combination of Surface Mount and HTM Holdings and the acquisitions of W.F. Wood and Pensar had occurred on January 1, 1999. As such, the pro forma results have been adjusted to reflect additional goodwill amortization related to the combination of Surface Mount and HTM Holdings, additional goodwill amortization related to the acquisition of W.F. Wood, additional goodwill amortization related to the acquisition of Pensar, additional interest expense and income tax effects related to the borrowings required to complete the Pensar acquisition, and the effect of the initial public offering including the exercise of the underwriters' over-allotment option.

The consolidated financial statements of SMTC, including the consolidated financial statements of HTM Holdings for periods prior to the combination, are prepared in accordance with United States GAAP, which conforms in all material respects to Canadian GAAP, except under United States GAAP the charges incurred as a result of the early payment of the senior notes payable and subordinated notes are recorded as an extraordinary loss. Under Canadian GAAP, the charges would have been included in earnings (loss) before income taxes and the related tax benefit recorded as an income tax expense.

CONSOLIDATED PRO FORMA STATEMENT OF OPERATIONS DATA:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>

Revenue	\$236.3	\$135.2	\$561.3	\$362.2	
Cost of sales	216.0	122.4	511.0	327.9	
Gross profit	20.3	12.8	50.3	34.3	
Selling, general and administrative expenses	9.8	9.8	10.1	27.7	23.6
Amortization of intangible assets	1.9	1.7	5.4	5.2	
Operating income	8.6	1.0	17.2	5.5	
Interest	1.5	-	3.4	-	
Earnings before income taxes	7.1	1.0	13.8	5.5	
Income taxes	3.0	1.1	6.8	3.6	
Earnings (loss) before extraordinary item	4.1	(0.1)	7.0	1.9	
Extraordinary item	2.7	1.3	2.7	1.3	
Net earnings (loss)	\$ 1.4	\$ (1.4)	\$ 4.3	\$ 0.6	
Earnings (loss) per common share:					
Basic earnings (loss) per share before extraordinary item	\$ 0.14	\$(0.00)	\$ 0.25	\$ 0.07	
Extraordinary loss per share	(0.09)	(0.05)	(0.09)	(0.05)	
Basic net earnings (loss) per share	\$ 0.05	\$(0.05)	\$ 0.16	\$ 0.02	
Diluted net earnings (loss) per share	\$ 0.05	\$(0.05)	\$ 0.15	\$ 0.02	

</TABLE>

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Consolidated Actual Statement of Operations Data:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended		
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999	
<S>	<C>	<C>	<C>	<C>	
Revenue	\$231.5	\$ 88.0	\$523.0	\$134.5	
Cost of sales	211.9	81.3	478.5	124.7	
Gross profit	19.6	6.7	44.5	9.8	
Selling, general and administrative expenses	9.3	9.3	4.2	24.2	5.8
Amortization of intangible assets	1.7	0.8	4.2	0.9	
Operating income	8.6	1.7	16.1	3.1	
Interest	2.7	2.3	10.6	3.8	
Earnings (loss) before income taxes	5.9	(0.6)	5.5	(0.7)	
Income taxes	2.6	0.1	3.5	0.1	
Earnings (loss) before extraordinary item	3.3	(0.7)	2.0	(0.8)	
Extraordinary loss	2.7	1.3	2.7	1.3	
Net earnings (loss)	\$ 0.6	\$ (2.0)	\$ (0.7)	\$ (2.1)	
Earnings (loss) per common share:					
Basic earnings (loss) per share before extraordinary item	\$ 0.14	\$(0.73)	\$(0.14)	\$(0.97)	
Extraordinary loss per share	(0.13)	(0.61)	(0.32)	(0.78)	
Basic net earnings (loss) per share	\$ 0.01	\$(1.34)	\$(0.46)	\$(1.75)	
Diluted net earnings (loss) per share	\$ 0.01	\$(1.34)	\$(0.46)	\$(1.75)	

</TABLE>

CONSOLIDATED BALANCE SHEET DATA:
(in millions)

	Actual As at October 1, 2000
Cash and short-term investments	\$ 1.4
Working Capital	189.9
Total Assets	566.2
Total debt, including current maturities	104.9
Shareholders' equity	212.4

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OTHER FINANCIAL DATA - PRO FORMA CONSOLIDATED ADJUSTED NET EARNINGS:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended	
	October 1,	September 30,	October 1,	September 30,

	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net earnings	\$ 1.4	\$(1.4)	\$ 4.3	\$ 0.6
Adjustments:				
Extraordinary loss	2.7	1.3	2.7	1.3
Amortization of goodwill	1.7	1.7	5.0	5.2
Management fees	-	0.3	-	0.3
Former W.F. Wood shareholders' compensation	-	0.1	-	0.1
Acquisition related bonuses paid to management and employees of W.F. Wood	-	2.6	-	2.6
Pensar Corporation shareholder bonuses	-	-	0.1	-
Income tax effect	(0.5)	(1.7)	(1.3)	(2.6)
Adjusted net earnings	\$ 5.3	\$ 3.0	\$10.7	\$ 7.6
Adjusted net earnings per common share:				
Basic	\$0.19	\$0.11	\$0.39	\$0.28
Diluted	\$0.19	\$0.11	\$0.38	\$0.27

</TABLE>

OTHER FINANCIAL DATA - ACTUAL CONSOLIDATED ADJUSTED NET EARNINGS:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended	
<S>	<C>	<C>	<C>	<C>
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
Net earnings (loss)	\$ 0.6	\$(2.0)	\$(0.7)	\$(2.1)
Adjustments:				
Extraordinary loss	2.7	1.3	2.7	1.3
Amortization of goodwill	1.5	0.5	3.5	0.5
Management fees	-	0.3	-	0.3
Former W.F. Wood shareholders' compensation	-	0.1	-	0.1
Acquisition related bonuses paid to management and employees of W.F. Wood	-	2.6	-	2.6
Income tax effect	(0.4)	(1.3)	(0.7)	(1.2)
Adjusted net earnings	\$ 4.4	\$ 1.5	\$ 4.8	\$ 1.5
Adjusted net earnings per common share:				
Basic	\$0.22	\$0.72	\$0.57	\$0.90
Diluted	\$0.21	\$0.72	\$0.57	\$0.90

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a leading provider of advanced electronics manufacturing services, or EMS, to electronics industry original equipment manufacturers, or OEM's, worldwide. Our full range of value-added services include product design, procurement, prototyping, assembly, test, final system build, comprehensive supply chain management, packaging, global distribution and after sales support.

SMTC Corporation, or SMTC, is the result of the July 1999 combination of the former SMTC Corporation, or Surface Mount, and HTM Holdings, Inc., or HTM. Upon completion of the combination, the former stockholders of HTM held approximately 58.0% of the outstanding shares of SMTC. We have accounted for the combination under the purchase method of accounting as a reverse acquisition of Surface Mount by HTM. Because HTM acquired Surface Mount for accounting purposes, HTM's assets and liabilities are included in our consolidated financial statements at their historical cost and the comparative figures reflect the results of operations of HTM. The results of operations of Surface Mount are included in our consolidated financial statements from the date of the combination. Surface Mount was established in Toronto, Ontario in 1985. HTM was established in Denver, Colorado in 1990. SMTC was established in 1998.

Our revenue has grown from approximately \$59.0 million in 1997 to pro forma revenue of \$502.7 million in 1999 through both internal growth and strategic acquisitions. The July 1999 combination of Surface Mount and HTM provided us with increased strategic and operating scale and greater geographic breadth. In addition, as a result of the combination, we gained Carrier Access, Netopia and IBM as customers. Collectively, since 1995 we have completed the following six acquisitions:

- Radian Electronics' operations, which enabled our expansion into Austin, Texas, and established our relationship with Dell, in 1996;
- Ogden Atlantic Design's operations in Charlotte, North Carolina, which provided us with a facility in a major technology center in the Southeastern United States, in 1997;
- Ogden International Europe's operations in Cork, Ireland, which expanded our global presence into Europe, in 1998;
- Zenith Electronics' facility in Chihuahua, Mexico, which expanded our cost-effective manufacturing capabilities and added Zenith (now Motorola) as a customer, in July 1999;
- W.F. Wood, based outside Boston, Massachusetts, which provided us with a manufacturing presence in the Northeastern United States, expanded our value-added services to include high precision enclosures capabilities, and added EMC and Sycamore Networks as customers, in September 1999; and

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- On July 27, 2000 and concurrent with the closing of our initial public offering (described below), Pensar Corporation, an electronics manufacturing services company specializing in design services and located in Appleton, Wisconsin.

In addition, we completed the following financing activities:

- On July 3, 2000, we issued demand notes in the aggregate principal amount of \$9.925 million, which were repaid with the proceeds of our initial public offering;
- On July 27, 2000, we completed an initial public offering of our common stock in the United States and the exchangeable shares of our subsidiary, SMTC Manufacturing Corporation of Canada, in Canada, raising net proceeds (not including proceeds from the sale of shares upon the exercise of the underwriters' over-allotment option) of \$157.9 million;
- Concurrent with the effectiveness of the initial public offering, we completed a share capital reorganization;
- In connection with the initial public offering, we entered into an amended and restated credit agreement with our lenders, which provided for an initial term loan of \$50.0 million and revolving credit loans, swing line loans and letters of credit up to \$100.0 million;
- On July 27, 2000, we paid a fee of \$1.8 million to terminate a management agreement under which we paid quarterly fees of \$156,250; and
- On August 18, 2000, we sold additional shares of common stock upon exercise of the underwriters' over-allotment option, raising net proceeds of \$24.6 million.

We seek acquisition opportunities that enable us to expand our geographic reach, add manufacturing capacity and diversify into new markets. We are considering potential acquisitions in North America and Europe, and we are targeting Asia for future expansion. On September 29, 2000, we announced that we signed a letter of intent to acquire privately-held Qualtron Teoranta, a leading provider of specialized custom-made cable harnesses and fiber optic assemblies. We expect this acquisition to close in the fourth quarter of 2000. We intend to continue to capitalize on attractive acquisition opportunities in the EMS marketplace, and our goal is generally to have each acquisition be accretive to earnings after a transition period of approximately one year. We also plan to continue our strategy of augmenting our existing EMS capabilities with the addition of related value-added services. By expanding the services we offer, we believe that we will be able to expand our business with our existing customers and develop new opportunities with potential customers.

Consistent with our past practices and normal course of business, we engage from time to time in discussions with respect to potential acquisitions. While we have identified several opportunities that would expand our global presence, add to our value-added services and establish strategic relationships with new customers, such as the potential transaction with Qualtron Teoranta referred to above, we are not currently party to any definitive acquisition agreements.

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We used approximately \$143.7 million of the proceeds from our initial public offering to reduce indebtedness under our credit facility. On July 27, 2000, we entered into an amended and restated credit facility with our lenders, which provides for an initial term loan of \$50.0 million and revolving credit loans, swing line loans and letters of credit up to \$100.0 million. As at October 1, 2000, we had borrowed \$102.5 million under this facility. We intend to continue to borrow under our new credit facility to finance working capital growth and any cash portion of future acquisitions; however we generally intend to keep our debt to capital ratio within a 30% target.

We currently provide turnkey manufacturing services to the majority of our customers. In 1999, 96.9% of our pro forma revenue was from turnkey manufacturing services. By contrast, from July 1999 to March 2000, under the terms of a production agreement with Zenith, we manufactured products for Zenith on a consignment basis. In a consignment arrangement, we provide manufacturing services only, while the customer purchases the materials and components necessary for production. In April 2000, we began to purchase materials for Zenith, and as a result, our relationship with Zenith evolved into a turnkey manufacturing relationship. Turnkey manufacturing services typically result in higher revenue and higher gross profits but lower gross profit margins when compared to consignment services.

With our turnkey manufacturing customers, we generally operate under contracts that provide a general framework for our business relationship. Our actual production volumes are based on purchase orders under which our customers do not commit to firm production schedules more than 30 to 90 days in advance. In order to minimize customers' inventory risk, we generally order materials and components only to the extent necessary to satisfy existing customer purchase orders. We do not generally undertake inventory risk. Fluctuations in material costs are typically passed through to customers. We may agree, upon request from our customers, to temporarily delay shipments, which causes a corresponding delay in our revenue recognition. Ultimately, however, our customers are generally responsible for all materials purchased and all goods manufactured on their behalf.

A recent trend in the EMS industry has emerged in which customers are seeking to consolidate suppliers and are seeking manufacturers who can provide complete manufacturing solutions. In connection with Dell's realignment of its production, Dell selected us to be its sole global manufacturing provider for its high value-added, high profit margin server business, which represented approximately \$69.0 million, or 13.7%, of our 1999 pro forma revenue of approximately \$503.0 million. We believe that Dell's decision will allow us to capitalize on a high growth market opportunity, and we believe our revenue for our Dell server business will grow accordingly. Dell has advised us, however, that it plans to discontinue using us to build their relatively lower profit margin riser card, a component used in personal computers. While our Dell riser card business represented approximately \$88.0 million, or 17.6%, of our 1999 pro forma revenue, we believe this realignment will provide us with an opportunity to focus our efforts on providing our services in a significantly more attractive market sector. Dell riser card revenue for the first six months of 2000 was \$18.3 million. The Dell riser card business is not contributing any revenue beyond the second half of 2000. We believe that in 2000 approximately 50.0% of the lost revenue from the discontinuation of our Dell riser card business will be replaced by additional Dell server business, and we anticipate that by 2002 the volume of manufacturing services we will provide to Dell in connection with Dell's servers will more than offset the loss of Dell's riser card business.

In May 2000, Alcatel selected us as a manufacturer for a selection of digital subscriber line cards and optical switching cards. Under this arrangement, we supply Alcatel with these products on a purchase order basis.

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We service our customers through a total of nine facilities located in the United States, Canada, Europe and Mexico. In 1999, approximately 85.0% of our pro forma revenue was generated from operations in the United States, approximately 9.0% from Canada, approximately 4.0% from Europe and approximately 2.0% from Mexico. Our facility in Chihuahua was acquired in July 1999 from Zenith Electronics Corporation. We expect to continue to increase revenue from this facility in 2000 with the inclusion of a full year of operations, with the transfer of certain production from other facilities and with the addition of new business and increased volume from our current business.

We begin our Management's Discussion and Analysis of Financial Condition and Results of Operations with a discussion of the pro forma quarter ended October 1, 2000 compared to the pro forma quarter ended September 30, 1999 and with a discussion of the pro forma nine month period ended October 1, 2000 compared to the pro forma nine month period ended September 30, 1999. Because our historical financial statements do not fully reflect the July 1999 combination of HTM and Surface Mount, our September 1999 acquisition of W.F. Wood and our July 2000 acquisition of Pensar or the completion of our initial public offering, a discussion of our historical operations does not provide a sufficient understanding of the financial conditions and results of operations of our business. Our pro forma results of operations include the results of operations of each of the businesses that comprise our company. Following our discussion of the pro forma results of operations, we discuss our historical financial condition and results of operations for the quarter ended October 1, 2000 compared to the quarter ended September 30, 1999 and the nine month period ended October 1, 2000 compared to the nine month period ended September 30, 1999.

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SMTC CORPORATION

PRO FORMA RESULTS OF OPERATIONS

The following table sets forth certain pro forma operating data expressed as a percentage of revenue for the periods indicated:

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended	
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	91.4	90.5	91.0	90.5
Gross profit	8.6	9.5	9.0	9.5
Selling, general and administrative expenses	4.1	7.5	4.9	6.5
Amortization of intangible assets		0.8	1.3	1.0
Operating income	3.7	0.7	3.1	1.6
Interest	0.6	0.0	0.6	0.0
Earnings before income taxes	3.1	0.7	2.5	1.6
Income taxes	1.3	0.8	1.2	1.0
Earnings (loss) before extraordinary items	1.8	(0.1)	1.3	0.6
Extraordinary item	1.1	1.0	0.5	0.4
Net earnings (loss)	0.7	(1.1)	0.8	0.2

</TABLE>

PRO FORMA QUARTER ENDED OCTOBER 1, 2000 COMPARED TO THE PRO FORMA QUARTER ENDED SEPTEMBER 30, 1999

Pro Forma Revenue

Revenue increased \$101.1 million, or 74.8%, from \$135.2 million in the third quarter of 1999 to \$236.3 million in the third quarter of 2000. This increase resulted from the growth in revenue generated by our United States operations and our Chihuahua facility. In the third quarter of 2000, 81.0% of our revenue was generated from operations in the United States, 7.4% from Canada, 2.2% from Europe and 9.4% from Mexico. In the third quarter of 1999, 83.0% of our revenue was generated from operations in the United States, 9.1% from Canada, 3.6% from Europe and 4.3% from Mexico.

Revenue from Dell for the third quarter of 2000 was \$31.0 million, or 13.1% of total revenue. In the third quarter of 1999, revenue from Dell was \$44.6 million or 33.0% of total revenue. Revenue from Alcatel for the third quarter of 2000 was \$40.2 million, or 17.0% of total revenue. Alcatel was not a customer of ours in 1999. No other customer represented more than 10% of revenue in the third quarter of 1999 or 2000.

Pro Forma Gross Profit

Gross profit increased \$7.5 million from \$12.8 million in the third quarter of 1999 to \$20.3 million in the third quarter of 2000. The improvement in gross profit was due to the effect of the growth in revenue and the addition of our Chihuahua facility. The gross margin, however, was lower in the third quarter of 2000 due to delays in the transition of certain customers to the lower cost Chihuahua facility.

Pro Forma Selling, General & Administrative Expenses

Selling, general and administrative expenses decreased \$0.3 million from \$10.1 million in the third quarter of 1999 to \$9.8 million in the third quarter of 2000. As a percentage of revenue, selling, general and administrative expenses decreased from 7.5% to 4.1% because of the higher revenue base. Selling, general and administrative expenses in the third quarter of 1999 included one time payments of \$0.1 million as compensation to former W.F. Wood shareholders and \$2.6 million as acquisition related bonuses paid to management and employees of W.F. Wood.

Pro Forma Amortization

Amortization of intangible assets of \$1.9 million was expensed in the third quarter of 2000 compared to \$1.7 million expensed in the third quarter of 1999. Amortization for the third quarter of each of 1999 and 2000 included the amortization of \$0.6 million of goodwill related to the combination of Surface Mount and HTM, \$0.4 million of goodwill related to the acquisition of W.F. Wood and \$0.7 million related to the acquisition of Pensar. Amortization of intangible assets for the third quarter of 2000 also included the amortization of \$0.1 million of deferred finance costs related to the establishment of our senior credit facility and \$0.1 million of deferred equipment lease costs.

Pro Forma Interest Expense

Interest expense increased \$1.5 million from \$0.0 million in the third quarter

of 1999 to \$1.5 million in the same period in 2000 due to interest expense related to increased working capital requirements to fund the growth of our business.

Pro Forma Income Tax Expense

In the third quarter of 2000, we had an income tax expense of \$3.0 million on income before taxes of \$7.1 million, producing an effective tax rate of 42.3%. The effective rate of tax was higher than the statutory rate as we were not able to claim a recovery of losses of \$0.2 million incurred by our Irish subsidiary or deduct \$0.6 million of goodwill related to the combination of Surface Mount and HTM.

In the third quarter of 1999, we had an income tax expense of \$1.1 million on pre-tax income of \$1.0 as we were not able to claim a recovery of losses of \$0.6 million incurred by our Irish subsidiary or deduct \$0.6 million of goodwill related to the combination of Surface Mount and HTM.

Pro Forma Extraordinary Item

As a result of the early payment of the senior notes payable and subordinated notes that occurred concurrent with the business combination of Surface Mount and HTM, an extraordinary charge of \$1.3 million (\$2.1 million before tax), related to early payment penalties, write-off of unamortized deferred financing fees, and write-off of the unamortized debt discount, was recorded for the third quarter of 1999.

Approximately \$143.7 million of the proceeds of the initial public offering were used to reduce our indebtedness under our credit facility. In connection with the initial public offering, we entered into an amended and restated credit agreement with our lenders. As a result, an extraordinary loss of \$2.7 million

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(\$4.3 million before tax), related to early payment penalties, write-off of a portion of the unamortized deferred financing fees and the write-off of the value of the warrants issued in excess of the proceeds received, was recorded for the third quarter of 2000.

PRO FORMA NINE MONTH PERIOD ENDED OCTOBER 1, 2000 COMPARED TO THE PRO FORMA NINE MONTH PERIOD ENDED SEPTEMBER 30, 1999

Pro Forma Revenue

Pro forma revenue increased \$199.1 million, or 55.0%, from \$362.2 million for the nine month period ended September 30, 1999, to \$561.3 million for the nine month period ended October 1, 2000. This increase resulted from the growth of revenue generated by our United States operations and our Chihuahua facility. For the nine month period ended October 1, 2000, 82.2% of our revenue was generated from operations in the United States, 8.0% from Canada, 2.2% from Europe and 7.6% from Mexico. For the nine month period ended September 30, 1999, 84.6% of our revenue was generated from operations in the United States, 10.0% from Canada, 3.8% from Europe and 1.6% from Mexico.

Revenue from Dell for the nine month period ended October 1, 2000 was \$96.3 million, or 17.2% of total revenue. In the nine month period ended September 30, 1999, revenue from Dell was \$115.3 million or 31.8 % of total revenue. No other customer represented more than 10% of revenue in the nine month period ended September 30, 1999 or October 1, 2000.

Pro Forma Gross Profit

Gross profit increased \$16.0 million from \$34.3 million in the nine month period ended September 30, 1999 to \$50.3 million in the nine month period ended October 1, 2000. Our gross profit margin declined from 9.5% for the nine month period ended September 30, 1999 to 9.0% in for the nine month period ended October 2, 2000. The gross margin was lower for the nine month period ended October 1, 2000 due to a change in the customer mix.

Pro Forma Selling, General & Administrative Expenses

Selling, general and administrative expenses increased \$4.1 million from \$23.6 million for the nine month period ended September 30, 1999 to \$27.7 million for the nine month period ended October 1, 2000. As a percentage of revenue, selling, general and administrative expenses decreased from 6.5% to 4.9% because of the higher revenue base. Selling, general and administrative expenses for the nine month period ended September 30, 1999 included one time payments of \$0.1 million as compensation to former W.F. Wood shareholders and \$2.6 million as acquisition related bonuses paid to management and employees of W.F. Wood.

Pro Forma Amortization

Amortization of intangible assets of \$5.2 million was expensed for the nine month period ended September 30, 1999 compared to \$5.4 for the nine month period ended October 1, 2000. Amortization for both the nine month period ended September 30, 1999 and the nine month period ended October 1, 2000 included the amortization of \$1.7 million of goodwill related to the combination of Surface Mount and HTM, \$1.3 million of goodwill related to the acquisition of W.F. Wood and \$2.0 million of goodwill related to the acquisition of Pensar. Amortization of intangible assets for the nine month period ended October 1, 2000 also included the amortization of \$0.2 million of deferred finance costs related to the establishment of our senior credit facility in July 1999 and \$0.2 million of

deferred equipment lease costs. Amortization of intangible assets for the nine month period ended September 30, 1999 also included the amortization of \$0.1 million of deferred finance costs related to the establishment of our senior credit facility in July 1999 and \$0.1 million of deferred equipment lease costs.

Pro Forma Interest Expense

Interest expense increased \$3.4 million from \$0.0 million for the nine month period ended September 30, 1999 to \$3.4 million for the nine month period ended October 1, 2000 due to the interest expense related

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to debt incurred to purchase our Chihuahua facility and to meet increased working capital requirements to fund the growth of our business.

Pro Forma Income Tax Expense

For the nine month period ended October 1, 2000, we had an income tax expense of \$6.8 million on income before taxes of \$13.8 million, producing an effective tax rate of 49.3%. The effective rate of tax was higher than the statutory rate as we were not able to claim a recovery of losses of \$1.4 million incurred by our Irish subsidiary or deduct \$1.7 million of goodwill related to the combination of Surface Mount and HTM.

For the nine month period ended September 30, 1999, we had an income tax expense of \$3.6 million on income before taxes of \$5.5 million, producing an effective tax rate of 65.5%. The effective rate of tax was higher than the statutory rate as we were not able to claim a recovery of losses of \$1.4 million incurred by our Irish subsidiary or to deduct \$1.7 million of goodwill related to the combination of Surface Mount and HTM.

Pro Forma Extraordinary Item

As a result of the early payment of the senior notes payable and subordinated notes that occurred concurrent with the business combination of Surface Mount and HTM, an extraordinary charge of \$1.3 million (\$2.1 million before tax) related to early payment penalties, write-off of unamortized deferred financing fees, and write-off of the unamortized debt discount, was recorded for the nine months ended September 30, 1999.

Approximately \$143.7 million of the proceeds of the initial public offering were used to reduce our indebtedness under our credit facility. In connection with the initial public offering, we entered into an amended and restated credit agreement with our lenders. As a result, an extraordinary loss of \$2.7 million (\$4.3 million before tax) related to early payment penalties, write-off of a portion of the unamortized deferred financing fees and the write-off of the value of the warrants issued in excess of the proceeds received was recorded for the nine months ended October 1, 2000.

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SMTC CORPORATION (FORMERLY HTM HOLDINGS, INC.)

RESULTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	Three Months Ended		Nine months Ended		
	October 1, 2000	September 30, 1999	October 1, 2000	September 30, 1999	
	<C>	<C>	<C>	<C>	
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	91.5	92.4	91.5	92.7	
Gross profit	8.5	7.6	8.5	7.3	
Selling, general and administrative expenses	4.0	4.8	4.6	4.3	
Amortization of intangible assets		0.7	0.9	0.8	0.7
Operating income		3.8	1.9	3.1	2.3
Interest	1.2	2.6	2.0	2.8	
Earnings (loss) before income taxes		2.6	(0.7)	1.1	(0.5)
Income taxes (recovery)		1.1	0.1	0.7	0.1
Earnings (loss) before extraordinary item		1.5	(0.8)	0.4	(0.6)
Extraordinary item	1.2	1.5	0.5	1.0	
Net earnings (loss)	0.3	(2.3)	(0.1)	(1.6)	

</TABLE>

Revenue

Revenue increased \$143.5 million, or 163.1%, from \$88.0 million in the third quarter of 1999 to \$231.5 million in the third quarter of 2000. This increase resulted from the combination of Surface Mount and HTM, the acquisition of our Chihuahua facility in July 1999, the acquisition of W.F. Wood in September 1999 and the acquisition of Pensar in July 2000. Surface Mount revenue increased \$75.2 million from \$53.0 million in the third quarter of 1999 to \$128.2 million in the third quarter of 2000. W.F. Wood revenue increased \$9.5 million from \$3.3 million in the third quarter of 1999 to \$12.8 million in the third quarter of 2000. Revenue increased at our Chihuahua facility \$21.6 million from \$5.8 million in the third quarter of 1999 to \$27.4 million in the third quarter of 2000, which is attributable to the transition from consignment to turnkey manufacturing at that facility. The acquisition of Pensar contributed \$11.9 million to the increase in revenue in the third quarter of 2000. Revenue generated from our Denver facility, formerly HTM, increased \$25.3 million from \$25.9 million in the third quarter of 1999 to \$51.2 million in the third quarter of 2000.

Revenue from Dell of \$31.0 million and Alcatel of \$40.2 million for the third quarter of 2000 was 13.4% and 17.4%, respectively, of total revenue. In the third quarter of 1999, revenue from Dell of \$27.2 million represented 30.9% of total revenue. Alcatel was not a customer of ours in 1999. No other customers represented more than 10% of revenue.

In the third quarter of 2000, 80.6% of our revenue was generated from operations in the United States, 7.5% from Canada, 2.2% from Europe and 9.7% from Mexico. In the third quarter of 1999, 80.9% of our revenue was generated from operations in the United States, 8.8% from Canada, 3.7% from Europe and 6.6% from Mexico.

Gross Profit

Gross profit increased \$12.9 million from \$6.7 million in the third quarter of 1999 to \$19.6 million in the third quarter of 2000. Our gross profit margin improved from 7.6% in the third quarter of 1999 to 8.5% in the third quarter of 2000. The improvements in gross profit and gross margin were due to the combination of Surface Mount and HTM as well as the acquisitions we completed in 1999 and 2000. The gross profit of Surface Mount and HTM increased \$7.5 million from \$4.4 million of gross profit at a gross margin of 8.3% in the third quarter of 1999 to \$11.9 million of gross profit at a gross margin of 9.3% in the third quarter of 2000. The gross profit of W.F. Wood increased \$1.3 million from \$0.5 million of gross profit at a gross margin of 15.2% in the third quarter of 1999 to \$1.8 million of gross profit at a gross margin of 14.1% in the third quarter of 2000. Our Chihuahua facility reported an increase in gross profit of \$1.6 million from a loss of \$0.3 million of gross profit reported in the third quarter of 1999 to \$1.3 million of gross profit at a gross margin of 4.7% reported in the third quarter of 2000. The acquisition of Pensar in July 2000 contributed \$1.8 million to the increase of gross profit at a gross margin of 15.1% for the third quarter of 2000. At our Denver facility, formerly HTM, gross profit increased \$0.7 million from \$2.1 million in the third quarter of 1999 to \$2.8 million in the third quarter of 2000, but the gross margin declined from 8.1% to 5.5% due to a change in customer mix. Our W.F. Wood operation contributed higher gross margins than some of our other segments because the high precision enclosure products manufactured by that facility have higher profit margins than the products we have historically manufactured. Our Chihuahua facility provided us with lower gross margins than our other segments because it was not operating at full capacity during the third quarter of 2000.

Selling, General & Administrative Expenses

Selling, general and administrative expenses increased \$5.1 million from \$4.2 million in the third quarter of 1999 to \$9.3 million in the third quarter of 2000. As a percentage of revenue, selling, general and administrative expenses decreased from 4.8% to 4.0%. The combination of Surface Mount and HTM and the acquisitions of our Chihuahua facility, W.F. Wood and Pensar contributed \$4.7 million to the increase in selling, general and administrative expenses in the third quarter of 2000. At our Denver facility, selling, general, and administrative expenses increased \$0.4 million from \$0.7 million in the third quarter of 1999 to \$1.1 million in the third quarter of 2000 but declined as a percentage of revenue from 2.7% to 2.1%.

Amortization

Amortization of intangible assets of \$1.7 million in the third quarter of 2000 included the amortization of \$0.6 million of goodwill related to the combination of Surface Mount and HTM, \$0.4 million of goodwill related to the acquisition of W.F. Wood and \$0.4 million related to the acquisition of Pensar. Amortization of intangible assets in the third quarter of 2000 also included the amortization of \$0.2 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and \$0.1 million of deferred equipment lease costs.

Amortization of \$0.8 million in the third quarter of 1999 included the amortization of \$0.4 million of goodwill related to the combination of Surface Mount and HTM, \$0.1 million of goodwill related to the acquisition of W.F. Wood and \$0.3 million of deferred finance costs related to the establishment of our senior credit facility in July 1999.

Interest Expense

Interest expense increased \$0.4 million from \$2.3 million in the third quarter of 1999 to \$2.7 million in the third quarter of 2000 due to interest expense related to debt incurred in connection with the combination of Surface Mount and HTM, debt incurred to purchase our Chihuahua facility and W.F. Wood and debt incurred to meet increased working capital requirements to fund the growth of our business. The weighted average interest rates with respect to the debt for the third quarter of 1999 and the third quarter of 2000 were 9.0% and 9.3%, respectively.

Income Tax Expense

In the third quarter of 2000, an income tax expense of \$2.6 million on pre-tax income of \$5.9 million produced an effective tax rate of 44.1%, as we were not able to claim a recovery of losses of \$0.2 million by our Irish subsidiary or deduct \$0.6 million of goodwill related to the combination of Surface Mount and HTM.

In the third quarter of 1999, an income tax expense of \$0.1 million was recorded on a pre-tax loss of \$0.6 million, as we were not able to claim a recovery of losses of \$0.5 million by our Irish subsidiary or deduct \$0.4 million of goodwill related to the combination of Surface Mount and HTM.

Extraordinary Item

As a result of the early payment of the senior notes payable and subordinated notes that occurred concurrent with the business combination of Surface Mount and HTM, an extraordinary charge of \$1.3 million (\$2.1 million before tax), related to early payment penalties, write-off of unamortized deferred financing fees, and write-off of the unamortized debt discount, was recorded for the third quarter of 1999.

Approximately \$143.7 million of the proceeds of the initial public offering were used to reduce our indebtedness under our credit facility. In connection with the initial public offering, we entered into an amended and restated credit agreement with our lenders. As a result, an extraordinary loss of \$2.7 million (\$4.3 million before tax), related to early payment penalties, write-off of a portion of the unamortized deferred financing fees and the write-off of the value of the warrants issued in excess of the proceeds received, was recorded for the third quarter of 2000.

NINE MONTH PERIOD ENDED OCTOBER 1, 2000 COMPARED TO THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1999

Revenue

Revenue increased \$388.5 million, or 288.8% from \$134.5 million for the nine month period ended September 30, 1999 to \$523.0 million for the nine month period ended October 1, 2000. This increase resulted from the combination of Surface Mount and HTM, the acquisition of our Chihuahua facility in July 1999, our acquisition of W.F. Wood in September 1999 and the acquisition of Pensar in July 2000. Surface Mount revenue increased \$243.0 million from \$53.0 million for the nine month period ended September 30, 1999 to \$296.0 million for the nine month period ended October 1, 2000. W.F. Wood revenue increased \$34.8 million from \$3.3 million for the nine month period ended September 30, 1999 to \$38.1 million for the nine month period ended October 1, 2000. Revenue increased at our Chihuahua facility \$43.1 million from \$5.8 million for the period that began with the acquisition of that facility in July 1999 and ended September 30, 1999 to \$48.9 million for the nine month period ended October 1, 2000. The acquisition of Pensar contributed \$11.9 million to the increase in revenue for the nine month period ended October 1, 2000. Revenue generated from our Denver facility, formerly HTM, increased \$55.7 million from \$72.4 million for the nine month period ended September 30, 1999 to \$128.1 million for the nine month period ended October 1, 2000.

Revenue from Dell for the nine month period ended October 1, 2000 was \$96.3 million, or 18.4% of total revenue. Revenue from Dell for the nine month period ended September 30, 1999 was \$27.2 million or 20.2% of total revenue. No other customers represented more than 10% of revenue.

For the nine month period ended October 1, 2000, 80.9% of our revenue was generated from operations in the United States, 8.6% from Canada, 2.3% from Europe and 8.2% from Mexico. During the nine month

period ended September 30, 1999, 87.5% of our revenue was generated from operations in the United States, 5.7% from Canada, 2.5% from Europe and 4.3% from Mexico.

Gross Profit

Gross profit increased \$34.7 million from \$9.8 million for the nine month period ended September 30, 1999 to \$44.5 million for the nine month period ended October 1, 2000. Our gross profit margin improved from 7.3% for the nine month

period ended September 30, 1999 to 8.5% for the nine month period ended October 1, 2000. The improvements in gross profit and gross margin were due to the combination of Surface Mount and HTM and the acquisitions we completed in 1999 and 2000. The gross profit of Surface Mount and HTM increased \$20.0 million from \$4.4 million of gross profit at a gross margin of 8.3% for the nine month period ended September 30, 1999 to \$24.4 million of gross profit at a gross margin of 8.3% for the nine month period ended October 1, 2000. The gross profit of W.F. Wood increased \$6.3 million from \$0.5 million of gross profit at a gross margin of 15.2% for the nine month period ended September 30, 1999 to \$6.8 million of gross profit at a gross margin of 17.9% for the nine month period ended October 1, 2000. Our Chihuahua facility reported an increase in gross profit of \$4.3 million from a loss of \$0.3 million of gross profit reported for the period that began with the acquisition of that facility in July 1999 and ended September 30, 1999 to \$4.0 million of gross profit at a gross margin of 8.2% reported for the nine month period ended October 1, 2000. The acquisition of Pensar in July 2000 contributed \$1.8 million to the increase of gross profit at a gross margin of 15.1% for the nine month period ended October 1, 2000.

Our W.F. Wood operation contributed higher gross margins than other segments because the high precision enclosure products manufactured by that facility have higher profit margins than the products we have historically manufactured.

At our Denver facility, formerly HTM, gross profit increased \$2.3 million from \$5.2 million for the nine month period ended September 30, 1999 to \$7.5 million for the nine month period ended October 1, 2000, but the gross margin declined from 7.2% to 5.9% due to a change in customer mix.

Selling, General & Administrative Expenses

Selling, general and administrative expenses increased \$18.4 million from \$5.8 million for the nine month period ended September 30, 1999 to \$24.2 million for the nine month period ended October 1, 2000. As a percentage of revenue, selling, general and administrative expenses increased from 4.3% to 4.6%. The combination of Surface Mount and HTM and the acquisitions of our Chihuahua facility, W.F. Wood and Pensar contributed \$18.1 million to the increase in selling, general and administrative expenses. At our Denver facility, selling, general, and administrative expenses increased \$0.3 million from \$2.3 million in the third quarter of 1999 to \$2.6 million in the third quarter of 2000 but declined as a percentage of revenue from 3.2% to 2.0%.

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Amortization

Amortization of intangible assets for the nine month period ended October 1, 2000 of \$4.2 million included the amortization of \$1.7 million of goodwill related to the combination of Surface Mount and HTM, \$1.3 million of goodwill related to the acquisition of W.F. Wood and \$0.4 million related to the acquisition of Pensar. Amortization of intangible assets for the nine month period ended October 1, 2000 also included the amortization of \$0.5 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and \$0.3 million of deferred equipment lease costs.

Amortization of \$0.9 million for the nine month period ended September 30, 1999 included the amortization of \$0.4 million of goodwill related to the combination of Surface Mount and HTM, \$0.1 million of goodwill related to the acquisition of W.F. Wood, and \$0.4 million of deferred finance costs related to the establishment of our senior credit facility in July 1999.

Interest Expense

Interest expense increased \$6.8 million from \$3.8 million for the nine month period ended September 30, 1999 to \$10.6 million for the nine month period ended October 1, 2000 due to interest expense related to debt incurred in connection with the combination of Surface Mount and HTM, debt incurred to purchase our Chihuahua facility and W.F. Wood and debt incurred to meet increased working capital requirements to fund the growth of our business. The weighted average interest rates with respect to the debt for the nine month period ended September 30, 1999 and the nine month period ended October 1, 2000 were 9.7% and 9.5% respectively.

Income Tax Expense

For the nine month period ended October 1, 2000, we recorded an income tax expense of \$3.5 million on pre-tax income of \$5.5 million, which produced an effective tax rate of 63.6% as we were not able to claim a recovery on losses of \$1.4 million by our Irish subsidiary or deduct \$1.7 million of goodwill related to the combination of Surface Mount and HTM.

For the nine month period ended September 30, 1999, an income tax expense of \$0.1 million was recorded on a loss before taxes of \$0.7 million as we were not able to claim a recovery of losses of \$0.5 million by our Irish subsidiary or deduct \$0.4 million of goodwill related to the combination of Surface Mount and HTM.

Extraordinary Item

As a result of the early payment of the senior notes payable and subordinated notes that occurred concurrent with the business combination of Surface Mount and HTM, an extraordinary charge of \$1.3 million (\$2.1 million before tax), related to early payment penalties, write-off of unamortized deferred financing

fees, and write-off of the unamortized debt discount, was recorded for the nine months ended September 30, 1999.

Approximately \$143.7 million of the proceeds of the initial public offering were used to reduce our indebtedness under our credit facility. In connection with the initial public offering, we entered into an amended and restated credit agreement with our lenders. As a result, an extraordinary loss of \$2.7 million (\$4.3 million before tax), related to early payment penalties, write-off of a portion of the unamortized deferred financing fees and the write-off of the value of the warrants issued in excess of the proceeds received, was recorded for the nine months ended October 1, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash provided from borrowings under our senior credit facility and our access to the capital markets. Our principal uses of cash have been to finance mergers and acquisitions, to meet debt service requirements and to finance capital expenditures and working capital requirements. We anticipate that these will continue to be our principal uses of cash in the future.

Net cash used for operating activities for the nine month period ended September 30, 1999 was \$16.9 million compared to net cash used for operating activities of \$118.8 million for the nine month period

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ended October 1, 2000. The growth of both existing and new customers in the first nine months of 2000 led to increased working capital needs.

Net cash provided by financing activities for the nine month period ended September 30, 1999 was \$63.2 million due to the net increase of borrowings of \$69.8 million which is offset by capital lease payments of \$2.6 million and debt issuance costs of \$4.0 million. Net cash provided by financing activities for the nine month period ended October 1, 2000 was \$149.5 million due to the proceeds from issuance of capital stock of \$182.6 million, and proceeds from the issue of warrants of \$2.5 million, which was offset by repayment of long-term debt and capital leases and debt issuance costs of \$33.0 million, \$1.1 million and \$1.5 million respectively.

Net cash used in investing activities for the nine months ended September 30, 1999 was \$41.8 million due to the net purchase of capital and other assets of \$4.5 million, the acquisitions of SMTC Corporation, W.F. Wood and Chihuahua of \$31.6 million and cash held in escrow related to the acquisition of the Chihuahua facility of \$5.7 million. Net cash used in investing activities for the nine months ended October 1, 2000 was \$31.4 million due to net purchases of capital and other assets of \$13.4 million and the acquisition of Pensar of \$18.0 million.

On July 3, 2000, in order to provide us with additional working capital and to finance the growth of our business, certain of our stockholders purchased demand notes from us in the amount of \$9.925 million. These notes were paid on July 27, 2000 with proceeds from our initial public offering.

On July 27, 2000, we entered into an amended and restated credit agreement with our lenders, which provides for an initial term loan of \$50.0 million and revolving credit loans, swing line loans and letters of credit up to \$100.0 million. As of October 1, 2000, we had borrowings of \$102.5 million under our senior credit facility.

On July 27, 2000, we completed an initial public offering of our shares of common stock in the United States and exchangeable shares of our subsidiary, SMTC Manufacturing Corporation of Canada, in Canada. The offering consisted of 6,625,000 shares of common stock at a price of U.S. \$16.00 per share and 4,375,000 exchangeable shares at a price of Canadian \$23.60 per share. The net proceeds from the offering (not including proceeds from the sale of shares upon the exercise of the underwriters' over-allotment option) of approximately \$156.0 million were used to reduce our indebtedness under the senior credit facility, to repay outstanding notes, to pay debt of Pensar Corporation and to finance the cash portion of the purchase price of Pensar Corporation, which closed simultaneously with the initial public offering. On August 18, 2000, an additional 1,650,000 of shares of common stock were issued at a price of U.S. \$16.00 upon the exercise of the underwriters' over-allotment option. The net proceeds of \$24.6 million from the sale of shares upon the exercise of the underwriters' over-allotment option were used to reduce our indebtedness under the senior credit facility.

Based upon the current level of operations, our management believes that cash generated from operations, available cash and amounts available under our senior credit facility will be adequate to meet our debt service requirements, capital expenditures and working capital needs for the foreseeable future, although no assurance can be given in this regard. There can be no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to enable us to service our indebtedness. Our future operating performance and ability to service or refinance

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indebtedness will be subject to future economic conditions and to financial, business and other factors, certain of which are beyond our control.

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") 101 and in March 2000 issued SAB 101A "Revenue Recognition," which provide guidelines in applying U.S. generally accepted accounting principles to revenue recognition in financial statements. As a consequence of the issuance of SAB 101B in June 2000, we are required to implement SAB 101 as of the fourth quarter of 2000. We believe that our revenue recognition practices are consistent with the guidelines.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. SFAS No. 133 requires all derivatives to be recognized either as assets or liabilities and measured at fair value. SFAS No. 137 delays the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. We will be required to implement SFAS No. 133 for our fiscal year ended December 31, 2001. We have not assessed the impact of the adoption of SFAS No. 133 on our financial position, results of operations or cash flows.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that entities capitalize certain costs related to internal-use software once certain criteria have been met. As required, we implemented this standard in 1999. The implementation did not have a material impact on our financial position, results of operations or cash flows.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 requires that all start-up costs related to the new operations must be expensed as incurred. In addition, all start-up costs that were capitalized in the past must be written off when SOP 98-5 is adopted. As required, we implemented this standard in 1999. The implementation did not have a material impact on our financial position, results of operations or cash flows.

FORWARD-LOOKING STATEMENTS

A number of the matters and subject areas discussed in this Form 10-Q are forward-looking in nature. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding future expectations generally; these expectations may differ materially from SMTC's actual future experience involving any one or more of such matters and subject areas. SMTC cautions readers that all statements other than statements of historical facts included in this quarterly report on Form 10-Q regarding SMTC's financial position and business strategy may constitute forward-looking statements. All of these forward-looking statements are based upon estimates and assumptions made by SMTC's management, which although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed on such estimates and statements. No assurance can be given that any of such estimates or statements will be realized, and it is likely that actual results will differ materially from

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those contemplated by such forward-looking statements. Factors that may cause such differences include: (1) increased competition; (2) increased costs; (3) the inability to consummate business acquisitions on attractive terms; (4) the loss or retirement of key members of management; (5) increases in SMTC's cost of borrowings or lack of availability of additional debt or equity capital on terms considered reasonable by management; (6) adverse state, federal or foreign legislation or regulation or adverse determinations by regulators; (7) changes in general economic conditions in the markets in which SMTC may compete and fluctuations in demand in the electronics industry; and (8) the ability to sustain historical margins as the industry develops. SMTC has attempted to identify certain of the factors that it currently believes may cause actual future experiences to differ from SMTC's current expectations regarding the relevant matter or subject area. In addition to the items specifically discussed in the foregoing, SMTC's business and results of operations are subject to the risks and uncertainties described under the heading "Factors That May Affect Future Results" below. The operations and results of SMTC's business may also be subject to the effect of other risks and uncertainties. Such risks and uncertainties include, but are not limited to, items described from time to time in SMTC's reports filed with the Securities and Exchange Commission.

FACTORS THAT MAY AFFECT FUTURE RESULTS

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

A MAJORITY OF OUR REVENUE COMES FROM A SMALL NUMBER OF CUSTOMERS; IF WE LOSE ANY OF OUR LARGEST CUSTOMERS, OUR REVENUE COULD DECLINE SIGNIFICANTLY.

Our largest customer in 1999 was Dell, which represented approximately 31.3% of our total pro forma revenue in 1999. Our next five largest customers collectively represented an additional 26.4% of our total pro forma revenue in

1999. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. In addition to having a limited number of customers, we manufacture a limited number of products for each of our customers. If we lose any of our largest customers or any product line manufactured for one of our largest customers, we could experience a significant reduction in our revenue. For example, in 1999 we manufactured two products for Dell, servers, which represented 13.7%, or approximately \$69 million, of our total pro forma revenue in 1999 of approximately \$503 million, and riser cards, which represented 17.6%, or approximately \$88 million, of our total pro forma revenue in 1999. In 1999 Dell informed us that, as part of its efforts to rationalize its supplier network, it intends to consolidate its server product manufacturing by shifting additional business to us while at the same time it intends to discontinue using us to manufacture its riser cards, a component used in personal computers. The Dell riser card business is not contributing any revenue beyond the second half of 2000. Also, the insolvency of one or more of our largest customers or the inability of one or more of our largest customers to pay for its orders could decrease revenue. As many of our costs and operating expenses are relatively fixed, a reduction in net revenue can decrease our profit margins and adversely affect our business, financial condition and results of operations.

OUR INDUSTRY IS VERY COMPETITIVE AND WE MAY NOT BE SUCCESSFUL IF WE FAIL TO COMPETE EFFECTIVELY.

The electronics manufacturing services (EMS) industry is highly competitive. We compete against numerous domestic and foreign EMS providers including Celestica Inc., Flextronics International Ltd., Jabil Circuit, Inc., SCI Systems, Inc. and Sollectron Corporation. In addition, we may in the future encounter

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competition from other large electronics manufacturers that are selling, or may begin to sell, electronics manufacturing services. Many of our competitors have international operations, and some may have substantially greater manufacturing, financial research and development and marketing resources and lower cost structures than we do. We also face competition from the manufacturing operations of current and potential customers, which are continually evaluating the merits of manufacturing products internally versus the advantages of using external manufacturers.

WE MAY EXPERIENCE VARIABILITY IN OUR OPERATING RESULTS, WHICH COULD NEGATIVELY IMPACT THE PRICE OF OUR SHARES.

Our annual and quarterly results have fluctuated in the past. The reasons for these fluctuations may similarly affect us in the future. Historically, our calendar fourth quarter revenue has been highest and our calendar first quarter revenue has been lowest. Prospective investors should not rely on results of operations in any past period to indicate what our results will be for any future period. Our operating results may fluctuate in the future as a result of many factors, including:

- . variations in the timing and volume of customer orders relative to our manufacturing capacity;
- . variations in the timing of shipments of products to customers;
- . introduction and market acceptance of our customers' new products;
- . changes in demand for our customers' existing products;
- . the accuracy of our customers' forecasts of future production requirements;
- . effectiveness in managing our manufacturing processes;
- . changes in competitive and economic conditions generally or in our customers' markets;
- . changes in the cost or availability of components or skilled labor; and
- . the timing of, and the price we pay for, acquisitions and related integration costs.

In addition, most of our customers typically do not commit to firm production schedules more than 30 to 90 days in advance. Accordingly, we cannot forecast the level of customer orders with certainty. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing, purchase materials and incur other expenses to meet the anticipated demand of our customers. Sometimes anticipated orders from certain customers have failed to materialize, and sometimes delivery schedules have been deferred as a result of changes in a customer's business needs. Any material delay, cancellation or reduction of orders from our largest customers could cause our revenue to decline significantly. In addition, as many of our costs and operating expenses are relatively fixed, a reduction in customer demand can decrease our gross margins and adversely affect our business, financial condition and results of operations. On other occasions, customers have required rapid and unexpected increases in production, which have placed burdens on our manufacturing capacity.

Any of these factors or a combination of these factors could have a material adverse effect on our business, financial condition and results of operations.

SHORTAGE OR PRICE FLUCTUATION IN COMPONENT PARTS SPECIFIED BY OUR CUSTOMERS COULD DELAY PRODUCT SHIPMENT AND AFFECT OUR PROFITABILITY.

A substantial portion of our revenue is derived from "turnkey" manufacturing. In turnkey manufacturing, we provide both the materials and the manufacturing services. If we fail to manage our inventory effectively, we may bear the risk of fluctuations in materials costs, scrap and excess inventory, all of which can have a material adverse effect on our business, financial condition and results of operations. We are required to forecast our future inventory needs based upon the anticipated demands of our customers. Inaccuracies in making these forecasts or estimates could result in a shortage or an excess of materials. A shortage of materials could lengthen production schedules and increase costs. An excess of materials may increase the costs of maintaining inventory and may increase the risk of inventory obsolescence, both of which may increase expenses and decrease profit margins and operating income.

Many of the products we manufacture require one or more components that we order from sole-source suppliers. Supply shortages for a particular component can delay productions of all products using that component or cause cost increases in the services we provide. In addition, in the past, some of the materials we use, such as memory and logic devices, have been subject to industry-wide shortages. As a result, suppliers have been forced to allocate available quantities among their customers and we have not been able to obtain all of the materials desired. Our inability to obtain these needed materials could slow production or assembly, delay shipments to our customers, increase costs and reduce operating income. Also, we may bear the risk of periodic component price increases. Accordingly, some component price increases could increase costs and reduce operating income. Also we rely on a variety of common carriers for materials transportation, and we route materials through various world ports. A work stoppage, strike or shutdown of a major port or airport could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our business, financial condition and results of operations.

WE HAVE EXPERIENCED SIGNIFICANT GROWTH IN A SHORT PERIOD OF TIME AND MAY HAVE TROUBLE INTEGRATING ACQUIRED BUSINESS AND MANAGING OUR EXPANSION.

Since 1996, we have completed seven acquisitions. Acquisitions may involve numerous risks, including difficulty in integrating operations, technologies, systems, and products and services of acquired companies; diversion of management's attention and disruption of operations; increased expenses and working capital requirements; entering markets in which we have limited or no prior experience and where competitors in such markets have stronger market positions; and the potential loss of key employees and customers of acquired companies. In addition, acquisitions may involve financial risks, such as the potential liabilities of the acquired businesses, the dilutive effect of the issuance of additional equity securities, the incurrence of additional debt, the financial impact of transaction expenses and the amortization of goodwill and other intangible assets involved in any transactions that are accounted for using the purchase method of accounting, and possible adverse tax and accounting effects.

We have a limited history of owning and operating our acquired businesses on a consolidated basis. There can be no assurance that we will be able to meet performance expectations or successfully integrate our acquired businesses on a timely basis without disrupting the quality and reliability of service to our customers or diverting management resources. Our rapid growth has placed and will continue to place a significant strain on management, on our financial resources, and on our information, operating and financial systems. If we are unable to manage this growth effectively, it may have an adverse effect on our business, financial condition and results of operations.

OUR ACQUISITION STRATEGY MAY NOT SUCCEED.

As part of our business strategy, we expect to continue to grow by pursuing acquisitions of other companies, assets or product lines that complement or expand our existing business. Competition for attractive companies in our industry is substantial. We cannot assure you that we will be able to identify suitable acquisition candidates or finance and complete transactions that we select. Our failure to execute our acquisition strategy may have a material adverse effect on our business, financial condition and results of operation. Also, if we are not able to successfully complete acquisitions, we may not be able to compete with larger EMS providers who are able to provide a total customer solution.

IF WE DO NOT EFFECTIVELY MANAGE THE EXPANSION OF OUR OPERATIONS, OUR BUSINESS MAY BE HARMED.

We have grown rapidly in recent periods, and this growth may be difficult to sustain. Internal growth and further expansion of services may require us to expand our existing operations and relationships. We plan to expand our design

and development services and our manufacturing capacity by expanding our facilities and by adding new equipment. Expansion has caused, and is expected to continue to cause, strain on our infrastructure, including our managerial, technical, financial and other resources. Our ability to manage future growth effectively will require us to attract, train, motivate and manage new employees successfully, to integrate new employees into our operations and to continue to improve our operational and information systems. We may experience inefficiencies as we integrate new operations and manage geographically dispersed operations. We may incur cost overruns. We may encounter construction delays, equipment delays or shortages, labor shortages and disputes, and production start-up problems that could adversely affect our growth and our ability to meet customers' delivery schedules. We may not be able to obtain funds for this expansion on acceptable terms or at all. In addition, we expect to incur new fixed operating expenses associated with our expansion efforts, including increases in depreciation expense and rental expense. If our revenue does not increase sufficiently to offset these expenses, our business, financial condition and results of operations would be adversely affected.

WE ARE DEPENDENT UPON THE ELECTRONICS INDUSTRY, WHICH PRODUCES TECHNOLOGICALLY ADVANCED PRODUCTS WITH SHORT LIFE CYCLES.

Substantially all of our customers are in the electronics industry, which is characterized by intense competition, short product life-cycles and significant fluctuations in product demand. In addition, the electronics industry is generally subject to rapid technological change and product obsolescence. If our customers are unable to create products that keep pace with the changing technological environment, their products could become obsolete and the demand for our services could significantly decline. Our success is largely dependent on the success achieved by our customers in developing and marketing their products. Furthermore, this industry is subject to economic cycles and has in the past experienced

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downturns. A recession or a downturn in the electronics industry would likely have a material adverse effect on our business, financial condition and results of operations.

IF WE ARE UNABLE TO RESPOND TO RAPIDLY CHANGING TECHNOLOGY AND PROCESS DEVELOPMENT, WE MAY NOT BE ABLE TO COMPETE EFFECTIVELY.

The market for our products and services is characterized by rapidly changing technology and continuing process development. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to develop and market products and services that meet changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. In addition, the EMS industry could in the future encounter competition from new or revised technologies that render existing technology less competitive or obsolete or that reduce the demand for our services. There can be no assurance that we will effectively respond to the technological requirements of the changing market. To the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of such technologies and equipment may require us to make significant capital investments. There can be no assurance that capital will be available for these purposes in the future or that investments in new technologies will result in commercially viable technological processes.

OUR BUSINESS WILL SUFFER IF WE ARE UNABLE TO ATTRACT AND RETAIN KEY PERSONNEL AND SKILLED EMPLOYEES.

We depend on the services of our key senior executives, including Paul Walker, Philip Woodard, Gary Walker and Derek D'Andrade. Our business also depends on our ability to continue to recruit, train and retain skilled employees, particularly executive management, engineering and sales personnel. Recruiting personnel in our industry is highly competitive. In addition, our ability to successfully integrate acquired companies depends in part on our ability to retain key management and existing employees at the time of the acquisition. There can be no assurance that we will be able to retain our executive officers and key personnel or attract qualified management in the future.

RISKS PARTICULAR TO OUR INTERNATIONAL OPERATIONS COULD ADVERSELY AFFECT OUR OVERALL RESULTS.

Our success will depend, among other things, on successful expansion into new foreign markets in order to offer our customers lower cost production options. Entry into new foreign markets may require considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenue is generated. As a result, operations in a new foreign market may operate at low profit margins or may be unprofitable.

Pro forma revenue generated outside of the United States and Canada was approximately 5.5% in 1999. International operations are subject to inherent risks, including:

- fluctuations in the value of currencies and high levels of inflation;
- longer payment cycles and greater difficulty in collecting amounts

receivable;

- . unexpected changes in and the burdens and costs of compliance with a variety of foreign laws;

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- . political and economic instability;
- . increases in duties and taxation;
- . inability to utilize net operating losses incurred by our foreign operations to reduce our U.S. and Canadian income taxes;
- . imposition of restrictions on currency conversion or the transfer of funds; and
- . trade restrictions.

WE ARE SUBJECT TO A VARIETY OF ENVIRONMENTAL LAWS, WHICH EXPOSE US TO POTENTIAL FINANCIAL LIABILITY.

Our operations are regulated under a number of federal, state, provincial, local and foreign environmental and safety laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of such materials. Compliance with these environmental laws is a major consideration for us because we use metals and other hazardous materials in our manufacturing processes. We may be liable under environmental laws for the cost of cleaning up properties we own or operate if they are or become contaminated by the release of hazardous materials, regardless of whether we caused such release. In addition we, along with any other person who arranges for the disposal of our wastes, may be liable for costs associated with an investigation and remediation of sites at which we have arranged for the disposal of hazardous wastes, if such sites become contaminated, even if we fully comply with applicable environmental laws. In the event of a contamination or violation of environmental laws, we could be held liable for damages including fines, penalties and the costs of remedial actions and could also be subject to revocation of our discharge permits. Any such revocations could require us to cease or limit production at one or more of our facilities, thereby having a material adverse effect on our operations. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR CAPITAL STRUCTURE

OUR FUTURE INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH AND SEVERELY LIMIT OUR ABILITY TO PLAN FOR OR RESPOND TO CHANGES IN OUR BUSINESS.

We plan to incur indebtedness from time to time to finance acquisitions or capital expenditures or for other purposes. This debt could have adverse consequences for our business, including:

- . We will be more vulnerable to adverse general economic conditions;
- . We will be required to dedicate a substantial portion of our cash flow from operations to repayment of debt, limiting the availability of cash for other purposes;
- . We may have difficulty obtaining additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

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- . We may have limited flexibility in planning for, or reacting to, changes in our business and industry;
- . We could be limited by financial and other restrictive covenants in our credit arrangements in our borrowing of additional funds; and
- . We may fail to comply with the covenants under which we borrowed our indebtedness which could result in an event of default. If an event of default occurs and is not cured or waived, it could result in all amounts outstanding, together with accrued interest, becoming immediately due and payable. If we were unable to repay such amounts, the lenders could proceed against any collateral granted to them to secure that indebtedness.

There can be no assurance that our leverage and such restrictions will not materially adversely affect our ability to finance our future operations or capital needs or to engage in other business activities. In addition, our ability to pay principal and interest on our indebtedness to meet our financial and restrictive covenants and to satisfy our other debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, certain of which are beyond our control, as well as the availability of revolving credit borrowings under our senior credit facility or successor facilities.

THE TERMS OF OUR CREDIT AGREEMENT IMPOSE SIGNIFICANT RESTRICTIONS ON OUR ABILITY TO OPERATE.

The terms of our current credit agreement restrict, among other things, our ability to incur additional indebtedness, pay dividends or make certain other restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. We are also required to maintain specified financial ratios and satisfy certain financial condition tests, which further restrict our ability to operate as we choose. Substantially all of our assets and those of our subsidiaries are pledged as security under our senior credit facility.

INVESTMENT FUNDS AFFILIATED WITH BAIN CAPITAL, INC., INVESTMENT FUNDS AFFILIATED WITH CELERITY PARTNERS, INC., KILMER ELECTRONICS GROUP LIMITED AND CERTAIN MEMBERS OF MANAGEMENT HAVE SIGNIFICANT INFLUENCE OVER OUR BUSINESS, AND COULD DELAY, DETER OR PREVENT A CHANGE OF CONTROL OR OTHER BUSINESS COMBINATION.

Investment funds affiliated with Bain Capital, Inc., investment funds affiliated with Celerity Partners, Inc., Kilmer Electronics Group Limited and certain members of management hold approximately 14.8%, 13.5%, 7.9% and 13.8%, respectively, of our outstanding shares. In addition, three of the nine directors who serve on our board are representatives of the Bain funds, two are representatives of the Celerity funds, two are representatives of Kilmer Electronics Group Limited and two are members of management. By virtue of such stock ownership and board representation, the Bain funds, the Celerity funds, Kilmer Electronics Group Limited and certain members of management have a significant influence over all matters submitted to our stockholders, including the election of our directors, and exercise significant control over our business policies and affairs. Such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders.

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PROVISIONS IN OUR CHARTER DOCUMENTS AND STATE LAW MAY MAKE IT HARDER FOR OTHERS TO OBTAIN CONTROL OF US EVEN THOUGH SOME STOCKHOLDERS MIGHT CONSIDER SUCH A DEVELOPMENT FAVORABLE.

Provisions in our charter, by-laws and certain provisions under Delaware law may have the effect of delaying or preventing a change of control or changes in our management that stockholders consider favorable or beneficial. If a change of control or change in management is delayed or prevented, the market price of our shares could suffer.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Our senior credit facility bears interest at a floating rate. The weighted average interest rate on our senior credit facility for 1999 was 9.5%. We reduce our exposure to interest rate risks through swap agreements. We have entered into swap agreements to hedge \$65.0 million of our outstanding debt. Under the terms of our current swap agreement expiring on September 22, 2001, the maximum annual rate we would pay on the approximately \$65.0 million of our debt is 9.66%, as of October 1, 2000. The remainder of our debt of \$37.5 million bore interest based on the Eurodollar base rate, which was 6.6% on October 1, 2000. If the Eurodollar base rate increased by 10% to 7.3%, our interest expense would increase by approximately \$0.3 million in 2000. The revolving credit facility portion of our senior credit facility of \$53.7 million bore interest at 9.5% per annum, as of October 1, 2000.

FOREIGN CURRENCY EXCHANGE RISK

Most of our sales and purchases are denominated in U.S. dollars, and as a result we have relatively little exposure to foreign currency exchange risk with respect to sales made. We do not use forward exchange contracts to hedge exposures denominated in foreign currencies or any other derivative financial instrument for trading or speculative purposes. Therefore, the effect of a 10.0% change in exchange rates as of December 31, 1999 would not have a material impact on our operating results for the year ending December 31, 2000.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is currently not a party to any material legal actions or proceedings.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS. Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

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

As of July 19, 2000, our stockholders approved by written consent the

conversion of Class L common stock and Class A-2 common stock into Class A-1 common stock prior to our initial public offering; the amendment and restatement of our Certificate of Incorporation; the conversion of our Class A-1 common stock into common stock prior to the completion of our initial public offering; the amendment and restatement of our By-laws; and the SMTC Corporation/SMTC Manufacturing Corporation of Canada 2000 Equity Incentive Plan. Of our 21 stockholders, 19 stockholders consented to the adoption of the resolutions approving the matters listed above.

ITEM 5. OTHER INFORMATION.

On July 27, 2000, we completed an initial public offering of our common stock in the United States and exchangeable shares of our subsidiary, SMTC Manufacturing Corporation of Canada, in Canada. The offering consisted of 6,625,000 shares of common stock at a price of U.S. \$16.00 per share and 4,375,000 exchangeable shares at a price of Canadian \$23.60 per share. On August 18, 2000, we sold an additional 1,650,000 shares of common stock at a price of U.S. \$16.00 per share upon the exercise of the underwriters' over-allotment option.

On July 27, 2000, simultaneously with the closing of the initial public offering, we acquired Pensar Corporation, an electronics manufacturing services company specializing in design services and located in Appleton, Wisconsin. The total purchase price, including transaction costs, was approximately \$36.6 million.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

Certain of the following exhibits have been previously filed with the Commission pursuant to the requirements of the Securities Act. Such exhibits are identified by the parenthetical references following the listing of each such exhibit and are incorporated herein by reference.

EXHIBIT DESCRIPTION

- - - - -

- 3.1 Amended and Restated Certificate of Incorporation.
- 3.2 Amended and Restated By-laws.
- 3.3 Certificate of Designation.
- 4.1 Stockholders Agreement dated as of July 27, 2000 (Incorporated by reference to Exhibit 4.1 of SMTC's Registration Statement on Form S-8, File No. 333-44250).
- 4.2 Exchangeable Share Provisions attaching to the exchangeable shares of SMTC Manufacturing Corporation of Canada.
- 4.3 Exchangeable Share Support Agreement dated as of July 27, 2000 among SMTC, SMTC Nova Scotia Company and SMTC Manufacturing Corporation of Canada.
- 4.4 Voting and Exchange Trust Agreement dated as of July 27, 2000 among SMTC, SMTC Nova Scotia Company and SMTC Manufacturing Corporation of Canada and CIBC Mellon Trust Company.
- 4.5 Secured Demand Note of SMTC Manufacturing Corporation of Canada dated July 3, 2000 (Incorporated by reference to Exhibit 4.10 of SMTC's Registration Statement on Form S-1, No. 333-33208, as amended).
- 4.6 Secured Demand Note of HTM Holdings, Inc. dated July 3, 2000 (Incorporated by reference to Exhibit 4.11 of SMTC's Registration Statement on Form S-1, No. 333-33208, as amended).
- 4.7 Secured Demand Note of HTM Holdings, Inc. dated July 3, 2000 (Incorporated by reference to Exhibit 4.12 of SMTC's Registration Statement on Form S-1, No. 333-33208, as amended).
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- 4.10 Secured Demand Note of HTM Holdings, Inc. dated July 3, 2000 (Incorporated by reference to Exhibit 4.15 of SMTC's Registration Statement on Form S-1, No. 333-33208, as amended).
- 4.11 Demand Note of HTM Holdings, Inc. dated July 3, 2000 (Incorporated by reference to Exhibit 4.16 of SMTC's Registration Statement on Form S-1, No. 333-33208, as amended).
- 10.1+ Amended and Restated Credit and Guarantee Agreement dated as of July 27, 2000.

- 10.2+ Amended and Restated Guarantee and Collateral Agreement dated as of July 27, 2000.
- 10.3 SMTC Corporation/SMTC Manufacturing Corporation of Canada 2000 Equity Incentive Plan.
- 10.4 Lease Agreement dated as of June 1, 2000 between SMTC Manufacturing Corporation of North Carolina and Garrett and Garrett.
- 10.5 Lease Agreement dated as of August 11, 2000 between SMTC Manufacturing Corporation of Massachusetts and Lincoln-Franklin LLC.
- 27.1 Financial Data Schedule for SMTC Corporation.

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 + The registrant agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit to such agreement upon request by the SEC.

(b) Reports on Form 8-K: None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, SMTC Corporation has duly caused this quarterly report to be signed on its behalf by the undersigned, thereto duly authorized, in the city of Markham, province of Ontario, on the 14th day of November, 2000.

SMTC CORPORATION

By: /s/ Paul Walker

Name: Paul Walker
 Title: President and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
-----	-----	----
/s/Richard Smith ----- Richard Smith	Vice President, Finance and Administration (principal financial and chief accounting officer)	November 14, 2000

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- 27.1 Financial Data Schedule for SMTC Corporation.

+ The registrant agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit to such agreement upon request by the SEC.

EXHIBIT 3.1

SMTC Corporation

Amended and Restated

Certificate of Incorporation

Pursuant to Section 241 of the General Corporation Law of the State of Delaware, SMTC Corporation has adopted this Second Amended and Restated Certificate of Incorporation restating and amending its Certificate of Incorporation (originally filed on July 31, 1998). This Second Amended and Restated Certificate of Incorporation, which restates and further amends the provisions of this Corporation's First Amended and Restated Certificate of Incorporation, was duly proposed by the board of directors and adopted by written consent of the requisite number of Stockholders of the Corporation, in accordance with the applicable provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

ARTICLE I

The name of this corporation is "SMTC Corporation" (hereinafter referred to as the "Corporation").

ARTICLE II

The registered office of this corporation in the State of Delaware is located at 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of this Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

ARTICLE IV

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 65,000,000 shares, consisting of (i) 60,000,000 shares of Common Stock, \$.01 par value per share ("Common Stock"), and (ii) 5,000,000 shares of Preferred Stock, \$.01 par value per share ("Preferred Stock").

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The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

1. Common Stock.

A. General. Subject to the powers, preferences and rights of any Preferred

Stock, including any series thereof, having any preference or priority over, or rights superior to, the Common Stock and except as otherwise provided by law and this Article, the holders of the Common Stock shall have and possess all powers and voting and other rights pertaining to the stock of the corporation and each share of Common Stock shall be entitled to one vote. Except as otherwise provided by the DGCL or this Amended and Restated Certificate of Incorporation, the holders of record of Common Stock shall share ratably in all dividends payable in cash, stock or otherwise and other distributions, whether in respect of liquidation or dissolution (voluntary or involuntary) or otherwise. The holders of the Common Stock shall have no preemptive rights to subscribe for any shares of any class of stock of this Corporation

whether now or hereafter authorized.

B. Voting. The holders of the Common Stock are entitled to one vote for

each share of Common Stock held at all meetings of stockholders. There shall be no cumulative voting.

C. Number. The number of authorized shares of Common Stock may be

increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

D. Dividends. Dividends may be declared and paid on the Common Stock from

funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

E. Liquidation. Upon the dissolution or liquidation of the Corporation,

whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

2. Preferred Stock.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation

may be reissued except as otherwise provided by law or this Amended and Restated Certificate of Incorporation. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors as hereinafter provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issue of the shares thereof, to determine and fix such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the DGCL. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law and this Amended and Restated Certificate of Incorporation. Except as otherwise provided in this Amended and Restated Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of this Amended and Restated Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation.

ARTICLE V

The Corporation shall have a perpetual existence.

ARTICLE VI

In furtherance of and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of this Corporation, subject to the right of the stockholders entitled to vote with respect thereto to alter and repeal the By-Laws adopted or amended by the Board of Directors; provided, however, that, notwithstanding the fact that a

lesser percentage may be specified by law, the By-Laws shall not be altered, amended or repealed by the stockholders of the Corporation except by the affirmative vote of holders of not less than seventy-five percent (75%) of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, unless such alteration, amendment or repeal has been approved by a majority of those directors who are not affiliated or associated with any person or entity holding 10% or more of the voting power of the Corporation's outstanding capital stock. Notwithstanding the foregoing, neither the Bain Capital Funds, Celerity Partners nor Kilmer Electronics Group shall be deemed at any time to be an entity holding 10% or more of the voting power of the Corporation's outstanding capital stock without regard to the actual percentage of the voting power the Corporation's outstanding capital stock held from time to time by any of them. The

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Bain Capital Funds shall mean Bain Capital Fund VI, L.P., BCIP Associates II, BCIP Trust Associates II, BCIP Associates II-B, BCIP Trust Associates II-C and any other entity which receives investment advice from an advisor or subadvisor to any of those entities or from an affiliate of such advisor or subadvisor. Celerity Partners shall mean Celerity EMSIcon, LLC and any entity which receives investment advice from any of its advisor(s) or subadvisor(s). Kilmer Electronics Group shall mean Kilmer Electronics Group Limited and any entity which controls it, which is controlled by it or is under common control with it.

ARTICLE VII

Except to the extent that the DGCL prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

ARTICLE VIII

1. Indemnification. The Corporation shall, to the maximum extent permitted under the DGCL and except as set forth below, indemnify, hold harmless and, upon request, advance expenses to each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, including any employee benefit plan (any such person being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with such action, suit or proceeding and any appeal therefrom, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Notwithstanding anything to the contrary in this Article, the Corporation shall not indemnify an Indemnitee seeking indemnification in connection with any action, suit, proceeding, claim or counterclaim, or part thereof, initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation.

2. Advance of Expenses. Notwithstanding any other provisions, this Amended and

Restated Certificate of Incorporation, the By-Laws of the Corporation, or any agreement, vote of stockholder or disinterested directors, or arrangement to the contrary, the Corporation shall advance payment of

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expenses incurred by an Indemnitee in advance of the final disposition of any matter only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of the Indemnitee to make such repayment.

3. Subsequent Amendment. No amendment, termination or repeal of this Article or

of the relevant provisions of the DGCL or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

4. Other Rights. The Corporation may, to the extent authorized from time to

time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

5. Reliance. Persons who after the date of the adoption of this provision

become or remain directors or officers of the Corporation or who, while a director or officer of the Corporation, become or remain a director, officer, employee or agent of a subsidiary, shall be conclusively presumed to have relied on the rights to indemnity, advance of expenses and other rights contained in this Article in entering into or continuing such service. The rights to indemnification and to the advance of expenses conferred in this Article shall apply to claims made against an indemnitee arising out of acts or omissions which occurred or occur both prior and subsequent to the adoption hereof.

6. Merger or Consolidation. If the Corporation is merged into or consolidated

with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

7. Insurance. The Corporation shall have power to purchase and maintain

insurance on behalf of any person who is or was, or has agreed to become, a director, officer, employee or agent of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise, including any employee benefit plan, against all expenses (including attorney's fees) judgments, fines or amounts paid in settlement incurred by such person in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such expenses under the DGCL.

8. Savings Clause. If this Article or any portion hereof shall be invalidated

on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses, including attorneys' fees, judgments, fines and amounts paid in

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settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable

portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE IX

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Amended and Restated Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE X

This Article is inserted for the management of the business and for the conduct of the affairs of the Corporation.

1. Number of Directors. The number of directors of the Corporation shall

not be less than three. The exact number of directors within the limitations specified in the preceding sentence shall be fixed from time to time by, or in the manner provided in, the By-Laws of the Corporation.

2. Classes of Directors. The Board of Directors shall be and is divided

into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the designated number of directors by three, then, if such fraction is one-third, the extra director shall be a member of Class III, and if such fraction is two-thirds, one of the extra directors shall be a member of Class III and one of the extra directors shall be a member of Class II, unless otherwise provided from time to time by resolution adopted by the Board of Directors.

3. Election of Directors. Elections of directors need not be by written

ballot except as and to the extent provided in the By-Laws of the Corporation.

4. Terms of Office. Except as provided in Section 6 of this Article X,

each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I

shall serve for a term ending on the date of the annual meeting in 2001; each initial director in Class II shall serve for a term ending on the date of the annual meeting in 2002; and each initial director in Class III shall serve for a term ending on the date of the annual meeting in 2003; and provided, further, that the term of each director

shall be subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal.

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5. Allocation of Directors Among Classes in the Event of Increases or

Decreases in the Number of Directors. In the event of any increase or

decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated

directorships shall be subtracted from those classes whose terms of offices are to expire at the earliest dates following such allocation, unless otherwise provided from time to time by resolution adopted by the Board of Directors.

6. Removal. The directors of the Corporation may not be removed without -----

cause and may be removed for cause only by the affirmative vote of the holders of at least seventy-five percent (75%) of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote generally in the election of directors cast at a meeting of the stockholders called for that purpose, notwithstanding the fact that a lesser percentage may be specified by law.

7. Vacancies. Any vacancy in the Board of Directors, however occurring, -----

including a vacancy resulting from an enlargement of the Board, shall be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal.

8. Stockholder Nominations and Introduction of Business, Etc. Advance -----

notice of stockholder nominations for election of directors and other business to be brought by stockholders before either an annual or special meeting of stockholders shall be given in the manner provided by the By-Laws of this Corporation.

9. Amendment to Article. Notwithstanding any other provisions of law, -----

this Amended and Restated Certificate of Incorporation or the By-Laws, each as amended, and notwithstanding the fact that a lesser percentage may be specified by law, this Amended and Restated Certificate of Incorporation or the By-Laws of the Corporation, the affirmative vote of least seventy-five percent (75%) of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the

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election of directors shall be required to amend or repeal, or to adopt any provisions inconsistent with the purpose or intent of, this Article X, unless such amendment, repeal or adoption has been approved by a majority of those directors who are not affiliated or associated with any person or entity holding 10% or more of the voting power of the Corporation's outstanding capital stock. Notwithstanding the foregoing, neither the Bain Capital Funds, Celerity Partners nor Kilmer Electronics Group shall be deemed at any time to be an entity holding 10% or more of the voting power of the Corporation's outstanding capital stock without regard to the actual percentage of the voting power the Corporation's outstanding capital stock held from time to time by any of them.

ARTICLE XI

1. Dividends. The Board of Directors shall have authority from time to time to -----

set apart out of any assets of the Corporation otherwise available for dividends a reserve or reserves as working capital or for any other purpose or purposes, and to abolish or add to any such reserve or reserves from time to time as said board may deem to be in the interest of the Corporation; and said Board shall likewise have power to determine in its discretion, except as herein otherwise provided, what part of the assets of the Corporation available for dividends in excess of such reserve or reserves shall be declared in dividends and paid to the stockholders of the Corporation.

2. Issuance of Stock. The shares of all classes of stock of the Corporation may

be issued by the Corporation from time to time for such consideration as from time to time may be fixed by the Board of Directors of the Corporation, provided that shares of stock having a par value shall not be issued for a consideration less than such par value, as determined by the Board. At any time, or from time to time, the Corporation may grant rights or options to purchase from the Corporation any shares of its stock of any class or classes to run for such period of time, for such consideration, upon such terms and conditions, and in such form as the Board of Directors may determine. The Board of Directors shall have authority, as provided by law, to determine that only a part of the consideration which shall be received by the Corporation for the shares of its stock which it shall issue from time to time, shall be capital; provided, however, that, if all the shares issued shall be shares having a par value, the amount of the part of such consideration so determined to be capital shall be equal to the aggregate par value of such shares. The excess, if any, at any time, of the total net assets of the Corporation over the amount so determined to be capital, as aforesaid, shall be surplus. All classes of stock of the Corporation shall be and remain at all times nonassessable.

The Board of Directors is hereby expressly authorized, in its discretion, in connection with the issuance of any obligations or stock of the Corporation (but without intending hereby to limit its general power so to do in other cases), to grant rights or options to purchase stock of the Corporation of any class upon such terms and during such period as the Board of Directors shall determine, and to cause such rights to be evidenced by such warrants or other instruments as it may deem advisable.

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3. Inspection of Books and Records. The Board of Directors shall have power

from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

4. Location of Meetings, Books and Records. Except as otherwise provided in the

By-laws, the stockholders of the Corporation and the Board of Directors may hold their meetings and have an office or offices outside of the State of Delaware and, subject to the provisions of the laws of said State, may keep the books of the Corporation outside of said State at such places as may, from time to time, be designated by the Board of Directors or by the By-laws of this Corporation.

ARTICLE XII

At any time during which a class of capital stock of this Corporation is registered under Section 12 of the Securities Exchange Act of 1934 or any similar successor statute, stockholders of the Corporation may not take any action by written consent in lieu of a meeting. Notwithstanding any other provisions of law, this Amended and Restated Certificate of Incorporation or the By-Laws, each as amended, and notwithstanding the fact that a lesser percentage may be specified by law, this Amended and Restated Certificate of Incorporation or the By-Laws of the Corporation, the affirmative vote of seventy-five percent (75%) of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors shall be required to amend or repeal, or to adopt any provisions inconsistent with the purpose or intent of, this Article XII, unless such amendment, repeal or adoption has been approved by a majority of those directors who are not affiliated or associated with any person or entity holding 10% or more of the voting power of the Corporation's outstanding capital stock. Notwithstanding the foregoing, neither the Bain Capital Funds, Celerity Partners nor Kilmer Electronics Group shall be deemed at any time to be an entity holding 10% or more of the voting power of the Corporation's outstanding capital stock without regard to the actual percentage of the voting power the Corporation's outstanding capital stock held from time to time by any of them.

ARTICLE XIII

Special meetings of stockholders may be called at any time by only the Chairman of the Board of Directors, the Chief Executive Officer (or if there is no Chief Executive Officer, the President), or by the Board of Directors of the Corporation pursuant to a resolution adopted by the affirmative vote of a majority of the total number of directors then in office. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting. Notwithstanding any other provisions of law, this Amended and Restated Certificate of Incorporation or the By-Laws, each as amended, and notwithstanding the fact that a lesser percentage may be specified by law, this Amended and Restated Certificate of

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Incorporation or the By-Laws of the Corporation, the affirmative vote of seventy-five percent (75%) of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors shall be required to amend or repeal, or to adopt any provisions inconsistent with the purpose or intent of, this Article XIII, unless such amendment, repeal or adoption has been approved by a majority of those directors who are not affiliated or associated with any person or entity holding 10% or more of the voting power of the Corporation's outstanding capital stock. Notwithstanding the foregoing, neither the Bain Capital Funds, Celerity Partners nor Kilmer Electronics Group shall be deemed at any time to be an entity holding 10% or more of the voting power of the Corporation's outstanding capital stock without regard to the actual percentage of the voting power the Corporation's outstanding capital stock held from time to time by any of them.

ARTICLE XIV

The Board of Directors of this Corporation, when evaluating any offer of another party to make a tender or exchange offer for any equity security of the Corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation as a whole, be authorized to give due consideration to any such factors as the Board of Directors determines to be relevant, including without limitation: (i) the interests of the stockholders of the Corporation; (ii) whether the proposed transaction might violate federal or state laws; (iii) not only the consideration being offered in the proposed transaction, in relation of the then current market price for the outstanding capital stock of the Corporation, but also to the market price for the capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects; and (iv) the social, legal and economic effects upon employees, suppliers, customers and others having similar relationships with the Corporation, and the communities in which the Corporation conducts its business.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and to engage in such legal proceedings as the Board of Directors may determine.

ARTICLE XV

The Corporation expressly elects to be governed by Section 203 of the DGCL. Notwithstanding the terms of Section 203 of the DGCL and without regard to the percentage of voting stock of the Corporation owned at any time by the Bain Capital Funds, Celerity Partners, Kilmer Electronics Group Limited, or a stockholder affiliated or associated with any of the aforementioned, the Bain Capital Funds, Celerity Partners, Kilmer Electronics Group Limited, or any

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stockholder affiliated or associated with any of the aforementioned shall not be deemed at any time to be an "interested stockholder" as such term is defined in Section 203(c)(5) of the DGCL.

* * * * *

IN WITNESS HEREOF, said SMTC Corporation has caused this Amended and Restated Certificate to be executed by Paul Walker, its President, this 27th day of July, 2000.

SMTC CORPORATION

/s/ Paul Walker

Name: Paul Walker

Title: President

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EXHIBIT 3.2

AMENDED AND RESTATED

BY-LAWS

OF

SMTC CORPORATION

July 27, 2000

ARTICLE 1 - OFFICES

1.1 Registered Offices. The registered office of SMTC Corporation (the

"Corporation") in the State of Delaware shall be located at 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address shall be Corporation Service Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors.

1.2 Other offices. The Corporation may also have offices at such other

places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

1.3 Books. The books of the Corporation may be kept within or without of

the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2 - STOCKHOLDERS

2.1 Place of Meetings. All meetings of stockholders shall be held at such

place within or without the State of Delaware as may be designated from time to time by the Board of Directors or the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) or, if not so designated, at the registered office of the corporation.

2.2 Annual Meeting. The annual meeting of stockholders for the election of

directors and for the transaction of such other business as may properly be brought before the meeting shall be held within six months after the end of each fiscal year on a date to be fixed by the Board of Directors or the Chief Executive Officer (or, if there is no Chief Executive Officer, the President), unless that day be a legal holiday at the place where the meeting is to be held, in which case the meeting shall be held at the same hour on the next succeeding day not a legal holiday, or at such other date and time as shall be fixed by the Board of Directors or the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) and stated in the notice of the meeting. If no annual meeting is held in accordance with the foregoing provisions, the Board of Directors shall cause the meeting to be held as soon thereafter as convenient. If no annual meeting is held in accordance with the foregoing provisions, a special meeting may be held in lieu of the annual meeting, and any action taken at that special meeting shall have the same effect as if it had been taken at the annual meeting, and in such case all references in these By-Laws to the annual meeting of stockholders shall be deemed to refer to such special meeting.

2.3 Special Meeting. Special meetings of stockholders may be called at any

time by only the Chairman of the Board of Directors, the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) or by the Board of Directors of the Corporation pursuant to a resolution adopted by the affirmative vote of a majority of the total number of directors then in

office. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

2.4 Notice of Meetings. Except as otherwise provided by law, written

notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the corporation.

2.5 Voting List. The officer who has charge of the stock ledger of the

corporation shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, at a place within the city where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present.

2.6 Quorum. Except as otherwise provided by law, the Certificate of

Incorporation or these By-Laws, the holders of a majority of the shares of the capital stock of the corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business.

2.7 Adjournments. Any meeting of stockholders may be adjourned to any

other time and to any other place at which a meeting of stockholders may be held under these By-Laws by a majority of the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than thirty (30) days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

2.8 Voting and Proxies. Except as otherwise provided by the General

Corporation Law of the State of Delaware, the Certificate of Incorporation or these By-Laws, each stockholder shall have one vote for each share of capital stock entitled to vote and held of record by such stockholder. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person or may authorize another person or persons to vote or act for him or her by written proxy executed by the stockholder or his or her authorized agent and delivered to the

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Secretary of the corporation. No such proxy shall be voted or acted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period.

2.9 Proxy Representation. Every stockholder may authorize another person

or persons to act for him or her by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, objecting to or voting or participating at a meeting, or expressing consent or dissent without a meeting. The delivery of a proxy on behalf of a stockholder consistent with telephonic or electronically transmitted instructions obtained pursuant to procedures of the corporation reasonably designed to verify that such

instructions have been authorized by such stockholder shall constitute execution and delivery of the proxy by or on behalf of the stockholder. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. The authorization of a proxy may but need not be limited to specified action, provided, however, that if a proxy limits its authorization to a meeting or meetings of stockholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof. A proxy purporting to be authorized by or on behalf of a stockholder, if accepted by the corporation in its discretion, shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

2.10 Action at Meeting. When a quorum is present at any meeting, a

plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than an election to an office shall decide the question, except when a larger vote is required by law, by the Certificate of Incorporation or by these Bylaws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

2.11 Nomination of Directors. Only persons who are nominated in accordance

with the following procedures shall be eligible for election as directors. The nomination for election to the Board of Directors of the corporation at a meeting of stockholders may be made by the Board of Directors or by any stockholder of the corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 2.11. Such nominations, other than those made by or on behalf of the Board of Directors, shall be made by notice in writing delivered or mailed by first class United States mail, postage prepaid, to the Secretary, and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that if the annual

meeting is not held within thirty (30) days before or after such anniversary date, then such nomination shall have been delivered to or mailed and received by the Secretary not later than the close of business on the 10th day following the date on which the notice of the meeting was mailed or

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such public disclosure was made, whichever occurs first. Such notice shall set forth (a) as to each proposed nominee (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the corporation which are beneficially owned by each such nominee, and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person's written consent to be named as a nominee and to serve as a director if elected; and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the corporation's books, of such stockholder and (ii) the class and number of shares of the corporation which are beneficially owned by such stockholder. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as a director of the corporation.

The chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

2.12 Notice of Business at Annual Meetings. At an annual meeting of the

stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement

thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, (c) otherwise properly brought before an annual meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, if such business relates to the election of directors of the corporation, the procedures in Section 2.11 must be complied with. If such business relates to any other matter, the stockholder must have given timely notice thereof in writing to the Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that if the annual meeting is not held within

thirty (30) days before or after such anniversary date, then for the notice by the stockholder to be timely it must be so received not later than the close of business on the 10th day following the date on which the notice of the meeting was mailed or such public disclosure was made, whichever occurs first. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the corporation which are beneficially owned by the stockholder and (d) any material interest of the stockholder in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at any annual meeting except in accordance with the

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procedures set forth in this Section 2.12, except that any stockholder proposal which complies with Rule 14a-8 of the proxy rules, or any successor provision, promulgated under the Securities Exchange Act of 1934, as amended, and is to be included in the corporation's proxy statement for an annual meeting of stockholders shall be deemed to comply with the requirements of this Section 2.12.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 1.12, and if he or she should so determine, the chairman shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

2.13 Action without Meeting. For so long as this Corporation shall have a

class of stock registered pursuant to the provisions of the Securities Exchange Act of 1934, stockholders may not take any action by written consent in lieu of a meeting.

2.14 Organization. The Chairman of the Board, or in his or her absence the

President shall call meetings of the stockholders to order, and act as chairman of such meeting; provided, however, that the Board of Directors may appoint any

stockholder to act as chairman of any meeting in the absence of the Chairman of the Board. The Secretary of the corporation shall act as secretary at all meetings of the stockholders; provided, however, that in the absence of the Secretary at any meeting of the stockholders, the acting chairman may appoint any person to act as secretary of the meeting.

ARTICLE 3 - DIRECTORS

3.1 General Powers. The business and affairs of the corporation shall be

managed by or under the direction of a Board of Directors, who may exercise all of the powers of the corporation except as otherwise provided by law, the Certificate of Incorporation or these By-Laws. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board of Directors until the vacancy is filled.

3.2 Number; Election and Qualification. The number of directors which

shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors, but in no event shall be less than three. The directors shall be elected at the annual meeting of stockholders by such stockholders as have the right to vote on such election. The directors need not be stockholders of the corporation.

3.3 Classes of Directors. The Board of Directors shall be and is divided

into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the designated number of directors by three, then, if such fraction is one-third, the extra director shall be a member of Class III, and if such fraction is two-thirds, one of the extra directors shall be a member of Class III and

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one of the extra directors shall be a member of Class II, unless otherwise provided from time to time by resolution adopted by the Board of Directors.

3.4 Terms of Office. Except as otherwise provided in the Certificate of

Incorporation or these By-Laws, each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I

shall serve for a term ending on the date of the annual meeting of stockholders in 2001; each initial director in Class II shall serve for a term ending on the date of the annual meeting of stockholders in 2002; and each initial director in Class III shall serve for a term ending on the date of the annual meeting of stockholders in 2003; and provided, further, that the term of each director

shall be subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal.

3.5 Allocation of Directors Among Classes in the Event of Increases or

Decreases in the Number of Directors. In the event of any increase or decrease

in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from those classes whose terms of offices are to expire at the earliest dates following such allocation, unless otherwise provided from time to time by resolution adopted by the Board of Directors.

3.6 Vacancies. Any vacancy in the Board of Directors, however occurring,

including a vacancy resulting from an enlargement of the Board of Directors, shall be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal.

3.7 Resignation. Any director may resign by delivering his or her written

resignation to the corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

3.8 Regular Meetings. The regular meetings of the Board of Directors may

be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided, that any director who is absent when such a determination

is made shall be given notice of the determination. A regular meeting

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of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

3.9 Special Meetings. Special meetings of the Board of Directors may be

held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of the Board of Directors, the Chief Executive Officer (or if there is no Chief Executive Officer, the President), two or more directors or by one director in the event that there is only a single director in office.

3.10 Notice of Special Meetings. Notice of any special meeting of the Board

of Directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. The notice shall be duly given to each director (i) by giving notice to such director in person or by telephone at least twenty four (24) hours in advance of the meeting, (ii) by sending a telegram, telecopy, or telex, or delivering written notice by hand, to his or her last known business or home address at least twenty four (24) hours in advance of the meeting, or (iii) by mailing written notice to his or her last known business or home address at least seventy two (72) hours in advance of the meeting. A notice or waiver of notice of a special meeting of the Board of Directors need not specify the purposes of the meeting.

3.11 Meetings by Telephone Conference Calls. The Board of Directors or any

members of any committee of the Board of Directors designated by the directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone, video conference or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at such meeting.

3.12 Quorum. A majority of the total number of the whole Board of Directors

shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3)

of the number of directors so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, other than announcement at the meeting, until a quorum shall be present.

3.13 Action at Meeting. At any meeting of the Board of Directors at which a

quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these By-Laws.

3.14 Action by Consent. Any action required or permitted to be taken at any

meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting, if all members of the Board or committee, as the case may be, consent to the action in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee of the Board of Directors, as applicable.

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3.15 Removal. The directors of the corporation may not be removed without

cause and may be removed for cause only by the affirmative vote of the holders

of seventy-five percent (75%) of the shares of the capital stock of the corporation issued and outstanding and entitled to vote generally in the election of directors cast at a meeting of the stockholders called for that purpose.

3.16 Committees. The Board of Directors may, by resolution passed by a

majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these By-Laws for the Board of Directors.

3.17 Compensation of Directors. The directors may be paid such compensation

for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

ARTICLE 4 - OFFICERS

4.1 Enumeration. The officers of the corporation shall consist of a Chief

Executive Officer, a President, a Chief Financial Officer, a Secretary and a Treasurer. The Board of Directors may appoint other officers with such titles and powers as it may deem appropriate, including, without limitation one or more Vice Presidents and one or more Controllers.

4.2 Election. The Chief Executive Officer, President, Chief Financial

Officer, Secretary and Treasurer shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Other officers may be appointed by the Board of Directors at such meeting or at any other meeting.

4.3 Qualification. No officer need be a stockholder of the corporation.

Any two or more offices may be held by the same person.

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4.4 Tenure. Except as otherwise provided by law, by the Certificate of

Incorporation or by these By-Laws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote choosing or appointing him or her, or until his or her earlier death, resignation or removal.

4.5 Resignation and Removal. Any officer may resign by delivering his or

her written resignation to the corporation at its principal office or to the Chief Executive Officer or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer may be removed at any time, with or without cause, by vote of a majority of the entire number of directors then in

office.

Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following his or her resignation or removal, or any right to damages on account of such removal, whether his or her compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the corporation.

4.6 Vacancies. The Board of Directors may fill any vacancy occurring in

any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of Chief Executive Officer, President, Secretary and Treasurer. Each such successor shall hold office for the unexpired term of his or her predecessor and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

4.7 Chairman of the Board. The Board of Directors may appoint a Chairman

of the Board. If the Board of Directors appoints a Chairman of the Board, he or she shall perform such duties and possess such powers as are assigned to him or her by the Board of Directors.

4.8 Chief Executive Officer. The Chief Executive Officer shall, subject to

the direction of the Board of Directors, have general charge and supervision of the business of the corporation. Unless otherwise provided by the Board of Directors, he or she shall preside at all meetings of the stockholders and, if he or she is a director and subject to the provisions of Section 4.7, at all meetings of the Board of Directors. The Chief Executive Officer shall perform such other duties and possess such other powers as the Board of Directors may from time to time prescribe.

4.9 President. The President shall perform such duties and possess such

powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Chief Executive Officer, the President shall perform the duties of the Chief Executive Officer and when so performing shall have all the powers of and be subject to all the restrictions upon the office of Chief Executive Officer.

4.10 Chief Financial Officer. The Chief Financial Officer shall perform

such duties and possess such powers as the Board of Directors or the Chief Executive Officer may from time to time

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prescribe. The Chief Financial Officer shall have the custody of the corporate funds and securities; shall keep full and accurate all books and accounts of the Corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the Chairman of the Board or the Board of Directors; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the Corporation.

4.11 Vice Presidents. Any Vice President shall perform such duties and

possess such powers as the Board of Directors, the Chief Executive Officer or the President may from time to time prescribe. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other such title.

4.12 Controllers. Any Controller shall perform such duties and possess such

powers as the Board of Directors, the Chief Executive Officer or any Vice President may from time to time prescribe. The Board of Directors may assign to any Controller the title of Assistant Controller or any other such title.

4.13 Secretary. The Secretary shall perform such duties and possess such

powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the Secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

In the event of the absence, inability or refusal to act of the Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

4.14 Treasurer. The Treasurer shall perform such duties and possess such

powers as the Board of Directors, the Chief Executive Officer or the Chief Financial Officer may from time to time prescribe. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of Treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the corporation, to deposit funds of the corporation in depositories selected in accordance with these By-Laws, to disburse such funds as ordered by the Board of Directors, to make proper accounts of such funds, and to render as required by the Board of Directors statements of all such transactions and of the financial condition of the corporation. Unless the Board of Directors has designated another officer as Chief Financial Officer, the Treasurer shall be the Chief Financial Officer of the corporation.

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In the event of the absence, inability or refusal to act of the Treasurer, the Board of Directors shall appoint a temporary treasurer, who shall perform the duties and exercise the powers of the Treasurer.

4.15 Other Officers, Assistant Officers and Agents. Officers, assistant

officers and agents, if any, other than those whose duties are provided for in these By-laws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

4.16 Salaries. Officers of the corporation shall be entitled to such

salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

ARTICLE 5 - CAPITAL STOCK

5.1 Issuance of Stock. Unless otherwise voted by the stockholders and

subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the corporation or the whole or any part of any unissued balance of the authorized capital stock of the corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

5.2 Certificates of Stock. Every holder of stock of the corporation shall

be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by him or her in the corporation. Each such certificate shall be signed by, or in the name of the corporation by, the Chairman of the Board of Directors, the Chief Executive Officer or the President, and the Treasurer or the Secretary of the corporation. Any or all of the signatures on the certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the By-Laws, applicable securities laws or any agreement among any number of stockholders or

among such holders and the corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

5.3 Transfers. Except as otherwise established by rules and regulations

adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these By-Laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any

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transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the corporation in accordance with the requirements of these By-Laws.

5.4 Lost, Stolen or Destroyed Certificates. The corporation may issue a

new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the Board of Directors may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board of Directors may require for the protection of the corporation or any transfer agent or registrar.

5.5 Record Date. The Board of Directors may fix in advance a date as a

record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action to which such record date relates.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the -----
adjourned meeting.

5.6 Dividends. Subject to limitations contained in the General Corporation

Law of the State of Delaware, the Certificate of Incorporation and these By-laws, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, in property or in shares of the capital stock of the Corporation.

ARTICLE 6 - GENERAL PROVISIONS

6.1 Fiscal Year. Except as from time to time otherwise designated by the

Board of Directors, the fiscal year of the corporation shall begin on the first day of January in each year and end on the last day of December in each year.

6.2 Corporate Seal. The corporate seal shall be in such form as shall be

approved by the Board of Directors.

6.3 Waiver of Notice. Whenever any notice whatsoever is required to be

given by law, by the Certificate of Incorporation or by these By-Laws, a waiver
of such notice either in writing

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signed by the person entitled to such notice or such person's duly authorized
attorney, or by telegraph, cable or any other available method, whether before,
at or after the time stated in such waiver, or by the appearance of such person
at such meeting in person or by proxy, shall be deemed equivalent to such
notice. Any member of the Board of Directors or any committee thereof who is
present at a meeting shall be conclusively presumed to have waived notice of
such meeting except when such member attends for the express purpose of
objecting at the beginning of the meeting to the transaction of any business
because the meeting is not lawfully called or convened. Such member shall be
conclusively presumed to have assented to any action taken unless his or her
dissent shall be entered in the minutes of the meeting or unless his or her
written dissent to such action shall be filed with the person acting as the
secretary of the meeting before the adjournment thereof or shall be forwarded by
registered mail to the Secretary of the Corporation immediately after the
adjournment of the meeting. Such right to dissent shall not apply to any member
who voted in favor of such action.

6.4 Voting of Securities. Except as the directors may otherwise designate,

the Chief Executive Officer or Treasurer may waive notice of, and act as, or
appoint any person or persons to act as, proxy or attorney-in-fact for this
corporation (with or without power of substitution) at, any meeting of
stockholders or shareholders of any other corporation or organization, the
securities of which may be held by this corporation.

6.5 Evidence of Authority. A certificate by the Secretary, or a temporary

secretary, as to any action taken by the stockholders, directors, a committee or
any officer or representative of the corporation shall, as to all persons who
rely on the certificate in good faith, be conclusive evidence of such action.

6.6 Certificate of Incorporation. All references in these By-Laws to the

Certificate of Incorporation shall be deemed to refer to the Certificate of
Incorporation of the corporation, as amended or restated and in effect from time
to time.

6.7 Transactions with Interested Parties. No contract or transaction

between the corporation and one or more of the directors or officers, or between
the corporation and any other corporation, partnership, association, or other
organization in which one or more of the directors or officers are directors or
officers, or have a financial interest, shall be void or voidable solely for
this reason, or solely because the director or officer is present at or
participates in the meeting of the Board of Directors or a committee of the
Board of Directors which authorizes the contract or transaction or solely
because his, her or their votes are counted for such purpose, if:

(1) The material facts as to his, her or their relationship or
interest and as to the contract or transaction are disclosed or are known to the
Board of Directors or the committee, and the Board of Directors or committee of
the Board of Directors in good faith authorizes the contract or transaction by
the affirmative votes of a majority of the disinterested directors, even though
the disinterested directors be less than a quorum;

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(2) The material facts as to his, her or their relationship or
interest and as to the contract or transaction are disclosed or are known to the
stockholders entitled to vote thereon, and the contract or transaction is
specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the corporation as

of the time it is authorized, approved or ratified by the Board of Directors, a committee of the Board of Directors, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

6.8 Severability. Any determination that any provision of these By-Laws is

for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these By-Laws.

6.9 Pronouns. All pronouns used in these By-Laws shall be deemed to refer

to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

6.10 Contracts. In addition to the powers otherwise granted to officers

pursuant to Article 4 hereof, the Board of Directors may authorize any officer or officers, or any agent or agents, of the Corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

6.11 Loans. The Corporation may lend money to, or guarantee any obligation

of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a Director of the Corporation or its subsidiaries, whenever, in the judgment of the Directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

6.12 Inspection of Books and Records. The Board of Directors shall have

power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

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6.13 Section Headings. Section headings in these By-laws are for

convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

6.14 Inconsistent Provisions. In the event that any provision of these By-

laws is or becomes inconsistent with any provision of the Restated Certificate of Incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these By-laws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE 7 - AMENDMENTS

7.1 By the Board of Directors. These By-Laws may be altered, amended or

repealed or new By-Laws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

7.2 By the Stockholders. Notwithstanding any other provision of law, the

Certificate of Incorporation or these By-Laws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the shares of the capital stock of the corporation issued and outstanding and entitled to vote shall be required to alter, amend or repeal any provision of these By-Laws or to adopt new By-Laws, unless such alteration, amendment or repeal has been approved by a majority of those directors who are not affiliated or associated with any person or entity holding 10% or more of the voting power of the Corporation's outstanding capital stock. Notwithstanding the foregoing, neither the Bain Capital Funds, Celerity Partners nor Kilmer Electronics Group shall be deemed at any time to be an entity holding 10% or more of the voting power of the Corporation's outstanding capital stock without regard to the actual percentage of the voting power the Corporation's outstanding capital stock held from time to time by any of them. The Bain Capital Funds shall mean Bain Capital Fund VI, L.P., BCIP Associates II, BCIP Trust Associates II, BCIP Associates II-B, BCIP Trust Associates II-C and any other entity which receives investment advice from an advisor or subadvisor to any of those entities or from an affiliate of such advisor or subadvisor. Celerity Partners shall mean Celerity EMSIcon, LLC and any entity which receives investment advice from any of its advisor(s) or subadvisor(s). Kilmer Electronics Group shall mean Kilmer Electronic Groups, Limited and any entity which controls it, which is controlled by it or is under common control with it.

EXHIBIT 3.3

SMTC CORPORATION

CERTIFICATE OF DESIGNATION
PURSUANT TO SECTION 151 OF THE GENERAL CORPORATION LAW
OF THE STATE OF DELAWARE

SPECIAL VOTING STOCK

The undersigned officer of SMTC Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Company"), hereby certifies that the following resolutions were duly adopted by the Board of Directors of the Company pursuant to authority conferred upon the Board of Directors by the provisions of the Amended and Restated Certificate of Incorporation of the Company, by Section 3.1 of the By-laws of the Company and by the resolutions of the Board of Directors set forth herein, by unanimous written consent of the Board of Directors dated July 27, 2000.

The Board of Directors, by telephonic meeting on July 20, 2000, adopted resolutions, among others, approving the Exchangeable Share Support Agreement, dated as of July 27, 2000, by and among the Company, SMTC Nova Scotia Company and SMTC Manufacturing Corporation of Canada (the "Support Agreement"); and the Voting and Exchange Trust Agreement dated as of July 27, 2000, by and among the Company, SMTC Manufacturing Corporation of Canada, SMTC Nova Scotia Company and CIBC Mellon Trust Company as Trustee (the "Trust Agreement," and with the Exchangeable Share Provisions of SMTC Manufacturing Corporation of Canada and the Support Agreement, the "Exchangeable Documents"), which, among other things, provides for the Special Voting Share, as defined herein.

The Board of Directors, by unanimous written consent dated July 27, 2000 adopted the following resolutions, among others, authorizing the classification of the Special Voting Stock and the issuance of one share thereof (the "Special Voting Share"), and fixing the relative powers, preferences, rights, qualifications, limitations and restrictions of such share:

"RESOLVED, that the classification of one share of the Company's authorized shares of preferred stock as the Special Voting Share, as defined below and in the Trust Agreement, is hereby authorized and approved;

"RESOLVED, that any officer of the Company be, and each hereby is, authorized to take any and all action that such officer of the Company may deem necessary or desirable under applicable law, including, without limitation, the execution of one or more Certificates of Designation under Section 151 of the General Corporation Law of the State of Delaware, to create and issue one Special Voting Share of the Company, to

have such rights, privileges, restrictions and conditions as are consistent with the terms of the Exchangeable Documents, such share to be issued in consideration of \$1.00, and upon receipt by the Company of such consideration, such Special Voting Share be issued to the Trustee, to be held and exercised by such Trustee as contemplated therein and by the terms of the Trust Agreement; and

"RESOLVED, that the number, powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions of the Special Voting Stock are to be fixed as follows:

"I. AUTHORIZED NUMBER AND DESIGNATION. There is hereby created out of the authorized and unissued shares of preferred stock of the Company a series of preferred stock designated as "Special Voting Stock, par value \$0.01 per share." The number of shares constituting the Special Voting Stock shall be one (the "Special Voting Share").

"II. DIVIDENDS. Neither the holder nor, if different, the owner of the Special Voting Share shall be entitled to receive Company dividends in its

capacity as holder or owner thereof.

"III. VOTING RIGHTS. The holder of record of the Special Voting Share shall be entitled to all of the voting rights, including the right to vote in person or by proxy, of the Special Voting Share on any matters, questions, proposals or propositions whatsoever that may properly come before the shareholders of the Company at a Company meeting or in connection with a Company consent.

"IV. LIQUIDATION PREFERENCE. Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holder of the Special Voting Share shall be entitled to receive out of the assets of the Company available for distribution to the stockholders, an amount equal to \$0.01 before any distribution is made on the common stock of the Company or any other stock ranking junior to the Special Voting Share as to distribution of assets upon liquidation, dissolution or winding-up.

"V. RANKING. The Special Voting Share shall, with respect to rights on liquidation, winding up and dissolution, rank (i) senior to all classes of common stock of the Company and (ii) junior to any other class or series of capital stock of the Company.

"VI. REDEMPTION. The Special Voting Share shall not be subject to redemption, except that at such time as no exchangeable shares ("Exchangeable Shares") of SMTC Manufacturing Corporation of Canada (other than Exchangeable Shares owned by the Company and its affiliates) shall be outstanding, and no shares of stock, debt, options or other agreements which could give rise to the issuance of any Exchangeable Shares to any person (other than the Company and its affiliates) shall exist, the Special Voting Share shall automatically be redeemed and canceled, for an amount equal to \$0.01 due and payable upon such redemption. Upon any such redemption or other purchase or

acquisition of the Special Voting Share by the Company, the Special Voting Share shall be deemed retired and canceled and may not be reissued.

"VII. OTHER PROVISIONS. Pursuant to the terms of that certain Trust Agreement, as such agreement may be amended, modified or supplemented from time to time:

(i) During the term of the Trust Agreement, the Company may not, without the consent of the holders of the Exchangeable Shares (as defined in the Trust Agreement), issue any shares of its Special Voting Stock in addition to the Special Voting Share;

(ii) the Special Voting Share entitles the holder of record to a number of votes at meetings of holders of Company Common Stock equal to the number of Exchangeable Shares (as defined by the Trust Agreement) outstanding from time to time (other than the Exchangeable Shares held by the Company and its affiliates);

(iii) the Trustee (as defined by the Trust Agreement) shall exercise the votes held by the Special Voting Share pursuant to and in accordance with the Trust Agreement;

(iv) the voting rights attached to the Special Voting Share shall terminate pursuant to and in accordance with the Trust Agreement; and

(v) the powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions of such Special Voting Share shall be as otherwise provided in the Trust Agreement."

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed by Paul Walker, its President, and attested by Richard Smith, its Assistant Secretary, whereby said Assistant Secretary affirms, under penalties of perjury, that this Certificate of Designation is the act and deed of the Company and that the facts stated herein are true, this 27th day of July, 2000.

SMTC CORPORATION

By: /s/ Paul Walker

Name: Paul Walker

Title: President

Attest:

By: /s/ Richard Smith

Name: Richard Smith

Title: Assistant Secretary

EXHIBIT 4.2

SCHEDULE A

EXCHANGEABLE SHARE PROVISIONS

The non-voting exchangeable shares of the Corporation shall have the following rights, privileges, restrictions and conditions:

ARTICLE 1 INTERPRETATION

1.1 For the purpose of these share provisions:

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by, or under common control of, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control of"), as applied to any Person, means the possession by another Person, directly or indirectly, of the power to direct or cause the direction of the management and policies of that first-mentioned Person, whether through the ownership of voting securities, by contract or otherwise.

"Board of Directors" means the board of directors of the Corporation.

"Business Day" means any day on which commercial banks are open for business in Toronto, Ontario, and New York, New York, other than a Saturday, a Sunday or a day observed as a holiday in Toronto, Ontario, under the laws of the Province of Ontario or the federal laws of Canada or in New York, New York, under the laws of the State of New York or the federal laws of the United States of America.

"Call Rights" means the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right, collectively.

"Canadian Dollar Equivalent" means, in respect of an amount expressed in a currency other than Canadian dollars (the "Foreign Currency Amount") at any date, the product obtained by multiplying (i) the Foreign Currency Amount, and (ii) the noon spot exchange rate on such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, if such noon spot exchange rate is not available, such spot exchange rate on such date for such foreign currency expressed in Canadian dollars as may be deemed by the Board of Directors to be appropriate for such purpose.

"Company Liquidation Amount" has the meaning ascribed thereto in Section 5.1 of these share provisions.

"Company Liquidation Date" has the meaning ascribed thereto in Section 5.1 of these share provisions.

"Current Market Price" means, in respect of a share of SMTC Common Stock on any date, the Canadian Dollar Equivalent of the average of the closing bid and ask prices of the SMTC Common Stock during a period of 20 consecutive trading days ending not more than three trading days before such date on Nasdaq, or, if the shares of SMTC Common Stock are not then quoted on Nasdaq, on such other stock exchange or

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automated quotation system on which shares of SMTC Common Stock are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if in the opinion of the Board of Directors the public distribution or trading activity of SMTC Common Stock during such period does not create a market that reflects the fair market value of SMTC Common Stock, then the Current Market Price of a share of SMTC Common Stock shall be determined by the Board of Directors, in good faith and in its sole discretion; and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding.

"Dividend Amount" means, at any date with respect to any Exchangeable

Share, the full amount of all dividends, if any, declared and unpaid on each such Exchangeable Share held by a holder on any dividend record date which occurred prior to such date.

"Exchangeable Shares" means the non-voting exchangeable shares in the capital of the Corporation having the rights, privileges, restrictions and conditions set forth in these share provisions.

"Exchangeable Share Support Agreement" means that certain exchangeable share support agreement made as of July 27, 2000 between SMTC, SMTC Nova Scotia and the Corporation.

"Exchangeable Share Voting Event" means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of the Corporation, other than an Exempt Exchangeable Share Voting Event, and, for greater certainty, excluding any matter in respect of which holders of Exchangeable Shares are entitled to vote (or instruct the Trustee to vote) in their capacity as Beneficiaries under (and as that term is defined in) the Voting and Exchange Trust Agreement.

"Exempt Exchangeable Share Voting Event" means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of the Corporation in order to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Exchangeable Shares, where the approval or disapproval, as applicable, of such change would be required to maintain the equivalence of the Exchangeable Shares and the shares of SMTC Common Stock.

"Liquidation Call Purchase Price" has the meaning ascribed thereto in Section 5.4 of these share provisions.

"Liquidation Call Right" has the meaning ascribed thereto in Section 5.4 of these share provisions.

"Nasdaq" means the Nasdaq National Market.

"OBCA" means the Business Corporations Act (Ontario) as now in effect and as it may be amended from time to time.

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"Person" includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, syndicate or other entity, whether or not having legal status.

"Purchase Price" has the meaning ascribed thereto in Section 6.3 of these share provisions.

"Redemption Call Purchase Price" has the meaning ascribed thereto in Section 7.4 of these share provisions.

"Redemption Call Right" has the meaning ascribed thereto in Section 7.4 of these share provisions.

"Redemption Date" means the date, if any, established by the Board of Directors for the redemption by the Corporation of all but not less than all of the outstanding Exchangeable Shares pursuant to Article 7 of these share provisions, which date shall be no earlier than July 27, 2015, unless:

- (i) there are fewer than 500,000 Exchangeable Shares outstanding (other than Exchangeable Shares held by SMTC and its Affiliates), as such number of shares may be adjusted by the Board of Directors to give effect to any subdivision or consolidation of or stock dividend on the Exchangeable Shares, any issue or distribution of rights to acquire Exchangeable Shares or securities exchangeable for or convertible into Exchangeable Shares, any issue or distribution of other securities or rights or evidences of indebtedness, or assets, or any other capital reorganization or other transaction affecting the Exchangeable Shares, in which case the Board of Directors may

accelerate such redemption date to such date prior to July 27, 2015 as it may determine upon at least 60 days' prior written notice to the registered holders of the Exchangeable Shares and the Trustee;

- (ii) an SMTC Control Transaction occurs, in which case, provided that the Board of Directors determines, in good faith and in its sole discretion, that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with such SMTC Control Transaction and that the redemption of all but not less than all of the outstanding Exchangeable Shares is necessary to enable the completion of such SMTC Control Transaction in accordance with its terms, the Board of Directors may accelerate such redemption date to such date prior to July 27, 2015 as it may determine upon such number of days' prior written notice to the registered holders of the Exchangeable Shares and the Trustee as the Board of Directors may determine to be reasonably practicable in such circumstances;
- (iii) an Exchangeable Share Voting Event is proposed, in which case, provided that the Board of Directors has determined, in good faith and in its sole discretion,

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that it is not reasonably practicable to accomplish the business purpose intended by the Exchangeable Share Voting Event, which business purpose must be bona fide and not for the primary purpose of causing the occurrence of a Redemption Date, in any other commercially reasonable manner that does not result in an Exchangeable Share Voting Event, the Redemption Date shall be the Business Day prior to the record date for any meeting or vote of the holders of the Exchangeable Shares to consider the Exchangeable Share Voting Event, and the Board of Directors shall give such number of days' prior written notice of such redemption to the registered holders of Exchangeable Shares and the Trustee as it may determine to be reasonably practicable in such circumstances; or

- (iv) an Exempt Exchangeable Share Voting Event is proposed and the holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exempt Exchangeable Share Voting Event, in which case the Redemption Date shall be the Business Day following the day on which the holders of the Exchangeable Shares failed to take such action, and the Board of Directors shall give such number of days' prior written notice of such redemption to the registered holders of the Exchangeable Shares and the Trustee as it may determine to be reasonably practicable in such circumstances;

provided, however, that the accidental failure or omission to give any notice of redemption under clause (i), (ii), (iii) or (iv) above to less than 10% of such holders of Exchangeable Shares shall not affect the validity of any such redemption.

"Redemption Price" has the meaning ascribed thereto in Section 7.1 of these share provisions.

"Retracted Shares" has the meaning ascribed thereto in Section 6.1(a) of these share provisions.

"Retraction Call Right" has the meaning ascribed thereto in Section 6.1(c) of these share provisions.

"Retraction Date" means, subject to Section 6.1(b), the Business Day on which a holder of Exchangeable Shares desires to have the Corporation redeem the Retracted Shares as set out in these share provisions, which date shall not be less than 10 Business Days, nor more than 15 Business Days, after the date on which the Retraction Request is received by the Corporation.

"Retraction Price" has the meaning ascribed thereto in Section 6.1 of these share provisions.

"Retraction Request" has the meaning ascribed thereto in Section 6.1 of

these share provisions.

"SMTC" means SMTC Corporation, a corporation existing under the laws of the State of Delaware, and any successor corporation thereto.

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"SMTC Common Stock" means the shares of common stock, par value US\$0.01, in the capital of SMTC, and any other securities into which such shares may be changed, including shares into which SMTC Common Stock may be changed consequent upon an amalgamation, merger, reorganization or other transaction affecting the SMTC Common Stock.

"SMTC Control Transaction" means any merger, amalgamation, tender offer, material sale of shares or rights or interests therein or thereto or similar transactions involving, for or by SMTC, or any proposal to take any such action.

"SMTC Dividend Declaration Date" means the date on which the board of directors of SMTC declares any dividend on the SMTC Common Stock.

"SMTC Nova Scotia" means SMTC Nova Scotia Company, an unlimited company existing under the laws of the Province of Nova Scotia and a wholly-owned subsidiary of SMTC.

"Subdivision" has the meaning ascribed thereto in Section 3.2 of these share provisions.

"SMTC Nova Scotia Call Notice" has the meaning ascribed thereto in Section 6.3 of these share provisions.

"Transfer Agent" means CIBC Mellon Trust Company or such other Person as may from time to time be appointed by the Corporation as the registrar and transfer agent for the Exchangeable Shares.

"Trustee" means CIBC Mellon Trust Company or such other Person as may from time to time be appointed as the trustee under the Voting and Exchange Trust Agreement, being a corporation organized and existing under the laws of Canada and authorized to carry on the business of a trust company in all the provinces of Canada, and any successor trustee appointed under the Voting and Exchange Trust Agreement.

"Voting and Exchange Trust Agreement" means that certain voting and exchange trust agreement entered into between SMTC, SMTC Nova Scotia, the Corporation and the Trustee on July 27, 2000.

ARTICLE 2 RANKING OF EXCHANGEABLE SHARES

2.1 The Exchangeable Shares shall be entitled to a preference over the common shares of the Corporation and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Exchangeable Shares will rank junior to the Class C preferred shares of the Corporation and any other shares ranking prior to the Exchangeable Shares.

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ARTICLE 3 DIVIDENDS

3.1 Subject to Section 3.2 below, a holder of an Exchangeable Share shall be entitled to receive and the Board of Directors shall, subject to applicable law, on each SMTC Dividend Declaration Date, declare a dividend on each Exchangeable Share:

- (a) in the case of a cash dividend declared on the SMTC Common Stock, in an amount in cash for each Exchangeable Share in U.S. dollars, or, at the option of the Corporation, the Canadian Dollar Equivalent thereof on the SMTC Dividend Declaration Date, in each case, corresponding to

the cash dividend declared on each share of SMTC Common Stock;

(b) in the case of a stock dividend declared on the SMTC Common Stock to be paid in SMTC Common Stock, in such number of Exchangeable Shares for each Exchangeable Share as is equal to the number of shares of SMTC Common Stock to be paid on each share of SMTC Common Stock; or

(c) in the case of a dividend declared on the SMTC Common Stock in property other than cash or SMTC Common Stock, in such type and amount of property for each Exchangeable Share as is the same as or economically equivalent to (as determined by the Board of Directors and as contemplated by Section 3.6 hereof) the type and amount of property declared as a dividend on each share of SMTC Common Stock.

3.2 In the case of a stock dividend declared on the SMTC Common Stock to be paid in SMTC Common Stock, in lieu of declaring a corresponding stock dividend on the Exchangeable Shares (as contemplated by Section 3.1(b) hereof), the Board of Directors may, by resolution, in its discretion and subject to applicable law, subdivide, redivide or change (each, a "Subdivision") each issued and unissued Exchangeable Share on the basis that each Exchangeable Share before the Subdivision becomes that number of Exchangeable Shares as is equal to the sum of (i) one; and (ii) the number of shares of SMTC Common Stock to be paid as a stock dividend on each share of SMTC Common Stock. In such instance, and notwithstanding any other provision hereof, such Subdivision shall become effective on the effective date specified in Section 3.4 hereof without any further act or formality on the part of the Board of Directors or of the holders of Exchangeable Shares. For greater certainty, no approval of the holders of Exchangeable Shares to an amendment to the articles of the Corporation shall be required to give effect to such Subdivision.

3.3 Cheques of the Corporation payable at par at any branch of the bankers of the Corporation shall be issued in respect of any cash dividends contemplated by Section 3.1(a) hereof and the sending of such a cheque to each holder of an Exchangeable Share shall satisfy the cash dividend represented thereby unless the cheque is not paid on presentation. Subject to applicable law, certificates registered in the name of the registered holder of Exchangeable Shares shall be issued or transferred in respect of any stock dividends contemplated by Section 3.1(b) hereof or any Subdivision contemplated by Section 3.2 hereof and the sending of such a certificate to each holder of an Exchangeable Share shall satisfy the stock dividend or

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Subdivision represented thereby. Such other type and amount of property in respect of any dividends contemplated by Section 3.1(c) hereof shall be issued, distributed or transferred by the Corporation in such manner as it shall determine and the issuance, distribution or transfer thereof by the Corporation to each holder of an Exchangeable Share shall satisfy the dividend represented thereby. No holder of an Exchangeable Share shall be entitled to recover by action or other legal process against the Corporation any dividend that is represented by a cheque that has not been duly presented to the Corporation's bankers for payment or that otherwise remains unclaimed for a period of six years from the date on which such dividend was payable.

3.4 The record date for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend declared on the Exchangeable Shares under Section 3.1 hereof shall be the same dates as the record date and payment date, respectively, for the corresponding dividend declared on the SMTC Common Stock. The record date for the determination of the holders of Exchangeable Shares entitled to receive Exchangeable Shares in connection with any Subdivision of Exchangeable Shares under Section 3.2 hereof and the effective date of such Subdivision shall be the same dates as the record date and payment date, respectively, for the corresponding stock dividend declared on the SMTC Common Stock.

3.5 If, on any payment date for any dividends declared on the Exchangeable Shares under Section 3.1 hereof, the dividends are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends that remain unpaid shall be paid on a subsequent date or dates determined by the Board of Directors on which the Corporation shall have sufficient moneys, assets or property properly applicable to the payment of such dividends.

3.6 The Board of Directors shall determine, in good faith and in its sole

discretion, economic equivalence for the purposes of Sections 3.1 and 3.2 hereof, and each such determination shall be conclusive and binding on the Corporation and its shareholders. In making each such determination, the following factors shall, without excluding other factors determined by the Board of Directors to be relevant, be considered by the Board of Directors:

- (a) in the case of any stock dividend or other distribution payable in shares of SMTC Common Stock, the number of such shares issued in proportion to the number of shares of SMTC Common Stock previously outstanding;
- (b) in the case of the issuance or distribution of any rights, options or warrants to subscribe for or purchase shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock), the relationship between the exercise price of each such right, option or warrant and the Current Market Price of a share of SMTC Common Stock;
- (c) in the case of the issuance or distribution of any other form of property (including, without limitation, any shares or securities of SMTC of any class other than shares of SMTC Common Stock, any rights, options or warrants other than those referred to in Section 3.6(b) above, any evidences of indebtedness of SMTC or any assets of SMTC), the relationship between the fair market value

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(as determined by the Board of Directors) of such property to be issued or distributed with respect to each outstanding share of SMTC Common Stock and the Current Market Price of a share of SMTC Common Stock;

- (d) in the case of any subdivision, redivision or change of the then-outstanding shares of SMTC Common Stock into a greater number of shares of SMTC Common Stock or the reduction, combination, consolidation or change of the then-outstanding shares of SMTC Common Stock into a lesser number of shares of SMTC Common Stock or any amalgamation, merger, reorganization or other transaction affecting shares of SMTC Common Stock, the effect thereof upon the then-outstanding shares of SMTC Common Stock; and
- (e) in all such cases, the general taxation consequences of the relevant event to holders of Exchangeable Shares to the extent that such consequences may differ from the taxation consequences to holders of shares of SMTC Common Stock as a result of differences between taxation laws of Canada and the United States (except for any differing consequences arising as a result of differing marginal taxation rates and without regard to the individual circumstances of holders of Exchangeable Shares).

ARTICLE 4 CERTAIN RESTRICTIONS

4.1 So long as any of the Exchangeable Shares are outstanding, the Corporation shall not at any time without, but may at any time with, the approval of the holders of the Exchangeable Shares given as specified in Section 10.2 of these share provisions:

- (a) pay any dividends on the common shares of the Corporation or on any other shares ranking junior to the Exchangeable Shares, other than stock dividends payable in common shares of the Corporation, or any such other shares ranking junior to the Exchangeable Shares, as the case may be;
- (b) redeem, purchase or make any capital distribution in respect of the common shares of the Corporation or any other shares ranking junior to the Exchangeable Shares;
- (c) redeem or purchase any other shares of the Corporation ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution;
- (d) issue any Exchangeable Shares; provided that the Corporation may at

any time, with or without such approval, issue Exchangeable Shares (i) pursuant to any shareholder rights plan or equity incentive plan adopted by the Corporation, (ii) by way of stock dividend to the holders of Exchangeable Shares contemplated by Section 3.1 hereof, or (iii) by way of any subdivision of Exchangeable Shares contemplated by Section 3.2 hereof; or

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- (e) issue any shares of the Corporation ranking equally with, or superior to, the Exchangeable Shares other than by way of stock dividend to the holders of such Exchangeable Shares.

The restrictions in Sections 4.1(a), 4.1(b), 4.1(c) and 4.1(d) above shall not apply at any time when the dividends on the outstanding Exchangeable Shares corresponding to dividends declared and paid on the SMTC Common Stock shall have been declared and paid in full.

ARTICLE 5 DISTRIBUTION ON LIQUIDATION OF THE CORPORATION

5.1 In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, subject to the exercise by SMTC Nova Scotia of the Liquidation Call Right, a holder of Exchangeable Shares shall be entitled, subject to applicable law, to receive from the assets of the Corporation in respect of each Exchangeable Share held by such holder on the effective date (the "Company Liquidation Date") of such liquidation, dissolution or winding-up, before any distribution of any part of the assets of the Corporation among the holders of the common shares of the Corporation or any other shares ranking junior to the Exchangeable Shares, an amount per share equal to the Current Market Price of a share of SMTC Common Stock on the last Business Day prior to the Company Liquidation Date (the "Company Liquidation Amount"), which shall be satisfied in full by the Corporation causing to be delivered to such holder one share of SMTC Common Stock, together with the Dividend Amount.

5.2 On or promptly after the Company Liquidation Date, the Corporation shall cause to be delivered to the holders of the Exchangeable Shares the Company Liquidation Amount for each such Exchangeable Share upon presentation and surrender of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the OBCA and the articles and bylaws of the Corporation and such additional documents and instruments as the Transfer Agent, SMTC or the Corporation may reasonably require, at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation by notice to the holders of the Exchangeable Shares. Payment of the total Company Liquidation Amount for such Exchangeable Shares shall be made by delivery to each holder, at the address of the holder recorded in the securities register of the Corporation for the Exchangeable Shares or by holding for pick-up by the holder at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation by notice to the holders of Exchangeable Shares, on behalf of the Corporation, certificates representing shares of SMTC Common Stock and a cheque of the Corporation payable at par at any branch of the bankers of the Corporation in respect of the remaining portion, if any, of the total Company Liquidation Amount (without interest), in each case, less any amounts withheld pursuant to Section 12.3. On and after the Company Liquidation Date, the holders of the Exchangeable Shares shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive their proportionate part of the total Company Liquidation Amount, unless payment of the total Company Liquidation Amount for such Exchangeable Shares shall not be made upon presentation and surrender of share

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certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Company Liquidation Amount has been paid in the manner hereinbefore provided. The Corporation shall have the right at any time after the Company Liquidation Date to deposit or cause to be deposited in a custodial account with any chartered bank or trust company in Canada the total Company Liquidation Amount in respect of the Exchangeable Shares represented by certificates that have not at the

Company Liquidation Date been surrendered by the holders thereof. Upon such deposit being made, the rights of the holders of Exchangeable Shares after such deposit shall be limited to receiving their proportionate part of the total Company Liquidation Amount (without interest), in each case, less any amounts withheld pursuant to Section 12.3 for such Exchangeable Shares so deposited, against presentation and surrender of the said certificates held by them, respectively, in accordance with the foregoing provisions. Upon such payment or deposit of the total Company Liquidation Amount, the holders of the Exchangeable Shares shall thereafter be considered and deemed for all purposes to be holders of the SMTC Common Stock delivered to them or to the custodian on their behalf.

5.3 After the Corporation has satisfied its obligations to pay the holders of the Exchangeable Shares the Company Liquidation Amount per Exchangeable Share pursuant to Section 5.1 of these share provisions, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.

5.4 SMTC Nova Scotia shall have the overriding right (the "Liquidation Call Right"), in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of SMTC Canada pursuant to these share provisions, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is SMTC or an Affiliate of SMTC) on the Company Liquidation Date all but not less than all of the Exchangeable Shares held by each such holder on payment by SMTC Nova Scotia of an amount per share (the "Liquidation Call Purchase Price") equal to the Current Market Price of a share of SMTC Common Stock on the last Business Day prior to the Company Liquidation Date, which shall be satisfied in full by SMTC Nova Scotia causing to be delivered to such holder one share of SMTC Common Stock, plus, to the extent not paid by the Corporation, an additional amount equivalent to the Dividend Amount. In the event of the exercise of the Liquidation Call Right by SMTC Nova Scotia in accordance with these share provisions, each holder of Exchangeable Shares (other than SMTC or any Affiliate of SMTC) shall be obligated to sell all of the Exchangeable Shares held by the holder to SMTC Nova Scotia on the Company Liquidation Date and, upon payment by SMTC Nova Scotia to the holder of the Liquidation Call Purchase Price for each such share, the Corporation shall have no obligation to pay the Company Liquidation Amount of such shares so purchased by SMTC Nova Scotia. If SMTC Nova Scotia does not exercise the Liquidation Call Right in the manner described above, on the Company Liquidation Date the holders of the Exchangeable Shares will be entitled to receive in exchange therefor the Company Liquidation Amount otherwise payable by the Corporation in connection with the liquidation, dissolution or winding-up of the Corporation pursuant to this Article 5.

5.5 To exercise the Liquidation Call Right, SMTC Nova Scotia must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and the Corporation of SMTC Nova Scotia's intention to exercise such right at least 45 days before the Company Liquidation Date

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in the case of a voluntary liquidation, dissolution or winding-up of the Corporation and at least five Business Days before the Company Liquidation Date in the case of an involuntary liquidation, dissolution or winding-up of the Corporation. The Transfer Agent will notify the holders of Exchangeable Shares as to whether or not SMTC Nova Scotia has exercised the Liquidation Call Right forthwith after the expiry of the period during which the same may be exercised by SMTC Nova Scotia. If SMTC Nova Scotia exercises the Liquidation Call Right, then on the Company Liquidation Date, SMTC Nova Scotia will purchase and holders will sell all of the Exchangeable Shares then outstanding for a price per share equal to the Liquidation Call Purchase Price.

5.6 For the purposes of completing the purchase of the Exchangeable Shares pursuant to the exercise of the Liquidation Call Right, SMTC Nova Scotia shall deposit with the Transfer Agent, on or before the Company Liquidation Date, certificates representing the aggregate number of shares of SMTC Common Stock deliverable by SMTC Nova Scotia pursuant to such exercise and a cheque or cheques of SMTC Nova Scotia payable at par at any branch of the bankers of SMTC Nova Scotia representing the aggregate Dividend Amount in payment of the total Liquidation Call Purchase Price (without interest), less any amounts withheld pursuant to Section 12.3. Provided that SMTC Nova Scotia has complied with the immediately preceding sentence, on and after the Company Liquidation Date, the rights of each holder of Exchangeable Shares will be limited to receiving such holder's proportionate part of the total Liquidation Call Purchase Price payable by SMTC Nova Scotia upon presentation and surrender by the holder of

certificates representing the Exchangeable Shares held by such holder and the holder shall on and after the Company Liquidation Date be considered and deemed for all purposes to be the holder of the shares of SMTC Common Stock to which it is entitled pursuant to the exercise of the Liquidation Call Right. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the OBCA and the articles and by-laws of the Corporation and such additional documents and instruments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Transfer Agent on behalf of SMTC Nova Scotia shall deliver to such holder, certificates representing the number of shares of SMTC Common Stock to which the holder is entitled pursuant to the exercise of the Liquidation Call Right and a cheque or cheques of SMTC Nova Scotia payable at par at any branch of the bankers of SMTC Nova Scotia in payment of the remaining portion, if any, of the total Liquidation Call Purchase Price (without interest), less any amounts withheld pursuant to Section 12.3.

ARTICLE 6 RETRACTION OF EXCHANGEABLE SHARES BY HOLDER

6.1 A holder of Exchangeable Shares shall be entitled at any time, subject to the exercise by SMTC Nova Scotia of the Retraction Call Right and otherwise upon compliance with the provisions of this Article 6, to require the Corporation to redeem any or all of the Exchangeable Shares registered in the name of such holder for an amount per share equal to the Current Market Price of a share of SMTC Common Stock on the last Business Day prior to the Retraction Date (the "Retraction Price"), which shall be satisfied in full by the Corporation causing to be delivered to such holder one share of SMTC Common Stock for each

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Exchangeable Share presented and surrendered by the holder, together with, on the payment date therefor, the Dividend Amount. To effect such redemption, the holder shall present and surrender at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation by notice to the holders of Exchangeable Shares the certificate or certificates representing the Exchangeable Shares which the holder desires to have the Corporation redeem, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the OBCA and the articles and bylaws of the Corporation and such additional documents and instruments as the Transfer Agent, SMTC or the Corporation may reasonably require, and together with a duly executed statement (the "Retraction Request") in the form of Schedule "A" hereto or in such other form as may be acceptable to the Corporation:

- (a) specifying that the holder desires to have all or any number specified therein of the Exchangeable Shares represented by such certificate or certificates (the "Retracted Shares") redeemed by the Corporation;
- (b) stating the Retraction Date, provided that in the event that a Retraction Date is not specified by the holder in the Retraction Request, the Retraction Date shall be deemed to be the fifteenth Business Day after the date on which the Retraction Request is received by the Corporation; and
- (c) acknowledging the overriding right (the "Retraction Call Right") of SMTC Nova Scotia to purchase all but not less than all of the Retracted Shares directly from the holder and that the Retraction Request shall be deemed to be a revocable offer by the holder to sell all but not less than all of the Retracted Shares to SMTC Nova Scotia in accordance with the Retraction Call Right on the terms and conditions set out in Section 6.3 of these share provisions.

6.2 Subject to the exercise by SMTC Nova Scotia of the Retraction Call Right, upon receipt by the Corporation or the Transfer Agent in the manner specified in Section 6.1 of a certificate or certificates representing the number of Retracted Shares, together with a Retraction Request, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 6.7, the Corporation shall redeem the Retracted Shares effective at the close of business on the Retraction Date and shall cause to be delivered to such holder the total Retraction Price with respect to such shares, provided that all declared and unpaid dividends for which the record date has occurred prior to

the Retraction Date shall be paid to the holder on the payment date for such dividends. If only a part of the Exchangeable Shares represented by any certificate is redeemed (or purchased by SMTC Nova Scotia pursuant to the Retraction Call Right), a new certificate for the balance of such Exchangeable Shares shall be issued to the holder at the expense of the Corporation.

6.3 Upon receipt by the Corporation of a Retraction Request, the Corporation shall immediately notify SMTC Nova Scotia thereof. In order to exercise the Retraction Call Right, SMTC Nova Scotia must notify the Corporation of its determination to do so (the "SMTC Nova Scotia Call Notice") within five Business Days of notification to SMTC Nova Scotia by the Corporation of the receipt by the Corporation of the Retraction Request. If SMTC Nova Scotia does not so notify the Corporation within such five Business Day period,

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the Corporation will notify the holder as soon as possible thereafter that SMTC Nova Scotia will not exercise the Retraction Call Right. If SMTC Nova Scotia delivers the SMTC Nova Scotia Call Notice within such five Business Day period, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 6.7, the Retraction Request shall thereupon be considered only to be an offer by the holder to sell the Retracted Shares to SMTC Nova Scotia in accordance with the Retraction Call Right. In such event, the Corporation shall not redeem the Retracted Shares and SMTC Nova Scotia shall purchase from such holder and such holder shall sell to SMTC Nova Scotia on the Retraction Date the Retracted Shares for a purchase price (the "Purchase Price") per share equal to the Retraction Price per share, plus, on the designated payment date therefor, to the extent not paid by the Corporation on the designated payment date therefor, an additional amount equivalent to the Dividend Amount. To the extent that SMTC Nova Scotia pays the Dividend Amount in respect of the Retracted Shares, the Corporation shall no longer be obligated to pay any declared and unpaid dividends on such Retracted Shares. For the purposes of completing a purchase pursuant to the Retraction Call Right, SMTC Nova Scotia shall deposit with the Transfer Agent, on or before the Retraction Date, certificates representing shares of SMTC Common Stock registered in the name of the holder or in such other name as the holder may request, and a cheque or cheques of SMTC Nova Scotia payable at par at any branch of the bankers of SMTC Nova Scotia representing the aggregate Dividend Amount (without interest), less any amounts pursuant to Section 12.3. Provided that SMTC Nova Scotia has complied with the immediately preceding sentence, the closing of the purchase and sale of the Retracted Shares pursuant to the Retraction Call Right shall be deemed to have occurred as at the close of business on the Retraction Date and, for greater certainty, no redemption by the Corporation of such Retracted Shares shall take place on the Retraction Date. In the event that SMTC Nova Scotia does not deliver an SMTC Nova Scotia Call Notice within such five Business Day period, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 6.7, the Corporation shall redeem the Retracted Shares on the Retraction Date and in the manner otherwise contemplated in this Article 6.

6.4 The Corporation or SMTC Nova Scotia, as the case may be, shall deliver or cause the Transfer Agent to deliver to the relevant holder, at the address of the holder recorded in the securities register of the Corporation for the Exchangeable Shares or at the address specified in the holder's Retraction Request or by holding for pick-up by the holder at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation by notice to the holders of Exchangeable Shares, certificates representing shares of SMTC Common Stock registered in the name of the holder or in such other name as the holder may request, and, if applicable and on or before the payment date therefor, a cheque payable at par at any branch of the bankers of the Corporation or SMTC Nova Scotia, as applicable, representing the aggregate Dividend Amount in payment of the total Retraction Price or the total Purchase Price, as the case may be (without interest), in each case, less any amounts withheld pursuant to Section 12.3, and such delivery of such certificates and cheques on behalf of the Corporation or by SMTC Nova Scotia, as the case may be, or by the Transfer Agent shall be deemed to be payment of and shall satisfy and discharge all liability for the total Retraction Price or total Purchase Price, as the case may be, to the extent that the same is represented by such share certificates and cheques.

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6.5 On and after the close of business on the Retraction Date, the holder of the

Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive its proportionate part of the total Retraction Price or total Purchase Price, as the case may be, unless upon presentation and surrender of certificates in accordance with the foregoing provisions, payment of the total Retraction Price or the total Purchase Price, as the case may be, shall not be made as provided in Section 6.4, in which case the rights of such holder shall remain unaffected until the total Retraction Price or the total Purchase Price, as the case may be, has been paid in the manner hereinbefore provided. On and after the close of business on the Retraction Date, provided that presentation and surrender of certificates and payment of the total Retraction Price or the total Purchase Price, as the case may be, has been made in accordance with the foregoing provisions, the holder of the Retracted Shares so redeemed by the Corporation or purchased by SMTC Nova Scotia shall thereafter be considered and deemed for all purposes to be a holder of the shares of SMTC Common Stock delivered to it.

6.6 Notwithstanding any other provision of this Article 6, the Corporation shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law. If the Corporation believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption on such date, and provided that SMTC Nova Scotia shall not have exercised the Retraction Call Right with respect to the Retracted Shares, the Corporation shall only be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent of the maximum number that may be so redeemed (rounded down to the nearest whole number of shares) as would not be contrary to such provisions and shall notify the holder and the Trustee at least two Business Days prior to the Retraction Date as to the number of Retracted Shares which will not be redeemed by the Corporation. In any case in which the redemption by the Corporation of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law, the Corporation shall redeem the maximum number of Exchangeable Shares which the Board of Directors determines the Corporation is, on the Retraction Date, permitted to redeem, which shall be selected as nearly as may be pro rata (disregarding fractions) in proportion to the total number of Exchangeable Shares tendered for retraction by holders thereof and the Corporation shall issue to each holder of Retracted Shares a new certificate, at the expense of the Corporation, representing the Retracted Shares not redeemed by the Corporation pursuant to Section 6.2. Provided that the Retraction Request is not revoked by the holder in the manner specified in Section 6.7 and provided further that SMTC Nova Scotia shall not have exercised the Retraction Call Right with respect to the Retracted Shares, the holder of any such Retracted Shares not redeemed by the Corporation pursuant to Section 6.2 as a result of solvency requirements or other provisions of applicable law shall be deemed, by giving the Retraction Request, to have instructed the Trustee to require SMTC to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by SMTC to such holder of the Purchase Price for each such Retracted Share, all as more specifically provided in the Voting and Exchange Trust Agreement.

6.7 A holder of Retracted Shares may by notice in writing given by the holder to the Corporation before the close of business on the Business Day immediately preceding the

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Retraction Date, withdraw its Retraction Request, in which event such Retraction Request shall be null and void and, for greater certainty, the revocable offer constituted by the Retraction Request to sell the Retracted Shares to SMTC Nova Scotia and the instruction to the Trustee to require SMTC to purchase such Retracted Shares shall each be deemed to have been revoked.

ARTICLE 7 REDEMPTION OF EXCHANGEABLE SHARES

7.1 Subject to applicable law, and provided that SMTC Nova Scotia has not exercised the Redemption Call Right, the Corporation shall, on the Redemption Date, redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per share equal to the Current Market Price of one share of SMTC Common Stock on the last Business Day prior to the Redemption Date (the "Redemption Price"), which shall be satisfied in full by the Corporation causing

to be delivered to each holder of Exchangeable Shares one share of SMTC Common Stock for each Exchangeable Share held by such holder, together with the Dividend Amount.

7.2 In any case of a redemption of Exchangeable Shares under this Article 7, the Corporation shall, at least 60 days before the Redemption Date (other than a Redemption Date established in connection with an SMTC Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event), send or cause to be sent to each holder of Exchangeable Shares a notice in writing of the redemption by the Corporation or the purchase by SMTC Nova Scotia under the Redemption Call Right, as the case may be, of the Exchangeable Shares held by such holder. In the case of a Redemption Date established in connection with an SMTC Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event, the written notice of redemption by the Corporation or the purchase by SMTC Nova Scotia under the Redemption Call Right will be sent on or before the Redemption Date, on as many days' prior written notice as may be determined by the Board of Directors to be reasonably practicable in the circumstances. In any such case, such notice shall set out the Redemption Price, as the case may be, the Redemption Date and, if applicable, particulars of the Redemption Call Right.

7.3 On or after the Redemption Date and subject to the exercise by SMTC Nova Scotia of the Redemption Call Right, the Corporation shall cause to be delivered to the holders of the Exchangeable Shares to be redeemed the Redemption Price for each such Exchangeable Share, together with the Dividend Amount, upon presentation and surrender at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation in such notice of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the OBCA and the articles and bylaws of the Corporation and such additional documents and instruments as the Transfer Agent, SMTC or the Corporation may reasonably require. Payment of the total Redemption Price for such Exchangeable Shares, together with payment of such dividends, shall be made by delivery to each holder, at the address of the holder recorded in the securities register of the Corporation or by holding for pick-up by the holder at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation in such notice, on behalf of the Corporation, certificates representing shares of SMTC Common Stock and, if applicable, a cheque of the Corporation

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payable at par at any branch of the bankers of the Corporation in payment of any such dividends (without interest), in each case, less any amounts withheld pursuant to Section 12.3. On and after the Redemption Date, the holders of the Exchangeable Shares called for redemption shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive their proportionate part of the total Redemption Price and any such dividends, unless payment of the total Redemption Price and any such dividends for such Exchangeable Shares shall not be made upon presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Redemption Price and any such dividends have been paid in the manner hereinbefore provided. The Corporation shall have the right at any time after the sending of a notice of its intention to redeem the Exchangeable Shares as aforesaid to deposit or cause to be deposited the total Redemption Price for and the full amount of such dividends on (except as provided in the preceding sentence) the Exchangeable Shares so called for redemption, or of such Exchangeable Shares represented by certificates that have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption, in a custodial account with any chartered bank or trust company in Canada named in such notice (without interest), less any amounts withheld pursuant to Section 12.3. Upon the later of such deposit being made and the Redemption Date, the Exchangeable Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or Redemption Date, as the case may be, shall be limited to receiving their proportionate part of the total Redemption Price and such dividends for such Exchangeable Shares so deposited (without interest), against presentation and surrender of the said certificates held by them, respectively, in accordance with the foregoing provisions. Upon such payment or deposit of the total Redemption Price and the full amount of such dividends, the holders of the Exchangeable Shares shall thereafter be considered and deemed for all purposes to be holders of the SMTC Common Stock delivered to them or to the

custodian on their behalf.

7.4 SMTC Nova Scotia shall have the overriding right (the "Redemption Call Right"), notwithstanding the proposed redemption of Exchangeable Shares by the Corporation pursuant to these share provisions, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is SMTC or an Affiliate of SMTC) on the Redemption Date all but not less than all of the Exchangeable Shares held by each such holder on payment by SMTC Nova Scotia to each holder of an amount per Exchangeable Share (the "Redemption Call Purchase Price") equal to the Current Market Price of a share of SMTC Common Stock on the last Business Day prior to the Redemption Date, which shall be satisfied in full by SMTC Nova Scotia causing to be delivered to such holder one share of SMTC Common Stock, plus, to the extent not paid by the Corporation, an additional amount equivalent to the Dividend Amount. In the event of the exercise of the Redemption Call Right by SMTC Nova Scotia, each holder shall be obligated to sell all of the Exchangeable Shares held by the holder to SMTC Nova Scotia on the Redemption Date and, upon payment by SMTC Nova Scotia to the holder of the Redemption Call Purchase Price for each such share, the Corporation shall have no obligation to redeem such shares so purchased by SMTC Nova Scotia or to pay the Redemption Price in respect thereof. If SMTC Nova Scotia does not exercise the Redemption Call Right in the manner described above, on the Redemption Date the holders of the Exchangeable Shares will be entitled to receive in

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exchange therefor the Redemption Price otherwise payable by the Corporation in connection with the redemption of Exchangeable Shares pursuant to this Article 7.

7.5 To exercise the Redemption Call Right, SMTC Nova Scotia must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and the Corporation of SMTC Nova Scotia's intention to exercise such right at least 60 days before the Redemption Date, except in the case of a redemption occurring as a result of an SMTC Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event, in which case SMTC Nova Scotia shall so notify the Transfer Agent and the Corporation on or before the Redemption Date. The Transfer Agent will notify the holders of Exchangeable Shares as to whether or not SMTC Nova Scotia has exercised the Redemption Call Right forthwith after the expiry of the period during which the same may be exercised by SMTC Nova Scotia. If SMTC Nova Scotia exercises the Redemption Call Right, then on the Redemption Date, SMTC Nova Scotia will purchase and the holders will sell all of the Exchangeable Shares then outstanding for a price per share equal to the Redemption Call Purchase Price.

7.6 For the purposes of completing the purchase of the Exchangeable Shares pursuant to the exercise of the Redemption Call Right, SMTC Nova Scotia shall deposit with the Transfer Agent, on or before the Redemption Date, certificates representing the aggregate number of shares of SMTC Common Stock deliverable by SMTC Nova Scotia pursuant to such exercise and a cheque or cheques of SMTC Nova Scotia payable at par at any branch of the bankers of SMTC Nova Scotia representing the aggregate Dividend Amount in payment of the total Redemption Call Purchase Price (without interest), less any amounts withheld pursuant to Section 12.3. Provided that SMTC Nova Scotia has complied with the immediately preceding sentence, on and after the Redemption Date, the rights of each holder of Exchangeable Shares will be limited to receiving such holder's proportionate part of the total Redemption Call Purchase Price payable by SMTC Nova Scotia upon presentation and surrender by the holder of certificates representing the Exchangeable Shares held by such holder and the holder shall on and after the Redemption Date be considered and deemed for all purposes to be the holder of the shares of SMTC Common Stock to which it is entitled pursuant to the exercise of the Redemption Call Right. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the OBCA and the articles and by-laws of the Corporation and such additional documents and instruments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Transfer Agent on behalf of SMTC Nova Scotia shall deliver to such holder, certificates representing shares of SMTC Common Stock to which the holder is entitled pursuant to the exercise of the Redemption Call Right and a cheque or cheques of SMTC Nova Scotia payable at par at any branch of the bankers of SMTC Nova Scotia in payment of the remaining portion, if any, of the total Redemption Call

Purchase Price (without interest), less any amounts withheld pursuant to Section 12.3.

ARTICLE 8
PURCHASE FOR CANCELLATION

8.1 Subject to applicable law and the articles of the Corporation, the Corporation may at any time and from time to time purchase for cancellation all or any part of the outstanding

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Exchangeable Shares at any price by tender to all the holders of record of Exchangeable Shares then outstanding or through the facilities of any stock exchange or stock quotation system on which the Exchangeable Shares are then listed or quoted at any price per share, together with an amount equal to the Dividend Amount. If in response to an invitation for tenders under the provisions of this Section 8.1, more Exchangeable Shares are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, the Exchangeable Shares to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of shares tendered by each holder who submits a tender to the Corporation, provided that when shares are tendered at different prices, the pro rating shall be effected (disregarding fractions) only with respect to the shares tendered at the price at which more shares were tendered than the Corporation is prepared to purchase after the Corporation has purchased all the shares tendered at lower prices. If only part of the Exchangeable Shares represented by any certificate shall be purchased, a new certificate for the balance of such shares shall be issued at the expense of the Corporation.

ARTICLE 9
VOTING RIGHTS

9.1 Except as required by applicable law and by Article 10, Section 11.1 and Section 12.2 hereof, the holders of the Exchangeable Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

ARTICLE 10
AMENDMENT AND APPROVAL

10.1 The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be added to, changed or removed but only with the approval of the holders of the Exchangeable Shares given as hereinafter specified.

10.2 Any approval given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by a resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 25% of the holders of outstanding Exchangeable Shares at that time are present or represented by proxy; provided that if at any such meeting the holders of at least 25% of the outstanding Exchangeable Shares at that time are not present or represented by proxy within one-half hour after the time appointed for such meeting, then the meeting shall be adjourned to such date not less than five days thereafter and to such time and place as may be designated by the chairman of such meeting. At such adjourned meeting the holders of Exchangeable Shares present or represented by proxy thereat may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution at such meeting shall constitute the approval or consent of the holders of the Exchangeable Shares.

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ARTICLE 11
RECIPROCAL CHANGES, ETC. IN RESPECT OF
SMTC COMMON STOCK

11.1 Each holder of an Exchangeable Share acknowledges that the Exchangeable Share Support Agreement provides, in part, that SMTC will not, without the prior approval of the Corporation and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of these share provisions:

- (a) issue or distribute shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock) to the holders of all or substantially all of the then outstanding shares of SMTC Common Stock by way of stock dividend or other distribution, other than an issue of shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock) to holders of shares of SMTC Common Stock who exercise an option to receive dividends in shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock) in lieu of receiving cash dividends;
- (b) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding shares of SMTC Common Stock entitling them to subscribe for or to purchase shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock); or
- (c) issue or distribute to the holders of all or substantially all of the then outstanding shares of SMTC Common Stock:
 - (i) shares or securities of SMTC of any class other than SMTC Common Stock (other than shares convertible into or exchangeable for or carrying rights to acquire shares of SMTC Common Stock);
 - (ii) rights, options or warrants other than those referred to in Section 11.1(b) above;
 - (iii) evidences of indebtedness of SMTC; or
 - (iv) assets of SMTC;

unless the economic equivalent on a per share basis of such rights, options, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares.

11.2 Each holder of an Exchangeable Share acknowledges that the Exchangeable Share Support Agreement further provides, in part, that SMTC will not, without the prior approval of the Corporation and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of these share provisions:

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- (a) subdivide, redivide or change the then outstanding shares of SMTC Common Stock into a greater number of shares of SMTC Common Stock;
- (b) reduce, combine, consolidate or change the then outstanding shares of SMTC Common Stock into a lesser number of shares of SMTC Common Stock; or
- (c) reclassify or otherwise change the shares of SMTC Common Stock or effect an amalgamation, merger, reorganization or other transaction affecting the shares of SMTC Common Stock;

unless the same or an economically equivalent change shall simultaneously be made to or in the rights of the holders of the Exchangeable Shares. The Exchangeable Share Support Agreement further provides, in part, that the aforesaid provisions of the Exchangeable Share Support Agreement shall not be changed without the approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of these share provisions.

ARTICLE 12 ACTIONS BY THE CORPORATION AND ITS AFFILIATES

12.1 The Corporation will take all such actions and do all such things as shall be necessary or advisable to perform and comply with and to ensure performance

and compliance by SMTC, SMTC Nova Scotia and the Corporation with all provisions of the Exchangeable Share Support Agreement applicable to SMTC, SMTC Nova Scotia and the Corporation, respectively, in accordance with the terms thereof including, without limitation, taking all such actions and doing all such things as shall be necessary or advisable to enforce to the fullest extent possible for the direct benefit of the Corporation all rights and benefits in favour of the Corporation under or pursuant to such agreement.

12.2 The Corporation shall not propose, agree to or otherwise give effect to any amendment to, or waiver or forgiveness of its rights or obligations under, the Exchangeable Share Support Agreement without the approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of these share provisions other than such amendments, waivers and/or forgiveness as may be necessary or advisable for the purposes of:

- (a) adding to the covenants of the other parties to such agreement for the protection of the Corporation or the holders of the Exchangeable Shares thereunder;
- (b) making such provisions or modifications not inconsistent with such agreement as may be necessary or desirable with respect to matters or questions arising thereunder which, in the good faith opinion of the Board of Directors, it may be expedient to make, provided that the Board of Directors shall be of the good faith opinion, after consultation with counsel, that such provisions and modifications will not be prejudicial to the interests of the holders of the Exchangeable Shares; or
- (c) making such changes in or corrections to such agreement which, on the advice of counsel to the Corporation, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission

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or mistake or manifest error contained therein, provided that the Board of Directors shall be of the good faith opinion, after consultation with counsel, that such changes or corrections will not be prejudicial to the interests of the holders of the Exchangeable Shares.

12.3 The Corporation, SMTC Nova Scotia, SMTC and the Transfer Agent shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Exchangeable Shares such amounts as the Corporation, SMTC Nova Scotia, SMTC or the Transfer Agent is required to deduct and withhold with respect to such payment under the Income Tax Act (Canada), the United States Internal Revenue Code of 1986 or any provision of provincial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Exchangeable Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, the Corporation, SMTC Nova Scotia, SMTC and the Transfer Agent are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to the Corporation, SMTC Nova Scotia, SMTC or the Transfer Agent, as the case may be, to enable it to comply with such deduction or withholding requirement and the Corporation, SMTC Nova Scotia, SMTC or the Transfer Agent shall notify the holder thereof and remit to such holder any unapplied balance of the net proceeds of such sale.

12.4 All shares of SMTC Common Stock delivered by or on behalf of the Corporation, SMTC Nova Scotia, or SMTC to any holder of Exchangeable Shares in accordance with these share provisions shall be duly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance.

ARTICLE 13 LEGEND; CALL RIGHTS

13.1 The certificates evidencing the Exchangeable Shares shall contain or have affixed thereto a legend in form and on terms approved by the Board of Directors, with respect to the Exchangeable Share Support Agreement, the Call Rights, and the Voting and Exchange Trust Agreement (including the provisions

with respect to the voting rights, exchange right and automatic exchange right thereunder).

13.2 Each holder of an Exchangeable Share, whether of record or beneficial, by virtue of becoming and being such a holder shall be deemed to acknowledge each of the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right, in each case, in favour of SMTC Nova Scotia, and the overriding nature thereof in connection with the liquidation, dissolution or winding-up of the Corporation or the retraction or redemption of Exchangeable Shares, as the case may be, and to be bound thereby in favour of SMTC Nova Scotia as therein provided.

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ARTICLE 14 NOTICES

14.1 Any notice, request or other communication to be given to the Corporation by a holder of Exchangeable Shares shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by fax or by delivery to the registered office of the Corporation and addressed to the attention of the President of the Corporation. Any such notice, request or other communication, if given by mail, fax or delivery, shall only be deemed to have been given and received upon actual receipt thereof by the Corporation.

14.2 Any presentation and surrender by a holder of Exchangeable Shares to the Corporation or the Transfer Agent of certificates representing Exchangeable Shares in connection with the liquidation, dissolution or winding-up of the Corporation or the retraction or redemption of Exchangeable Shares shall be made by ordinary mail (postage prepaid) or by delivery to the registered office of the Corporation or to such office of the Transfer Agent as may be specified by the Corporation, in each case, addressed to the attention of the President of the Corporation. Any such presentation and surrender of certificates shall only be deemed to have been made and to be effective upon actual receipt thereof by the Corporation or the Transfer Agent, as the case may be. Any such presentation and surrender of certificates made by ordinary mail shall be at the sole risk of the holder mailing the same.

14.3 Any notice, request or other communication to be given to a holder of Exchangeable Shares by or on behalf of the Corporation shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by delivery to the address of the holder recorded in the securities register of the Corporation or, in the event of the address of any such holder not being so recorded, then at the last known address of such holder. Any such notice, request or other communication, if given by mail, shall be deemed to have been given and received on the third Business Day following the date of mailing and, if given by delivery, shall be deemed to have been given and received on the date of delivery. Accidental failure or omission to give any notice, request or other communication to one or more holders of Exchangeable Shares shall not invalidate or otherwise alter or affect any action or proceeding to be taken by the Corporation pursuant thereto.

14.4 If the Corporation determines that mail service is or is threatened to be interrupted at the time when the Corporation is required or elects to give any notice to the holders of Exchangeable Shares hereunder, the Corporation shall, notwithstanding the provisions hereof, give such notice by means of publication in The Globe and Mail, national edition, or any other English language daily newspaper or newspapers of general circulation in Canada and in a French language daily newspaper of general circulation in the Province of Quebec, once in each of two successive weeks, and notice so published shall be deemed to have been given on the latest date on which the first publication has taken place.

If, by reason of any actual or threatened interruption of mail service due to strike, lockout or otherwise, any notice to be given to the Corporation would be unlikely to reach its destination in a timely manner, such notice shall be valid and effective only if delivered personally to the Corporation in accordance with Section 14.1 or 14.2, as the case may be.

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SCHEDULE "A" NOTICE OF RETRACTION

To: SMTC Manufacturing Corporation of Canada (the "Corporation") and SMTC Nova Scotia Company ("SMTC Nova Scotia").

This notice is given pursuant to Article 6 of the provisions (the "Exchangeable Share Provisions") attaching to the Exchangeable Shares of the Corporation represented by this certificate and all capitalized words and expressions used in this notice that are defined in the Exchangeable Share Provisions have the meanings ascribed to such words and expressions in such Exchangeable Share Provisions.

The undersigned hereby notifies the Corporation that, subject to the Retraction Call Right referred to below, the undersigned desires to have the Corporation redeem in accordance with Article 6 of the Exchangeable Share Provisions:

all share(s) represented by this certificate; or

_____ share(s) only represented by this certificate.

The undersigned hereby notifies the Corporation that the Retraction Date shall be _____.

NOTE: The Retraction Date must be a Business Day and must not be less than 10 Business Days nor more than 15 Business Days after the date upon which this notice is received by the Corporation. If no such Business Day is specified above, the Retraction Date shall be deemed to be the fifteenth Business Day after the date on which this notice is received by the Corporation.

The undersigned acknowledges the overriding Retraction Call Right of SMTC Nova Scotia to purchase all but not less than all the Retracted Shares from the undersigned and that this notice shall be deemed to be a revocable offer by the undersigned to sell the Retracted Shares to SMTC Nova Scotia in accordance with the Retraction Call Right on the Retraction Date for the Purchase Price and on the other terms and conditions set out in Section 6.3 of the Exchangeable Share Provisions. This Retraction Request, and this offer to sell the Retracted Shares to SMTC Nova Scotia, may be revoked and withdrawn by the undersigned by notice in writing given to the Corporation at any time before the close of business on the Business Day immediately preceding the Retraction Date.

The undersigned acknowledges that if, as a result of solvency provisions of applicable law, the Corporation is unable to redeem all Retracted Shares, the undersigned will be deemed to have exercised the Exchange Right (as defined in the Voting and Exchange Trust Agreement) so as to require SMTC to purchase the unredeemed Retracted Shares.

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The undersigned hereby represents and warrants to the Corporation and SMTC Nova Scotia that the undersigned:

is

(select one)

is not

a non-resident of Canada for purposes of the Income Tax Act (Canada).

The undersigned acknowledges that in the absence of an indication that the undersigned is not a non-resident of Canada, withholding on account of Canadian tax may be made from amounts payable to the undersigned on the redemption or purchase of the Retracted Shares.

The undersigned hereby represents and warrants to the Corporation and SMTC Nova Scotia that the undersigned has good title to, and owns, the share(s) represented by this certificate to be acquired by the Corporation or SMTC Nova Scotia, as the case may be, free and clear of all liens, claims and encumbrances.

(Date) (Signature of Shareholder) (Guarantee of Signature)

Please check box if the securities and any cheque(s) resulting from the retraction or purchase of the Retracted Shares are to be held for pick-up by the shareholder from the Transfer Agent, failing which the securities and any cheque(s) will be mailed to the last address of the shareholder as it appears on the register.

NOTE: This panel must be completed and this certificate, together with such additional documents as the Transfer Agent may require, must be deposited with the Transfer Agent. The securities and any cheque(s) resulting from the retraction or purchase of the Retracted Shares will be issued and registered in, and made payable to, respectively, the name of the shareholder as it appears on the register of the Corporation and the securities and any cheque(s) resulting from such retraction or purchase will be delivered to such shareholder as indicated above, unless the form appearing immediately below is duly completed.

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Date: _____

Name of Person in Whose Name Securities or Cheque(s) Are to be Registered, Issued or Delivered (please print): _____

Street Address or P.O. Box: _____

Signature of Shareholder: _____

City, Province and Postal Code: _____

Signature Guaranteed by: _____

NOTE: If this Retraction Request is for less than all of the shares represented by this certificate, a certificate representing the remaining shares of the Corporation will be issued and registered in the name of the shareholder as it appears on the register of the Corporation, unless the Share Transfer Power hereon is duly completed in respect of such share(s).

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EXHIBIT 4.3

EXCHANGEABLE SHARE SUPPORT AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 27th day of July, 2000.

AMONG:

SMTC CORPORATION,
a corporation existing under the laws of
the State of Delaware
(hereinafter referred to as "SMTC"),

OF THE FIRST PART,

- and -

SMTC NOVA SCOTIA COMPANY,
an unlimited company existing under the laws of
the Province of Nova Scotia
(hereinafter referred to as "SMTC Nova Scotia"),

OF THE SECOND PART,

- and -

SMTC MANUFACTURING CORPORATION
OF CANADA,
a corporation existing under the laws of
the Province of Ontario
(hereinafter referred to as "SMTC Canada"),

OF THE THIRD PART.

WHEREAS, pursuant to an underwriting agreement dated as of July 20, 2000 and a prospectus dated July 20, 2000 filed with the securities regulatory authorities in each of the provinces of Canada (the "Prospectus"), SMTC Canada has agreed to issue 4,375,000 non-voting exchangeable shares of SMTC Canada ("Exchangeable Shares") to the public in an initial public offering (the "Initial Public Offering") and may, from time to time, issue additional Exchangeable Shares or securities exchangeable for or convertible into or carrying rights to acquire Exchangeable Shares;

AND WHEREAS SMTC Canada will, on the date of this agreement, issue 1,469,445 Exchangeable Shares to certain SMTC Canada shareholders on the conversion of previously issued SMTC Canada Class L exchangeable shares;

AND WHEREAS each Exchangeable Share is exchangeable at the holder's option at any time, without further payment, for one share of common stock of SMTC (the "SMTC Common Stock");

AND WHEREAS coincident with and as part of the issue of Exchangeable Shares pursuant to the Initial Public Offering, SMTC, SMTC Nova Scotia and SMTC Canada are to execute a support agreement substantially in the form of this agreement;

NOW THEREFORE in consideration of the respective covenants and agreements provided in this agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

Each term denoted herein by initial capital letters and not otherwise defined herein shall have the meaning ascribed thereto in the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares (collectively, the "Exchangeable Share Provisions"), unless the context requires otherwise.

1.2 Interpretation Not Affected by Headings

The division of this agreement into Articles, Sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this agreement. Unless otherwise indicated, all references to an "Article" or "Section" followed by a number and/or letter refer to the specified Article or Section of this agreement. The terms "this agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this agreement and not to any particular Article, Section or other portion hereof, and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number, Gender

In this agreement, unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa, and words importing any gender shall include all genders.

1.4 Date for Any Action

If any date on which any action is required to be taken under this agreement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

ARTICLE 2 COVENANTS OF SMTC AND SMTC CANADA

2.1 Covenants Regarding Exchangeable Shares

So long as any Exchangeable Shares (other than Exchangeable Shares owned by SMTC or its Affiliates) remain outstanding, SMTC will:

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- (a) not declare or pay any dividend on the shares of SMTC Common Stock unless (i) SMTC Canada shall (w) simultaneously declare or pay, as the case may be, an equivalent dividend (as provided for in the Exchangeable Share Provisions) on the Exchangeable Shares (an "Equivalent Dividend"), and (x) have sufficient money or other assets or authorized but unissued securities available to enable the due declaration and the due and punctual payment, in accordance with applicable law, of any Equivalent Dividend, or (ii) SMTC Canada shall (y) simultaneously subdivide the Exchangeable Shares in lieu of a stock dividend thereon (as provided for in the Exchangeable Share Provisions) (an "Equivalent Stock Subdivision"), and (z) have sufficient authorized but unissued securities available to enable the Equivalent Stock Subdivision;
- (b) advise SMTC Canada sufficiently in advance of the declaration by SMTC of any dividend on the shares of SMTC Common Stock and take all such other actions as are reasonably necessary, in co-operation with SMTC Canada, to ensure that (i) the respective declaration date, record date and payment date for an Equivalent Dividend shall be the same as the declaration date, record date and payment date for the corresponding dividend on the shares of SMTC Common Stock or, (ii) the record date and effective date for an Equivalent Stock Subdivision shall be the same as the record date and payment date for the corresponding stock dividend on the shares of SMTC Common Stock;
- (c) ensure that the record date for any dividend declared on the shares of SMTC Common Stock is not less than 10 Business Days after the declaration date of such dividend;
- (d) take all such actions and do all such things as are reasonably necessary or desirable to enable and permit SMTC Canada, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of the Company Liquidation Amount, the Retraction Price or the Redemption Price in respect of each issued and outstanding Exchangeable Share (other than Exchangeable Shares owned by SMTC or its Affiliates) upon the liquidation, dissolution or winding-up of SMTC Canada, the delivery of a Retraction Request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares

by SMTC Canada, as the case may be, including without limitation all such actions and all such things as are necessary or desirable to enable and permit SMTC Canada to cause to be delivered shares of SMTC Common Stock to the holders of Exchangeable Shares in accordance with the provisions of Articles 5, 6 or 7, as the case may be, of the Exchangeable Share Provisions;

- (e) take all such actions and do all such things as are reasonably necessary or desirable to enable and permit SMTC Nova Scotia, in accordance with applicable law, to perform its obligations arising upon the exercise by it of the Liquidation Call Right, the Retraction Call Right or the Redemption Call Right, including without limitation all such actions and all such things as are necessary or desirable to enable and permit SMTC Nova Scotia to cause to be delivered shares of SMTC Common Stock to the holders of Exchangeable Shares in accordance with the

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provisions of the Liquidation Call Right, the Retraction Call Right or the Redemption Call Right, as the case may be; and

- (f) if it becomes a "specified financial institution" (as such term is defined in the Income Tax Act (Canada)) or does not deal at arm's length with such a person, take all such actions and do all such things as are reasonably necessary or desirable to cause SMTC Nova Scotia to exercise the Retraction Call Right if requested to do so by a holder of Exchangeable Shares making a Retraction Request.

2.2 Segregation of Funds

SMTC will cause SMTC Canada or SMTC Nova Scotia, as the case may be, to deposit a sufficient amount of funds in a separate account of SMTC Canada or SMTC Nova Scotia and segregate a sufficient amount of such other assets and property as is necessary to enable SMTC Canada to pay dividends when due and to enable SMTC Canada or SMTC Nova Scotia to pay or otherwise satisfy their respective obligations under Articles 5, 6 or 7 of the Exchangeable Share Provisions, as applicable.

2.3 Reservation of SMTC Common Stock

SMTC hereby represents, warrants and covenants in favour of SMTC Canada and SMTC Nova Scotia that SMTC has reserved for issuance and will, at all times while any Exchangeable Shares (other than Exchangeable Shares held by SMTC or its Affiliates) are outstanding, keep available, free from pre-emptive and other rights, out of its authorized and unissued capital stock such number of shares of SMTC Common Stock (or other shares or securities into which shares of SMTC Common Stock may be reclassified or changed as contemplated by Section 2.7) (a) as is equal to the sum of (i) the number of Exchangeable Shares issued and outstanding from time to time, and (ii) the number of Exchangeable Shares issuable upon the exercise of all rights, options or other entitlements to acquire Exchangeable Shares outstanding from time to time, and (b) as are now and may hereafter be required to enable and permit SMTC to meet its obligations under the Voting and Exchange Trust Agreement and under any other security or commitment pursuant to which SMTC may now or hereafter be required to issue shares of SMTC Common Stock, to enable and permit SMTC Nova Scotia to meet its obligations under each of the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right and to enable and permit SMTC Canada to meet its obligations hereunder and under the Exchangeable Share Provisions.

2.4 Notification of Certain Events

In order to assist SMTC in complying with its obligations hereunder and to permit SMTC Nova Scotia to exercise the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right, SMTC Canada will notify SMTC and SMTC Nova Scotia of each of the following events at the time set forth below:

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- (a) in the event of any determination by the Board of Directors to institute voluntary liquidation, dissolution or winding-up proceedings with respect to SMTC Canada or to effect any other distribution of the assets of SMTC Canada among its shareholders for the purpose of

winding-up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution;

- (b) promptly, upon the earlier of receipt by SMTC Canada of notice of and SMTC Canada otherwise becoming aware of any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of SMTC Canada or to effect any other distribution of the assets of SMTC Canada among its shareholders for the purpose of winding-up its affairs;
- (c) immediately, upon receipt by SMTC Canada of a Retraction Request;
- (d) on the same date on which notice of redemption is given to holders of Exchangeable Shares, upon the determination of a Redemption Date in accordance with the Exchangeable Share Provisions; and
- (e) as soon as practicable upon the issuance by SMTC Canada of any Exchangeable Shares, rights, options or warrants to acquire Exchangeable Shares or other securities exchangeable for or convertible into Exchangeable Shares.

2.5 Delivery of SMTC Common Stock to SMTC Canada and SMTC Nova Scotia

In furtherance of its obligations under Sections 2.1(d) and (e), upon notice from SMTC Canada or SMTC Nova Scotia of any event that requires SMTC Canada or SMTC Nova Scotia to cause to be delivered shares of SMTC Common Stock to any holder of Exchangeable Shares, SMTC shall forthwith issue and deliver or cause to be delivered to SMTC Canada or SMTC Nova Scotia the requisite number of shares of SMTC Common Stock to be received by, and issued to or to the order of, the former holder of the surrendered Exchangeable Shares, as SMTC Canada or SMTC Nova Scotia shall direct. All such shares of SMTC Common Stock shall be duly authorized and validly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance. In consideration of the issuance and delivery of each such share of SMTC Common Stock, SMTC Canada or SMTC Nova Scotia, as the case may be, shall issue to SMTC, or, as SMTC shall direct, common shares of SMTC Canada or SMTC Nova Scotia, cash, securities or other property having equivalent value.

2.6 Qualification of SMTC Common Stock

If any shares of SMTC Common Stock (or other shares or securities into which shares of SMTC Common Stock may be reclassified or changed as contemplated by Section 2.7) to be issued and delivered hereunder require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental or regulatory authority under any Canadian or United States federal, provincial or state securities or other law or regulation or pursuant to the rules and regulations of any securities or other

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regulatory authority or the fulfilment of any other Canadian or United States legal requirement before such shares (or such other shares or securities) may be issued by SMTC and delivered by SMTC at the direction of SMTC Nova Scotia or SMTC Canada, if applicable, to the holder of surrendered Exchangeable Shares or in order that such shares (or such other shares or securities) may be freely traded thereafter (other than any restrictions of general application on transfer of securities of an issuer that is not a "reporting issuer" or equivalent within the meaning of Canadian provincial securities laws, or by reason of a holder being a "control person" for purposes of Canadian provincial securities law or an "affiliate" of SMTC for purposes of United States federal or state securities law), SMTC will, in good faith, expeditiously take all such actions and do all such things as are necessary or desirable to cause such shares of SMTC Common Stock (or such other shares or securities) to be and remain duly registered, qualified or approved under Canadian and/or United States law, as the case may be. SMTC will, in good faith, expeditiously take all such actions and do all such things as are reasonably necessary or desirable to cause all shares of SMTC Common Stock (or such other shares or securities) to be delivered hereunder to be listed, quoted or posted for trading on all stock exchanges and quotation systems on which outstanding shares of SMTC Common Stock (or such other shares or securities) have been listed by SMTC and remain listed

and are quoted or posted for trading at such time.

2.7 Economic Equivalence

(a) SMTC will not, without the prior approval of SMTC Canada and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of the Exchangeable Share Provisions:

- (i) issue or distribute shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock) to the holders of all or substantially all of the then-outstanding shares of SMTC Common Stock by way of stock dividend or other distribution, other than an issue of shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock) to holders of shares of SMTC Common Stock who exercise an option to receive dividends in shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock) in lieu of receiving cash dividends; or
- (ii) issue or distribute rights, options or warrants to the holders of all or substantially all of the then-outstanding shares of SMTC Common Stock entitling them to subscribe for or to purchase shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock); or
- (iii) issue or distribute to the holders of all or substantially all of the then-outstanding shares of SMTC Common Stock (A) shares or securities of SMTC of any class other than shares of SMTC Common Stock (other than shares convertible into or exchangeable for or carrying rights to

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acquire shares of SMTC Common Stock), (B) rights, options or warrants other than those referred to in Section 2.7(a)(ii), (C) evidences of indebtedness of SMTC or (D) assets of SMTC;

unless the economic equivalent on a per share basis of such rights, options, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares, in which case, for greater certainty, no approval of the holders of Exchangeable Shares is required.

(b) SMTC will not, without the prior approval of SMTC Canada and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of the Exchangeable Share Provisions:

- (i) subdivide, redivide or change the then-outstanding shares of SMTC Common Stock into a greater number of shares of SMTC Common Stock; or
- (ii) reduce, combine, consolidate or change the then-outstanding shares of SMTC Common Stock into a lesser number of shares of SMTC Common Stock; or
- (iii) reclassify or otherwise change shares of SMTC Common Stock or effect an amalgamation, merger, reorganization or other transaction affecting shares of SMTC Common Stock;

unless the same or an economically equivalent change shall simultaneously be made to, or in the rights of the holders of, the Exchangeable Shares, in which case, for greater certainty, no approval of the holders of Exchangeable Shares is required.

(c) SMTC will ensure that the record date for any event referred to in Sections 2.7(a) or 2.7(b) above, or (if no record date is applicable for such event) the effective date for any such event, is not less than five Business Days after the date on which such event is declared or announced by SMTC (with contemporaneous notification thereof by SMTC to SMTC Canada).

(d) The Board of Directors shall determine, in good faith and in its sole

discretion, economic equivalence for the purposes of any event referred to in Sections 2.7(a) or 2.7(b) and each such determination shall be conclusive and binding on SMTC. In making each such determination, the following factors shall, without excluding other factors determined by the Board of Directors to be relevant, be considered by the Board of Directors:

(i) in the case of any stock dividend or other distribution payable in shares of SMTC Common Stock, the number of such shares issued in proportion to the number of shares of SMTC Common Stock previously outstanding;

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(ii) in the case of the issuance or distribution of any rights, options or warrants to subscribe for or purchase shares of SMTC Common Stock (or securities exchangeable for or convertible into or carrying rights to acquire shares of SMTC Common Stock), the relationship between the exercise price of each such right, option or warrant and the Current Market Price of a share of SMTC Common Stock;

(iii) in the case of the issuance or distribution of any other form of property (including, without limitation, any shares or securities of SMTC of any class other than shares of SMTC Common Stock, any rights, options or warrants other than those referred to in Section 2.7(d)(ii), any evidences of indebtedness of SMTC or any assets of SMTC), the relationship between the fair market value (as determined by the Board of Directors) of such property to be issued or distributed with respect to each outstanding share of SMTC Common Stock and the Current Market Price of a share of SMTC Common Stock;

(iv) in the case of any subdivision, redivision or change of the then-outstanding shares of SMTC Common Stock into a greater number of shares of SMTC Common Stock or the reduction, combination, consolidation or change of the then-outstanding shares of SMTC Common Stock into a lesser number of shares of SMTC Common Stock or any amalgamation, merger, reorganization or other transaction affecting shares of SMTC Common Stock, the effect thereof upon the then-outstanding shares of SMTC Common Stock; and

(v) in all such cases, the general taxation consequences of the relevant event to holders of Exchangeable Shares to the extent that such consequences may differ from the taxation consequences to holders of shares of SMTC Common Stock as a result of differences between taxation laws of Canada and the United States (except for any differing consequences arising as a result of differing marginal taxation rates and without regard to the individual circumstances of holders of Exchangeable Shares).

(e) SMTC Canada agrees that, to the extent required, upon due notice from SMTC, SMTC Canada will use its best efforts to take or cause to be taken such steps as may be necessary for the purposes of ensuring that appropriate dividends are paid or other distributions are made by SMTC Canada, or subdivisions, redivisions or changes are made to the Exchangeable Shares, in order to implement the required economic equivalence with respect to the shares of SMTC Common Stock and Exchangeable Shares as provided for in this Section 2.7.

2.8 Tender Offers

In the event that a tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to shares of SMTC Common Stock (each, an "Offer") is proposed by SMTC or is proposed to SMTC or its shareholders and is recommended by the board of directors

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of SMTC, or is otherwise effected or to be effected with the consent or approval of the board of directors of SMTC, and the Exchangeable Shares are not redeemed by SMTC Canada or purchased by SMTC Nova Scotia pursuant to the Redemption Call Right, SMTC will use its reasonable efforts, expeditiously and in good faith, to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Exchangeable Shares to participate in such Offer to the same extent and on an economically equivalent basis as the holders of shares

of SMTC Common Stock, without discrimination. Without limiting the generality of the foregoing, SMTC will use its reasonable efforts expeditiously and in good faith to ensure that holders of Exchangeable Shares may participate in all such Offers without being required to exercise their right to retract Exchangeable Shares as against SMTC Canada (or, if so required, to ensure that any such retraction shall be effective only upon, and shall be conditional upon, the closing of the Offer and only to the extent necessary to tender to or deposit under the Offer). Nothing herein shall affect the rights of SMTC Canada to redeem (or SMTC Nova Scotia to purchase pursuant to the Redemption Call Right) Exchangeable Shares, as applicable, in the event of an SMTC Control Transaction.

2.9 Ownership of Outstanding Shares

Without the prior approval of SMTC Canada and the prior approval of the holders of Exchangeable Shares given in accordance with Section 10.2 of the Exchangeable Share Provisions, SMTC covenants and agrees in favour of SMTC Canada that, as long as any outstanding Exchangeable Shares are owned by any person or entity other than SMTC or any of its Affiliates, SMTC will be and remain the direct or indirect beneficial owner of all issued and outstanding voting shares in the capital of SMTC Canada and SMTC Nova Scotia.

2.10 SMTC and Affiliates Not to Vote Exchangeable Shares

SMTC covenants and agrees that it will appoint and cause to be appointed proxyholders with respect to all Exchangeable Shares held by it and its Affiliates for the sole purpose of attending each meeting of holders of Exchangeable Shares in order to be counted as part of the quorum for each such meeting. SMTC further covenants and agrees that it will not, and will cause its Affiliates not to, exercise any voting rights which may be exercisable by holders of Exchangeable Shares from time to time pursuant to the Exchangeable Share Provisions or pursuant to the provisions of the Business Corporations Act (Ontario) (or any successor or other corporate statute by which SMTC Canada may in the future be governed) with respect to any Exchangeable Shares held by it or by its Affiliates in respect of any matter considered at any meeting of holders of Exchangeable Shares.

2.11 Rule 10b-18 Purchases

For greater certainty, nothing contained in this agreement, including without limitation the obligations of SMTC contained in Section 2.8, shall limit the ability of SMTC or SMTC Canada to make a "Rule 10b-18 Purchase" of shares of SMTC Common Stock pursuant to Rule 10b-18 of the U.S. Securities Exchange Act of 1934, as amended, or any successor provisions thereof.

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2.12 Stock Exchange Listing

SMTC covenants and agrees in favour of SMTC Canada that, as long as any outstanding Exchangeable Shares are owned by any person or entity other than SMTC or any of its Affiliates, SMTC will use its reasonable best efforts to maintain a listing for such Exchangeable Shares on a Canadian stock exchange.

ARTICLE 3 SMTC SUCCESSORS

3.1 Certain Requirements in Respect of Combination

SMTC shall not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other Person or, in the case of a merger, of the continuing corporation resulting therefrom unless, but may do so if:

- (a) such other Person or continuing corporation (the "SMTC Successor"), by operation of law, becomes, without more, bound by the terms and provisions of this agreement or, if not so bound, executes, prior to or contemporaneously with the consummation of such transaction, an agreement supplemental hereto and such other instruments (if any) as are reasonably necessary or advisable to evidence the assumption by the SMTC Successor of liability for all moneys payable and property deliverable hereunder and the covenant of such SMTC Successor to pay

and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of SMTC under this agreement; and

- (b) such transaction shall be upon such terms and conditions as substantially to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the other parties hereunder or the holders of Exchangeable Shares.

3.2 Vesting of Powers in Successor

Whenever the conditions of Section 3.1 have been duly observed and performed, the parties, if required by Section 3.1, shall execute and deliver a supplemental agreement hereto and thereupon the SMTC Successor shall possess and from time to time may exercise each and every right and power and shall be subject to each and every obligation of SMTC under this agreement in the name of SMTC or otherwise and any act or proceeding under any provision of this agreement required to be done or performed by the board of directors of SMTC or any officers of SMTC may be done and performed with like force and effect by the directors or officers of such SMTC Successor.

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3.3 Wholly-Owned Subsidiaries

Nothing herein shall be construed as preventing the amalgamation or merger of any wholly-owned direct or indirect subsidiary of SMTC with or into SMTC or the winding-up, liquidation or dissolution of any wholly-owned subsidiary of SMTC provided that all of the assets of such subsidiary are transferred to SMTC or another wholly-owned direct or indirect subsidiary of SMTC and any such transactions are expressly permitted by this Article 3.

ARTICLE 4 GENERAL

4.1 Term

This agreement shall come into force and be effective as of the date hereof and shall terminate and be of no further force and effect at such time as no Exchangeable Shares (or securities or rights convertible into or exchangeable for or carrying rights to acquire Exchangeable Shares) are held by any person or entity other than SMTC and any of its Affiliates.

4.2 Amendments, Modifications

This agreement may not be amended or modified except by an agreement in writing executed by SMTC Canada, SMTC Nova Scotia and SMTC and approved by the holders of the Exchangeable Shares in accordance with Section 10.2 of the Exchangeable Share Provisions.

4.3 Ministerial Amendments

Notwithstanding the provisions of Section 4.2, the parties to this agreement may in writing, at any time and from time to time, without the approval of the holders of the Exchangeable Shares, amend or modify this agreement for the purposes of:

- (a) adding to the covenants of any or all parties, provided that the board of directors of each of SMTC Canada, SMTC Nova Scotia and SMTC shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares;
- (b) making such amendments or modifications not inconsistent with this agreement as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the board of directors of each of SMTC Canada, SMTC Nova Scotia and SMTC, it may be expedient to make, provided that each such board of directors shall be of the good faith opinion that such amendments or modifications will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares; or
- (c) making such changes or corrections which, on the advice of counsel to

SMTC Canada, SMTC Nova Scotia and SMTC, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the board of directors of each

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of SMTC Canada, SMTC Nova Scotia and SMTC shall be of the good faith opinion that such changes or corrections will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares.

4.4 Meeting to Consider Amendments

SMTC Canada, at the request of SMTC or SMTC Nova Scotia, shall call a meeting or meetings of the holders of the Exchangeable Shares for the purpose of considering any proposed amendment or modification requiring approval pursuant to Section 4.2. Any such meeting or meetings shall be called and held in accordance with the bylaws of SMTC Canada, the Exchangeable Share Provisions and all applicable laws.

4.5 Changes in Capital of SMTC and SMTC Canada

At all times after the occurrence of any event contemplated pursuant to Sections 2.7 and 2.8 or otherwise, as a result of which either the shares of SMTC Common Stock or the Exchangeable Shares or both are in any way changed, this agreement shall forthwith be amended and modified as necessary in order that it shall apply with full force and effect, with the appropriate changes, to all new securities into which shares of SMTC Common Stock or the Exchangeable Shares or both are so changed and the parties hereto shall execute and deliver an agreement in writing giving effect to and evidencing such necessary amendments and modifications.

4.6 Amendments Only in Writing

No amendment to or modification or waiver of any of the provisions of this agreement otherwise permitted hereunder shall be effective unless made in writing and signed by all of the parties hereto.

4.7 Assignment

This agreement shall not be assignable by any party hereto.

4.8 Time

Time shall be of the essence of this agreement.

4.9 Governing Law

This agreement and the rights and obligations of the parties hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

4.10 Severability

If any term or other provision of this agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this agreement shall nevertheless remain in full force and effect so long as the economic or legal

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substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

4.11 Enurement

This agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

4.12 Notices to Parties

All notices and other communications hereunder shall be in writing and shall be given and shall be deemed to have been duly given at the time of receipt, if delivered in person or sent by facsimile transmission on a Business Day at the place of receipt (or, if given on a non-Business Day at the place of receipt, shall be deemed to have been duly given on the next succeeding Business Day at such place) to the parties as follows:

(a) if to SMTC:

SMTC Corporation
635 Hood Road
Markham, Ontario
Canada L3R 4N6

Attention: Richard J. Smith, C.A.
Vice-President, Finance and Administration
Fax: (905) 479-5326

with a copy to:

Ropes & Gray
One International Place
Boston, Massachusetts
U.S.A. 02110-2624

Attention: Alfred Rose
Fax: (617) 951-7050

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(b) if to SMTC Canada or SMTC Nova Scotia:

SMTC Manufacturing Corporation of Canada
635 Hood Road
Markham, Ontario
Canada L3R 4N6

Attention: Richard J. Smith, C.A.
Vice-President, Finance and Administration
Fax: (905) 479-5326

with a copy to:

McMillan Binch
Suite 3800, South Tower
Royal Bank Plaza
Toronto, Ontario
Canada M5J 2J7

Attention: Stephen C.E. Rigby
Fax: (416) 865-7048

or to such other address as a party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

4.13 Counterparts

This agreement may be executed in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same document.

4.14 Attornment

Each of SMTC and SMTC Nova Scotia agrees that any action or proceeding arising out of or relating to this agreement may be instituted in the courts of Ontario, waives any objection which it may have now or hereafter to the venue of any such action or proceeding, irrevocably submits to the jurisdiction of the said courts in any such action or proceeding, agrees to be bound by any judgment of the said courts and agrees not to seek, and hereby waives, any review of the

merits of any such judgment by the court of any other jurisdiction and hereby appoints SMTC Canada at its registered office in the Province of Ontario as its attorney for service of process.

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IN WITNESS WHEREOF the parties hereto have caused this agreement to be duly executed as of the date first above written.

SMTC CORPORATION

By: /s/ Paul Walker

Name: Paul Walker

Title: President

SMTC NOVA SCOTIA COMPANY

By: /s/ Paul Walker

Name: Paul Walker

Title: President

SMTC MANUFACTURING CORPORATION OF CANADA

By: /s/ Paul Walker

Name: Paul Walker

Title: President

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EXHIBIT 4.4

VOTING AND EXCHANGE TRUST AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 27th day of July, 2000.

AMONG:

SMTC MANUFACTURING CORPORATION OF
CANADA,
a corporation existing under the laws of the Province of
Ontario
(hereinafter referred to as "SMTC Canada"),

OF THE FIRST PART,

- and -

SMTC CORPORATION,
a corporation existing under the laws of the State of
Delaware
(hereinafter referred to as "SMTC"),

OF THE SECOND PART,

- and -

SMTC NOVA SCOTIA COMPANY,
an unlimited company existing under the laws of
the Province of Nova Scotia
(hereinafter referred to as "SMTC Nova Scotia"),

OF THE THIRD PART,

- and -

CIBC MELLON TRUST COMPANY,
a trust company incorporated under the laws of Canada
(hereinafter referred to as the "Trustee"),

OF THE FOURTH PART.

WHEREAS, pursuant to an underwriting agreement dated as of July 20, 2000 and a prospectus dated as of July 20, 2000 filed with the securities regulatory authorities in each of the provinces of Canada (the "Prospectus"), SMTC Canada has agreed to issue 4,375,000 non-voting exchangeable shares of SMTC Canada ("Exchangeable Shares") to the public in an initial public offering (the "Initial Public Offering") and may, from time to time, issue additional Exchangeable Shares or securities exchangeable for or convertible into or carrying rights to acquire Exchangeable Shares;

AND WHEREAS SMTC Canada will, on the date of this agreement, issue 1,469,445 Exchangeable Shares to certain SMTC Canada shareholders on the conversion of previously issued SMTC Canada Class L exchangeable shares;

AND WHEREAS each Exchangeable Share is exchangeable at the holder's option at any time, without further payment, for one share of common stock of SMTC (the "SMTC Common Stock");

AND WHEREAS coincident with and as part of the issue of Exchangeable Shares pursuant to the Initial Public Offering, SMTC, SMTC Nova Scotia and SMTC Canada are to execute a voting and exchange trust agreement substantially in the form of this agreement;

NOW THEREFORE in consideration of the respective covenants and agreements provided in this agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this agreement, the following terms shall have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by, or under common control of, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control of"), as applied to any Person, means the possession by another Person, directly or indirectly, of the power to direct or cause the direction of the management and policies of that first-mentioned Person, whether through the ownership of voting securities, by contract or otherwise.

"Automatic Exchange Right" means the benefit of the obligation of SMTC, in the event of an SMTC Liquidation Event, to purchase all of the outstanding Exchangeable Shares (other than Exchangeable Shares held by SMTC or its Affiliates) from the holders thereof on the fifth Business Day prior to the effective date of any such SMTC Liquidation Event in exchange for shares of SMTC Common Stock, plus the aggregate Dividend Amount, pursuant to Section 5.11.

"Beneficiaries" means the registered holders from time to time of Exchangeable Shares, other than SMTC and its Affiliates.

"Beneficiary Votes" has the meaning ascribed thereto in Section 4.2.

"Board of Directors" means the board of directors of SMTC Canada.

"Business Day" means any day on which commercial banks are open for business in Toronto, Ontario and New York, New York, other than a Saturday, a Sunday or a day

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observed as a holiday in Toronto, Ontario under the laws of the Province of Ontario or the federal laws of Canada or in New York, New York under the laws of the State of New York or the federal laws of the United States of America.

"Call Rights" means the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right, collectively.

"Canadian Dollar Equivalent" means, in respect of an amount expressed in a currency other than Canadian dollars (the "Foreign Currency Amount") at any date, the product obtained by multiplying (i) the Foreign Currency Amount and (ii) the noon spot exchange rate on such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, if such noon spot exchange rate is not available, such spot exchange rate on such date for such foreign currency expressed in Canadian dollars as may be deemed by the Board of Directors to be appropriate for such purpose.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Company Insolvency Event" means the consent of SMTC Canada to the institution of bankruptcy, insolvency or winding-up proceedings against it, or the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including without limitation, the Companies Creditors' Arrangement Act (Canada) and the Bankruptcy and Insolvency Act (Canada), where SMTC Canada fails to contest in good faith any such proceedings commenced in respect of it within 30 days of becoming aware thereof, or the consent by SMTC Canada to the filing of any such petition or to the appointment of a receiver, or the institution by SMTC Canada of any such proceeding, or the making by SMTC Canada of a general assignment for the benefit of creditors, or the admission in writing by SMTC Canada of its inability to pay its debts generally as they become due, or SMTC Canada not being permitted, pursuant to solvency requirements of applicable law, to redeem any Retracted Shares in accordance with the Exchangeable Share Provisions.

"Current Market Price" means, in respect of a share of SMTC Common Stock on any date, the Canadian Dollar Equivalent of the average of the closing bid and ask prices of the SMTC Common Stock during a period of 20 consecutive

trading days ending not more than three trading days before such date on Nasdaq, or, if the shares of SMTC Common Stock are not then quoted on Nasdaq, on such other stock exchange or automated quotation system on which shares of SMTC Common Stock are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if in the opinion of the Board of Directors the public distribution or trading activity of SMTC Common Stock during such period does not create a market that reflects the fair market value of SMTC Common Stock, then the Current Market Price of a share of SMTC Common Stock shall be determined by the Board of Directors, in good faith and in its sole discretion; and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding.

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"Dividend Amount" means, at any date with respect to any Exchangeable Share, the full amount of all dividends, if any, declared and unpaid on each such Exchangeable Share held by a holder on any dividend record date which occurred prior to such date.

"Exchange Right" has the meaning ascribed thereto in Section 5.1.

"Exchangeable Shares" means the non-voting exchangeable shares in the capital of SMTC Canada having the rights, privileges, restrictions and conditions set forth in the Exchangeable Share Provisions.

"Exchangeable Share Provisions" means the rights, privileges, restrictions and conditions attached to the Exchangeable Shares as set out in the articles of SMTC Canada.

"Exchangeable Share Support Agreement" means that certain exchangeable share support agreement made as of July 27, 2000 between SMTC Canada, SMTC Nova Scotia and SMTC.

"Indemnified Parties" has the meaning ascribed thereto in Section 9.1.

"Liquidation Call Right" has the meaning ascribed thereto in the Exchangeable Share Provisions.

"List" has the meaning ascribed thereto in Section 4.6.

"Nasdaq" means the Nasdaq National Market.

"Officer's Certificate" means, with respect to SMTC or SMTC Canada, as the case may be, a certificate signed by any one director or officer of such corporation.

"Person" includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, syndicate or other entity, whether or not having legal status.

"Redemption Call Right" has the meaning ascribed thereto in the Exchangeable Share Provisions.

"Retracted Shares" has the meaning ascribed thereto in Section 5.7.

"Retraction Call Right" has the meaning ascribed thereto in the Exchangeable Share Provisions.

"Retraction Request" has the meaning ascribed thereto in the Exchangeable Share Provisions.

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"SMTC Common Stock" means the shares of common stock, par value US\$0.01, in the capital of SMTC, and any other securities into which such shares may be changed, including shares into which SMTC Common Stock may be changed consequent upon an amalgamation, merger, reorganization or other transaction affecting the SMTC Common Stock.

"SMTC Consent" means a written consent sought by SMTC from its stockholders, including SMTC Stockholders.

"SMTC Liquidation Date" has the meaning ascribed thereto in Section 5.11(c).

"SMTC Liquidation Event" has the meaning ascribed thereto in Section 5.11(b).

"SMTC Meeting" means a meeting of stockholders of SMTC at which SMTC Stockholders are entitled to vote.

"SMTC Stockholders" means holders of SMTC Common Stock.

"SMTC Successor" has the meaning ascribed thereto in Section 11.1(a).

"Special Voting Share" means the one share of special voting stock of SMTC, par value US\$0.01, which entitles the holder of record of such share to a number of votes at meetings of SMTC Stockholders equal to the number of Exchangeable Shares outstanding from time to time (other than Exchangeable Shares held by SMTC and its Affiliates), which share is to be issued to, deposited with, and voted by, the Trustee as described herein.

"Trust" means the trust created by this agreement.

"Trustee" means CIBC Mellon Trust Company, a trust company organized and existing under the laws of Canada and authorized to carry on the business of a trust company in all the provinces of Canada, and any successor trustee thereto appointed under this agreement.

"Trust Estate" means the Special Voting Share, any other securities, the Exchange Right, the Automatic Exchange Right and any money or other property which may be held by the Trustee from time to time pursuant to this agreement.

"Voting Rights" means the rights of the holders of Exchangeable Shares to direct the voting of the Special Voting Share in accordance with this agreement.

1.2 Interpretation Not Affected by Headings

The division of this agreement into Articles, Sections and other portions and the insertion of headings are for convenience of reference only and should not affect the construction or interpretation of this agreement. Unless otherwise indicated, all references to an "Article" or "Section" followed by a number and/or a letter refer to the specified Article or Section of this agreement. The terms "this agreement", "hereof", "herein" and "hereunder" and

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similar expressions refer to this agreement and not to any particular Article, Section or other portion hereof, and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number, Gender

In this agreement, unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa, and words importing any gender shall include all genders.

1.4 Date for any Action

If any date on which any action is required to be taken under this agreement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

ARTICLE 2 PURPOSE OF AGREEMENT

2.1 Establishment of Trust

The purpose of this agreement is to create the Trust for the benefit of the Beneficiaries, as herein provided. The Trustee will hold the Special Voting

Share in order to enable the Trustee to exercise the Voting Rights and will hold the Exchange Right and the Automatic Exchange Right in order to enable the Trustee to exercise such rights, in each case as trustee for and on behalf of the Beneficiaries as provided in this agreement.

ARTICLE 3 SPECIAL VOTING SHARE

3.1 Issue and Ownership of the Special Voting Share

SMTC hereby issues to and deposits with the Trustee, the Special Voting Share to be hereafter held of record by the Trustee as trustee for and on behalf of, and for the use and benefit of, the Beneficiaries and in accordance with the provisions of this agreement. SMTC hereby acknowledges receipt from the Trustee as trustee for and on behalf of the Beneficiaries of good and valuable consideration (and the adequacy thereof) for the issuance of the Special Voting Share by SMTC to the Trustee. During the term of the Trust and subject to the terms and conditions of this agreement, the Trustee shall possess and be vested with full legal ownership of the Special Voting Share and shall be entitled to exercise all of the rights and powers of an owner with respect to the Special Voting Share, provided that the Trustee shall:

- (a) hold the Special Voting Share and the legal title thereto as trustee solely for the use and benefit of the Beneficiaries in accordance with the provisions of this agreement; and
- (b) except as specifically authorized by this agreement, have no power or authority to sell, transfer, vote or otherwise deal in or with the Special Voting Share, and the Special Voting Share shall not be used or disposed of by the Trustee for any

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purpose other than the purposes for which this Trust is created pursuant to this agreement.

3.2 Legended Share Certificates

SMTC Canada will cause each certificate representing Exchangeable Shares to bear an appropriate legend notifying the Beneficiaries of their right to instruct the Trustee with respect to the exercise of the Voting Rights in respect of the Exchangeable Shares of the Beneficiaries.

3.3 Safe Keeping of Certificate

The certificate representing the Special Voting Share shall at all times be held in safe keeping by the Trustee or its duly authorized agent.

ARTICLE 4 EXERCISE OF VOTING RIGHTS

4.1 Voting Rights

The Trustee, as the holder of record of the Special Voting Share, shall be entitled to all of the Voting Rights, including the right to vote in person or by proxy the Special Voting Share on any matters, questions, proposals or propositions whatsoever that may properly come before the SMTC Stockholders at an SMTC Meeting or in connection with an SMTC Consent. The Voting Rights shall be and remain vested in and exercised by the Trustee. Subject to Section 7.15:

- (a) the Trustee shall exercise the Voting Rights only on the basis of instructions received pursuant to this Article 4 from Beneficiaries entitled to instruct the Trustee as to the voting thereof at the time at which the SMTC Meeting is held or an SMTC Consent is sought; and
- (b) to the extent that no instructions are received from a Beneficiary with respect to the Voting Rights to which such Beneficiary is entitled, the Trustee shall not exercise or permit the exercise of such Voting Rights.

4.2 Number of Votes

With respect to all SMTC Meetings and all SMTC Consents, each Beneficiary

shall be entitled to instruct the Trustee to cast and exercise one of the votes comprised in the Voting Rights for each Exchangeable Share owned of record by such Beneficiary on the record date established by SMTC or by applicable law for such SMTC Meeting or SMTC Consent, as the case may be (the "Beneficiary Votes"), in respect of each matter, question, proposal or proposition to be voted on at such SMTC Meeting or in connection with such SMTC Consent.

4.3 Mailings to Shareholders

With respect to each SMTC Meeting and SMTC Consent, the Trustee shall use its reasonable efforts promptly to mail or cause to be mailed (or otherwise communicate in the

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same manner as SMTC utilizes in communications to SMTC Stockholders, subject to applicable regulatory requirements, the Trustee being advised in writing of that method and it being able to provide that method of communication) to each of the Beneficiaries named in the List referred to in Section 4.6, such mailing or communication to commence on the same day as the mailing or notice (or other communication) with respect thereto is commenced by SMTC to SMTC Stockholders:

- (a) a copy of such notice, together with any related meeting materials to be provided to SMTC Stockholders;
- (b) a statement that such Beneficiary is entitled to instruct the Trustee as to the exercise of the Beneficiary Votes with respect to such SMTC Meeting or SMTC Consent or, pursuant to Section 4.7, to attend such SMTC Meeting and to exercise personally the Beneficiary Votes thereat;
- (c) a statement as to the manner in which such instructions may be given to the Trustee to exercise the votes attaching to the Special Voting Share, including an express indication that instructions may be given to the Trustee to give:
 - (i) a proxy to such Beneficiary or his designee to exercise personally the Beneficiary Votes; or
 - (ii) a proxy to a designated agent or other representative of the management of SMTC to exercise such Beneficiary Votes;
- (d) a statement that if no such instructions are received from the Beneficiary, the Beneficiary Votes to which such Beneficiary is entitled will not be exercised;
- (e) a form of direction whereby the Beneficiary may so direct and instruct the Trustee as contemplated herein; and
- (f) a statement of the time and date by which such instructions must be received by the Trustee in order to be binding upon it, which, in the case of an SMTC Meeting, shall not be earlier than the close of business on the second Business Day prior to such meeting, and of the method for revoking or amending such instructions.

Unless otherwise agreed to by SMTC and the Trustee, the materials referred to above are to be provided to the Trustee by SMTC.

For the purposes of determining Beneficiary Votes to which a Beneficiary is entitled in respect of any SMTC Meeting or SMTC Consent, the number of Exchangeable Shares owned of record by the Beneficiary shall be determined at the close of business on the record date established by SMTC or by applicable law for purposes of determining SMTC Stockholders entitled to vote at such SMTC Meeting. SMTC will notify the Trustee of any decision of the board of directors of SMTC with respect to the calling of any SMTC Meeting and shall provide all necessary information and materials to the Trustee in each case promptly and in any event in sufficient time to enable the Trustee to perform its obligations contemplated by this Section 4.3.

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4.4 Copies of Shareholder Information

SMTC will deliver to the Trustee copies of all proxy materials (including

notices of SMTC Meetings but excluding proxies to vote shares of SMTC Common Stock), information statements, reports (including without limitation, all interim and annual financial statements) and other written materials that, in each case, are to be distributed from time to time to SMTC Stockholders in sufficient quantities and in sufficient time so as to enable the Trustee to send those materials to each Beneficiary at the same time as such materials are sent to SMTC Stockholders. The Trustee will mail or otherwise send to each Beneficiary, at the expense of SMTC, copies of all such materials (and all materials specifically directed to the Beneficiaries or to the Trustee for the benefit of the Beneficiaries by SMTC) received by the Trustee from SMTC contemporaneously with the sending of such materials to SMTC Stockholders. The Trustee will also make available for inspection by any Beneficiary at the Trustee's principal office in the City of Toronto all proxy materials, information statements, reports and other written communications that are:

- (a) received by the Trustee as the registered holder of the Special Voting Share and made available by SMTC generally to SMTC Stockholders; or
- (b) specifically directed to the Beneficiaries or to the Trustee for the benefit of the Beneficiaries by SMTC.

4.5 Other Materials

As soon as reasonably practicable after receipt by SMTC or SMTC Stockholders (if such receipt is known by SMTC) of any material sent or given by or on behalf of a third party to SMTC Stockholders generally, including without limitation, dissident proxy circulars (and related information and material) and tender and exchange offer circulars (and related information and material), SMTC shall use its reasonable efforts to obtain and deliver to the Trustee copies thereof in sufficient quantities so as to enable the Trustee to forward such material (unless the same has been provided directly to Beneficiaries by such third party) to each Beneficiary as soon as possible thereafter. As soon as reasonably practicable after receipt thereof, the Trustee will mail or otherwise send to each Beneficiary, at the expense of SMTC, copies of all such materials received by the Trustee from SMTC. The Trustee will also make available for inspection by any Beneficiary at the Trustee's principal office in the City of Toronto copies of all such materials.

4.6 List of Persons Entitled to Vote

SMTC Canada shall, (a) prior to each annual, general and special SMTC Meeting or the seeking of any SMTC Consent and (b) forthwith upon each request made at any time by the Trustee in writing, prepare or cause to be prepared a list (a "List") of the names and addresses of the Beneficiaries arranged in alphabetical order and showing the number of Exchangeable Shares held of record by each such Beneficiary, in each case at the close of business on the date specified by the Trustee in such request or, in the case of a List prepared in connection with an SMTC Meeting or an SMTC Consent, at the close of business on the record date established by SMTC or pursuant to applicable law for determining the SMTC Stockholders entitled to

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receive notice of and/or to vote at such SMTC Meeting or to give consent in connection with such SMTC Consent. Each such List shall be delivered to the Trustee promptly after receipt by SMTC Canada of such request or the record date for such meeting or seeking of consent, as the case may be, and in any event within sufficient time to enable the Trustee to perform its obligations under this agreement. SMTC agrees to give SMTC Canada written notice (with a copy to the Trustee) of the calling of any SMTC Meeting or the seeking of any SMTC Consent, together with the record dates therefor, sufficiently prior to the date of the calling of such SMTC Meeting or the seeking of such consent so as to enable SMTC Canada to perform its obligations under this Section 4.6.

4.7 Entitlement to Direct Votes

Any Beneficiary named in a List prepared in connection with any SMTC Meeting or SMTC Consent will be entitled (a) to instruct the Trustee in the manner described in Section 4.3 with respect to the exercise of the Beneficiary Votes to which such Beneficiary is entitled, or (b) to attend such meeting and personally exercise thereat (or to exercise with respect to any written consent), as the proxy of the Trustee, the Beneficiary Votes to which such Beneficiary is entitled.

4.8 Voting by Trustee and Attendance of Trustee Representative at Meeting

- (a) In connection with each SMTC Meeting and SMTC Consent, the Trustee shall exercise, either in person or by proxy, in accordance with the instructions received from a Beneficiary pursuant to Section 4.3, the Beneficiary Votes as to which such Beneficiary is entitled to direct the vote (or any lesser number thereof as may be set forth in the instructions); provided, however, that such written instructions are received by the Trustee from the Beneficiary prior to the time and date fixed by the Trustee for receipt of such instructions in the notice given by the Trustee to the Beneficiary pursuant to Section 4.3.
- (b) The Trustee shall cause a representative who is empowered by it to sign and deliver, on behalf of the Trustee, proxies for Voting Rights to attend each SMTC Meeting. Upon submission by a Beneficiary (or its designee) of identification satisfactory to the Trustee's representative, and at the Beneficiary's request, such representative shall sign and deliver to such Beneficiary (or its designee) a proxy to exercise personally the Beneficiary Votes as to which such Beneficiary is otherwise entitled hereunder to direct the vote, if such Beneficiary either (i) has not previously given the Trustee instructions pursuant to Section 4.3 in respect of such meeting, or (ii) submits to such representative written revocation of any such previous instructions. At such meeting, the Beneficiary exercising such Beneficiary Votes shall have the same rights as the Trustee to speak at the meeting in favour of any matter, question, proposal or proposition, to vote by way of ballot at the meeting in respect of any matter, question, proposal or proposition, and to vote at such meeting by way of a show of hands in respect of any matter, question or proposition.

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4.9 Distribution of Written Materials

Any written materials distributed by the Trustee pursuant to this agreement shall be sent by mail (or otherwise communicated in the same manner as SMTC utilizes in communications to SMTC Stockholders, subject to applicable regulatory requirements, the Trustee being advised in writing of that method of communication and it being able to provide that method of communication) to each Beneficiary at its address as shown on the books of SMTC Canada. SMTC Canada shall provide or cause to be provided to the Trustee for this purpose, on a timely basis and without charge or other expense:

- (a) a current List; and
- (b) upon the request of the Trustee, mailing labels to enable the Trustee to carry out its duties under this agreement.

4.10 Termination of Voting Rights

All of the rights of a Beneficiary with respect to the Beneficiary Votes exercisable in respect of the Exchangeable Shares held by such Beneficiary, including the right to instruct the Trustee as to the voting of or to vote personally such Beneficiary Votes, shall be deemed to be surrendered by the Beneficiary to SMTC or SMTC Nova Scotia, as the case may be, and such Beneficiary Votes and the Voting Rights represented thereby shall cease immediately upon the delivery by such holder to the Trustee of the certificates representing such Exchangeable Shares in connection with the exercise by the Beneficiary of the Exchange Right or the occurrence of the automatic exchange of Exchangeable Shares for shares of SMTC Common Stock, as specified in Article 5 (unless, in either case, SMTC shall not have delivered the requisite shares of SMTC Common Stock issuable in exchange therefor to the Trustee for delivery to the Beneficiaries), or upon the redemption of Exchangeable Shares pursuant to Article 6 or 7 of the Exchangeable Share Provisions, or upon the effective date of the liquidation, dissolution or winding-up of SMTC Canada pursuant to Article 5 of the Exchangeable Share Provisions, or upon the purchase of Exchangeable Shares from the holder thereof by SMTC Nova Scotia pursuant to the exercise by SMTC Nova Scotia of any Call Right.

5.1 Grant and Ownership of the Exchange Right

SMTC hereby grants to the Trustee as trustee for and on behalf of, and for the use and benefit of, the Beneficiaries the right (the "Exchange Right"), upon the occurrence and during the continuance of a Company Insolvency Event, to require SMTC to purchase from each or any Beneficiary all or any part of the Exchangeable Shares held by the Beneficiary and the Automatic Exchange Right, all in accordance with the provisions of this agreement. SMTC hereby acknowledges receipt from the Trustee as trustee for and on behalf of the Beneficiaries of good and valuable consideration (and the adequacy thereof) for the grant of the Exchange Right and the Automatic Exchange Right by SMTC to the Trustee. During the term of the Trust and subject to the terms and conditions of this agreement, the Trustee shall possess and

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be vested with full legal ownership of the Exchange Right and the Automatic Exchange Right and shall be entitled to exercise all of the rights and powers of an owner with respect to the Exchange Right and the Automatic Exchange Right, provided that the Trustee shall:

- (a) hold the Exchange Right and the Automatic Exchange Right and the legal title thereto as trustee solely for the use and benefit of the Beneficiaries in accordance with the provisions of this agreement; and
- (b) except as specifically authorized by this agreement, have no power or authority to exercise or otherwise deal in or with the Exchange Right or the Automatic Exchange Right, and the Trustee shall not exercise any such rights for any purpose other than the purposes for which the Trust is created pursuant to this agreement.

5.2 Legended Share Certificates

SMTC Canada will cause each certificate representing Exchangeable Shares to bear an appropriate legend notifying the Beneficiaries of:

- (a) their right to instruct the Trustee with respect to the exercise of the Exchange Right in respect of the Exchangeable Shares held by a Beneficiary; and
- (b) the Automatic Exchange Right.

5.3 General Exercise of Exchange Right

The Exchange Right shall be and remain vested in and exercisable by the Trustee. Subject to Section 7.15, the Trustee shall exercise the Exchange Right only on the basis of instructions received pursuant to this Article 5 from Beneficiaries entitled to instruct the Trustee as to the exercise thereof. To the extent that no instructions are received from a Beneficiary with respect to the Exchange Right, the Trustee shall not exercise or permit the exercise of the Exchange Right.

5.4 Purchase Price

The total purchase price payable by SMTC for each Exchangeable Share to be purchased by SMTC under the Exchange Right shall be an amount per share equal to (a) the Current Market Price of a share of SMTC Common Stock on the last Business Day prior to the day of closing of the purchase and sale of such Exchangeable Share under the Exchange Right, which shall be satisfied in full by SMTC causing to be sent to such holder one share of SMTC Common Stock, plus (b) to the extent not paid by SMTC Canada, an additional amount equivalent to the Dividend Amount. In connection with each exercise of the Exchange Right, SMTC shall provide to the Trustee an Officer's Certificate setting forth the calculation of the purchase price for each Exchangeable Share. The total purchase price for each such Exchangeable Share so purchased may be satisfied only by SMTC issuing and delivering or causing to be delivered to the Trustee, on behalf of the relevant Beneficiary, one share of SMTC Common Stock and, on the applicable payment date, a cheque for the balance, if any, of the purchase price without interest (but less any amounts withheld pursuant to Section 5.13).

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5.5 Exercise Instructions

Subject to the terms and conditions herein set forth, a Beneficiary shall be entitled, upon the occurrence and during the continuance of a Company Insolvency Event, to instruct the Trustee to exercise the Exchange Right with respect to all or any part of the Exchangeable Shares registered in the name of such Beneficiary on the books of SMTC Canada. To cause the exercise of the Exchange Right by the Trustee, the Beneficiary shall deliver to the Trustee, in person or by certified or registered mail, at its principal office in Toronto, Ontario, or at such other places in Canada as the Trustee may from time to time designate by written notice to the Beneficiaries, the certificates representing the Exchangeable Shares which such Beneficiary desires SMTC to purchase, duly endorsed in blank for transfer, and accompanied by such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the Business Corporations Act (Ontario) and the articles and bylaws of SMTC Canada and such additional documents and instruments as the Trustee, SMTC or SMTC Canada may reasonably require together with (a) a duly completed form of notice of exercise of the Exchange Right, contained on the reverse of or attached to the Exchangeable Share certificates, stating (i) that the Beneficiary thereby instructs the Trustee to exercise the Exchange Right so as to require SMTC to purchase from the Beneficiary the number of Exchangeable Shares specified therein, (ii) that such Beneficiary has good title to and owns all such Exchangeable Shares to be acquired by SMTC free and clear of all liens, claims and encumbrances, (iii) the name or names in which the certificates representing shares of SMTC Common Stock issuable in connection with the exercise of the Exchange Right are to be issued and (iv) the names and addresses of the persons to whom such new certificates should be delivered; and (b) payment (or evidence satisfactory to the Trustee, SMTC Canada and SMTC of payment) of the taxes (if any) payable as contemplated by Section 5.8. If only a part of the Exchangeable Shares represented by any certificate or certificates delivered to the Trustee are to be purchased by SMTC under the Exchange Right, a new certificate for the balance of such Exchangeable Shares shall be issued to the holder at the expense of SMTC Canada.

5.6 Delivery of SMTC Common Stock; Effect of Exercise

Promptly after receipt by the Trustee of the certificates representing the Exchangeable Shares which the Beneficiary desires SMTC to purchase under the Exchange Right, together with such documents and instruments of transfer and a duly completed form of notice of exercise of the Exchange Right (and payment of taxes, if any, payable as contemplated by Section 5.8 or evidence thereof), duly endorsed for transfer to SMTC, the Trustee shall notify SMTC and SMTC Canada of its receipt of the same, which notice to SMTC and to SMTC Canada shall constitute exercise of the Exchange Right by the Trustee on behalf of the holder of such Exchangeable Shares, and SMTC shall promptly thereafter deliver or cause to be delivered to the Trustee, for delivery to the Beneficiary of such Exchangeable Shares (or to such other persons, if any, properly designated by such Beneficiary) the number of shares of SMTC Common Stock issuable in connection with the exercise of the Exchange Right, and on the applicable payment date, cheques for the balance, if any, of the total purchase price therefor without interest (but less any amounts withheld pursuant to Section 5.13); provided, however, that no such delivery shall be made unless and until the Beneficiary requesting the same shall have paid (or provided evidence satisfactory to the Trustee, SMTC Canada and SMTC of the payment of) the taxes (if any) payable as contemplated by Section 5.8. Immediately upon the

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giving of notice by the Trustee to SMTC and to SMTC Canada of the exercise of the Exchange Right as provided in this Section 5.6, the closing of the transaction of purchase and sale contemplated by the Exchange Right shall be deemed to have occurred and the holder of such Exchangeable Shares shall be deemed to have transferred to SMTC all of such holder's right, title and interest in and to such Exchangeable Shares and the related interest in the Trust Estate and shall cease to be a holder of such Exchangeable Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive its proportionate part of the total purchase price therefor (together with a cheque for the balance, if any, of the total purchase price therefor without interest), unless the requisite number of shares of SMTC Common Stock is not allotted, issued and delivered by SMTC to the Trustee within five Business Days of the date of the giving of such notice by the Trustee, in which case the rights of the Beneficiary shall remain unaffected

until such shares of SMTC Common Stock are so allotted, issued and delivered by SMTC and any such cheque is delivered and paid. Upon delivery by SMTC to the Trustee of such shares of SMTC Common Stock and any such cheque, the Trustee shall deliver such shares of SMTC Common Stock and such cheque to such Beneficiary (or to such other persons, if any, properly designated by such Beneficiary). Concurrently with such Beneficiary ceasing to be a holder of Exchangeable Shares, the Beneficiary shall be considered and deemed for all purposes to be the holder of the shares of SMTC Common Stock delivered to it pursuant to the exercise of the Exchange Right.

5.7 Exercise of Exchange Right Subsequent to Retraction

In the event that a Beneficiary has exercised its right under Article 6 of the Exchangeable Share Provisions to require SMTC Canada to redeem any or all of the Exchangeable Shares held by the Beneficiary (the "Retracted Shares") and is notified by SMTC Canada pursuant to Section 6.6 of the Exchangeable Share Provisions that SMTC Canada will not be permitted as a result of solvency requirements of applicable law to redeem all such Retracted Shares, subject to receipt by the Trustee of written notice to that effect from SMTC Canada, and provided that SMTC Nova Scotia shall not have exercised the Retraction Call Right with respect to the Retracted Shares and that the Beneficiary has not revoked the Retraction Request delivered by the Beneficiary to SMTC Canada pursuant to Section 6.1 of the Exchangeable Share Provisions, the Retraction Request will constitute and will be deemed to constitute notice from the Beneficiary to the Trustee instructing the Trustee to exercise the Exchange Right with respect to those Retracted Shares that SMTC Canada is unable to redeem. In any such event, SMTC Canada hereby agrees with the Trustee and in favour of the Beneficiary to immediately notify the Trustee of such prohibition against SMTC Canada redeeming all of the Retracted Shares and to promptly forward or cause to be forwarded to the Trustee all relevant materials delivered by the Beneficiary to SMTC Canada or to the transfer agent of the Exchangeable Shares (including without limitation, a copy of the Retraction Request delivered pursuant to Section 6.1 of the Exchangeable Share Provisions) in connection with such proposed redemption of the Retracted Shares and the Trustee will thereupon exercise the Exchange Right with respect to the Retracted Shares that SMTC Canada is not permitted to redeem and will require SMTC to purchase such shares in accordance with the provisions of this Article 5.

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5.8 Stamp or Other Transfer Taxes

Upon any sale of Exchangeable Shares to SMTC pursuant to the Exchange Right or the Automatic Exchange Right, the share certificate or certificates representing shares of SMTC Common Stock to be delivered in connection with the payment of the total purchase price therefor shall be issued in the name of the Beneficiary of the Exchangeable Shares so sold or in such name or names as such Beneficiary may otherwise direct in writing without charge to the holder of the Exchangeable Shares so sold; provided, however, that such Beneficiary (a) shall pay (and none of SMTC, SMTC Canada or the Trustee shall be required to pay) any documentary, stamp, transfer or other taxes that may be payable in respect of any transfer involved in the issuance or delivery of such shares to a person other than such Beneficiary or (b) shall have evidenced to the satisfaction of the Trustee, SMTC and SMTC Canada that such taxes, if any, have been paid.

5.9 Notice of Company Insolvency Event

As soon as practicable following the occurrence of a Company Insolvency Event or any event that, with the giving of notice or the passage of time or both, would be a Company Insolvency Event, SMTC Canada and SMTC shall give written notice thereof to the Trustee. As soon as practicable following the receipt of notice from SMTC Canada or SMTC of the occurrence of a Company Insolvency Event, or upon the Trustee becoming aware of a Company Insolvency Event, the Trustee will mail to each Beneficiary, at the expense of SMTC, a notice of such Company Insolvency Event in the form provided by SMTC, which notice shall contain a brief statement of the rights of the Beneficiaries with respect to the Exchange Right.

5.10 Qualification of SMTC Common Stock

SMTC covenants that if any shares of SMTC Common Stock to be issued and delivered pursuant to the Exchange Right or the Automatic Exchange Right require registration or qualification with or approval of or the filing of any document,

including any prospectus or similar document, or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental or regulatory authority under any Canadian or United States federal, provincial or state law or regulation or pursuant to the rules and regulations of any regulatory authority or the fulfilment of any other Canadian or United States federal, provincial or state legal requirement before such shares may be issued and delivered by SMTC to the initial holder thereof or in order that such shares may be freely traded thereafter (other than any restrictions of general application on transfer of securities of an issuer that is not a "reporting issuer" or equivalent within the meaning of Canadian provincial securities laws, or by reason of a holder being a "control person" of SMTC for purposes of Canadian provincial securities law or an "affiliate" of SMTC for purposes of United States federal or state securities law), SMTC will, in good faith, expeditiously take all such actions and do all such things as are necessary or desirable to cause such shares of SMTC Common Stock to be and remain duly registered, qualified or approved. SMTC will, in good faith, expeditiously take all such actions and do all such things as are reasonably necessary or desirable to cause all shares of SMTC Common Stock to be delivered pursuant to the Exchange Right or the Automatic Exchange Right, to be listed, quoted or posted for trading on all stock exchanges and quotation systems on which

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outstanding shares of SMTC Common Stock have been listed by SMTC and remain listed and are quoted or posted for trading at such time.

5.11 Automatic Exchange on Liquidation of SMTC

- (a) SMTC will give the Trustee written notice of each of the following events at the time set forth below:
- (i) in the event of any determination by the board of directors of SMTC to institute voluntary liquidation, dissolution or winding-up proceedings with respect to SMTC or to effect any other distribution of assets of SMTC among its shareholders for the purpose of winding-up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; and
 - (ii) as soon as practicable following the earlier of (A) receipt by SMTC of notice of, and (B) SMTC otherwise becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of SMTC or to effect any other distribution of assets of SMTC among its shareholders for the purpose of winding-up its affairs, in each case where SMTC has failed to contest in good faith any such proceeding commenced in respect of SMTC within 30 days of becoming aware thereof.
- (b) As soon as practicable following receipt by the Trustee from SMTC of notice of any event (an "SMTC Liquidation Event") contemplated by Section 5.11(a)(i) or 5.11(a)(ii) above, the Trustee will give notice thereof to the Beneficiaries. Such notice shall be provided by SMTC to the Trustee and shall include a brief description of the automatic exchange of Exchangeable Shares for shares of SMTC Common Stock provided for in Section 5.11(c).
- (c) In order that the Beneficiaries will be able to participate on a pro rata basis with SMTC Stockholders in the distribution of assets of SMTC in connection with an SMTC Liquidation Event, on the fifth Business Day prior to the effective date (the "SMTC Liquidation Date") of an SMTC Liquidation Event, all of the then outstanding Exchangeable Shares (other than those held by SMTC and its Affiliates) shall be automatically exchanged for shares of SMTC Common Stock. To effect such automatic exchange, SMTC shall purchase on the fifth Business Day prior to the SMTC Liquidation Date each Exchangeable Share then outstanding and held by Beneficiaries, and each Beneficiary shall sell the Exchangeable Shares held by it at such time, for a total purchase price per share equal to (a) the Current Market Price of a share of SMTC Common Stock on the fifth Business Day prior to the SMTC Liquidation Date, which shall be satisfied in full by SMTC issuing to the Beneficiary one share of SMTC Common Stock, and (b) to the extent not paid by SMTC Canada, an additional amount equivalent to the

Dividend Amount. In connection with such automatic exchange, SMTC

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shall provide to the Trustee an Officer's Certificate setting forth the calculation of the purchase price for each Exchangeable Share.

- (d) On the fifth Business Day prior to the SMTC Liquidation Date, the closing of the transaction of purchase and sale contemplated by the automatic exchange of Exchangeable Shares for shares of SMTC Common Stock shall be deemed to have occurred, and each Beneficiary shall be deemed to have transferred to SMTC all of the Beneficiary's right, title and interest in such Beneficiary's Exchangeable Shares and the related interest in the Trust Estate and shall cease to be a holder of such Exchangeable Shares. On such date, SMTC shall issue to the Beneficiary the shares of SMTC Common Stock issuable upon the automatic exchange of Exchangeable Shares for shares of SMTC Common Stock and on the applicable payment date shall deliver to the Trustee for delivery to the Beneficiary a cheque for the balance, if any, of the total purchase price for such Exchangeable Shares without interest but less any amounts withheld pursuant to Section 5.13. Concurrently with such Beneficiary ceasing to be a holder of Exchangeable Shares, the Beneficiary shall be considered and deemed for all purposes to be the holder of the shares of SMTC Common Stock issued pursuant to the automatic exchange of Exchangeable Shares for shares of SMTC Common Stock and the certificates held by the Beneficiary previously representing the Exchangeable Shares exchanged by the Beneficiary with SMTC pursuant to such automatic exchange shall thereafter be deemed to represent shares of SMTC Common Stock issued to the Beneficiary by SMTC pursuant to such automatic exchange. Upon the request of a Beneficiary and the surrender by the Beneficiary of Exchangeable Share certificates deemed to represent shares of SMTC Common Stock, duly endorsed in blank and accompanied by such instruments of transfer as SMTC may reasonably require, SMTC shall deliver or cause to be delivered to the Beneficiary certificates representing shares of SMTC Common Stock of which the Beneficiary is the holder.

5.12 Call Rights

The Trustee, on behalf of each holder of an Exchangeable Share from time to time, whether of record or beneficial, agrees to, acknowledges and confirms each of the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right, in each case, in favour of SMTC Nova Scotia, and the overriding nature thereof in connection with the liquidation, dissolution or winding-up of SMTC Canada or the retraction or redemption of Exchangeable Shares, as the case may be, and to be bound thereby in favour of SMTC Nova Scotia as therein provided, and it is agreed and acknowledged that such Call Rights are granted as part of the consideration for the obligations of SMTC under this agreement.

5.13 Withholding Rights

SMTC, SMTC Canada and the Trustee shall be entitled to deduct and withhold from any consideration otherwise payable under this agreement to any holder of Exchangeable Shares or SMTC Common Stock such amounts as SMTC, SMTC Canada or the Trustee is required or permitted to deduct and withhold with respect to such payment under the Income

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Tax Act (Canada), the Code or any provision of provincial, state, local or foreign tax law, in each case as amended or succeeded. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amounts so required or permitted to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, SMTC, SMTC Canada and the Trustee are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to SMTC, SMTC Canada or the Trustee, as the case may be, to enable it to comply with such deduction or withholding requirements and SMTC, SMTC Canada or the Trustee shall notify the holder thereof and remit to such holder any unapplied balance of the net proceeds of such sale. SMTC

represents and warrants that, based upon facts currently known to it, it has no current intention, as at the date of this agreement, to deduct or withhold from any dividend paid to holders of Exchangeable Shares any amounts under the Code.

5.14 SMTC Common Stock

SMTC hereby represents, warrants and covenants that the shares of SMTC Common Stock issuable as described herein will be duly authorized and validly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance.

ARTICLE 6 RESTRICTIONS ON ISSUE OF SPECIAL VOTING SHARES

6.1 Issue of Additional Shares

During the term of this agreement, SMTC will not, without the consent of the holders at the relevant time of Exchangeable Shares, given in accordance with Section 10.2 of the Exchangeable Share Provisions, issue any shares of its special voting stock in addition to the Special Voting Share.

ARTICLE 7 CONCERNING THE TRUSTEE

7.1 Powers and Duties of the Trustee

The rights, powers, duties and authorities of the Trustee under this agreement, in its capacity as Trustee of the Trust, shall include:

- (a) receipt and deposit of the Special Voting Share from SMTC as Trustee for and on behalf of the Beneficiaries in accordance with the provisions of this agreement;
 - (b) granting proxies and distributing materials to Beneficiaries as provided in this agreement;
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- (c) voting the Beneficiary Votes in accordance with the provisions of this agreement;
 - (d) receiving the grant of the Exchange Right and the Automatic Exchange Right from SMTC as Trustee for and on behalf of the Beneficiaries in accordance with the provisions of this agreement;
 - (e) exercising the Exchange Right and enforcing the benefit of the Automatic Exchange Right, in each case in accordance with the provisions of this agreement, and in connection therewith receiving from Beneficiaries Exchangeable Shares and other requisite documents and distributing to such Beneficiaries shares of SMTC Common Stock and cheques, if any, to which such Beneficiaries are entitled upon the exercise of the Exchange Right or pursuant to the Automatic Exchange Right, as the case may be;
 - (f) holding title to the Trust Estate;
 - (g) investing any moneys forming, from time to time, a part of the Trust Estate as provided in this agreement;
 - (h) taking action at the direction of a Beneficiary or Beneficiaries to enforce the obligations of SMTC and SMTC Canada under this agreement; and
 - (i) taking such other actions and doing such other things as are specifically provided in this agreement.

In the exercise of such rights, powers, duties and authorities the Trustee shall have (and is granted) such incidental and additional rights, powers, duties and authority not in conflict with any of the provisions of this agreement as the Trustee, acting in good faith and in the reasonable exercise of its discretion, may deem necessary, appropriate or desirable to effect the purpose of the Trust. Any exercise of such discretionary rights, powers, duties and authorities by the Trustee shall be final, conclusive and binding upon all

persons.

The Trustee, in exercising its rights, powers, duties and authorities hereunder, shall act honestly and in good faith and with a view to the best interests of the Beneficiaries and shall exercise the care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The Trustee shall not be bound to give notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall be specifically required to do so under the terms hereof; nor shall the Trustee be required to take any notice of, or to do, or to take any act, action or proceeding as a result of any default or breach of any provision hereunder, unless and until notified in writing of such default or breach, which notices shall distinctly specify the default or breach desired to be brought to the attention of the Trustee and in the absence of such notice, the Trustee may, for all purposes of this agreement, conclusively assume that no default or breach has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein.

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7.2 No Conflict of Interest

The Trustee represents to SMTC and to SMTC Canada that at the date of execution and delivery of this agreement, there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder and the role of the Trustee in any other capacity. The Trustee shall, within 90 days after it becomes aware that such material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Article 10. If, notwithstanding the foregoing provisions of this Section 7.2, the Trustee has such a material conflict of interest, the validity and enforceability of this agreement shall not be affected in any manner whatsoever by reason only of the existence of such material conflict of interest. If the Trustee contravenes the foregoing provisions of this Section 7.2, any interested party may apply to the Ontario Superior Court of Justice for an order that the Trustee be replaced as Trustee hereunder.

7.3 Dealings with Transfer Agents, Registrars, etc.

SMTC and SMTC Canada irrevocably authorize the Trustee, from time to time, to:

- (a) consult, communicate and otherwise deal with the respective registrars and transfer agents, and with any such subsequent registrar or transfer agent, of the Exchangeable Shares and the shares of SMTC Common Stock; and
- (b) requisition, from time to time, (i) from any such registrar or transfer agent any information readily available from the records maintained by it which the Trustee may reasonably require for the discharge of its duties and responsibilities under this agreement and (ii) from the transfer agent of the shares of SMTC Common Stock, and any subsequent transfer agent of such shares, the share certificates issuable upon the exercise from time to time of the Exchange Right and pursuant to the Automatic Exchange Right in the manner specified in Article 5.

SMTC and SMTC Canada irrevocably authorize their respective registrars and transfer agents to comply with all such requests. SMTC covenants that it will supply its transfer agent with duly executed share certificates for the purpose of completing the exercise from time to time of the Exchange Right and the Automatic Exchange Right in each case pursuant to Article 5.

7.4 Books and Records

The Trustee shall keep available for inspection by SMTC and SMTC Canada at the Trustee's principal office in Toronto, Ontario, correct and complete books and records of accounts relating to the Trust created by this agreement, including without limitation, all relevant data relating to mailings and instructions to and from Beneficiaries and all transactions pursuant to the Exchange Right and the Automatic Exchange Right. On or before March 31, 2001 and on or before March 31 in every year thereafter, so long as the Special Voting Share is on deposit with the Trustee, the Trustee shall transmit to SMTC and to

SMTC Canada a brief report, dated as of the preceding December 31, with respect to:

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- (a) the property and funds comprising the Trust Estate as of that date;
- (b) the number of exercises of the Exchange Right, if any, and the aggregate number of Exchangeable Shares received by the Trustee on behalf of Beneficiaries in consideration of the issuance by SMTC of shares of SMTC Common Stock in connection with the Exchange Right, during the fiscal year ended on such December 31; and
- (c) any action taken by the Trustee in the performance of its duties under this agreement which it had not previously reported.

7.5 Income Tax Returns and Reports

The Trustee shall, to the extent necessary, prepare and file or cause to be prepared and filed on behalf of the Trust appropriate Canadian income tax returns and any other returns or reports as may be required by applicable law or pursuant to the rules and regulations of any securities exchange or other trading system through which the Exchangeable Shares are traded, and in connection therewith may obtain the advice of and assistance from such experts as the Trustee may reasonably consider necessary or advisable. If requested by the Trustee, SMTC shall retain such experts to provide such advice or assistance to the Trustee.

7.6 Indemnification Prior to Certain Actions by Trustee

The Trustee shall exercise any or all of the rights, duties, powers or authorities vested in it by this agreement at the request, order or direction of any Beneficiary upon such Beneficiary furnishing to the Trustee reasonable funding, security or indemnity against the costs, expenses and liabilities which may be incurred by the Trustee therein or thereby, provided that no Beneficiary shall be obligated to furnish to the Trustee any such funding, security or indemnity in connection with the exercise by the Trustee of any of its rights, duties, powers and authorities with respect to the Special Voting Share pursuant to Article 4, subject to Section 7.15, and with respect to the Exchange Right pursuant to Article 5, subject to Section 7.15, and with respect to the Automatic Exchange Right pursuant to Article 5, subject to Section 7.15.

None of the provisions contained in this agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the exercise of any of its rights, powers, duties, or authorities unless funded, given security or indemnified as aforesaid.

7.7 Action of Beneficiaries

No Beneficiary shall have the right to institute any action, suit or proceeding or to exercise any other remedy authorized by this agreement for the purpose of enforcing any of its rights or for the execution of any trust or power hereunder unless the Beneficiary has requested the Trustee to take or institute such action, suit or proceeding and has furnished the Trustee with the funds, security or indemnity referred to in Section 7.6 and the Trustee shall have failed to act within a reasonable time thereafter. In such case, but not otherwise, the Beneficiary shall be entitled to take proceedings in any court of competent jurisdiction such as the Trustee might have taken; it being understood and intended that no one or more Beneficiaries shall have any

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right in any manner whatsoever to affect, disturb or prejudice the rights hereby created by any such action, or to enforce any right hereunder or the Voting Rights, the Exchange Right or the Automatic Exchange Right, except subject to the conditions and in the manner herein provided, and that all powers and trusts hereunder shall be exercised and all proceedings at law shall be instituted, had and maintained by the Trustee, except only as herein provided, and in any event for the equal benefit of all Beneficiaries.

7.8 Reliance Upon Declarations

The Trustee shall not be considered to be in contravention of any its rights, powers, duties and authorities hereunder if, when required, it acts and relies in good faith upon statutory declarations, certificates, opinions, Lists, mailing labels, reports or other papers or documents furnished pursuant to the provisions hereof or required by the Trustee to be furnished to it in the exercise of its rights, powers, duties and authorities hereunder if such statutory declarations, certificates, opinions, Lists, mailing labels, reports or other papers or documents comply with the provisions of Section 7.9, if applicable, and with any other applicable provisions of this agreement.

7.9 Evidence and Authority to Trustee

SMTC and/or SMTC Canada shall furnish to the Trustee evidence of compliance with the conditions provided for in this agreement relating to any action or step required or permitted to be taken by SMTC and/or SMTC Canada or the Trustee under this agreement or as a result of any obligation imposed under this agreement, including, without limitation, in respect of the Voting Rights, the Exchange Right or the Automatic Exchange Right and the taking of any other action to be taken by the Trustee at the request of or on the application of SMTC and/or SMTC Canada promptly if and when:

- (a) such evidence is required by any other section of this agreement to be furnished to the Trustee in accordance with the terms of this Section 7.9; or
- (b) the Trustee, in the exercise of its rights, powers, duties and authorities under this agreement, gives SMTC and/or SMTC Canada written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of an Officer's Certificate of SMTC and/or SMTC Canada or a statutory declaration or a certificate made by persons entitled to sign an Officer's Certificate stating that any such condition has been complied with in accordance with the terms of this agreement.

Whenever such evidence relates to a matter other than the Voting Rights, the Exchange Right or the Automatic Exchange Right or the taking of any other action to be taken by the Trustee at the request or on the application of SMTC and/or SMTC Canada, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, attorney, auditor, accountant, appraiser, valuer, engineer or other expert or any other person whose qualifications give authority to a statement made by it, provided that if such

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report or opinion is furnished by a director, officer or employee of SMTC and/or SMTC Canada, it shall be in the form of an Officer's Certificate or a statutory declaration.

Each statutory declaration, Officer's Certificate, opinion or report furnished to the Trustee as evidence of compliance with a condition provided for in this agreement shall include a statement by the person giving the evidence:

- (a) declaring that the person has read and understands the provisions of this agreement relating to the condition in question;
- (b) describing the nature and scope of the examination or investigation upon which the person based the statutory declaration, certificate, statement or opinion; and
- (c) declaring that the person has made such examination or investigation as the person believes is necessary to enable the person to make the statements or give the opinions contained or expressed therein.

7.10 Experts, Advisors and Agents

The Trustee may:

- (a) in relation to these presents act and rely on the opinion or advice of or information obtained from or prepared by any solicitor, attorney, auditor, accountant, appraiser, valuer, engineer or other expert,

whether retained by the Trustee or by SMTC and/or SMTC Canada or otherwise, and may retain or employ such assistants as may be necessary to the proper discharge of its powers and duties and determination of its rights hereunder and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid; and

- (b) retain or employ such agents and other assistants as it may reasonably require for the proper determination and discharge of its powers and duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the Trust.

7.11 Investment of Moneys Held by Trustee

Unless otherwise provided in this agreement, any moneys held by or on behalf of the Trustee, which, under the terms of this agreement may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee, may be invested and reinvested in the name or under the control of the Trustee in securities in which, under the laws of the Province of Ontario, trustees are authorized to invest trust moneys, provided that such securities are stated to mature within two years after their purchase by the Trustee, and the Trustee shall so invest such moneys on the written direction of SMTC Canada. Any direction by SMTC Canada to the Trustee as to the investment of the funds shall be in writing and shall

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be provided to the Trustee no later than 9:00 a.m. (Toronto time) on the day on which the investment is to be made. Any such direction received by the Trustee after 9:00 a.m. (Toronto time) or received on a day other than a Business Day, shall be deemed to have been given prior to 9:00 a.m. (Toronto time) on the next Business Day. Pending the investment of any moneys as hereinbefore provided, such moneys may be deposited in the name of the Trustee in any chartered bank in Canada or, with the consent of SMTC Canada, in the deposit department of the Trustee or any other chartered bank, loan or trust company authorized to accept deposits under the laws of Canada or any province thereof at the rate of interest then current on similar deposits.

The Trustee shall maintain accurate books, records and accounts of the transactions effected or controlled by the Trustee hereunder and the receipt, investment, re-investment and disbursement of any funds held by the Trustee and shall provide to SMTC and SMTC Canada records and statements thereof periodically upon request.

7.12 Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts, rights, duties, powers and authorities of this agreement or otherwise in respect of the premises.

7.13 Trustee Not Bound to Act on Request

Except as otherwise specifically provided in this agreement, the Trustee shall not be bound to act in accordance with any direction or request of SMTC and/or SMTC Canada or of the directors thereof until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act and rely upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

7.14 Authority to Carry on Business

The Trustee represents to SMTC and to SMTC Canada that at the date of execution and delivery by it of this agreement it is authorized to carry on the business of a trust company in each of the provinces of Canada but if, notwithstanding the provisions of this Section 7.14, it ceases to be so authorized to carry on business, the validity and enforceability of this agreement and the Voting Rights, the Exchange Right and the Automatic Exchange Right shall not be affected in any manner whatsoever by reason only of such

event, but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in any province of Canada, either become so authorized or resign in the manner and with the effect specified in Article 10.

7.15 Conflicting Claims

If conflicting claims or demands are made or asserted with respect to any interest of any Beneficiary in any Exchangeable Shares, including any disagreement between the heirs, representatives, successors or assigns succeeding to all or any part of the interest of any Beneficiary in any Exchangeable Shares, resulting in conflicting claims or demands being

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made in connection with such interest, then the Trustee shall be entitled, at its sole discretion, to refuse to recognize or to comply with any such claims or demands. In so refusing, the Trustee may elect not to exercise any Voting Rights, the Exchange Right or the Automatic Exchange Right subject to such conflicting claims or demands and, in so doing, the Trustee shall not be or become liable to any person on account of such election or its failure or refusal to comply with any such conflicting claims or demands. The Trustee shall be entitled to continue to refrain from acting and to refuse to act until:

- (a) the rights of all adverse claimants with respect to the Voting Rights, the Exchange Right or the Automatic Exchange Right subject to such conflicting claims or demands have been adjudicated by a final judgment of a court of competent jurisdiction and all rights of appeal have expired; or
- (b) all differences with respect to the Voting Rights, the Exchange Right or the Automatic Exchange Right subject to such conflicting claims or demands have been conclusively settled by a valid written agreement binding on all such adverse claimants, and the Trustee shall have been furnished with an executed copy of such agreement certified to be in full force and effect.

If the Trustee elects to recognize any claim or comply with any demand made by any such adverse claimant, it may in its discretion require such claimant to furnish such surety bond or other security satisfactory to the Trustee as it shall deem appropriate to fully indemnify it as between all conflicting claims or demands.

7.16 Acceptance of Trust

The Trustee hereby accepts the Trust created and provided for by and in this agreement and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and bylaw in trust for the various persons who shall from time to time be Beneficiaries, subject to all the terms and conditions herein set forth.

ARTICLE 8 COMPENSATION

8.1 Fees and Expenses of the Trustee

SMTC and SMTC Canada jointly and severally agree to pay the Trustee reasonable compensation for all of the services tendered by it under this agreement and will reimburse the Trustee for all reasonable expenses (including but not limited to taxes other than taxes based on the net income of the Trustee, compensation paid to experts and advisers, and travel expenses) and disbursements, including the cost and expense of any suit or litigation of any character and any proceedings before any governmental agency reasonably incurred by the Trustee in connection with its duties under this agreement; provided that SMTC and SMTC Canada shall have no obligation to reimburse the Trustee for any expenses or disbursements paid, incurred or suffered by the Trustee in any suit or litigation in which the Trustee is determined to have acted in bad faith or with negligence, recklessness or wilful misconduct.

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ARTICLE 9 INDEMNIFICATION AND LIMITATION OF LIABILITY

9.1 Indemnification of the Trustee

SMTC and SMTC Canada jointly and severally agree to indemnify and hold harmless the Trustee and each of its directors, officers, employees and agents appointed and acting in accordance with this agreement (collectively, the "Indemnified Parties") against all claims, losses, damages, reasonable costs, penalties, fines and reasonable expenses (including reasonable expenses of the Trustee's legal counsel) which, without fraud, negligence, recklessness, wilful misconduct or bad faith on the part of such Indemnified Party, may be paid, incurred or suffered by the Indemnified Party by reason or as a result of the Trustee's acceptance or administration of the Trust, its compliance with its duties set forth in this agreement, or any written or oral instruction (to be confirmed in writing) delivered to the Trustee by SMTC or SMTC Canada pursuant hereto.

In no case shall SMTC or SMTC Canada be liable under this indemnity for any claim against any of the Indemnified Parties unless SMTC and SMTC Canada shall be notified by the Trustee of the written assertion of a claim or of any action commenced against the Indemnified Parties, promptly after any of the Indemnified Parties shall have received any such written assertion of a claim or shall have been served with a summons or other first legal process giving information as to the nature and basis of the claim. Subject to (ii) below, SMTC and SMTC Canada shall be entitled to participate at their own expense in the defence and, if SMTC and SMTC Canada so elect at any time after receipt of such notice, either of them may assume the defence of any suit brought to enforce any such claim. The Trustee shall have the right to employ separate counsel in any such suit and participate in the defence thereof but the fees and expenses of such counsel shall be at the expense of the Trustee unless: (i) the employment of such counsel has been authorized by SMTC or SMTC Canada, such authorization not to be unreasonably withheld; or (ii) the named parties to any such suit include both the Trustee and SMTC or SMTC Canada and the Trustee shall have been advised by counsel acceptable to SMTC or SMTC Canada that there may be one or more legal defences available to the Trustee that are different from or in addition to those available to SMTC or SMTC Canada and that, in the judgment of such counsel, would present a conflict of interest were a joint representation to be undertaken (in which case SMTC and SMTC Canada shall not have the right to assume the defence of such suit on behalf of the Trustee but shall be liable to pay the reasonable fees and expenses of counsel for the Trustee).

9.2 Limitation of Liability

The Trustee shall not be held liable for any loss which may occur by reason of depreciation of the value of any part of the Trust Estate or any loss incurred on any investment of funds pursuant to this agreement, except to the extent that such loss is attributable to the fraud, negligence, recklessness, wilful misconduct or bad faith on the part of the Trustee.

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ARTICLE 10 CHANGE OF TRUSTEE

10.1 Resignation

The Trustee, or any trustee hereafter appointed, may at any time resign by giving written notice of such resignation to SMTC and to SMTC Canada specifying the date on which it desires to resign, provided that such notice shall not be given less than one month before such desired resignation date unless SMTC and SMTC Canada otherwise agree and provided further that such resignation shall not take effect until the date of the appointment of a successor trustee and the acceptance of such appointment by the successor trustee. Upon receiving such notice of resignation, SMTC and SMTC Canada shall promptly appoint a successor trustee, which shall be a corporation organized and existing under the laws of Canada and authorized to carry on the business of a trust company in all provinces of Canada, by written instrument in duplicate, one copy of which shall be delivered to the resigning trustee and one copy to the successor trustee. Failing appointment of a successor trustee by SMTC and SMTC Canada, a successor trustee may be appointed by an order of the Ontario Superior Court of Justice upon application by one or more parties hereto. Should the retiring trustee apply for the appointment of a successor trustee by an order of the Ontario Superior Court of Justice, it shall be at the joint and several expense of SMTC and SMTC Canada.

10.2 Removal

The Trustee, or any trustee hereafter appointed, may (provided a successor trustee is appointed) be removed at any time on not less than 30 days' prior written notice by SMTC and SMTC Canada, in duplicate, one copy of which shall be delivered to the trustee so removed and one copy to the successor trustee.

10.3 Successor Trustee

Any successor trustee appointed as provided under this agreement shall execute, acknowledge and deliver to SMTC and to SMTC Canada and to its predecessor trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor under this agreement, with the like effect as if originally named as trustee in this agreement. However, on the written request of SMTC and SMTC Canada or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of this agreement, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon the request of any such successor trustee, SMTC, SMTC Canada and such predecessor trustee shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers.

10.4 Notice of Successor Trustee

Upon acceptance of appointment by a successor trustee as provided herein, SMTC and SMTC Canada shall cause to be mailed notice of the succession of such trustee hereunder to

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each Beneficiary specified in a List. If SMTC or SMTC Canada shall fail to cause such notice to be mailed within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of SMTC and SMTC Canada.

ARTICLE 11 SMTC SUCCESSORS

11.1 Certain Requirements in Respect of Combination

Subject to Section 11.3, SMTC shall not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertakings, property and assets would become the property of any other person or, in the case of a merger, of the continuing corporation resulting therefrom unless, but may do so if:

- (a) such other person or continuing corporation (the "SMTC Successor"), by operation of law, becomes, without more, bound by the terms and provisions of this agreement or, if not so bound, executes, prior to or contemporaneously with the consummation of such transaction, an agreement supplemental hereto and such other instruments (if any) as are satisfactory to the Trustee, acting reasonably, and in the opinion of legal counsel to the Trustee are reasonably necessary or advisable to evidence the assumption by the SMTC Successor of liability for all moneys payable and property deliverable hereunder and the covenant of such SMTC Successor to pay and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of SMTC under this agreement; and
- (b) such transaction shall, to the satisfaction of the Trustee, acting reasonably, and in the opinion of legal counsel to the Trustee, be upon such terms and conditions as substantially to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the Trustee or of the Beneficiaries hereunder.

11.2 Vesting of Powers in Successor

Whenever the conditions of Section 11.1 have been duly observed and performed, the Trustee and, if required by Section 11.1, SMTC Successor and SMTC Canada shall execute and deliver the supplemental agreement provided for in Article 12 and thereupon the SMTC Successor shall possess and from time to time may exercise each and every right and power of SMTC under this agreement in the name of SMTC or otherwise and any act or proceeding under any provision of this agreement required to be done or performed by the board of directors of SMTC or any officers of SMTC may be done and performed with like force and effect by the directors or officers of such SMTC Successor.

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11.3 Wholly-Owned Subsidiaries

Nothing herein shall be construed as preventing the amalgamation or merger of any wholly-owned direct or indirect subsidiary of SMTC with or into SMTC or the winding-up, liquidation or dissolution of any wholly-owned subsidiary of SMTC provided that all of the assets of such subsidiary are transferred to SMTC or another wholly-owned direct or indirect subsidiary of SMTC and any such transactions are expressly permitted by this Article 11.

ARTICLE 12 AMENDMENTS AND SUPPLEMENTAL AGREEMENTS

12.1 Amendments, Modifications

This agreement may not be amended or modified except by an agreement in writing executed by SMTC, SMTC Nova Scotia, SMTC Canada and the Trustee and approved by the Beneficiaries in accordance with Section 10.2 of the Exchangeable Share Provisions.

12.2 Ministerial Amendments

Notwithstanding the provisions of Section 12.1, the parties to this agreement may in writing, at any time and from time to time, without the approval of the Beneficiaries, amend or modify this agreement for the purposes of:

- (a) adding to the covenants of any or all parties hereto for the protection of the Beneficiaries hereunder provided that the board of directors of each of SMTC Canada, SMTC Nova Scotia and SMTC shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Beneficiaries;
- (b) making such amendments or modifications not inconsistent with this agreement as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the board of directors of each of SMTC, SMTC Nova Scotia and SMTC Canada and on the advice of counsel to the Trustee, having in mind the best interests of the Beneficiaries, it may be expedient to make, provided that such boards of directors shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Beneficiaries; or
- (c) making such changes or corrections which, on the advice of counsel to SMTC, SMTC Nova Scotia, SMTC Canada and the Trustee, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the board of directors of each of SMTC, SMTC Nova Scotia and SMTC Canada shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the Beneficiaries.

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12.3 Meeting to Consider Amendments

SMTC Canada, at the request of SMTC or SMTC Nova Scotia, shall call a meeting or meetings of the Beneficiaries for the purpose of considering any proposed amendment or modification requiring approval pursuant hereto. Any such meeting or meetings shall be called and held in accordance with the bylaws of SMTC Canada, the Exchangeable Share Provisions and all applicable laws.

12.4 Changes in Capital of SMTC and SMTC Canada

At all times after the occurrence of any event contemplated pursuant to Section 2.7 or 2.8 of the Exchangeable Share Support Agreement or otherwise, as a result of which either the shares of SMTC Common Stock or the Exchangeable Shares or both are in any way changed, this agreement shall forthwith be amended and modified as necessary in order that it shall apply with full force and effect, mutatis mutandis, to all new securities into which the shares of SMTC Common Stock or the Exchangeable Shares or both are so changed and the parties hereto shall execute and deliver a supplemental agreement giving effect to and evidencing such necessary amendments and modifications.

12.5 Execution of Supplemental Agreements

No amendment to or modification or waiver of any of the provisions of this agreement otherwise permitted hereunder shall be effective unless made in writing and signed by all of the parties hereto. From time to time, SMTC Canada (when authorized by a resolution of its board of directors), SMTC (when authorized by a resolution of its board of directors) and the Trustee may, subject to the provisions of these presents, and they shall, when so directed by these presents, execute and deliver by their proper officers, agreements or other instruments supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:

- (a) evidencing the succession of SMTC Successors and the covenants of and obligations assumed by each such SMTC Successor in accordance with the provisions of Article 11 and the successors of any successor trustee in accordance with the provisions of Article 10;
- (b) making any additions to, deletions from or alterations of the provisions of this agreement or the Voting Rights, the Exchange Right or the Automatic Exchange Right which, in the opinion of the Trustee relying on the advice of counsel, will not be prejudicial to the interests of the Beneficiaries or are, in the opinion of counsel to the Trustee, necessary or advisable in order to incorporate, reflect or comply with any legislation the provisions of which apply to SMTC, SMTC Canada, the Trustee or this agreement; and
- (c) for any other purposes not inconsistent with the provisions of this agreement, including without limitation, to make or evidence any amendment or modification to this agreement as contemplated hereby, provided that, in the opinion of the Trustee relying on the advice of counsel, the rights of the Trustee and Beneficiaries will not be prejudiced thereby.

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ARTICLE 13 TERMINATION

13.1 Term

The Trust created by this agreement shall continue until the earliest to occur of the following events:

- (a) no outstanding Exchangeable Shares (other than Exchangeable Shares in respect of which a holder is deemed, under this agreement or the Exchangeable Share Provisions, to be a holder of shares of SMTC Common Stock) are held by a Beneficiary;
- (b) each of SMTC and SMTC Canada elects in writing to terminate the Trust and such termination is approved by the Beneficiaries in accordance with Section 10.2 of the Exchangeable Share Provisions; and
- (c) 21 years from the date of the death of the last surviving issue of Her Majesty Queen Elizabeth II alive on the date of this agreement.

13.2 Survival of Agreement

This agreement shall survive any termination of the Trust and shall continue until there are no Exchangeable Shares (other than Exchangeable Shares in respect of which a holder is deemed, under this agreement or the Exchangeable Share Provisions, to be a holder of shares of SMTC Common Stock) outstanding

held by a Beneficiary; provided, however, that the provisions of Articles 8 and 9 shall survive any such termination of this agreement.

ARTICLE 14
GENERAL

14.1 Assignment

This agreement shall not be assignable by any party hereto.

14.2 Time

Time shall be of the essence of this agreement.

14.3 Governing Law

This agreement and the rights and obligations of the parties hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

14.4 Severability

If any term or other provision of this agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this

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agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

14.5 Enurement

This agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns and to the benefit of the Beneficiaries.

14.6 Notices to Parties

All notices and other communications hereunder shall be in writing and shall be given and shall be deemed to have been duly given at the time of receipt, if delivered in person or sent by facsimile transmission on a Business Day at the place of receipt (or, if given on a non-Business Day at the place of receipt, shall be deemed to have been duly given on the next succeeding Business Day at such place) to the parties as follows:

(a) if to SMTC:

SMTC Corporation
635 Hood Road
Markham, Ontario
Canada L3R 4N6

Attention: Richard J. Smith, C.A.
Vice-President, Finance and Administration
Fax: (905) 479-5326

with a copy to:

Ropes & Gray
One International Place
Boston, Massachusetts
02110-2624 U.S.A.

Attention: Alfred Rose
Fax: (617) 951-7050

(b) if to SMTC Canada or SMTC Nova Scotia:

SMTC Manufacturing Corporation of Canada
635 Hood Road

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Markham, Ontario
Canada L3R 4N6

Attention: Richard J. Smith, C.A.
Vice-President, Finance and Administration

Fax: (905) 479-5326

with a copy to:

McMillan Binch
Suite 3800, South Tower
Royal Bank Plaza
Toronto, Ontario
Canada M5J 2J7

Attention: Stephen C.E. Rigby

Fax: (416) 865-7048

(c) if to the Trustee:

CIBC Mellon Trust Company
320 Bay Street, P.O. Box 1
Toronto, Ontario
Canada M5H 4A6

Attention: Assistant Vice-President, Client Services

Fax: (416) 643-5570

or to such other address as a party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

14.7 Notice to Beneficiaries

Any and all notices to be given and any documents to be sent to any Beneficiaries may be given or sent to the address of such Beneficiary shown on the register of holders of Exchangeable Shares in any manner permitted by the bylaws of SMTC Canada from time to time in force in respect of notices to shareholders and shall be deemed to be received (if given or sent in such manner) at the time specified in such bylaws, the provisions of which bylaws shall apply mutatis mutandis to notices or documents as aforesaid sent to such Beneficiaries.

14.8 Counterparts

This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same document.

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14.9 Attornment

Each of SMTC and SMTC Nova Scotia agrees that any action or proceeding arising out of or relating to this agreement may be instituted in the courts of Ontario, waives any objection which it may have now or hereafter to the venue of any such action or proceeding, irrevocably submits to the jurisdiction of the said courts in any such action or proceeding, agrees to be bound by any judgment of the said courts and agrees not to seek, and hereby waives, any review of the merits of any such judgment by the court of any other jurisdiction and hereby appoints SMTC Canada at its registered office in the Province of Ontario as its attorney for service of process.

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IN WITNESS WHEREOF the parties hereto have caused this agreement to be duly

executed as of the date first above written.

SMTC MANUFACTURING CORPORATION OF CANADA

By: /s/ Paul Walker

Name: Paul Walker
Title: President

SMTC CORPORATION

By: /s/ Paul Walker

Name: Paul Walker
Title: President

SMTC NOVA SCOTIA COMPANY

By: /s/ Paul Walker

Name: Paul Walker
Title: President

CIBC MELLON TRUST COMPANY

By: /s/ Warren Jansen

Name: Warren Jansen
Title: Authorized Officer

By: /s/ Susan Clough

Name: Susan Clough
Title: Authorized Officer

Exhibit 10.1
EXECUTION COPY

AMENDED AND RESTATED
CREDIT AND GUARANTEE AGREEMENT

among

SMTC CORPORATION,
as Guarantor

HTM HOLDINGS, INC.,
and
SMTC MANUFACTURING CORPORATION OF CANADA,
as Borrowers,

The Several Lenders
from Time to Time Parties Hereto,

LEHMAN BROTHERS INC.,
as Arranger

THE BANK OF NOVA SCOTIA,
as Syndication Agent and
Canadian Administrative Agent

LEHMAN COMMERCIAL PAPER INC.,
as General Administrative Agent

and

GENERAL ELECTRIC CAPITAL CORPORATION,
as Documentation Agent

and

LEHMAN COMMERCIAL PAPER INC.,
as Collateral Monitoring Agent

Dated as of July 27, 2000

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H	Form of Draft
I	Form of Power of Attorney
J	Form of Acceptance Note
K	Form of Prepayment Option Notice
L	Form of Exemption Certificate
M	Form of Lender Addendum

AMENDED AND RESTATED CREDIT AND GUARANTEE AGREEMENT, dated as of July 27, 2000, among SMTC CORPORATION, a Delaware corporation ("Holdings"), HTM

HOLDINGS, INC., a Delaware corporation (the "U.S. Borrower"), SMTC MANUFACTURING

CORPORATION OF CANADA (formerly known as The Surface Mount Technology Centre, Inc.), a corporation organized under the laws of the Province of Ontario, Canada (the "Canadian Borrower"; together with the U.S. Borrower, the "Borrowers"), the

several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), LEHMAN BROTHERS INC., as advisor,

lead arranger and book manager (in such capacity, the "Arranger"), THE BANK OF

NOVA SCOTIA, as syndication agent (in such capacity, the "Syndication Agent"),

LEHMAN COMMERCIAL PAPER INC., as general administrative agent (in such capacity, as hereinafter defined, the "General Administrative Agent"), THE BANK OF NOVA

SCOTIA, as Canadian administrative agent (in such capacity, as hereinafter defined, the "Canadian Administrative Agent"), LEHMAN COMMERCIAL PAPER INC., as

collateral monitoring agent (in such capacity, as hereinafter defined, the "Collateral Monitoring Agent") and GENERAL ELECTRIC CAPITAL

CORPORATION, as documentation agent (in such capacity, the "Documentation

Agent").

WITNESSETH:

WHEREAS, Holdings, the Canadian Borrower and the U.S. Borrower are parties to the Credit Agreement, dated as of July 28, 1999, (the "Original

Credit Agreement" and, as amended by the Amendments in effect as of the date

immediately prior to the Restatement Effective Date, the "Existing Credit

Agreement"), with the lenders parties thereto, Lehman Commercial Paper Inc., as

General Administrative Agent, and others;

WHEREAS, Holdings expects to consummate an initial public offering of its common stock, and the Canadian Borrower expects to consummate an initial public offering of Exchangeable Shares (such offerings, collectively, as hereinafter defined, the "IPO");

WHEREAS, concurrently with the consummation of the IPO, Holdings expects to acquire, and immediately thereafter contribute to the U.S. Borrower, all of the issued and outstanding Capital Stock of Pensar Corporation, a Wisconsin corporation ("Pensar"), for total cash consideration (including the

repayment of certain existing indebtedness of Pensar) of approximately \$22,000,000 (the "Pensar Acquisition");

WHEREAS, in connection with the IPO, and with a portion of the proceeds thereof, certain of the Loans outstanding under the Existing Credit Agreement will be repaid;

WHEREAS, the Borrowers have requested certain of the Lenders to make available additional credit facilities concurrently with the consummation of the IPO and the Pensar Acquisition, and such Lenders are willing to make such additional credit facilities available upon and subject to the terms and conditions hereinafter set forth; and

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WHEREAS, Holdings and the Borrowers have requested certain amendments to the Existing Credit Agreement, and, to reflect such amendments, the parties hereto have agreed to amend and restate the Existing Credit Agreement in its entirety as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree that, on the Restatement Effective Date, the Existing Credit Agreement will be amended and restated in its entirety as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this

Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Acceptance": a Draft drawn by the Canadian Borrower and accepted by a

Canadian Revolving Credit Lender which is (a) denominated in Canadian Dollars, (b) for a term of approximately 30, 60, 90 or 180 days and which matures prior to the Canadian Revolving Credit Termination Date and (c) issuable and payable only in Canada; provided that to the extent the

context shall require, each Acceptance Note shall be deemed to be an Acceptance; provided, further, that "Acceptance" includes a depository note

within the meaning of the Depository Bills and Notes Act (Canada) and a bill of exchange within the meaning of the Bills of Exchange Act (Canada).

"Acceptance Note": as defined in Section 5.13(b).

"Acceptance Purchase Price": in respect of an Acceptance of a

specified maturity, the result (rounded to the nearest whole cent, and with one-half cent being rounded up) obtained by dividing (a) the face amount of such Acceptance by (b) the sum of (i) one and (ii) the product of (A) the Reference Discount Rate for Acceptances of the same maturity expressed as a decimal and (B) a fraction, the numerator of which is the term to maturity of such Acceptance and the denominator of which is equal to 365, where (b) above is rounded to the fifth decimal place and 0.000005 is rounded up to 0.00001.

"Acceptance Reimbursement Obligations": the obligation of the Canadian

Borrower to the Canadian Revolving Credit Lenders (a) to reimburse such Lenders for maturing Acceptances pursuant to Section 5.10 and (b) to make payments in respect of Acceptance Notes in accordance with the terms thereof.

"Acceptance Tranche": the collective reference to Acceptances, all of

which were created on the same date and have the same maturity date.

"Accounts": as to any Person, all rights to receive payment for goods

sold or leased by such Person or for services rendered in the ordinary course of business of such Person to the extent not evidenced by an instrument or chattel paper, including any rights in, to and under all purchase orders or receipts now owned or hereafter acquired for goods and

services, and all collateral security and guarantees with respect to any of the foregoing.

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"Acquisition Subordinated Debt": unsecured Indebtedness of Holdings

that (a) is not guaranteed by any Subsidiary of Holdings, (b) provides for no payment of principal prior to the date which is 90 days after the final maturity date of the Loans, (c) so long as the Consolidated Interest Coverage Ratio (determined on a pro forma basis for the related Permitted

Acquisition in the manner described in Section 11.1) is less than or equal to 3.50 to 1.00, does not provide for payment of interest in cash prior to the date which is 90 days after the final maturity date of the Loans, (d) is used to finance, in whole or in part, a Permitted Acquisition and (e) has subordination terms, covenants, events of default, defaults and other terms and conditions reasonably acceptable to the General Administrative Agent.

"Additional Tranche A Term Loan Commitment": as to any Lender, the

obligation of such Lender, if any, to make an additional Tranche A Term Loan to the U.S. Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Additional Tranche A Term Loan Commitment" opposite such Lender's name on Schedule 1 to the Lender Addendum delivered by such Lender, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Additional Tranche A Term Loan Commitments on the Restatement Effective Date is U.S. \$30,000,000, which amount shall be reduced on the Restatement Effective Date by the aggregate amount of Tranche B Term Loans which are not prepaid on such date because one or more Tranche B Term Loan Lenders declines prepayment pursuant to Section 7.5(i).

"Adjustment Date": as defined in the Pricing Grid.

"Administrative Agents": the collective reference to the General

Administrative Agent and the Canadian Administrative Agent.

"Advance Rate": (i) with respect to Eligible Accounts, 85%, (ii) with

respect to Eligible Inventory (other than Mexican Inventory), valued on a first-in, first-out basis (at the lower of cost or market), 65% and (iii) with respect to Mexican Inventory, valued on a first-in, first-out basis (at the lower of cost or market), 40%.

"Affiliate": as to any Person, any other Person that, directly or

indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agents": the collective reference to the Syndication Agent, the

Documentation Agent, the Collateral Monitoring Agent and the Administrative Agents, which term shall include, for purposes of Section 14 only, each Issuing Lender.

"Aggregate Available Canadian Revolving Credit Commitments": as at any

date of determination with respect to all Canadian Revolving Credit Lenders, the U.S. Dollar

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Equivalent of the Available Canadian Revolving Credit Commitments of all Canadian Revolving Credit Lenders on such date.

"Aggregate Available U.S. Revolving Credit Commitments": as at any

date of determination thereof with respect to all U.S. Revolving Credit Lenders, an amount in U.S. Dollars equal to the Available U.S. Revolving Credit Commitments of all U.S. Revolving Credit Lenders on such date.

"Aggregate Canadian Outstandings": as at any date of determination

thereof with respect to any Canadian Lender, the U.S. Dollar Equivalent of an amount equal to the sum of (a) the Aggregate Canadian Term Loan Outstandings of such Lender plus (b) the aggregate amount of the Canadian Revolving Extensions of Credit of such Lender.

"Aggregate Canadian Revolving Extensions of Credit": as at any date of

determination with respect to all Canadian Revolving Credit Lenders, an amount equal to the U.S. Dollar Equivalent of the Canadian Revolving Extensions of Credit of all Canadian Revolving Credit Lenders.

"Aggregate Canadian Term Loan Outstandings": as at any date with

respect to any Canadian Term Loan Lender, the aggregate outstanding principal amount of Canadian Term Loans of such Lender.

"Aggregate Exposure Percentage": with respect to any Lender at any

time, the ratio (expressed as a percentage) of such Lender's Aggregate Total Outstandings at such time to the sum of the Aggregate Total Outstandings of all Lenders at such time.

"Aggregate Total Outstandings": as at any date of determination with

respect to any Lender, an amount in U.S. Dollars equal to the sum of (a) the Aggregate U.S. Outstandings of such Lender, plus (b) the Aggregate Canadian Outstandings of such Lender.

"Aggregate U.S. Outstandings": as at any date of determination with

respect to any Lender, an amount in U.S. Dollars equal to the sum of (a) the Aggregate U.S. Revolving Extensions of Credit of such Lender on such date and (b) the aggregate unpaid principal amount of such U.S. Lender's Term Loans on such date.

"Aggregate U.S. Revolving Extensions Credit": as at any date of

determination with respect to all U.S. Revolving Credit Lenders, an amount in U.S. Dollars equal to the U.S. Revolving Extensions of Credit of all U.S. Revolving Credit Lenders.

"Agreement": this Amended and Restated Credit and Guarantee Agreement,

as amended, supplemented or otherwise modified from time to time.

"Amendments": (a) the First Amendment, dated as of November 4, 1999,

the Second Amendment, dated as December 14, 1999, and the Third Amendment, dated as of

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May 15, 2000, each to the Original Credit Agreement; and (b) amendments, supplements or modifications hereto.

"Applicable Margin": for each Type of Loan under each Facility, the

rate per annum determined pursuant to the Pricing Grid.

"Application": an application, in such form as the relevant Issuing

Lender may specify from time to time, requesting such Issuing Lender to issue a Letter of Credit.

"Approved Jurisdiction": any Specified Jurisdiction in respect of

which the General Administrative Agent has received a legal opinion reasonably acceptable to the General Administrative Agent to the effect that the security interest created by the Security Documents in Accounts owing by account debtors located in such Specified Jurisdiction would be enforceable in such Specified Jurisdiction in respect of such account debtors.

"Arranger": as defined in the preamble hereto.

"Asset Sale": any Disposition of Property or series of related

Dispositions of Property (excluding any such Disposition permitted by Section 11.5 (other than (x) clause (e) thereof and (y) clause (i) thereof, to the extent Section 11.11 requires the proceeds of Dispositions permitted by Section 11.5(i) to be applied toward prepayment of the Loans and reduction of the Commitments)) which yields net proceeds to Holdings or any of its Subsidiaries (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of U.S.\$500,000.

"Assignee": as defined in Section 15.6(c).

"Assignor": as defined in Section 15.6(c).

"Available Canadian Revolving Credit Commitment": with respect to any

Canadian Revolving Credit Lender at any time, an amount in U.S. Dollars equal to the excess, if any, of (a) such Lender's Canadian Revolving Credit Commitment then in effect over (b) such Lender's Canadian Revolving

Extensions of Credit then outstanding; provided, that (i) in calculating

any Lender's (other than the Canadian Swing Line Lender's) Canadian Revolving Extensions of Credit for the purpose of determining such Lender's Available Canadian Revolving Credit Commitment pursuant to Section 5.5, the aggregate principal amount of Canadian Swing Line Loans then outstanding shall be deemed to be zero and (ii) in calculating the Canadian Swing Line Lender's Canadian Revolving Extensions of Credit for the purpose of determining the Canadian Swing Line Lender's Available Canadian Revolving Credit Commitment pursuant to Section 5.5, the Canadian Swing Line Lender's Canadian Revolving Extensions of Credit shall be deemed to include the aggregate principal amount of the Canadian Swing Line Loans then outstanding.

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"Available U.S. Revolving Credit Commitment": with respect to any U.S.

Revolving Credit Lender at any time, an amount in U.S. Dollars equal to the excess, if any, of (a) such Lender's U.S. Revolving Credit Commitment then in effect over (b) such Lender's U.S. Revolving Extensions of Credit then

outstanding; provided, that (i) in calculating any Lender's (other than any

Swing Line Lender's) U.S. Revolving Extensions of Credit for the purpose of determining such Lender's Available U.S. Revolving Credit Commitment pursuant to Section 2.9(a), the aggregate principal amount of Swing Line Loans made by such Swing Line Lender and then outstanding shall be deemed to be zero and (ii) in calculating any Swing Line Lender's U.S. Revolving Extensions of Credit for the purpose of determining such Swing Line Lender's Available U.S. Revolving Credit Commitment pursuant to Section 2.9(a), such Swing Line Lender's Revolving Extensions of Credit shall be deemed to include the aggregate principal amount of the Swing Line Loans made by it and then outstanding.

"Bank Act (Canada)": the Bank Act (Canada), as amended from time to time.

"Benefitted Lender": as defined in Section 15.7.

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrowers": as defined in the preamble hereto.

"Borrowing Base": with respect to either Borrower, on any date of determination, the sum (without duplication) of (i) the product of (A) the aggregate outstanding Eligible Accounts of such Borrower and its Subsidiaries on such date and (B) the applicable Advance Rate, plus (ii) the product of (x) the aggregate Eligible Inventory of such Borrower and its Subsidiaries on such date, and (y) the applicable Advance Rate; provided, that (A) not more than

US\$2,000,000 of the Borrowing Base of the U.S. Borrower may be attributable to Mexican Inventory and (B) not more than 50% of the Borrowing Base of either Borrower may be attributable to Eligible Inventory. The Borrowing Base in respect of the U.S. Borrower and the Canadian Borrower shall be as set forth in the most recent Borrowing Base Certificate delivered by such Borrower absent manifest error; such Borrowing Base so determined shall remain in effect until the next determination thereof pursuant to this sentence.

"Borrowing Base Certificate": a borrowing base certificate substantially in the form of Exhibit B-2.

"Borrowing Date": any Business Day specified in a notice pursuant to Section 2.2, 2.5, 3.2, 5.2 or 5.7 as a date on which a Borrower requests the Lenders to make Loans hereunder or, with respect to a Request for Acceptances, the date with respect to which the Canadian Borrower has requested Canadian Lenders to accept Drafts.

"Business Day": (a) when such term is used in respect of a day on which a Loan is to be made to the Canadian Borrower or an Acceptance is to be created, a payment is to

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be made in respect of such Loan or Acceptance, an Exchange Rate is to be set in respect of Canadian Dollars or any other dealing in Canadian Dollars is to be carried out pursuant to this Agreement, or any payment or funding is to be made in respect of any Canadian Facility, such term shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are authorized or required by law to close, (b) when such term is used to describe a day on which a borrowing, payment or interest rate determination is to be made in respect of a Eurodollar Loan, such day shall be a day which is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market and (c) when such term is used in any context in this Agreement (including as described in the foregoing clauses (a) and (b)), such term shall mean a day which, in addition to complying with any applicable requirements set forth in the foregoing clauses (a) and (b), is a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Canadian Administrative Agent": The Bank of Nova Scotia, as Canadian administrative agent for the Lenders under this Agreement and the other Loan Documents, and any successor thereto appointed pursuant to Section 14.9.

"Canadian Base Rate": at any day, the higher of (a) the rate of interest per annum publicly announced from time to time by the Canadian Administrative Agent (and in effect on such day) as its reference rate for U.S. Dollar commercial loans made in Canada, as adjusted automatically from time to time and without notice to any of the Borrowers upon change by the Canadian Administrative Agent and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%.

"Canadian Base Rate Loans": all Canadian Facility Loans denominated in

U.S. Dollars that are bearing interest at a rate based upon the Canadian Base
Rate.

"Canadian Borrower": as defined in the preamble hereto.

"Canadian Borrower Obligations": all indebtedness, obligations and

liabilities of the Canadian Borrower hereunder or under the other Loan Documents
in respect of the unpaid principal of and interest on (including, without
limitation, interest accruing after the maturity of the Loans, Reimbursement
Obligations and Acceptance Reimbursement Obligations and interest accruing after
the filing of any petition in bankruptcy, or the commencement of any insolvency,
reorganization or like proceeding, relating to the Canadian Borrower, whether or
not a claim for post-filing or post-petition interest is allowed in such
proceeding) the Canadian Facility Loans, the Reimbursement Obligations in
respect of Canadian Letters of Credit and Acceptance Reimbursement Obligations,
and all other obligations and liabilities of the Canadian Borrower to any
Administrative Agent or to any Lender (or, in the case of Specified Hedge
Agreements, any affiliate of any Lender), whether direct or indirect, absolute
or contingent, due or to become due, or now existing or hereafter incurred,
which may arise under, out of, or in connection with, this Agreement, any other
Loan Document, the Canadian Letters of Credit, the Acceptances, any Specified
Hedge Agreement or any other document made, delivered or given in connection
herewith or therewith, whether on account of principal,

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interest, reimbursement obligations, fees, indemnities, costs, expenses
(including, without limitation, all fees, charges and disbursements of counsel
to either Administrative Agent or to any Lender that are required to be paid by
the Canadian Borrower pursuant hereto) or otherwise; provided, that (i)

obligations of the Canadian Borrower or any Subsidiary thereof under any
Specified Hedge Agreement shall be guaranteed hereby and secured pursuant to the
Canadian Security Documents only to the extent that, and for so long as, the
other Canadian Borrower Obligations are so secured and guaranteed and (ii) any
release of Collateral or Guarantors effected in the manner permitted by this
Agreement shall not require the consent of holders of obligations under
Specified Hedge Agreements.

"Canadian Dollar Equivalent": with respect to an amount denominated in U.S.

Dollars the equivalent in Canadian Dollars determined at the Exchange Rate.

"Canadian Dollar Prime Rate": at any day, the greater on such day of (a)

the rate per annum announced by the Canadian Administrative Agent from time to
time (and in effect on such day) as its prime rate for Canadian Dollar
commercial loans made in Canada, as adjusted automatically from time to time and
without notice to any of the Borrowers upon change by the Canadian
Administrative Agent, and (b) 1% above the CDOR Rate from time to time (and in
effect on such day), as advised by the Canadian Administrative Agent to the
Canadian Borrower from time to time pursuant hereto. The Canadian Dollar Prime
Rate is not intended to be the lowest rate of interest charged by the Canadian
Administrative Agent in connection with extensions of credit in Canadian Dollars
to debtors.

"Canadian Dollar Prime Rate Loans ": all Canadian Facility Loans

denominated in Canadian Dollars that are bearing interest at a rate based upon
the Canadian Dollar Prime Rate.

"Canadian Dollars" and "C\$": dollars in the lawful currency of Canada.

"Canadian Entities": the collective reference to the Canadian Borrower, any

Subsidiary of Holdings that holds, directly or indirectly, any Capital Stock of
the Canadian Borrower, and any Subsidiary of the Canadian Borrower or any such
Subsidiary.

"Canadian Facilities": the collective reference to the Canadian Revolving

Credit Facility and the Canadian Term Loan Facility.

"Canadian Facility Guarantees": the guaranties described on Schedule 1.2.

"Canadian Facility Loans": the collective reference to the Canadian Term

Loans, the Canadian Revolving Credit Loans and the Canadian Swing Line Loans.

"Canadian Funding Office": the office from time designated by the Canadian

Administrative Agent, by notice to the Canadian Borrower and the Canadian
Lenders, as its funding office.

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"Canadian GAAP": generally accepted accounting principle in Canada as in

effect from time to time except that for purposes of Section 11.1, Canadian GAAP
shall be determined on the basis of such principles in effect on the date hereof
and consistent with those used in the preparation of the most recent audited
financial statements referred to in Section 8.1.

"Canadian Issuing Lender": any Canadian Revolving Credit Lender selected by

the Canadian Borrower, with the consent of such Lender and the Administrative
Agents, to issue Canadian Letters of Credit.

"Canadian L/C Commitment": C\$1,000,000.

"Canadian L/C Obligations": at any time, an amount equal to the sum of (a)

the aggregate then undrawn and unexpired amount of the then outstanding Canadian
Letters of Credit and (b) the aggregate amount of drawings under Canadian
Letters of Credit that have not then been reimbursed pursuant to Section 5.6.

"Canadian L/C Participant": with respect to each Canadian Letter of Credit,

each Canadian Revolving Credit Lender other than the Issuing Lender in respect
of such Letter of Credit.

"Canadian Lenders": the collective reference to the Canadian Revolving

Credit Lenders and the Canadian Term Loan Lenders.

"Canadian Letter of Credit": as defined in Section 6.1.

"Canadian Payment Office": the office from time designated by the Canadian

Administrative Agent, by notice to the Canadian Borrower and the Canadian
Lenders, as its payment office.

"Canadian Reference Lenders": the collective reference to the Schedule I

Canadian Reference Lenders and the Schedule II Canadian Reference Lenders.

"Canadian Refunding Date": as defined in Section 5.15.

"Canadian Revolving Credit Commitment": as to any Canadian Lender at any

time, its obligation to make Canadian Revolving Credit Loans to, and/or create
Acceptances and discount Acceptances on behalf of (or, in lieu thereof, to make
loans pursuant to the Acceptance Notes to), the Canadian Borrower, and
participate in Canadian Swing Line Loans, in an aggregate amount not to exceed
at any one time outstanding the U.S. Dollar amount (or the Canadian Dollar
Equivalent thereof, as the case may be) equal to the sum of (a) the amount set
forth opposite such Canadian Lender's name under the heading "Canadian Revolving

Credit Commitment" on Schedule I to the Lender Addendum delivered by such Lender on the Original Closing Date, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as such amount may be reduced from time to time as

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provided herein and (b) the amount set forth opposite such Canadian Lender's name under the heading "Additional Canadian Revolving Credit Commitment" on Schedule I to the Lender Addendum delivered by such Lender on the Restatement Effective Date, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as such amount may be reduced from time to time as provided herein. The aggregate amount of the Canadian Revolving Credit Commitments on the Restatement Effective Date is U.S.\$8,437,500; provided, however, that if one or more of the Canadian Lenders

provides additional Canadian Revolving Credit Commitments after the Restatement Effective Date pursuant to Section 5.16, the Canadian Revolving Credit Commitments shall automatically increase by the amount of such additional Canadian Revolving Credit Commitments, simultaneously with such increase; provided, further, that in no event shall the aggregate amount of the Canadian

Revolving Credit Commitments be greater than \$10,000,000 as a result of the operation of Section 5.16.

"Canadian Revolving Credit Commitment Percentage": as to any Canadian

Lender at any time, the percentage which such Canadian Lender's Canadian Revolving Credit Commitment then constitutes of the aggregate Canadian Revolving Credit Commitments (or, if the Canadian Revolving Credit Commitments have terminated or expired, the percentage which (a) the Canadian Revolving Extensions of Credit of such Canadian Lender at such time constitutes of (b) the Canadian Revolving Extensions of Credit of all Canadian Revolving Credit Lenders at such time).

"Canadian Revolving Credit Commitment Period": the period from and

including the Original Closing Date to the Canadian Revolving Credit Termination Date.

"Canadian Revolving Credit Facility": as defined in the definition of

"Facility" in this Section 1.1.

"Canadian Revolving Credit Lenders": each Lender that has a Canadian

Revolving Credit Commitment.

"Canadian Revolving Credit Loan": as defined in subsection 5.1.

"Canadian Revolving Credit Termination Date": the fifth anniversary of the Original Closing Date.

"Canadian Revolving Extensions of Credit": as to any Canadian Revolving

Credit Lender at any time, an amount in U.S. Dollars equal to the U.S. Dollar Equivalent of the sum of (a) the aggregate principal amount of all Canadian Revolving Credit Loans made by such Lender then outstanding, (b) such Lender's Canadian Revolving Credit Percentage of the Canadian L/C Obligations then outstanding, (c) such Lender's Canadian Revolving Credit Percentage of the aggregate undiscounted face amount of all Acceptances then outstanding created by such Canadian Revolving Credit Lender and (d) such Lender's Canadian Revolving Credit Percentage of the aggregate principal amount of Canadian Swing Line Loans then outstanding.

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"Canadian Security Documents": the security documents described in Schedule

1.2.

"Canadian Subsidiary Guarantor": any Subsidiary of the Canadian Borrower

which is a guarantor of the Canadian Borrower Obligations.

"Canadian Swing Line Commitment": the obligation of the Canadian Swing

Line Lender to make Canadian Swing Line Loans pursuant to Section 5.14 in an aggregate principal amount at any one time outstanding not to exceed U.S. \$3,000,000.

"Canadian Swing Line Lender": The Bank of Nova Scotia, in its capacity as

the lender of Canadian Swing Line Loans.

"Canadian Swing Line Loans": as defined in Section 5.14.

"Canadian Swing Line Participation Amount": as defined in Section 5.15.

"Canadian Term Loan": as defined in Section 3.1.

"Canadian Term Loan Commitment": as to any Canadian Lender at any time, its

obligation to make Canadian Term Loans to the Canadian Borrower in an aggregate amount not to exceed the amount set forth opposite such Canadian Lender's name under the heading "Canadian Term Loan Commitment" on Schedule I to the Lender Addendum delivered by such Lender, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender become a party hereto, as such amount may be reduced from time to time as provided herein. The original aggregate principal amount of the Canadian Term Loan Commitments on the Original Closing Date was U.S. \$15,000,000.

"Canadian Term Loan Commitment Percentage": as to any Canadian Lender at

any time, (a) prior to the Original Closing Date, the percentage which such Canadian Lender's Canadian Term Loan Commitment then constitutes of the aggregate Canadian Term Loan Commitments and (b) after the Original Closing Date, the percentage which (i) the Aggregate Canadian Term Loan Outstandings of such Canadian Lender at such time constitutes of (ii) the Aggregate Canadian Term Loan Outstandings of all Canadian Lenders at such time.

"Canadian Term Loan Lender": each Lender that has a Canadian Term Loan

Commitment or holds Canadian Term Loans.

"CapEx Carryforward Amount": as defined in Section 11.7.

"Capital Expenditures": for any period, with respect to any Person, the

aggregate of all expenditures by such Person for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized under GAAP on a balance sheet of such Person.

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"Capital Lease Obligations": with respect to any Person, the obligations

of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other

equivalents (however designated) of capital stock of a corporation, any and all

equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Capital Stock Sale": any issuance and sale by Holdings after the Original

Closing Date of shares of its Capital Stock other than in connection with (i) the exercise of options or warrants outstanding on the date hereof, (ii) employee benefit arrangements, including the exercise of employee stock options and the grant of restricted stock awards, (iii) Permitted Acquisitions, (iv) the exchange of Exchangeable Shares, (v) the conversion of convertible shares of Capital Stock, or (vi) the Transactions.

"Cash Equivalents": (a) (i) with respect to the Holdings or any Domestic

Subsidiary, marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States or (ii) with respect to any Foreign Subsidiary, marketable direct obligations issued by, or unconditionally guaranteed by, the government of the jurisdiction of organization of such Foreign Subsidiary or issued by any agency thereof and backed by the full faith and credit of such government, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, bankers' acceptances, time deposits, eurodollar time deposits or overnight bank deposits having maturities of one year or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of not less than \$500,000,000 (or, in the case of any certificate of deposit, bankers' acceptances, time deposits, eurodollar time deposits or overnight time deposits of any Foreign Subsidiary, issued by any commercial bank having capital and surplus of not less than \$500,000,000 (or the equivalent thereof)); (c) commercial paper of an issuer rated at least A-2 (or the equivalent thereof) by Standard & Poor's Ratings Services ("S&P") or P-2 (or

the equivalent thereof) by Moody's Investors Service, Inc. ("Moody's"), or

carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within one year from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the applicable requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities of the types described in clauses (a) and (b) of this definition; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States or any province or territory of Canada, by any political subdivision or

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taxing authority of any such state, commonwealth, province or territory or by any foreign government, the securities of which state, commonwealth, province, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A (or the equivalent thereof) by S&P or A (or the equivalent thereof) by Moody's or carry an equivalent rating by a nationally recognized rating agency if both of the two named rating agencies cease publishing ratings of such type generally; (f) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; and (g) shares of money market mutual or similar funds which invest substantially in assets satisfying the requirements of clauses (a) through (f) of this definition.

"CDOR Rate": the rate per annum determined by the Canadian Administrative

Agent by reference to the average rate quoted on the Reuters Monitor Screen, Page "CDOR" (or such other Page as may replace such Page on such screen for the purpose of displaying Canadian interbank bid rates for Canadian Dollar bankers' acceptances with a 30 day term as of 10:00 a.m. (Toronto time) one Business Day prior to the first day of such 30 day term. If for any reason the Reuters Monitor Screen rates are unavailable, CDOR Rate means the rate of interest determined by the Canadian Administrative Agent which is equal to the arithmetic mean of the rates quoted by such reference banks as may be specified from time to time by the Canadian Administrative Agent, after consultation with the Canadian Borrower, in respect of Canadian Dollar bankers' acceptances with a 30

day term as of 10:00 a.m. one Business Day prior to the first day of such 30 day term.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all Property of the Loan Parties, now owned or hereafter

acquired, upon which a Lien is purported to be created by any Security Document.

"Collateral Monitoring Agent": Lehman Commercial Paper Inc. together with

its affiliates, as collateral monitoring agent for the Lenders under this Agreement and the other Loan Documents, and any successor thereto appointed pursuant to Section 14.9.

"Commitment": with respect to any Lender, each of the Tranche A Term Loan

Commitment, the Additional Tranche A Term Loan Commitment, the Tranche B Term Loan Commitment, the Tranche C Term Loan Commitment, the U.S. Revolving Credit Commitment, the Canadian Revolving Credit Commitment and the Canadian Term Loan Commitment of such Lender.

"Commitment Fee Rate": the rate per annum determined from time to time

pursuant to the Pricing Grid.

"Commitment Percentage": any of the U.S. Revolving Credit Commitment

Percentage, the Tranche A Term Loan Percentage, the Tranche B Term Loan Percentage, the Tranche C Term Loan Percentage, the Canadian Term Loan Percentage or the Canadian Revolving Credit Percentage, as the case may be.

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"Commonly Controlled Entity": an entity, whether or not incorporated, that

is under common control with Holdings within the meaning of Section 4001 of ERISA or is part of a group that includes Holdings and that is treated as a single employer under Section 414 (b), (c), (m) or (o) of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible

Officer substantially in the form of Exhibit B-1.

"Confidential Information Package": the Confidential Information Package

dated July 14, 2000 (comprised of the Summary of Terms and Conditions dated July 13, 2000 and Management's Presentation/Amendment Proposal dated July 14, 2000) and furnished to the Lenders in connection with the amendment and restatement of the Existing Credit Agreement effected hereby.

"Consolidated Cash Interest Expense": of any Person for any period, the

Consolidated Interest Expense accrued during such period to the extent currently payable in cash (whether during such period or thereafter).

Notwithstanding the foregoing, if during any period for which Consolidated Cash Interest Expense is being determined with respect to a Person, such Person shall have consummated any Permitted Acquisition (subsequent to the Pensar Acquisition) or Disposition (other than the Transactions) then, for all purposes of this Agreement, Consolidated Cash Interest Expense shall be determined on a pro forma basis as if such Permitted Acquisition or Disposition (and any Indebtedness incurred by the Borrower or any of its Subsidiaries in connection with such Permitted Acquisition or repaid as a result of such Disposition) had been made or consummated (and such Indebtedness incurred or repaid) on the first day of such period.

"Consolidated Current Assets": at any date, all amounts (other than cash,

Cash Equivalents and deferred income taxes) that would, in conformity with GAAP, be set forth opposite the caption "total current assets" (or any like caption)

on a consolidated balance sheet of Holdings and its Subsidiaries at such date.

"Consolidated Current Liabilities": at any date, all amounts that would, in

conformity with GAAP, be set forth opposite the caption "total current liabilities" (or any like caption) on a consolidated balance sheet of Holdings and its Subsidiaries at such date, but excluding (a) the current portion of any Funded Debt of Holdings and its Subsidiaries (including accrued and unpaid interest), (b), without duplication, all Indebtedness hereunder (including accrued and unpaid interest), to the extent otherwise included therein and (c) deferred income taxes.

"Consolidated EBITDA": of any Person for any period, Consolidated Net

Income of such Person and its Subsidiaries for such period plus, without

duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense (including franchise taxes imposed in lieu of

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income taxes and withholding taxes resulting from the repatriation or deemed repatriation of income), (b) interest expense of such Person and its Subsidiaries associated with Indebtedness (including the Loans and the Letters of Credit) and Hedge Agreements, (c) amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans and the Letters of Credit) and Hedge Agreements, (d) depreciation and amortization expense, (e) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (f) any extraordinary, unusual or non-recurring expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business, and charges for the write-up of any step-up in basis of inventory required in a transaction which is accounted for under the purchase method of accounting), (g) any non-cash charges (and any related withholding taxes) incurred during such period as a result of the exercise or conversion of any stock options or the grant to any employee of any restricted stock award, (h) any one-time charges associated with the Transactions or acquisitions, (i) all amounts incurred during such period under the Management Agreement, (j) any amounts incurred pursuant to the last sentence of Section 1.12 of the Exchange Agreement or the analogous provision in any analogous agreement relating to the Exchangeable Shares, (k) any charges incurred during such period in respect of employee compensation to the extent an amount equal to such charges is applied to the purchase of Capital Stock of Holdings or Exchangeable Shares, (l) with respect to periods prior to the Original Closing Date, any charges for amounts other than salary paid to stockholders of the Canadian Borrower and (m) any other non-cash charges, and minus, to the extent

included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income (except to the extent deducted in determining the amount of interest expense described in clause (b) above), (b) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business) and (c) any other non-cash income, all as determined on a consolidated basis; provided that for purposes of calculating

Consolidated EBITDA of Holdings and its Subsidiaries (x) for any period, (i) the Consolidated EBITDA of any Person or assets acquired by Holdings or its Subsidiaries during such period shall be included on a pro forma basis for such period (assuming the consummation of such acquisition and the incurrence, assumption or repayment of any Indebtedness in connection therewith occurred on the first day of such period and adjusted for factually supportable and identifiable pro forma cost savings for such period that are determined in accordance with GAAP and concurred with by Holdings' independent accountants and that are directly attributable to such acquisition) if Holdings shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth calculations required to support such pro forma adjustments and (ii) the

Consolidated EBITDA of any Person Disposed of by Holdings or its Subsidiaries during such period shall be excluded for such period (assuming the consummation of such Disposition and the repayment of any Indebtedness in connection

therewith occurred on the first day of such period), and (y) for any period that includes the Original Closing Date, the Consolidated EBITDA of Holdings and its Subsidiaries shall be calculated on a pro forma basis assuming the consummation of the Transactions

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and the incurrence, assumption or repayment of any Indebtedness in connection therewith occurred on the first day of such period and making appropriate adjustments for factually supportable and identifiable pro forma cost savings for such period that are determined in accordance with GAAP and concurred with by Holdings' independent accountants and that are directly attributable to the Transactions.

"Consolidated First Priority Debt": all Indebtedness of Holdings and the

Borrowers under this Agreement and the other Loan Documents other than Indebtedness in respect of the Tranche C Term Loans.

"Consolidated First Priority Debt Ratio": as of the last day of any period

of four consecutive fiscal quarters, the ratio of (a) Consolidated First Priority Debt on such day to (b) Consolidated EBITDA of Holdings and its Subsidiaries for such period.

"Consolidated Interest Coverage Ratio": for any period, the ratio of (a)

Consolidated EBITDA of Holdings and its Subsidiaries for such period to (b) Consolidated Cash Interest Expense of Holdings and its Subsidiaries for such period.

"Consolidated Interest Expense": of any Person for any period, total

interest expense (including that attributable to Capital Lease Obligations) of such Person and its Subsidiaries for such period with respect to all outstanding Indebtedness of such Person and its Subsidiaries (including, without limitation, all commissions, discounts and other fees and charges owed by such Person with respect to letters of credit and bankers' acceptance financing and net costs of such Person under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP, but excluding any prepayment premiums or other prepayment charges to the extent allocable to such period in accordance with GAAP); provided, that Consolidated

Interest Expense shall not include pay- in-kind interest on the 2000 Subordinated Notes or any cash interest paid on the 2000 Subordinated Notes as permitted by Section 7.5(a).

"Consolidated Leverage Ratio": as at the last day of any period of four

consecutive fiscal quarters of Holdings, the ratio of (a) Consolidated Total Debt on such day to (b) Consolidated EBITDA of Holdings and its Subsidiaries for such period.

"Consolidated Net Income": of any Person for any period, the consolidated

net income (or loss) of such Person and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; provided, that in

calculating Consolidated Net Income of Holdings and its consolidated Subsidiaries for any period, there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of Holdings) in which Holdings or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by Holdings or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of Holdings to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any

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Contractual Obligation (other than under any Loan Document) or Requirement of

Law applicable to such Subsidiary.

"Consolidated Total Debt": at any date, the aggregate principal amount of

all Funded Debt of Holdings and its Subsidiaries at such date, determined on a
consolidated basis in accordance with GAAP; provided, that Consolidated Total

Debt shall not include the Indebtedness under the 2000 Subordinated Notes.

"Consolidated Working Capital": at any date, the difference of (a)

Consolidated Current Assets on such date less (b) Consolidated Current
Liabilities on such date.

"Continuing Directors": the directors of Holdings on the Restatement

Effective Date, after giving effect to the IPO, the Pensar Acquisition and the
other transactions contemplated hereby, and each other director of Holdings, if,
in each case, such other director's nomination for election to the board of
directors of Holdings is recommended by at least 66-2/3% of the then Continuing
Directors or such other director receives 66 b% of the votes of the Permitted
Investors in his or her election by the shareholders of Holdings.

"Contractual Obligation": as to any Person, any provision of any security

issued by such Person or of any agreement, instrument or other undertaking to
which such Person is a party or by which it or any of its Property is bound.

"Control Investment Affiliate": as to any Person, any other Person that (a)

directly or indirectly, is in control of, is controlled by, or is under common
control with, such Person and (b) is organized by such Person primarily for the
purpose of making equity or debt investments in one or more companies. For
purposes of this definition, "control" of a Person means the power, directly or
indirectly, to direct or cause the direction of the management and policies of
such Person, whether by contract or otherwise.

"Default": any of the events specified in Section 13, whether or not any

requirement for the giving of notice, the lapse of time, or both, has been
satisfied.

"Derivatives Counterparty": as defined in Section 11.6.

"Disposition": with respect to any Property, any sale, lease, sale and

leaseback, assignment, conveyance, transfer or other disposition thereof
(excluding the sale by Holdings of its own Capital Stock); and the terms
"Dispose" and "Disposed of" shall have correlative meanings.

"Domestic Subsidiary": any Subsidiary of Holdings organized under the laws

of any jurisdiction within the United States of America.

"Draft": a draft substantially in the form of Exhibit H or in such other

form as the Canadian Administrative Agent may from time to time reasonably
request (or to the

extent the context shall require, an Acceptance Note, delivered in lieu of a
draft), as the same may be amended, supplemented or otherwise modified from time
to time.

"ECF Percentage": with respect to any fiscal year of Holdings, 50%;

provided, that, with respect to any fiscal year of Holdings ending on a date on

which the Consolidated Leverage Ratio is 3.50 to 1.0 or higher, the ECF
Percentage shall be 75%.

"Eligible Accounts": as to any Borrower, at a particular date, all Accounts

of such Borrower arising in the ordinary course of business, net of reserves required by GAAP, other than:

(a) Accounts which are outstanding more than 90 days past the due date;

(b) Accounts as to which the account debtor thereunder has not been sent an invoice within 60 days after shipping;

(c) Accounts which are owed by an obligor which is an Affiliate (other than a Control Investment Affiliate of a Sponsor or a subsidiary of such a Control Investment Affiliate) or employee of such Borrower;

(d) Accounts which are pre-petition liabilities owed by an obligor which has taken any of the actions or suffered any of the events of the kind described in Section 13(f) (other than accounts owed by Zenith Electronics Corporation or any of its subsidiaries);

(e) Accounts which are owed by account debtors located outside the United States of America other than Canada (but excluding Newfoundland, Northwest Territories and Nunavut) and any other Approved Jurisdiction, other than such Accounts in respect of sales which are secured by standby letters of credit or other instruments (in form and substance satisfactory to the Collateral Monitoring Agent) issued or confirmed by, and payable at, banks satisfactory to the Collateral Monitoring Agent having a place of business in the United States of America or Canada and payable in U.S. Dollars or Canadian Dollars, which letters of credit are assigned or issued for the benefit of and delivered to the Collateral Monitoring Agent; provided that the Accounts in respect of such sales otherwise comply with

all of the other criteria set forth in this definition of Eligible Accounts and represent sales not in excess of U.S. \$5,000,000 in the aggregate at any one time outstanding;

(f) Accounts (i) upon which such Borrower's right to receive payment is not absolute or is contingent upon the fulfillment of any condition whatsoever or (ii) as to which such Borrower is not able at the time Borrower intends to seek judicial recourse with respect to such Account to bring suit or otherwise enforce its remedies against the account debtor through judicial process or (iii) if the Account represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the account debtor's obligation to pay that invoice is subject to such Borrower's completion of further

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performance under such contract or is subject to the equitable lien of a surety bond issuer;

(g) any Account to the extent that any defense, counterclaim, setoff or dispute is asserted as to such Account;

(h) any Account that is not a true and correct statement of bona fide indebtedness incurred in the amount of the Account for merchandise sold to or services rendered and accepted by the applicable account debtor;

(i) any Account to the extent such Borrower or any Subsidiary thereof is liable for goods sold or services rendered by the applicable account debtor to such Borrower or any Subsidiary thereof but only to the extent of the potential offset;

(j) any Account that arises with respect to goods which are delivered on a bill-and-hold, cash-on-delivery basis or placed on consignment, guaranteed sale or other terms by reason of which the payment by the account debtor is or may be conditional;

(k) any Account as to which any of the representations or warranties pertaining to Accounts set forth in this Agreement or the Security Documents is untrue in any material respect;

(l) any Account which is payable in a currency other than U.S. Dollars or Canadian Dollars;

(m) Accounts which are owed by a Governmental Authority or an Affiliate thereof (unless, with respect to Accounts arising from sales to (i) the United States of America or to any agency, department or division thereof, such Borrower or the relevant Subsidiary thereof has complied with the Federal Assignment of Claims Act with respect thereto) or (ii) Canada or any agency, department or division thereof, such Borrower or the relevant Subsidiary thereof has complied with the Financial Administration Act (Canada); provided, that Accounts in an aggregate amount of up to

US\$1,000,000 owed by Governmental Authorities (and in respect of which the relevant Borrower has not complied with the Assignment of Claims Act or the Financial Administration Act) shall be eligible for inclusion as Eligible Accounts; or

(n) Accounts (i) which are not bona fide, valid and legally enforceable obligations of the parties thereto or the account debtor in respect thereof and which do not arise from the sale and delivery of Inventory or the rendition of services in the ordinary course of business to such parties or account debtors, (ii) as to which either such Borrower or (to the best of such Borrower's knowledge) any other party to such Account is in default in the performance or observance of any of the terms thereof in any material respect, (iii) which are not solely owned by such Borrower (subject to the Lien of an Administrative Agent therein), (iv) in

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which such Borrower (1) has not granted a valid and continuing first lien and first security interest in favor of an Administrative Agent pursuant to the Security Documents and (2) does not have good and marketable title, free and clear of any and all Liens (except inchoate or similar Liens, and Liens created under the Security Documents) or rights of others enforceable as such against all other Persons, (v) as to which all action necessary under applicable law to protect and perfect such lien and security interest has not been duly taken, (vi) as to which any amounts payable under or in connection therewith are evidenced by promissory notes or other instruments except (1) instruments which constitute a part of chattel paper and which have been individually marked to show the Lien granted pursuant to the Security Documents and (2) instruments which have been delivered to an Administrative Agent or the Collateral Monitoring Agent on behalf of an Administrative Agent and (vii) as to which any security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part thereof is on file or of record in any public office, except such as may have been filed in favor of an Administrative Agent pursuant to the Security Documents.

"Eligible Inventory": as to any Borrower, at a particular date, all

Inventory of such Borrower and its Subsidiaries, net of reserves required by GAAP; provided, that the following shall not constitute Eligible Inventory:

(a) Inventory (A) which is not solely owned by such Borrower or a Subsidiary thereof; or (B) which is not located on property owned or leased by such Borrower or a Subsidiary thereof or in a contract warehouse or located at an outside contractor, except for such Inventory that is listed on Schedule 1.1;

(b) (x) Inventory (other than Mexican Inventory) as to which such Borrower or a Subsidiary thereof has not granted a valid and continuing first Lien in favor of an Administrative Agent pursuant to the Security Documents or (y) Inventory as to which such Borrower or a Subsidiary thereof does not have good and marketable title, free and clear of any and all Liens (other than inchoate warehouseman's or similar Liens and Liens created pursuant to the Security Documents but including the rights of a purchaser that has made progress payments and the rights of a surety that has issued a bond to assure such Borrower's performance with respect to that Inventory);

(c) Inventory as to which any security agreement, financing statement, equivalent security or lien instrument or continuation statement covering

all or any part thereof is on file or of record in any public office, except such as may have been filed in favor of an Administrative Agent pursuant to the Security Documents;

(d) Inventory (other than Mexican Inventory) which constitutes any supplies consisting of display items, goods present outside of the United States of America, Canada or Ireland, goods returned or rejected by the customers of such

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Borrower or the relevant Subsidiary (other than goods that are undamaged and resalable in the ordinary course of business), goods to be returned to the suppliers of such Borrower or the relevant Subsidiary or goods in transit to third parties (other than the agents or warehouses of such Borrower and its Subsidiaries); provided, that up to U.S.\$500,000 of

Inventory in transit (other than Mexican Inventory) which satisfies the other requirements of this definition may be included in Eligible Inventory;

(e) Inventory which is placed on consignment;

(f) Inventory which is covered by a negotiable document of title, unless such document has been delivered to an Administrative Agent or the Collateral Monitoring Agent on behalf of an Administrative Agent with all necessary endorsements, free and clear of all Liens except those in favor of an Administrative Agent pursuant to the Security Documents;

(g) Inventory which is not of a type held for sale in the ordinary course of such Borrower's business;

(h) Inventory (other than Mexican Inventory) as to which the Lien created by the Security Documents therein is not a first priority perfected Lien; provided, that up to U.S.\$2,500,000 of other Inventory (other than

Mexican Inventory) which satisfies all requirements of this definition other than requirements relating to the existence of a first priority security interest therein in favor of an Administrative Agent pursuant to the Security Documents may be included in Eligible Inventory;

(i) Inventory as to which any of the representations or warranties pertaining to Inventory (other than representations and warranties relating to the security interest of an Administrative Agent therein, to the extent such exception is permitted by the foregoing clause (h)) set forth in this Agreement or the Security Documents is untrue in any material respect; or

(j) Inventory which is not covered by the casualty insurance required by Section 10.6.

"Environmental Laws": any and all applicable laws, rules, orders,

regulations, statutes, ordinances, codes, decrees, or other legally enforceable requirements (including, without limitation, common law) of any international authority, foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, or employee health and safety, as is now, or may at any time hereafter be, in effect.

"Environmental Permits": any and all permits, licenses, approvals,

registrations, notifications, exemptions and other authorizations required under any Environmental Law.

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"ERISA": the Employee Retirement Income Security Act of 1974, as

amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a

Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": with respect to each day during each Interest

Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Base Rate" for

purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the General Administrative Agent (with respect to Loans to the U.S. Borrower) or the Canadian Administrative Agent (with respect to Loans to the Canadian Borrower).

"Eurodollar Loans": Loans for which the applicable rate of interest is

based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest

Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

Eurodollar Base Rate 1.00 - Eurocurrency

Reserve Requirements

"Eurodollar Tranche ": the collective reference to Eurodollar Loans

under the same Facility the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in Section 13;

provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Excess Cash Flow": with respect to any Person, for any fiscal year of

Holdings, the difference, if any, of (a) the sum, without duplication, of (i) such Person's Consolidated Net Income for such fiscal year, (ii) the amount of all non-cash charges

(including depreciation and amortization) deducted in arriving at such Consolidated Net Income, (iii) the amount of the decrease, if any, in such Person's Consolidated Working Capital for such fiscal year, (iv) the aggregate net amount of non-cash loss on the Disposition of Property by such Person and its Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent deducted in arriving at such Consolidated Net Income, (v) the net increase during such fiscal year (if any) in deferred tax accounts of such Person and its Subsidiaries, (vi) the amount by which such Person's Consolidated Working Capital was increased as a result of the payment in such fiscal year of items referred to in clause (b)(xv) below and (vii) any unused CapEx Carryforward Amount from the prior fiscal year, minus (b) the sum, without duplication, of (i) the amount of all non-cash credits included in arriving at such Consolidated Net Income, (ii) the aggregate amount actually paid by such Person and its Subsidiaries in cash during such fiscal year on account

of Capital Expenditures (excluding the principal amount of Indebtedness incurred in connection with such expenditures and any such expenditures financed with the proceeds of any portion of any Reinvestment Deferred Amount that exceeded any gain included in the determination of such Person's Consolidated Net Income recognized as a result of the event that gave rise to such Reinvestment Deferred Amount), (iii) the CapEx Carryforward Amount for such fiscal year, (iv) the aggregate amount of all prepayments of Revolving Credit Loans and Swing Line Loans and Canadian Swing Line Loans by or on behalf of such Person during such fiscal year to the extent accompanying permanent optional reductions of the Revolving Credit Commitments, (v) the aggregate amount of all optional prepayments of the Term Loans and other Funded Debt during such fiscal year, (vi) the aggregate amount of all regularly scheduled principal payments of the Term Loans and other Funded Debt of such Person and its Subsidiaries made during such fiscal year (other than in respect of any revolving credit facility to the extent there is not an equivalent permanent reduction in commitments thereunder), (vii) the amount of the increase, if any, in such Person's Consolidated Working Capital for such fiscal year, (viii) the aggregate net amount of non-cash gain on the Disposition of Property by such Person and its Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent included in arriving at such Consolidated Net Income, and (ix) the net decrease during such fiscal year (if any) in deferred tax accounts of such Person and its Subsidiaries, (x) any cash payments made during such period in permanent satisfaction of non-current liabilities of such Person and its Subsidiaries (except any such liabilities that constitute Funded Debt other than Capital Lease Obligations), (xi) any cash payments made by such Person or its Subsidiaries during such fiscal year in respect of restructuring charges to the extent not deducted in determining such Consolidated Net Income, (xii) any Restricted Payments permitted under Section 11.6 and made by such Person in cash during such fiscal year, (xiii) any cash payments made during such fiscal year pursuant to Investments made by such Person and its Subsidiaries permitted under Section 11.8(d), (f) and (m) and which results in a net increase during such fiscal year in the outstanding or unreturned cash balance of such Investments, (xiv) any gain recognized as a result of any Asset Sale or Recovery Event to the extent such gain was included in determining such Consolidated Net Income and (xv) the amount of non cash charges that decreased such Person's Consolidated Working Capital during such fiscal year which resulted from

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items that Holdings reasonably determines in good faith are expected to be paid in cash in the immediately following fiscal year.

"Excess Cash Flow Application Date": as defined in Section 7.5(d).

"Exchange Agreement": the Exchange Agreement, dated as of July 30, 1999,

among Holdings, the Canadian Borrower, SMTC Nova Scotia and the stockholders listed therein.

"Exchangeable Shares": any Capital Stock issued by the Canadian Borrower

that in any event is required to be exchanged for Capital Stock issued by Holdings or which is automatically callable if all of the Indebtedness hereunder becomes due and payable (whether by acceleration or otherwise) and is not paid in full at such time.

"Exchange Rate": on any date, the Bank of Canada noon spot rate on such

date. In the event that such rate is not made available, the "Exchange Rate" shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Canadian Administrative Agent and the U.S. Borrower or, in the absence of such agreement, the "Exchange Rate" shall instead be the Canadian Administrative Agent's spot rate of exchange in the interbank market where its foreign currency exchange operations in respect of Canadian Dollars are then being conducted, at or about 10:00 A.M., local time, on such date for the purchase of U.S. Dollars with Canadian Dollars, for delivery two Business Days later; provided, that if at the time of any such determination, no such spot rate can reasonably be quoted, the Canadian Administrative Agent may use any reasonable method as it deems applicable to

determine such rate, and such determination shall be conclusive absent manifest error.

"Excluded Foreign Subsidiaries": any Foreign Subsidiary in respect of which

either (i) the pledge of all of the Capital Stock of such Subsidiary as Collateral or (ii) the guaranteeing by such Subsidiary of the obligations of the U.S. Borrower hereunder, would, in the good faith judgment of Holdings, result in adverse tax consequences to Holdings or any Affiliate thereof.

"Existing Credit Agreement": as defined in the recitals to this Agreement.

"Extension of Credit": as to any Lender, the making of a Loan by such

Lender, the acceptance of a Draft or an Acceptance Note by such Lender or the issuance of any Letter of Credit. For purposes of Section 9.2, it is expressly understood and agreed that the following do not constitute Extensions of Credit for purposes of this Agreement: (a) the conversions and continuations of U.S. Facility Loans as or to Eurodollar Loans or Base Rate Loans pursuant to Section 7.2, (b) the substitution of maturing Acceptances with new Acceptances, (c) the making of Canadian Revolving Credit Loans on any date to the extent the proceeds thereof are applied to repay Acceptances and Acceptance Notes maturing on such date, (d) the creation of Acceptances or Acceptance Notes on any date in an aggregate undiscounted face amount not exceeding the aggregate principal amount of Canadian Revolving Credit Loans repaid on such date, (e) the conversions and

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continuation of Canadian Facility Loans as or to Eurodollar Loans pursuant to Section 7.2.

"Facility": each of (a) the Tranche A Term Loan Commitments (including the

Additional Tranche A Term Loan Commitments) and the Tranche A Term Loans made thereunder (the "Tranche A Term Loan Facility"), (b) the Tranche B Term Loan

Commitments and the Tranche B Term Loans made thereunder (the "Tranche B Term

Loan Facility"), (c) the Tranche C Term Loan Commitments and the Tranche C Term

Loans made thereunder (the "Tranche C Term Loan Facility"), (d) the U.S.

Revolving Credit Commitments and the extensions of credit made thereunder (the "Revolving Credit Facility"), (e) the Canadian Term Loan Commitments and the

Canadian Term Loans made thereunder (the "Canadian Term Loan Facility") and (f)

the Canadian Revolving Credit Commitments and the Canadian Revolving Credit Loans made thereunder and the Acceptance and Acceptance Notes created thereunder (the "Canadian Revolving Credit Facility").

"Federal Funds Effective Rate": for any day, the weighted average of the

rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Reference Lender from three federal funds brokers of recognized standing selected by it.

"Foreign Subsidiary": any Subsidiary of Holdings that is not a Domestic

Subsidiary.

"FQ1", "FQ2", "FQ3", and "FQ4": when used with a numerical year

designates, means the first, second, third or fourth fiscal quarters, respectively, of such fiscal year of Holdings. (e.g., FQ1 2000 means the first fiscal quarter of Holdings 2000 fiscal year, which fiscal quarter ended April 2, 2000).

"Funded Debt": with respect to any Person, all Indebtedness of such Person

of the types described in clauses (a) through (e) of the definition of
"Indebtedness" in this Section.

"GAAP": generally accepted accounting principles in the United States of

America as in effect from time to time, except that for purposes of Section
11.1, GAAP shall be determined on the basis of such principles in effect on the
date hereof and consistent with those used in the preparation of the most recent
audited financial statements referred to in Section 8.1, except that
calculations made for purposes of determining compliance with Section 11.1 and
for purposes of determining the Applicable Margin shall be made without giving
effect to depreciation, amortization or other expenses to the extent recorded as
a result of the application of purchase accounting in accordance with Accounting
Principles Board Opinion Nos. 16 and 17.

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"General Administrative Agent": Lehman Commercial Paper Inc., together with

its affiliates, as general administrative agent for the Lenders under this
Agreement and the other Loan Documents, and any successor thereto appointed
pursuant to Section 14.9.

"Governmental Authority": any nation or government, any state or other

political subdivision thereof and any entity exercising executive, legislative,
judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee and Collateral Agreement": the Amended and Restated Guarantee

and Collateral Agreement to be executed and delivered on the Restatement
Effective Date by Holdings, the U.S. Borrower and each Subsidiary Guarantor,
substantially in the form of Exhibit A, as the same may be amended, supplemented
or otherwise modified from time to time.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any

obligation of (a) the guaranteeing person or (b) another Person (including,
without limitation, any bank under any letter of credit) to induce the creation
of which the guaranteeing person has issued a reimbursement, counterindemnity or
similar obligation, in either case guaranteeing or in effect guaranteeing any
Indebtedness, leases, dividends or other obligations (the "primary obligations")

of any other third Person (the "primary obligor") in any manner, whether

directly or indirectly, including, without limitation, any obligation of the
guaranteeing person, whether or not contingent, (i) to purchase any such primary
obligation or any Property constituting direct or indirect security therefor,
(ii) to advance or supply funds (1) for the purchase or payment of any such
primary obligation or (2) to maintain working capital or equity capital of the
primary obligor or otherwise to maintain the net worth or solvency of the
primary obligor, (iii) to purchase Property, securities or services primarily
for the purpose of assuring the owner of any such primary obligation of the
ability of the primary obligor to make payment of such primary obligation or
(iv) otherwise to assure or hold harmless the owner of any such primary
obligation against loss in respect thereof; provided, however, that the term

Guarantee Obligation shall not include endorsements of instruments for deposit
or collection or standard contractual indemnities entered into, in each case, in
the ordinary course of business. The amount of any Guarantee Obligation of any
guaranteeing person shall be deemed to be the lower of (a) an amount equal to
the stated or determinable amount of the primary obligation in respect of which
such Guarantee Obligation is made and (b) the maximum amount for which such
guaranteeing person may be liable pursuant to the terms of the instrument
embodying such Guarantee Obligation, unless such primary obligation and the
maximum amount for which such guaranteeing person may be liable are not stated
or determinable, in which case the amount of such Guarantee Obligation shall be
such guaranteeing person's maximum reasonably anticipated liability in respect
thereof as determined by Holdings in good faith.

"Guarantors": the collective reference to Holdings and the Subsidiary

Guarantors.

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"Hedge Agreements": all interest rate or currency swaps, caps or collar

agreements or similar arrangements or foreign exchange contracts entered into by Holdings or any of its Subsidiaries providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Indebtedness": of any Person at any date, without duplication, (a) all

indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables and accrued expenses incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party under acceptance, letter of credit or similar facilities, (g) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (f) above; (h) all obligations of the kind referred to in clauses (a) through (g) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, (i) for the purposes of Section 13(e) only, all obligations of such Person in respect of Hedge Agreements. The amount of any Indebtedness under (x) clause (h) shall be equal to the lesser of (A) the stated amount of the relevant obligations and (B) the fair market value of the Property subject to the relevant Lien and (y) clause (i) shall be the net amount, including any net termination payments, required to be paid to a counterparty rather than the notional amount of the applicable Hedge Agreement.

"Indemnified Liabilities": as defined in Section 15.5.

"Indemnitee": as defined in Section 15.5.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

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"Interest Payment Date": (a) as to any U.S. Base Rate Loan, Canadian Base

Rate Loan or Canadian Prime Rate Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or shorter, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Term Loan, the date of any repayment or prepayment made in respect thereof.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period

commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six or (if available to all Lenders under the relevant Facility) nine or twelve months thereafter, as selected by the relevant Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six or (if available to all Lenders under the relevant Facility) nine or twelve months thereafter, as selected by the relevant Borrower by irrevocable notice to the General Administrative Agent (or the Canadian Administrative Agent, in the case of Canadian Facility Loans) not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all

of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding 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 immediately preceding Business Day;

(ii) any Interest Period in respect of Loans under any Facility that would otherwise extend beyond the date final payment is due on such Loans shall end on such due date;

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

(iv) Interest Periods of one week's duration may be selected prior to the Syndication Date.

"Inventory": as to any Person, any "inventory" (as such term is defined in

Section 9-109(4) of the Uniform Commercial Code as in effect on the date hereof in the State of New York) now or hereafter owned by such Person.

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"Investments": as defined in Section 11.8.

"IPO": the collective reference to (i) the initial public offering of

common stock of Holdings to be consummated on or before August 10, 2000 and (ii) the initial public offering of Exchangeable Shares to be consummated on or before August 10, 2000, which offerings together are to yield gross cash proceeds of at least U.S. \$125,000,000. Any shares of common stock of Holdings and any Exchangeable Shares issued pursuant to the over allotment option, if exercised by the underwriters in connection with the IPO, shall be deemed to have been sold as a part of the IPO.

"Issuing Lender": any U.S. Issuing Lender or Canadian Issuing Lender.

"L/C Fee Payment Date": the last day of each March, June, September and

December and the last day of the U.S. Revolving Credit Commitment Period or the Canadian Revolving Credit Commitment Period, as the case may be.

"L/C Participants": the collective reference to the U.S. L/C Participants

and the Canadian L/C Participants.

"Lehman Entity": any of Lehman Commercial Paper Inc. or any of its

affiliates (including Syndicated Loan Funding Trust).

"Lender Addendum": with respect to (a) any initial Lender that became a

party to the Existing Credit Agreement on the Original Closing Date, (b) each
Lender that becomes a party hereto on the Restatement Effective Date and (c)
each Lender that consents to the amendment and restatement of the Existing
Credit Agreement on the Restatement Effective Date pursuant to this Agreement, a
Lender Addendum, substantially in the form of Exhibit M, executed and delivered
by such Lender on the Original Closing Date or the Restatement Effective Date,
as the case may be, as provided in Section 15.17.

"Lenders": as defined in the preamble hereto.

"Letters of Credit": as defined in Section 6.1.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit

arrangement, encumbrance, lien (statutory or other), charge or other security
interest or any preference, priority or other security agreement or preferential
arrangement of any kind or nature whatsoever, in each case, for the purpose of
securing any obligation of any Person (including, without limitation, any
conditional sale or other title retention agreement and any capital lease having
substantially the same economic effect as any of the foregoing).

"Loan": any loan made by any Lender pursuant to this Agreement.

"Loan Documents": this Agreement, the Security Documents, the Applications,

the Notes, the Acceptances and the Acceptance Notes.

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"Loan Parties": Holdings, each Borrower and each Subsidiary of Holdings

that is a party to a Loan Document.

"Majority Facility Lenders": with respect to any Facility, the holders of

more than 50% of the aggregate unpaid principal and/or face amount of the
Extensions of Credit under such Facility (or, in the case of the U.S. Revolving
Credit Facility or the Canadian Revolving Credit Facility, prior to the
termination of the U.S. Revolving Credit Commitments or the Canadian Revolving
Credit Commitments, respectively, the holders of more than 50% of the total U.S.
Revolving Credit Commitments or the total Canadian Revolving Credit Commitments,
respectively).

"Management Agreement": the Management Agreement between Holdings, Bain

Capital Partners VI, L.P., Celerity Management Co., Inc. and Kilmer Electronics
Group Limited, dated as of July 30, 1999.

"Material Adverse Effect": a material adverse effect on (a) the

Transactions, (b) the business, assets, property or financial condition of
Holdings and its Subsidiaries taken as a whole or (c) the validity or
enforceability of this Agreement or any of the other Loan Documents or the
material rights or remedies, taken as a whole, of the Agents or the Lenders
hereunder or thereunder.

"Materials of Environmental Concern": any gasoline or petroleum (including

crude oil or any fraction thereof) or petroleum products, polychlorinated
biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants,
radioactivity, and any other substances or forces of any kind, whether or not
any such substance or force is defined as hazardous or toxic under any
Environmental Law, that is regulated pursuant to or could give rise to liability
under any Environmental Law.

"Material Subsidiary": any Subsidiary with assets as of or revenues for the

most recently concluded period of four fiscal quarters of, greater than \$1,000,000.

"Mexican Inventory": Inventory of the U.S. Borrower which satisfies all

requirements of the definition of Eligible Inventory in this Section 1.1 except the requirements set forth in subsections (b), (d) and (h) of such definition.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in

Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Asset Sale or any Recovery

Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received and excluding the portion of such deferred payment constituting interest) of such Asset Sale or Recovery Event, net of attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of

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Indebtedness secured by a Lien expressly permitted hereunder on any asset which is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document) and other customary costs, fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and net of amounts deposited in escrow in connection therewith or reasonably expected to be paid as a result of any purchase price adjustment, indemnities or reserves related thereto (such amounts shall be Net Cash Proceeds to the extent and at the time released or not required to be so used) and, (b) in connection with any issuance or sale of equity securities or debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"Non-Excluded Taxes": as defined in Section 7.13(a).

"Non-U.S. Lender": as defined in Section 7.13(d). "Note": any promissory

note evidencing any Loan.

"OECD": Organization for Economic Cooperation and Development. "Original

Closing Date": July 30, 1999. "Original Credit Agreement": as defined in the Recitals to this Agreement.

"Original Guarantee and Collateral Agreement": the Guarantee and Collateral

Agreement referred to in the Original Credit Agreement.

"Other Taxes": any and all present or future stamp or documentary taxes or

any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant": as defined in Section 6.6(b).

"Payment Amount": as defined in Section 6.5.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to

Subtitle A of Title IV of ERISA (or any successor).

"Pensar": as defined in the recitals to this Agreement.

"Pensar Acquisition": as defined in the recitals to this Agreement.

"Pensar Acquisition Agreement": the Stock Purchase Agreement, dated as of

May 23, 2000, between Holdings and the shareholders of Pensar.

"Pensar Acquisition Documentation": collectively, the Pensar Acquisition

Agreement and all schedules, exhibits, annexes and amendments thereto and all
side letters and agreements affecting the terms thereof or entered into in
connection therewith, in each case, as amended, supplemented or otherwise
modified from time to time.

"Permitted Acquisition": (i) the Pensar Acquisition and (ii) any

acquisition by Holdings or any of its Subsidiaries of all or substantially all
of the Capital Stock, or substantially all of the assets, of any Person, or of
all or substantially all of the assets constituting a division or business line
of any Person, if such acquisition complies with the following criteria:

(a) No Default or Event of Default shall be in effect after giving
effect to such acquisition, and Holdings shall have delivered to the
General Administrative Agent a certificate of a Responsible Officer to such
effect.

(b) After giving effect to the consummation of such acquisition and to
the incurrence of any Indebtedness associated therewith, (i) the
Consolidated Leverage Ratio (determined in the manner described in Section
11.1) shall be not greater than .25 less than the highest Consolidated
Leverage Ratio permitted at such time by Section 11.1(a) (e.g., if Section
11.1(a) permits a Consolidated Leverage Ratio of 4.00 to 1.00 at the time
of such acquisition, this paragraph (b) requires that the Consolidated
Leverage Ratio shall be not greater than 3.75 to 1.0), and (ii) the
Consolidated First Priority Debt Ratio (determined in the manner described
in Section 11.1) shall be not greater than .25 less than the highest
Consolidated First Priority Debt permitted at such time by Section 11.1(b)
(e.g., if Section 11.1(b) permits a Consolidated First Priority Debt Ratio
of 3.50 to 1.00 at the time of such acquisition, this paragraph (b)
requires that the Consolidated First Priority Debt Ratio shall be not
greater than 3.25 to 1.0).

(c) The Person, division or line of business acquired in such
acquisition (the "Target") shall be in the same or a similar line of

business as Holdings and its Subsidiaries, or in a line of business related
thereto.

(d) Prior to the consummation of such acquisition (i) the Lenders
shall have received (x) financial projections in respect of the Target for
the one-year period following the consummation of such acquisition and (y)
such financial information as they shall reasonably request to demonstrate
pro forma compliance with the financial criteria set forth in paragraph (b)

above, (ii) the Lenders shall be reasonably satisfied with the
environmental affairs of the Person, division or line of business to be
acquired in such acquisition, (iii) the General Administrative Agent shall
have received final copies of the documentation to be executed in
connection with such acquisition, including all schedules and exhibits
thereto and (iv) the General Administrative Agent (for distribution to the
Lenders) shall have

received notice of the closing date for such acquisition; provided, that,

such notice shall be given at least five Business Days prior to such
closing date unless doing so would materially interfere with, or would
cause materially adverse economic consequences with respect to, the

consummation of such acquisition.

(e)(i) After giving effect to any such acquisition made by the Canadian Borrower or any of its Subsidiaries, the Available Canadian Revolving Credit Commitment shall be at least U.S.\$2,000,000 or (ii) after giving effect to any such acquisition made by the U.S. Borrower or any of its Subsidiaries, the sum of the Available U.S. Revolving Credit Commitment and the Available Canadian Revolving Credit Commitment shall be at least U.S.\$15,000,000.

(f)(i) The aggregate fair market value of the consideration payable by Holdings and its Subsidiaries in connection with any such acquisition shall not exceed U.S.\$35,000,000 and (ii) the aggregate fair market value of consideration payable by Holdings and its Subsidiaries in connection with all such acquisitions shall not exceed U.S.\$100,000,000 in any fiscal year.

(g) All of the consideration payable by Holdings and its Subsidiaries in connection with any such acquisition shall be either (i) common stock of Holdings and/or Exchangeable Shares, (ii) Specified Equity Proceeds received by Holdings and/or the Canadian Borrower not more than 90 days prior to the date of such acquisition, (iii) cash consideration (other than Specified Equity Proceeds), provided that not more than U.S.\$35,000,000 of

such cash consideration may be paid in any fiscal year pursuant to this clause (iii) or (iv) a combination of the forms of consideration described in the foregoing clauses (i), (ii) and (iii) of this paragraph (g).

"Permitted Investors": the collective reference to each Sponsor and its

Control Investment Affiliates and the SMT Investors.

"Permitted Seller Debt": unsecured Indebtedness of Holdings issued in

connection with a Permitted Acquisition to the seller party to such Permitted Acquisition, provided, that (a) such Indebtedness shall not be guaranteed by any Subsidiary of Holdings and (b) such Indebtedness shall have subordination and other terms and conditions reasonably acceptable to the General Administrative Agent.

"Person": an individual, partnership, corporation, limited liability

company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan that is covered by

ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

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"Powers of Attorney": as defined in Section 5.7(b).

"Prepayment Option Notice": as defined in Section 7.5(i).

"Pricing Grid": the pricing grid attached hereto as Annex A.

"Pro Forma Balance Sheet": as defined in Section 8.1(a).

"Projections": as defined in Section 10.2(c).

"Property": any right or interest in or to property of any kind whatsoever,

whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

"Recovery Event": any settlement of or payment in respect of any property

or casualty insurance claim or any condemnation proceeding relating to any asset of Holdings or any of its Subsidiaries with a value in excess of \$500,000.

"Reference Discount Rate": on any date with respect to each Draft requested

to be accepted by a Canadian Lender, (a) if such Canadian Lender is a Schedule I Canadian Lender, the arithmetic average of the discount rates (expressed as a percentage calculated on the basis of a year of 365 days and rounded upward to the nearest one-hundredth of 1%) quoted by the Toronto offices of each of the Schedule I Canadian Reference Lenders, at 10:00 A.M. (Toronto time) on the Borrowing Date as the discount rate at which each such Schedule I Canadian Reference Lender would, in the normal course of its business, purchase on such date its own Acceptances having an aggregate face amount and term to maturity as designated by the Canadian Borrower pursuant to Section 4.6 or Section 5.7, as the case may be, and (b) if such Canadian Lender is a Schedule II Canadian Lender, the arithmetic average of the discount rates (expressed as a percentage calculated on the basis of a year of 365 days and rounded upward to the nearest one-hundredth of 1%) quoted by the Toronto offices of each of the Schedule II Canadian Reference Lenders, at 10:00 A.M. (Toronto time) on the Borrowing Date as the discount rate at which each such Schedule II Canadian Reference Lender would, in the normal course of its business, purchase on such date its own Acceptances having an aggregate face amount and term to maturity as designated by the Canadian Borrower pursuant to Section 4.6 or Section 5.7, as the case may be. The Canadian Administrative Agent shall advise the Canadian Borrower and the relevant Canadian Lenders, either in writing or verbally, by 11:00 A.M. (Toronto time) on the Borrowing Date as to the applicable Reference Discount Rate and corresponding Acceptance Purchase Price in respect of Acceptances having the maturities selected by the Canadian Borrower for such Borrowing Date. Notwithstanding the foregoing, the Canadian Borrower, the Canadian Administrative Agent and the Canadian Lenders, may agree upon alternative methods of determining the Reference Discount Rate from time to time.

"Refunded Canadian Swing Line Loans": as defined in Section 5.15.

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"Refunded Swing Line Loans": as defined in Section 2.7.

"Refunding Date": as defined in Section 2.7.

"Register": as defined in Section 15.6(d).

"Regulation H": Regulation H of the Board as in effect from time to time.

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reimbursement Obligation": the obligations of the relevant Borrower

pursuant to Section 6.5 to reimburse the relevant Issuing Lender in respect of any Letter of Credit issuer for such Borrower's account.

"Reinvestment Deferred Amount": with respect to any Reinvestment Event, the

aggregate Net Cash Proceeds received by Holdings or any of its Subsidiaries in connection therewith that are not applied to prepay the Loans or reduce the Commitments pursuant to Section 7.5 as a result of the delivery of a Reinvestment Notice.

"Reinvestment Event": any Asset Sale or Recovery Event in respect of

which Holdings has delivered a Reinvestment Notice.

"Reinvestment Notice": a written notice executed by a Responsible Officer

stating that no Default or Event of Default has occurred and is continuing and that Holdings (directly or indirectly through a Subsidiary) intends and expects

to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to acquire assets (directly or through the purchase of the Capital Stock of any Person owning such assets) useful in the business of Holdings or any of its Subsidiaries.

"Reinvestment Prepayment Amount": with respect to any Reinvestment Event,

the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire assets (directly or through the purchase of the Capital Stock of any Person owning such assets) useful in the business of Holdings or any of its Subsidiaries.

"Reinvestment Prepayment Date": with respect to any Reinvestment Event, the

earlier of (a) the date occurring one year after such Reinvestment Event and (b) the date on which Holdings shall have determined not to, or shall have otherwise ceased to, acquire assets (directly or through the purchase of the Capital Stock of any Person owning such assets) useful in the business of Holdings or any of its Subsidiaries with all or any portion of the relevant Reinvestment Deferred Amount.

"Reorganization": with respect to any Multiemployer Plan, the condition

that such plan is in reorganization within the meaning of Section 4241 of ERISA.

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"Replacement Subordinated Debt": unsecured Indebtedness of Holdings that

(a) is not guaranteed by any Subsidiary of Holdings, (b) has a final maturity no earlier than the final maturity of the Tranche C Term Loans, (c) amortizes at a rate no faster than the Tranche C Term Loans, (d) has an annual interest expense no greater than the interest expense in respect of the Tranche C Term Loans during the twelve month period immediately preceding the date of issuance of such subordinated debt and (e) has subordination terms, covenants, events of default, defaults and other terms and conditions reasonably acceptable to the General Administrative Agent.

"Reportable Event": any of the events set forth in Section 4043(c) of

ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. (S) 4043.

"Request for Acceptances": as defined in Section 5.7(a).

"Required Lenders": at any time, the holders of more than 50% of (a) until

the Restatement Effective Date, the Commitments and (b) thereafter, the sum of (i) the aggregate unpaid principal amount of the Term Loans then outstanding and (ii) the U.S. Revolving Credit Commitments and Canadian Revolving Credit Commitments then in effect or, if the Commitments have been terminated, the Aggregate U.S. Revolving Extensions of Credit and Aggregate Canadian Revolving Extensions of Credit of all Lenders then outstanding.

"Required Prepayment Lenders": the Majority Facility Lenders in respect of

each Facility (other than the Tranche C Term Loan Facility).

"Requirement of Law": as to any Person, the certificate of incorporation

and by- laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Responsible Officer": with respect to any Person, the chief executive

officer, president, executive vice president, senior vice president--finance, vice president--finance or chief financial officer of such Person, but in any

event, with respect to financial matters, the executive vice president, senior vice president--finance, vice president--finance or chief financial officer of such Person. When any provision of this Agreement requires an action by a Responsible Officer, such action may be taken by a Responsible Officer of Holdings or Responsible Officers of both Borrowers.

"Restatement Effective Date": the date, on or before August 1, 2000, on

which the conditions precedent set forth in Section 9.2 shall be satisfied or waived.

"Restricted Payments": as defined in Section 11.6.

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"Revolving Credit Commitments": the U.S. Revolving Credit Commitments, the

Canadian Revolving Credit Commitments, the Swing Line Commitment and the Canadian Swing Line Commitment.

"Schedule I Canadian Lender": each Canadian Lender listed on Schedule I to

the Bank Act (Canada).

"Schedule I Canadian Reference Lenders": one or more Schedule I Canadian

Lenders selected by the Canadian Borrower with the consent of all Schedule I Canadian Lenders.

"Schedule II Canadian Lender": each Canadian Lender which is not a Schedule

I Canadian Lender.

"Schedule II Canadian Reference Lenders": one or more Schedule II Canadian

Lenders selected by the Canadian Borrower with the consent of all the Schedule II Canadian Lenders.

"SEC ": the Securities and Exchange Commission (or successors thereto or an

analogous Governmental Authority).

"Security Documents": the collective reference to the Guarantee and

Collateral Agreement, the Canadian Security Documents, the Canadian Facility Guarantees and all other security documents hereafter delivered to the General Administrative Agent or the Canadian Administrative Agent granting a Lien on any Property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA, but

which is not a Multiemployer Plan.

"SMT Investors": the shareholders of the Canadian Borrower that became

shareholders of Holdings pursuant to the Transactions.

"SMTC Nova Scotia": SMTC Nova Scotia Company, a Nova Scotia unlimited

liability company which is the immediate parent company of the Canadian Borrower.

"Solvent": with respect to any Person, as of any date of determination,

(a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become

absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i)

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"debt" means liability on a "claim", (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured and (iii) the Borrower may assume, so long as no Default or Event of Default shall have occurred and be continuing at the time such assumption is made, that all or a portion of the outstanding Term Loans will be refinanced at the maturity thereof.

"Specified Equity Proceeds": with respect to any public offering by

Holdings of common stock and/or by the Canadian Borrower of Exchangeable Shares consummated after the consummation of the IPO, up to \$35,000,000 of the Net Cash Proceeds of such offering.

"Specified Hedge Agreement": any Hedge Agreement (a) entered into by (i)

Holdings or any of its Subsidiaries and (ii) any Lender or any affiliate thereof, as counterparty and (b) that has been designated by such Lender and Holdings, by notice to the General Administrative Agent, as a Specified Hedge Agreement. The designation of any Hedge Agreement as a Specified Hedge Agreement shall not create in favor of the Lender or affiliate thereof that is a party thereto any rights in connection with the management or release of any Collateral or of the obligations of any Guarantor under the Guarantee and Collateral Agreement.

"Specified Jurisdiction": any of (a) any country that is a member of the

OECD and (b) Hong Kong, Singapore and South Korea.

"Sponsor": each of Bain Capital and Celerity Partners.

"Subsidiary": as to any Person, a corporation, partnership, limited

liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantor": each Subsidiary of Holdings other than any Excluded

Foreign Subsidiary.

"Swing Line Commitment": the obligation of the Swing Line Lender to make

Swing Line Loans pursuant to Section 2.6 in an aggregate principal amount at any one time outstanding not to exceed U.S. \$10,000,000.

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"Swing Line Lender": the collective reference to Lehman Commercial Paper

Inc. and Comerica Bank, in their respective capacities as the lender of Swing Line Loans.

"Swing Line Loans": as defined in Section 2.6.

"Swing Line Participation Amount": as defined in Section 2.7.

"Tax Act": the Income Tax Act (Canada), as amended from time to time.

"Term Loans": the collective reference the U.S. Term Loans and the

Canadian Term Loans.

"Tranche A Term Loan": as defined in Section 2.1.

"Tranche A Term Loan Commitment": as to any Lender, the obligation of such

Lender, if any, to make a Tranche A Term Loan to the U.S. Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Tranche A Term Loan Commitment" opposite such Lender's name on Schedule 1 to the Lender Addendum delivered by such Lender, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Tranche A Term Loan Commitments on the Original Closing Date was, and the outstanding aggregate principal amount immediately prior to the Restatement Effective Date is, U.S. \$20,000,000.

"Tranche A Term Loan Facility": as defined in the definition of "Facility"

in this Section 1.1.

"Tranche A Term Loan Lender": each Lender that has a Tranche A Term Loan

Commitment or is the holder a Tranche A Term Loan.

"Tranche A Term Loan Percentage": as to Tranche A Term Loan Lender at any

time, the percentage which such Lender's Tranche A Term Loan Commitment then constitutes of the aggregate Tranche A Term Loan Commitments (or, at any time after the Original Closing Date, the percentage which the aggregate principal amount of such Lender's Tranche A Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche A Term Loans then outstanding).

"Tranche B Term Loan": as defined in Section 2.1.

"Tranche B Term Loan Commitment": as to each Tranche B Term Loan Lender,

the obligation of such Lender, if any, to make a Tranche B Term Loan to the U.S. Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Tranche B Term Loan Commitment" opposite such Lender's name on Schedule 1 to the Lender Addendum delivered by such Lender, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the

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same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Tranche B Term Loan Commitments on the Original Closing Date was, and the outstanding aggregate principal amount immediately prior to the Restatement Effective Date is, U.S.\$50,000,000.

"Tranche B Term Loan Facility": as defined in the definition of "Facility"

in this Section 1.1.

"Tranche B Term Loan Lender": each Lender that has a Tranche B Term Loan

Commitment or is the holder of a Tranche B Term Loan.

"Tranche B Term Loan Percentage": as to any Lender at any time, the

percentage which such Lender's Tranche B Term Loan Commitment then constitutes of the aggregate Tranche B Term Loan Commitments (or, at any time after the

Original Closing Date, the percentage which the aggregate principal amount of such Lender's Tranche B Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche B Term Loans then outstanding).

"Tranche C Term Loan": as defined in Section 2.1.

"Tranche C Term Loan Commitment": as to Tranche C Term Loan Lender, the

obligation of such Lender, if any, to make a Tranche C Term Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Tranche C Term Loan Commitment" opposite such Lender's name on Schedule 1 to the Lender Addendum delivered by such Lender, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Tranche C Term Loan Commitments on the Original Closing Date was U.S. \$10,000,000.

"Tranche C Term Loan Facility": as defined in the definition of "Facility"

in this Section 1.1.

"Tranche C Term Loan Lender": each Lender that has a Tranche C Term Loan

Commitment or is the holder of a Tranche C Term Loan.

"Tranche C Term Loan Percentage": as to any Lender at any time, the

percentage which such Lender's Tranche C Term Loan Commitment then constitutes of the aggregate Tranche C Term Loan Commitments (or, at any time after the Original Closing Date, the percentage which the principal amount of such Lender's Tranche C Term Loan then outstanding constitutes of the aggregate principal amount of the Tranche C Term Loans then outstanding).

"Transactions": the transactions contemplated by the Transaction

Documentation that were consummated on or before the Original Closing Date.

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"Transaction Agreement": the Reorganization and Merger Agreement, dated as

of July 26, 1999, by and among Holdings, the U.S. Borrower, the Canadian Borrower, EMSIcon Investments, LLC and the stockholders listed therein.

"Transaction Documentation": collectively, each Transaction Agreement and

each "Document" (as defined in the Transaction Agreement) and all schedules, exhibits, annexes and amendments thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith, in each case, as amended, supplemented or otherwise modified from time to time.

"Transferee": as defined in Section 5.15.

"2000 Subordinated Notes": U.S.\$5,000,000 (plus the aggregate principal

amount of unsecured subordinated notes issued as pay- in-kind interest) aggregate principal amount of unsecured subordinated notes issued by Holdings for cash at par on May 18, 2000 pursuant to the Senior Subordinated Loan Agreement dated as of May 18, 2000 among Holdings and the lenders listed therein.

"2000 Warrants": warrants issued by Holdings on May 18, 2000 to purchase

common stock of Holdings pursuant to the Warrant Subscription Agreement, dated as of May 18, 2000 between Holdings and each of certain investors.

"Type": (a) as to any U.S. Facility Loan, its nature as a U.S. Base Rate

Loan or a Eurodollar Loan and (b) as to any Canadian Facility Loan, its nature as a Eurodollar Loan, a Canadian Base Rate Loan or a Canadian Prime Rate Loan.

"U.S. Base Rate": for any day, a rate per annum (rounded upwards, if

necessary, to the next 1/16 of 1%) equal to the greater of (a) the U.S. Prime
Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on
such day plus 1/2 of 1%. For purposes hereof: "U.S. Prime Rate" shall mean the

rate of interest per annum publicly announced from time to time by the U.S.
Reference Lender as its prime or base rate in effect at its principal office in
New York City (the U.S. Prime Rate not being intended to be the lowest rate of
interest charged by the U.S. Reference Lender in connection with extensions of
credit to debtors). Any change in the Base Rate due to a change in the U.S.
Prime Rate or the Federal Funds Effective Rate shall be effective as of the
opening of business on the effective day of such change in the U.S. Prime Rate
or the Federal Funds Effective Rate, respectively.

"U.S. Base Rate Loans": U.S. Facility Loans for which the applicable rate

of interest is based upon the Base Rate.

"U.S. Borrower": as defined in the Preamble.

"U.S. Dollar Equivalent": with respect to an amount denominated in Canadian

Dollars, the equivalent in U.S. Dollars determined at the Exchange Rate.

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"U.S. Dollars" and "U.S.\$": lawful currency of the United States of

America.

"U.S. Facilities": the collective reference to the U.S. Term Loan

Facilities and the U.S. Revolving Credit Facility.

"U.S. Facility Loans": the collective reference to the U.S. Term Loans, the

U.S. Revolving Credit Loans and the Swing Line Loans.

"U.S. Funding Office": the office specified from time to time by the

General Administrative Agent as its funding office by notice to the U.S.
Borrower and the U.S. Lenders.

"U.S. L/C Commitment": U.S.\$2,000,000.

"U.S. L/C Obligations": at any time, an amount equal to the sum of (a) the

aggregate then undrawn and unexpired amount of the then outstanding U.S. Letters
of Credit and (b) the aggregate amount of drawings under U.S. Letters of Credit
that have not then been reimbursed pursuant to Section 5.6.

"U.S. L/C Participant": with respect to each U.S. Letter of Credit, each

U.S. Revolving Credit Lender other than the Issuing Lender in respect of such
Letter of Credit.

"U.S. Letter of Credit": as defined in Section 6.1.

"U.S. Issuing Lender": any U.S. Revolving Credit Lender selected by the

U.S. Borrower, with the consent of such Lender and the General Administrative
Agent, to issue U.S. Letters of Credit.

"U.S. Payment Office": the office specified from time to time by the

General Administrative Agent as its payment office by notice to the U.S.
Borrower and the U.S. Lenders.

"U.S. Reference Lender": Deutsche Bank, New York Office.

"U.S. Reimbursement Obligation": the obligation of the U.S. Borrower to

reimburse each Issuing Lender pursuant to Section 6.5 for amounts drawn under
U.S. Letters of Credit issued by such U.S. Issuing Lender.

"U.S. Revolving Credit Commitment": as to any Lender, the obligation of

such Lender, if any, to make U.S. Revolving Credit Loans and participate in
Swing Line Loans and U.S. Letters of Credit, in an aggregate principal and/or
face amount not to exceed the sum of (a) the amount set forth under the heading
"U.S. Revolving Credit Commitment" opposite such Lender's name on Schedule 1 to
the Lender Addendum delivered by such Lender on the Original Closing Date, or,
as the case may be, in the Assignment and Acceptance pursuant to which such
Lender became a party hereto, as the same may be changed from time to time
pursuant to the terms hereof and (b) the amount set forth under the heading
"Additional U.S. Revolving Credit Commitment" opposite such Lender's

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name on Schedule 1 to the Lender Addendum delivered by such Lender on the
Restatement Effective Date, or, as the case may be, in the Assignment and
Acceptance pursuant to which such Lender became a party hereto, as the same may
be changed from time to time pursuant to the terms hereof. The aggregate amount
of the U.S. Revolving Credit Commitments on the Restatement Effective Date
(before giving effect to the increase becoming effective on such date) is
U.S.\$59,062,500; and after giving effect to the U.S.\$32,500,000 of increased
commitments becoming effective on the Restatement Effective Date, the aggregate
amount of the U.S. Revolving Credit Commitments is U.S.\$91,562,500; provided,

however, that if one or more of the Canadian Lenders provides additional

Canadian Revolving Credit Commitments after the Restatement Effective Date
pursuant to Section 5.16, the U.S. Revolving Credit Commitment of Lehman
Commercial Paper Inc. shall automatically be reduced by the amount of such
additional Canadian Revolving Credit Commitments, simultaneously with such
increase; provided, further, that in no event shall the aggregate amount to the

U.S. Revolving Credit Commitments be less than U.S.\$90,000,000 as a result of
the operation of Section 5.16.

"U.S. Revolving Credit Commitment Period": the period from and including

the Original Closing Date to the U.S. Revolving Credit Termination Date.

"U.S. Revolving Credit Facility": as defined in the definition of

"Facility" in this Section 1.1.

"U.S. Revolving Credit Lender": each Lender that has a U.S. Revolving

Credit Commitment or that is the holder of U.S. Revolving Credit Loans.

"U.S. Revolving Credit Loans": as defined in Section 2.4.

"U.S. Revolving Credit Percentage": as to any U.S. Revolving Credit Lender

at any time, the percentage which such Lender's U.S. Revolving Credit Commitment
then constitutes of the Total U.S. Revolving Credit Commitments (or, at any time
after the U.S. Revolving Credit Commitments shall have expired or terminated,
the percentage which the aggregate amount of such Lender's U.S. Revolving
Extensions of Credit then outstanding constitutes of the Aggregate U.S.
Revolving Extensions of Credit of all U.S. Revolving Credit Lenders then
outstanding).

"U.S. Revolving Credit Termination Date": the fifth anniversary of the

Original Closing Date.

"U.S. Revolving Extensions of Credit": as to any U.S. Revolving Credit

Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all U.S. Revolving Credit Loans made by such Lender then outstanding, (b) such Lender's U.S. Revolving Credit Percentage of the U.S. L/C Obligations then outstanding and (c) such Lender's U.S. Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

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"U.S. Term Loan Facilities": the collective reference to the Tranche A Loan

Facility, the Tranche B Term Loan Facility and the Tranche C Term Loan Facility.

"U.S. Term Loan Lenders": the collective reference to the Tranche A Term

Loan Lenders, the Tranche B Term Loan Lenders and the Tranche C Term Loan Lenders.

"U.S. Term Loans": the collective reference to the Tranche A Term Loans,

Tranche B Term Loans and Tranche C Term Loans.

"Wholly Owned Subsidiary": as to any Person, any other Person all of the

Capital Stock of which (other than (i) directors' qualifying shares required by law, (ii) other nominal amounts of shares or other equity interests required by law to be held other than by such Person, or (iii) Exchangeable Shares) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

"Wholly Owned Subsidiary Guarantor": any Subsidiary Guarantor that is a

Wholly Owned Subsidiary of Holdings.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein,

all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to Holdings, the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF U.S. FACILITIES COMMITMENTS

2.1 U.S. Term Loan Commitments. (a) Pursuant to the Existing Credit

Agreement, on the Original Closing Date, the Tranche A Term Loan Lenders then parties to the Existing Credit Agreement made Tranche A Term Loans to the U.S. Borrower in the aggregate principal amount of \$20,000,000 (the "Existing Tranche

A Term Loans"), and the Existing Tranche A Term Loans are outstanding on the

Restatement Effective Date. Subject to the terms and conditions hereof, the Tranche A Term Loan Lenders which have delivered a Lender Addendum on or before the Restatement Effective Date setting forth a commitment to make Additional Tranche A Term Loans on the Restatement Effective Date severally agree to make

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additional term loans (each, an "Additional Tranche A Term Loan"; together with

the Existing Tranche A Term Loans, the "Tranche A Term Loans") to the U.S.

Borrower on the Restatement Effective Date in an amount for each such Tranche A Term Loan Lender not to exceed the amount of the Additional Tranche A Term Loan Commitment of such Lender.

(b) Pursuant to the Existing Credit Agreement, the Tranche B Term Loan Lenders made term loans (each, a "Tranche B Term Loan") to the U.S. Borrower on

the Original Closing Date in an amount for each Tranche B Term Loan Lender equal to the amount of the Tranche B Term Loan Commitment of such Lender. As provided in Section 9.2(d)(ii), the U.S. Borrower will repay the Tranche B Term Loans in full on the Restatement Effective Date (other than Tranche B Term Loans owing to any Tranche B Term Loan Lender that declines such prepayment pursuant to Section 7.5(i)).

(c) Pursuant to the Existing Credit Agreement, the Tranche C Term Loan Lenders severally made term loans (each, a "Tranche C Term Loan") to the U.S.

Borrower on the Original Closing Date in an amount for each Tranche C Term Loan Lender equal to the amount of the Tranche C Term Loan Commitment of such Lender; and the Tranche C Term Loans remain outstanding on the Restatement Effective Date to the extent not repaid on the Restatement Effective Date as permitted by Section 7.5(a).

(d) The U.S. Term Loans are and shall be denominated in U.S. Dollars and may from time to time be Eurodollar Loans or U.S. Base Rate Loans, as determined by the U.S. Borrower and notified to the General Administrative Agent in accordance with Sections 2.2 and 7.2.

2.2 Procedure for Borrowing of Additional Tranche A Term Loans. The

U.S. Borrower shall give the General Administrative Agent irrevocable notice (which notice must be received by the General Administrative Agent prior to 12:00 Noon, New York City time, one Business Day prior to the anticipated Restatement Effective Date) requesting that the relevant U.S. Term Loan Lenders make the Additional Tranche A Term Loans on the Restatement Effective Date and specifying the amount to be borrowed. The Additional Tranche A Term Loans made on the Restatement Effective Date shall initially be U.S. Base Rate Loans, and prior to October 31, 2000 no Additional Tranche A Term Loan may be converted into or continued as a Eurodollar Loan having an Interest Period in excess of one month. Upon receipt of such notice, the General Administrative Agent shall promptly notify each relevant U.S. Term Loan Lender thereof. Not later than 12:00 Noon, New York City time, on the Restatement Effective Date each U.S. Term Loan Lender having an Additional Tranche A Term Loan Commitment shall make available to the General Administrative Agent at the U.S. Funding Office an amount in immediately available funds equal to the Additional Tranche A Term Loan to be made by such Lender. The General Administrative Agent shall make available to the U.S. Borrower the aggregate of the amounts made available to the General Administrative Agent by such U.S. Term Loan Lenders, in like funds as received by the General Administrative Agent.

2.3 Repayment of U.S. Term Loans. (a) The Tranche A Term Loan of each

Tranche A Lender shall mature in 16 consecutive quarterly installments, payable on the last day of each March, June, September and December, commencing on September 30, 2000, each of which shall be in an amount equal to such Lender's Tranche A Term Loan Percentage multiplied

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by the percentage set forth below opposite such installment of the initial aggregate principal amount of Tranche A Term Loans:

Installment	Percentage
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September 30, 2000	2.5%
December 31, 2000	2.5%
March 31, 2001	2.5%
June 30, 2001	2.5%
September 30, 2001	5.0%
December 31, 2001	5.0%
March 31, 2002	5.0%

June 30, 2002	5.0%
September 30, 2002	7.5%
December 31, 2002	7.5%
March 31, 2003	7.5%
June 30, 2003	7.5%
September 30, 2003	10%
December 31, 2003	10%
March 31, 2004	10%
June 30, 2004	10%

(b) The Tranche B Term Loan of each Tranche B Lender (unless prepaid in full on the Restatement Effective Date pursuant to Section 9.2(d)(ii)) shall mature in 22 consecutive quarterly installments, payable on the last day of each March, June, September and December, commencing on September 30, 2000, each of which shall be in an amount equal to such Lender's Tranche B Term Loan Percentage multiplied by the percentage set forth below opposite such installment of the initial aggregate principal amount of Tranche B Term Loans:

Installment	Percentage
-----	-----
September 30, 2000	.25%
December 31, 2000	.25%
March 31, 2001	.25%
June 30, 2001	.25%
September 30, 2001	.25%
December 31, 2001	.25%
March 31, 2002	.25%
June 30, 2002	.25%
September 30, 2002	.25%
December 31, 2002	.25%
March 31, 2003	.25%
June 30, 2003	.25%
September 30, 2003	.25%
December 31, 2003	.25%
March 31, 2004	.25%
June 30, 2004	.25%

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September 30, 2004	16.0%
December 31, 2004	16.0%
March 31, 2005	16.0%
June 30, 2005	16.0%
September 30, 2005	16.0%
December 31, 2005	16.0%

(c) The Tranche C Term Loan of each Tranche C Lender shall mature in one installment payable on September 30, 2006 (unless prepaid in full on the Restatement Effective Date as permitted by Section 7.5(a)).

2.4 U.S. Revolving Credit Commitments. (a) Subject to the terms and

conditions hereof, the U.S. Revolving Credit Lenders severally agree to make revolving credit loans ("U.S. Revolving Credit Loans") to the U.S. Borrower from

time to time during the U.S. Revolving Credit Commitment Period so long as, after giving effect thereto, (A) the Available U.S. Revolving Credit Commitment of each U.S. Revolving Credit Lender would be equal to or greater than zero and (B) the Aggregate U.S. Revolving Extensions of Credit would not exceed the Borrowing Base of the U.S. Borrower. During the U.S. Revolving Credit Commitment Period the U.S. Borrower may use the U.S. Revolving Credit Commitments by borrowing, prepaying the U.S. Revolving Credit Loans and Swing Line Loans in whole or in part, and reborrowing, and by causing the insurance of U.S. Letters of Credit pursuant to Section 6, all in accordance with the terms and conditions hereof. The U.S. Revolving Credit Loans shall be denominated in U.S. Dollars and may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the U.S. Borrower and notified to the General Administrative Agent in accordance with Sections 2.5 and 7.2, provided that no U.S. Revolving Credit Loan shall be

made as a Eurodollar Loan after the day that is one month prior to the U.S. Revolving Credit Termination Date.

(b) The U.S. Revolving Credit Loans shall be denominated in U.S.

Dollars and may from time to time be Eurodollar Loans or U.S. Base Rate Loans, as determined by the U.S. Borrower and notified to the General Administrative Agent pursuant to Sections 2.5 and 7.2.

(c) The U.S. Borrower shall repay all outstanding U.S. Revolving Credit Loans on the U.S. Revolving Credit Termination Date.

2.5 Procedure for U.S. Revolving Credit Borrowing. The U.S. Borrower

may borrow U.S. Revolving Credit Loans under the U.S. Revolving Credit Commitments on any Business Day during the U.S. Revolving Credit Commitment Period, provided that the U.S. Borrower shall give the General Administrative

Agent irrevocable notice (which notice must be received by the General Administrative Agent prior to 1:00 P.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, in the case of U.S. Base Rate Loans), specifying (i) the amount and Type of U.S. Revolving Credit Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the length of the initial Interest Period therefor. Any U.S. Revolving Credit Loans made on the Restatement Effective Date shall initially be U.S. Base Rate Loans, and prior to October 31, 2000 no U.S. Revolving Credit Loan may be made as, converted into or continued as a Eurodollar Loan having an

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Interest Period in excess of one month. Each borrowing of U.S. Revolving Credit Loans under the U.S. Revolving Credit Commitments shall be in an amount equal to (x) in the case of U.S. Base Rate Loans, U.S.\$250,000 or integral multiples of \$100,000 in excess thereof (or, if the then aggregate Available U.S. Revolving Credit Commitments are less than U.S.\$250,000, such lesser amount) and (y) in the case of Eurodollar Loans, U.S.\$1,000,000 or integral multiples of \$500,000 in excess thereof; provided, that the Swing Line Lender may request, on behalf

of the U.S. Borrower, borrowings of U.S. Base Rate Loans under the U.S. Revolving Credit Commitments in other amounts pursuant to Section 2.7. Upon receipt of any such notice from the U.S. Borrower, the General Administrative Agent shall promptly notify each U.S. Revolving Credit Lender thereof. Each U.S. Revolving Credit Lender will make its U.S. Revolving Credit Percentage of the amount of each borrowing of U.S. Revolving Credit Loans available to the General Administrative Agent for the account of the U.S. Borrower at the U.S. Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the U.S. Borrower in funds immediately available to the General Administrative Agent. Such borrowing will then be made available to the U.S. Borrower by the General Administrative Agent in like funds as received by the General Administrative Agent.

2.6 Swing Line Commitment. (a) Subject to the terms and conditions

hereof, each of the Swing Line Lenders agrees that, during the U.S. Revolving Credit Commitment Period, it will make available to the U.S. Borrower in the form of swing line loans ("Swing Line Loans") a portion of the credit otherwise

available to the U.S. Borrower under the U.S. Revolving Credit Commitments; provided that (i) the aggregate principal amount of Swing Line Loans outstanding

at any time shall not exceed the Swing Line Commitment then in effect (notwithstanding that the Swing Line Loans outstanding at any time, when aggregated with the Swing Line Lender's other outstanding U.S. Revolving Credit Loans hereunder, may exceed the Swing Line Commitment then in effect or such Swing Line Lender's U.S. Revolving Credit Commitment then in effect), (ii) all requests for Swing Line Loans by the U.S. Borrower shall be made to Comerica Bank as Swing Line Lender until the aggregate principal amount of Swing Line Loans made by Comerica Bank and outstanding at any time shall equal \$7,000,000 (or such higher amount (not to exceed \$10,000,000) as Comerica Bank and the Borrower may agree with prior written notice to the General Administrative Agent) and (iii) the U.S. Borrower shall not request, and the Swing Line Lender shall not make, any Swing Line Loan unless, after giving effect to the making of such Swing Line Loan, (A) the Available U.S. Revolving Credit Commitment of each U.S. Revolving Credit Lender would be equal to or greater than zero, and (B) the Aggregate U.S. Revolving Extensions of Credit would not exceed the Borrowing Base of the U.S. Borrower. During the U.S. Revolving Credit Commitment Period, the U.S. Borrower may use the Swing Line Commitment by borrowing, repaying and

reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be denominated in U.S. Dollars and shall be U.S. Base Rate Loans only.

(b) The U.S. Borrower shall repay all outstanding Swing Line Loans on the U.S. Revolving Credit Termination Date. The U.S. Borrower shall also prepay all Swing Line Loans then outstanding simultaneously with each borrowing of U.S. Revolving Credit Loans.

2.7 Procedure for Swing Line Borrowing; Refunding of Swing Line Loans.

(a) The U.S. Borrower may borrow under the Swing Line Commitment on any Business Day during

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the U.S. Revolving Credit Commitment Period, provided, the U.S. Borrower shall

give the relevant Swing Line Lender and the General Administrative Agent irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by such Swing Line Lender and the General Administrative Agent not later than 1:30 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Swing Line Commitment shall be in an amount equal to U.S.\$100,000 or a whole multiple of U.S.\$50,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in the borrowing notice in respect of any Swing Line Loan, the relevant Swing Line Lender shall make available to the General Administrative Agent at the U.S. Funding Office an amount in immediately available funds equal to the amount of such Swing Line Loan. The General Administrative Agent shall make the proceeds of such Swing Line Loan available to the U.S. Borrower on such Borrowing Date in like funds as received by the General Administrative Agent.

(b) The General Administrative Agent, at the request of a Swing Line Lender, at any time and from time to time in its sole and absolute discretion (and not less frequently than biweekly), shall on behalf of the U.S. Borrower (which hereby irrevocably directs each Swing Line Lender to act on its behalf), on one Business Day's notice given by such Swing Line Lender through the General Administrative Agent no later than 12:00 Noon, New York City time, request each U.S. Revolving Credit Lender to make, and each U.S. Revolving Credit Lender hereby agrees to make, a U.S. Revolving Credit Loan (which shall be initially a U.S. Base Rate Loan), in an amount equal to such U.S. Revolving Credit Lender's U.S. Revolving Credit Percentage of the aggregate amount of the Swing Line Loans made by such Swing Line Lender (the "Refunded Swing Line Loans") outstanding on

the date of such notice, to repay such Swing Line Lender. Each U.S. Revolving Credit Lender shall make the amount of such U.S. Revolving Credit Loan available to the General Administrative Agent at the U.S. Funding Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such U.S. Revolving Credit Loans shall be made immediately available by the General Administrative Agent to the relevant Swing Line Lender for application by such Swing Line Lender to the repayment of the Refunded Swing Line Loans.

(c) If prior to the time a U.S. Revolving Credit Loan would have otherwise been made pursuant to Section 2.7(b), one of the events described in Section 13(f) shall have occurred and be continuing with respect to the U.S. Borrower, or if for any other reason, as determined by the General Administrative Agent at the request of the relevant Swing Line Lender in its sole discretion, U.S. Revolving Credit Loans may not be made as contemplated by Section 2.7(b), each U.S. Revolving Credit Lender shall, on the date such U.S. Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.7(b) (the "Refunding Date"), purchase for cash an undivided

participating interest in the then outstanding Swing Line Loans by paying to the relevant Swing Line Lender an amount (the "Swing Line Participation Amount")

equal to (i) such U.S. Revolving Credit Lender's U.S. Revolving Credit Percentage times (ii) the sum of the aggregate principal amount of Swing Line Loans made by such Swing Line Lender then outstanding which were to have been repaid with such U.S. Revolving Credit Loans.

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(d) Whenever, at any time after a Swing Line Lender has received from any U.S. Revolving Credit Lender such Lender's Swing Line Participation Amount, such Swing Line Lender receives any payment on account of the Swing Line Loans, such Swing Line Lender will distribute to such Lender its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not

sufficient to pay the principal of and interest on all Swing Line Loans then due); provided, however, that in the event that such payment received by such

Swing Line Lender is required to be returned, such U.S. Revolving Credit Lender will return to such Swing Line Lender any portion thereof previously distributed to it by such Swing Line Lender.

(e) Each U.S. Revolving Credit Lender's obligation to make the U.S. Revolving Credit Loans referred to in Section 2.7(b) and to purchase participating interests pursuant to Section 2.7(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such U.S. Revolving Credit Lender or the U.S. Borrower may have against either Swing Line Lender, the U.S. Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 9; (iii) any adverse change in the condition (financial or otherwise) of Holdings or the U.S. Borrower; (iv) any breach of this Agreement or any other Loan Document by the U.S. Borrower, any other Loan Party or any other Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(f) Each Swingline Lender shall provide the General Administrative Agent with telephonic notice of any repayment of a Swingline Loan at the time it receives such repayment.

2.8 Promise to Pay U.S. Facility Loans; Evidence of Debt. (a) The U.S.

Borrower hereby unconditionally promises to pay to the General Administrative Agent for the account of the appropriate U.S. Revolving Credit Lender or U.S. Term Loan Lender, as the case may be, (i) the then unpaid principal amount of each U.S. Revolving Credit Loan of such U.S. Revolving Credit Lender on the U.S. Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 13), (ii) the then unpaid principal amount of each Swing Line Loan of such Swing Line Lender on the U.S. Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 13) and (iii) the principal amount of each U.S. Term Loan of such U.S. Term Loan Lender in installments according to the amortization schedule set forth in Section 2.3 (or on such earlier date on which the Loans become due and payable pursuant to Section 13). The U.S. Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 7.1.

(b) Each U.S. Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the U.S. Borrower to such U.S. Lender resulting from each U.S. Facility Loan of such U.S. Lender from time to time, including the amounts of

principal and interest payable and paid to such U.S. Lender from time to time under this Agreement.

(c) The General Administrative Agent, on behalf of the U.S. Borrower, shall maintain the Register pursuant to Section 15.6(e), and a subaccount therein for each U.S. Lender, in which shall be recorded (i) the amount of each U.S. Facility Loan made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the U.S. Borrower to each U.S. Lender hereunder and (iii) both the amount of any sum received by the General Administrative Agent hereunder from the U.S. Borrower and each U.S. Lender's share thereof.

(d) The entries made in the Register and the accounts of each U.S. Lender maintained pursuant to Section 2.8(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the

obligations of the U.S. Borrower therein recorded absent manifest error; provided, however, that the failure of any U.S. Lender or the General

Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the U.S. Borrower to repay (with applicable interest) the Loans made to the U.S. Borrower by such U.S. Lender in accordance with the terms of this Agreement.

(e) The U.S. Borrower agrees that, upon the request to the General Administrative Agent by any U.S. Lender, the U.S. Borrower will execute and deliver to such U.S. Lender a promissory note of the U.S. Borrower evidencing any U.S. Term Loans, U.S. Revolving Credit Loans or Swing Line Loans, as the case may be, of such U.S. Lender, substantially in the forms of Exhibit G-1, G-2 or G-3, respectively, with appropriate insertions as to date and principal amount.

2.9 Commitment Fees, etc. The U.S. Borrower agrees to pay to the

General Administrative Agent for the account of each U.S. Revolving Credit Lender a commitment fee for the period from and including the Original Closing Date to the last day of the U.S. Revolving Credit Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available U.S. Revolving Credit Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the U.S. Revolving Credit Termination Date, commencing on the first of such dates to occur after the date hereof.

2.10 Termination or Reduction of U.S. Revolving Credit Commitments;

The U.S. Borrower shall have the right, upon not less than three Business Days' notice to the General Administrative Agent, to terminate the U.S. Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the U.S. Revolving Credit Commitments; provided that no such termination or

reduction of U.S. Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the U.S. Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the U.S. Revolving Extensions of Credit would exceed the U.S. Revolving Credit Commitments. Any such reduction shall be in an amount

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equal to U.S.\$1,000,000, or a whole multiple thereof, and shall reduce permanently the U.S. Revolving Credit Commitments then in effect.

SECTION 3. THE CANADIAN TERM LOANS

3.1 The Canadian Term Loans. (a) Pursuant to the Existing Credit

Agreement, the Canadian Term Loan Lenders severally made term loans denominated in U.S. Dollars (each, a "Canadian Term Loan") to the Canadian Borrower on the

Original Closing Date in an amount for each Canadian Term Loan Lender equal to the amount of the Canadian Term Loan Commitment of such Canadian Term Loan Lender.

(b) Pursuant to Section 7.5(a) and Section 9.2(d)(i), the Canadian Term Loans are being prepaid in full on the Restatement Effective Date.

SECTION 4. [RESERVED]

SECTION 5. AMOUNT AND TERMS OF THE CANADIAN REVOLVING CREDIT COMMITMENTS; ACCEPTANCES

5.1 Canadian Revolving Credit Commitments. (a) Subject to the terms

and conditions hereof, each Canadian Revolving Credit Lender severally agrees to make revolving credit loans (each, a "Canadian Revolving Credit Loan") to the

Canadian Borrower from time to time during the Canadian Revolving Credit Commitment Period so long as after giving effect thereto (A) the Available Canadian Revolving Credit Commitment of each Canadian Revolving Credit Lender would be greater than or equal to zero and (B) the Aggregate Canadian Revolving Extensions of Credit of all Lenders would not exceed the Borrowing Base of the Canadian Borrower. During the Canadian Revolving Credit Commitment Period, the Canadian Borrower may use the Canadian Revolving Credit Commitments by borrowing, repaying the Canadian Revolving Credit Loans and Canadian Swing Line Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) The Canadian Revolving Credit Loans may be denominated in U.S. Dollars or Canadian Dollars, at the option of the Canadian Borrower. The Canadian Revolving Credit Loans denominated in Canadian Dollars shall be Canadian Dollar Prime Rate Loans, and the Canadian Revolving Credit Loans denominated in U.S. Dollars shall be Canadian Base Rate Loans or Eurodollar Loans, at the option of the Canadian Borrower.

5.2 Procedure for Canadian Revolving Credit Borrowing. The Canadian

Borrower may borrow under the Canadian Revolving Credit Commitments during the Revolving Credit Commitment Period on any Business Day, provided that the

Canadian Borrower shall give the Canadian Administrative Agent irrevocable notice (which notice must be received by the Canadian Administrative Agent prior to 2:00 P.M., Toronto time, at least one Business Day prior to the requested Borrowing Date, in the case of a borrowing of Canadian Base Rate Loans or Canadian Dollar Prime Rate Loans, or three Business Days prior to the requested Borrowing Date, in the case of a borrowing of Eurodollar Loans), specifying (i) the amount and Type of Loans to be borrowed and (ii) the requested Borrowing Date. Any Canadian Revolving Credit

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Loans denominated in U.S. Dollars made on the Restatement Effective Date shall be Canadian Base Rate Loans, and no such Loan may be converted into a Eurodollar Loan having an Interest Period longer than 60 days prior to October 31, 2000. Each borrowing in Canadian Dollars under the Canadian Revolving Credit Commitments shall be in an amount equal to C\$300,000 or a whole multiple of C\$100,000 in excess thereof, and each borrowing in U.S. Dollars under the Canadian Revolving Credit Commitments shall be in an amount equal to U.S.\$250,000 or a whole multiple of U.S.\$100,000 in excess thereof (or, in each case, if the then Aggregate Available Canadian Revolving Credit Commitments are less than C\$300,000 or U.S.\$250,000, as the case may be, such lesser amount); provided, that the Canadian Swing Line Lender may request, on behalf of the

Canadian Borrower, borrowings of Canadian Dollar Prime Rate Loans, in the case of Loans denominated in Canadian Dollars, and Canadian Base Rate Loans, in the case of Loans denominated in U.S. Dollars, under the Canadian Revolving Credit Commitments in other amounts pursuant to Section 5.15. Upon receipt of any such notice from the Canadian Borrower, the Canadian Administrative Agent shall promptly notify the General Administrative Agent and each Canadian Revolving Credit Lender thereof. Not later than 12:00 Noon, Toronto time, on each requested Borrowing Date each Canadian Revolving Credit Lender shall make an amount equal to its Canadian Revolving Credit Commitment Percentage of the principal amount of Canadian Revolving Credit Loans requested to be made on such Borrowing Date available to the Canadian Administrative Agent at the Canadian Funding in Canadian Dollars or U.S. Dollars, as the case may be, and in immediately available funds. The Canadian Administrative Agent shall on such date make such amount available to the Canadian Borrower in like funds as received by the Canadian Administrative Agent.

5.3 Repayment of Canadian Revolving Credit Loans; Evidence of Debt.

(a) The Canadian Borrower hereby unconditionally promises to pay to the Canadian Administrative Agent for the account of each Canadian Revolving Credit Lender the then unpaid principal amount of each Canadian Revolving Credit Loan of such Canadian Revolving Credit Lender on the Canadian Revolving Credit Termination Date and on such other date(s) and in such other amounts as may be required from time to time pursuant to this Agreement. The Canadian Borrower hereby unconditionally promises to pay to the Canadian Administrative Agent for the account of the Canadian Swing Line Lender the then unpaid principal amount of

each Canadian Swing Line Loan on the Canadian Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 13). The Canadian Borrower hereby further agrees to pay interest on the unpaid principal amount of the Canadian Revolving Credit Loans from time to time outstanding until payment thereof in full at the rates per annum, and on the dates, set forth in Section 7.1.

(b) Each Canadian Revolving Credit Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Canadian Borrower to such Canadian Revolving Credit Lender resulting from each Canadian Revolving Credit Loan of such Canadian Revolving Credit Lender from time to time, including the amounts of principal and interest payable thereon and paid to such Canadian Revolving Credit Lender from time to time under this Agreement.

(c) The Canadian Administrative Agent (together with the General Administrative Agent), on behalf of the Canadian Borrower, shall maintain the Register pursuant

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to Section 15.6(d), and a subaccount therein for each Canadian Revolving Credit Lender, in which shall be recorded (i) the date and amount of each Canadian Revolving Credit Loan made hereunder, (ii) the date and amount of any principal or interest due and payable or to become due and payable from the Canadian Borrower to each Canadian Revolving Credit Lender hereunder in respect of the Canadian Revolving Credit Loans and (iii) both the date and amount of any sum received by the Canadian Administrative Agent hereunder from the Canadian Borrower in respect of the Canadian Revolving Credit Loans and each Canadian Revolving Credit Lender's share thereof.

(d) The entries made in the Register and the accounts of each Canadian Revolving Credit Lender maintained pursuant to Section 5.3(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and

amounts of the obligations of the Canadian Borrower therein recorded absent manifest error; provided, however, that the failure of any Canadian Revolving

Credit Lender or the Administrative Agents to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Canadian Borrower to repay (with applicable interest) the Canadian Revolving Credit Loans made to the Canadian Borrower by such Canadian Revolving Credit Lender in accordance with the terms of this Agreement.

(e) The Canadian Borrower agrees that, upon the request to the Canadian Administrative Agent by any Canadian Revolving Credit Lender, it will execute and deliver to such Canadian Revolving Credit Lender a promissory note of the Canadian Borrower evidencing the Canadian Revolving Credit Loans of such Canadian Revolving Credit Lender, substantially in the form of Exhibit G-5 with appropriate insertions as to date and principal amount. The Canadian Borrower agrees that, upon the request to the Canadian Administrative Agent by the Canadian Swing Line Lender, it will execute and deliver to the Canadian Swing Line Lender a promissory note of the Canadian Borrower evidencing the Canadian Swing Line Loans of the Canadian Swing Line Lender, substantially in the form of Exhibit G-3 with appropriate insertions as to date and principal amount.

5.4 Termination or Reduction of Canadian Revolving Credit Commitments.

The Canadian Borrower shall have the right, upon not less than one Business Days' notice to the Canadian Administrative Agent, to terminate the Canadian Revolving Credit Commitments or, from time to time, to reduce the amount of the Canadian Revolving Credit Commitments; provided that no such termination or

reduction shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the Available Canadian Revolving Credit Commitments would be less than zero. Any such reduction shall be in an amount equal to U.S.\$250,000 or a whole multiple of U.S.\$100,000 in excess thereof and shall reduce permanently the Canadian Revolving Credit Commitments then in effect.

5.5 Commitment Fees. The Canadian Borrower agrees to pay to the

Canadian Administrative Agent for the account of each Canadian Revolving Credit

Lender a commitment fee, payable in U.S. Dollars, for the period from and including the Original Closing Date to the last day of the Canadian Revolving Credit Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available Canadian Revolving Credit Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the

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last day of each March, June, September and December and on the Canadian Revolving Credit Termination Date, commencing on the first of such dates to occur after the date hereof. For purposes of this Section, calculations of the Available Canadian Revolving Credit Commitment of each Lender for each day during the relevant period shall be made using the Exchange Rate in effect on the first day of such period.

5.6 Acceptance Commitments. (a) Subject to the terms and conditions

hereof, each Canadian Revolving Credit Lender severally agrees to create Acceptances for the Canadian Borrower on any Business Day during the Canadian Revolving Credit Commitment Period by accepting Drafts drawn by the Canadian Borrower so long as after giving effect to such acceptance, (i) the Available Canadian Revolving Credit Commitment of such Canadian Revolving Credit Lender would be greater than or equal to zero and (ii) the Aggregate Canadian Revolving Extensions Credit of all Lenders would not exceed the Borrowing Base of the Canadian Borrower.

(b) The Canadian Borrower may utilize the Canadian Revolving Credit

Commitments for the creation of Acceptances by authorizing each Canadian Revolving Credit Lender in the manner provided for in Section 5.7(b) to draw Drafts on such Canadian Revolving Credit Lender and having such Drafts accepted pursuant to Section 5.7, paying its obligations with respect thereto pursuant to Section 5.11, and again, from time to time, authorizing Drafts to be drawn on the Canadian Revolving Credit Lenders and having them presented for acceptance, all in accordance with the terms and conditions hereof.

(c) For the purposes of this Agreement, all Acceptances shall be considered a utilization of the Canadian Revolving Credit Commitments in an amount equal to the undiscounted face amount of such Acceptance.

5.7 Creation of Acceptances. (a) The Canadian Borrower may request the

creation of Acceptances hereunder by submitting to the Canadian Administrative Agent at the Canadian Funding Office prior to 11:00 A.M., Toronto time, two Business Days prior to the requested Borrowing Date, (i) a request for acceptances (each, a "Request for Acceptances") completed in a manner and in

form and substance reasonably satisfactory to the Canadian Administrative Agent and specifying, among other things, the Borrowing Date, maturity and face amount of the Drafts to be accepted and discounted, (ii) upon the request of the Canadian Administrative Agent on behalf of the Canadian Revolving Credit Lenders, a sufficient number of Drafts to be drawn on the Canadian Revolving Credit Lenders, to be appropriately completed in accordance with Section 5.7(d) and (iii) such other certificates, documents and other papers and information as the Canadian Administrative Agent may reasonably request. Upon receipt of any such Request for Acceptances, the Canadian Administrative Agent shall promptly notify each Canadian Revolving Credit Lender and the General Administrative Agent of its receipt thereof.

(b) The Canadian Borrower delivered to the Canadian Administrative Agent on or prior to the Original Closing Date, Powers of Attorney substantially in the form annexed hereto as Exhibit I ("Powers of Attorney") authorizing each

Canadian Revolving Credit Lender to draw Drafts on such Canadian Revolving Credit Lender on behalf of the Canadian Borrower

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and to complete such Drafts in accordance with the Requests for Acceptances submitted from time to time pursuant to Section 5.7(a).

(c) Each Request for Acceptances made by or on behalf of the Canadian Borrower hereunder shall contain a request for Acceptances denominated in Canadian Dollars and having an aggregate undiscounted face amount equal to C\$1,000,000 or a whole multiple of C\$100,000 in excess thereof. Each Acceptance shall be dated the Borrowing Date specified in the Request for Acceptances with respect thereto and shall be stated to mature on a Business Day which is approximately 30, 60, 90 or 180 days after the date thereof (and, in any event, prior to the Canadian Revolving Credit Termination Date).

(d) Not later than 12:00 Noon, Toronto time, on the Borrowing Date specified in the relevant Request for Acceptances, and upon fulfillment of the applicable conditions set forth in Section 9.2, each Canadian Revolving Credit Lender will, in accordance with such Request for Acceptances, (i) sign each Draft on behalf of the Canadian Borrower pursuant to the Power of Attorney, (ii) complete the date, amount and maturity of each Draft to be accepted, (iii) accept such Drafts and give notice to the Canadian Administrative Agent of such acceptance and (iv) upon such acceptance, purchase such Acceptances to the extent contemplated by Section 5.8. Alternatively, at the request of the Canadian Administrative Agent, the Canadian Borrower shall deliver to the Canadian Administrative Agent a "depository note" which complies with the requirements of the Depository Bills and Notes Act (Canada), and consents to the deposit of any Acceptance in the form of a depository note in the book-based debt clearance system maintained by the Canadian Depository of Securities or other recognized clearing house. In such circumstances, the delivery of Acceptances shall be governed by the clearance procedures established thereunder.

(e) Each Canadian Revolving Credit Lender will exercise such care in the custody and safekeeping of Drafts as it would exercise in the custody and safekeeping of similar property owned by it and will, upon request by the Canadian Borrower, promptly advise the Canadian Borrower of the number and designations, if any, of uncompleted Drafts held by it for the Canadian Borrower. The signature of any officer of the Canadian Borrower on a Draft may be mechanically reproduced and Acceptance Notes bearing facsimile signatures shall be binding upon the Canadian Borrower as if they had been manually signed. Even if the individuals whose manual or facsimile signature appears on any Acceptance or Acceptance Note no longer hold office at the date of signature, at the date of its acceptance by the Lender or at any time after such date, any Acceptance or Acceptance Note so signed shall be valid and binding upon the Canadian Borrower.

5.8 Discount of Acceptances. (a) Each Canadian Revolving Credit Lender

hereby severally agrees, on the terms and subject to the conditions set forth in this Agreement, to purchase or cause to be purchased Acceptances created by it on the Borrowing Date with respect thereto at the applicable Reference Discount Rate by making available to the Canadian Borrower an amount in immediately available funds equal to the Acceptance Purchase Price in respect thereof, and to notify the Canadian Administrative Agent that such Draft has been accepted, discounted and purchased by such accepting Canadian Revolving Credit Lender.

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(b) In the event that the Canadian Borrower has made a Request for Acceptances, then (i) prior to 11:00 A.M., Toronto time, on the Borrowing Date with respect thereto, the Canadian Administrative Agent will notify the General Administrative Agent, the Canadian Borrower and the Canadian Revolving Credit Lenders of the applicable Reference Discount Rate for such Acceptances and the corresponding Acceptance Purchase Price and (ii) each Canadian Revolving Credit Lender shall make the Acceptance Purchase Price for such Acceptances discounted by it available to the Canadian Administrative Agent, for the account of the Canadian Borrower, at the Canadian Funding Office prior to 12:00 Noon, Toronto time, on the Borrowing Date, in Canadian Dollars and in funds immediately available to the Canadian Administrative Agent. The proceeds of such purchase will then be made available to the Canadian Borrower by the Canadian Administrative Agent in like funds as received by the Canadian Administrative Agent.

(c) Acceptances purchased or caused to be purchased by any Canadian Revolving Credit Lender may be held by it for its own account until maturity or sold by it at any time prior thereto in the relevant market therefor in Canada in such Canadian Revolving Credit Lender's sole discretion. The doctrine of merger shall not apply with respect to any Acceptance held by a Lender at

maturity.

5.9 Stamping Fees. On the Borrowing Date with respect to each

Acceptance, the Canadian Borrower shall pay to the Canadian Administrative Agent, for the account of the Canadian Revolving Credit Lenders, a stamping fee payable in Canadian Dollars at a rate per annum equal to the Applicable Margin in effect on such Borrowing Date for Eurodollar Loans under the Canadian Revolving Credit Facility, computed for the period from and including the Borrowing Date with respect to such Acceptance to but not including the maturity of such Acceptance, on the basis of a 365 or 366 -day year, as the case may be, of the undiscounted face amount of such Acceptance. On any Borrowing Date with respect to an Acceptance, the Canadian Borrower hereby authorizes each Canadian Revolving Credit Lender to net all amounts payable on such date by such Canadian Revolving Credit Lender to the Canadian Administrative Agent for the account of the Canadian Borrower, against all amounts payable on such date by the Canadian Borrower to such Canadian Revolving Credit Lender in accordance with the Canadian Administrative Agent's calculations.

5.10 Acceptance Reimbursement Obligations. (a) The Canadian Borrower

hereby unconditionally agrees to pay to the Canadian Administrative Agent for the account of each Canadian Revolving Credit Lender, on the maturity date (whether at stated maturity, by acceleration or otherwise) for each Acceptance created by such Canadian Revolving Credit Lender for the account of the Canadian Borrower, the aggregate undiscounted face amount of each such then- maturing Acceptance.

(b) The obligation of the Canadian Borrower to reimburse the Canadian Revolving Credit Lenders for then- maturing Acceptances may be satisfied by the Canadian Borrower by:

(i) paying to the Canadian Administrative Agent, for the account of the Canadian Revolving Credit Lenders, an amount in Canadian

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Dollars and in immediately available funds equal to the aggregate undiscounted face amount of all Acceptances created for the account of the Canadian Borrower hereunder which are then maturing by 12:00 Noon, Toronto time, on such maturity date; provided that the Canadian

Borrower shall have given not less than one Business Day's prior notice to the Canadian Administrative Agent (which shall promptly notify each Canadian Revolving Credit Lender thereof) of its intent to reimburse the Canadian Revolving Credit Lenders in the manner contemplated by this clause (i);

(ii) having new Drafts accepted and discounted by the Canadian Revolving Credit Lenders in the manner contemplated by Sections 5.7 and 5.8 in substitution for the then- maturing Acceptances; provided that (A) the Canadian Borrower shall have

delivered to the Canadian Administrative Agent (which shall promptly provide a copy thereof to each Canadian Revolving Credit Lender) a duly completed Request for Acceptances not later than 2:00 P.M., Toronto time, one Business Day prior to such maturity date, together with the documents, instruments, certificates and other papers and information contemplated by Section 5.7(a)(ii) and 5.7(a)(iii), (B) if any Default or Event of Default has occurred and is then continuing, the Request for Acceptances shall be deemed to be a request for a Canadian Revolving Credit Loan in an amount equal to the undiscounted face amount of the Acceptances requested, (C) each Canadian Revolving Credit Lender shall retain the Acceptance Purchase Price for the Acceptance created by it and apply such Acceptance Purchase Price to the Acceptance Reimbursement Obligations of the Canadian Borrower in respect of the maturing Acceptance created by such Canadian Revolving Credit Lender, (D) if the Acceptance Purchase Price so retained by such Canadian Revolving Credit Lender is less than the undiscounted face amount of the then-maturing Acceptance, the Canadian Borrower shall have made arrangements reasonably satisfactory to such Canadian Revolving Credit Lender for payment of such deficiency and (E) if the

Acceptance Purchase Price so retained by the Canadian Revolving Credit Lender is greater than the undiscounted face amount of the then-maturing Acceptance, the Canadian Revolving Credit Lender shall make such excess available to the Canadian Administrative Agent, which in turn shall make such excess available to the Canadian Borrower, all in accordance with Section 5.8(b); or

(iii) to the extent that the Canadian Borrower has not given to the Canadian Administrative Agent a notice contemplated by clause (i) or (ii) above, then the Canadian Borrower shall be deemed to have requested a borrowing pursuant to Section 5.1 of Canadian Revolving Credit Loans in an aggregate principal amount equal to the undiscounted face amount of such then-maturing Acceptance. The Borrowing Date with respect to such borrowing shall be the maturity date for such Acceptance. Except to the extent that any of the events contemplated by paragraph (f) of Section 13 with respect to the Canadian Borrower has occurred and is then continuing, each Canadian Revolving Credit Lender shall be obligated to make the Canadian Revolving Credit Loan

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contemplated by this Section 5.10(b)(iii) regardless of whether the conditions precedent to borrowing set forth in this Agreement are then satisfied. The proceeds of any Canadian Revolving Credit Loans made pursuant to this Section 5.10(b)(iii) shall be retained by the Canadian Revolving Credit Lenders and applied by them to the Acceptance Reimbursement Obligations of the Canadian Borrower in respect of the then-maturing Acceptance.

(c) The unpaid amount of any such Acceptance Reimbursement Obligations shall be treated as a Canadian Revolving Credit Loan for the purposes hereof and interest shall accrue on the amount of any such unpaid Acceptance Reimbursement Obligation from the date such amount becomes due until paid in full at a fluctuating rate per annum equal to the rate which would then be payable on Canadian Revolving Credit Loans. Such interest shall be payable by the Canadian Borrower on demand by the Canadian Administrative Agent.

(d) In no event shall the Canadian Borrower claim from any Canadian Revolving Credit Lender any grace period with respect to the payment at maturity of any Acceptances created by such Canadian Revolving Credit Lender pursuant to this Agreement.

5.11 Converting Canadian Revolving Credit Loans to Acceptances and

Acceptances to Canadian Revolving Credit Loans. (a) Subject to Section 5.11(b),

the Canadian Borrower may at any time and from time to time request that any then outstanding Canadian Revolving Credit Loan denominated in Canadian Dollars be converted into an Acceptance by delivering to the Canadian Administrative Agent (which shall promptly notify the General Administrative Agent and each Canadian Revolving Credit Lender of its receipt thereof) a Request for Acceptances, together with a statement that the Acceptances so requested are to be created pursuant to this Section 5.11(a), such notice to be given not later than two Business Days prior to the requested conversion date.

(b) In the event that the Canadian Administrative Agent receives such a Request for Acceptances and the accompanying statement described in Section 5.11(a), then the Canadian Borrower shall pay on the requested Borrowing Date to the Canadian Administrative Agent, for the account of the Canadian Revolving Credit Lenders, the principal amount of the then outstanding Canadian Revolving Credit Loans being so converted, and each Canadian Revolving Credit Lender shall accept and discount the Canadian Borrower's Draft having an aggregate face amount equal to the principal amount of the Canadian Revolving Credit Loans of such Canadian Revolving Credit Lender which are then being repaid; it being understood and agreed that for the purposes of this Section 5.11(b), such payment by the Canadian Borrower of such outstanding Canadian Revolving Credit Loans may be from the proceeds of such discounted Drafts, provided that, (i)

following the occurrence and during the continuance of a Default or an Event of Default, no Acceptances may be created, (ii) the Canadian Borrower shall make arrangements reasonably satisfactory to each Canadian Revolving Credit Lender for payment of any deficiency, including, without limitation, the difference

between the undiscounted face amount of the Acceptance to be created pursuant to Section 5.11(a) and the Acceptance Purchase Price and any other amount owing by the Canadian Borrower and (iii) no Acceptance which is permitted to be created hereunder shall have a maturity that extends beyond the Canadian Revolving Credit Termination Date.

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(c) The creation of Acceptances pursuant to this Section 5.11 shall not be subject to the satisfaction of the conditions precedent to borrowing set forth in this Agreement.

(d) The Canadian Borrower may elect from time to time to convert outstanding Acceptances to Canadian Revolving Credit Loans denominated in Canadian Dollars by giving the Canadian Administrative Agent at least one Business Day's irrevocable notice of such election prior to the maturity of such Acceptances; provided that any such conversion of Acceptances may only be made

on the maturity thereof.

(e) On any date on which a conversion or substitution of a maturing Acceptance shall occur, the Canadian Administrative Agent shall be entitled to net all amounts payable on such date by the Canadian Administrative Agent to a Canadian Revolving Credit Lender against all amounts payable on such date by such Canadian Revolving Credit Lender to the Canadian Administrative Agent. Similarly, on any such date, the Canadian Borrower hereby authorizes each Canadian Revolving Credit Lender to net all amounts payable on such date by such Canadian Revolving Credit Lender to the Canadian Administrative Agent for the account of the Canadian Borrower, against all amounts payable on such date by the Canadian Borrower to such Canadian Revolving Credit Lender in accordance with the Canadian Administrative Agent's calculations.

5.12 Allocation of Acceptances. The Canadian Borrower hereby agrees

that each Request for Acceptances, reimbursement of Acceptances and conversion of Canadian Revolving Credit Loans to Acceptances shall be made in a manner so that any such Request for Acceptances, reimbursement or conversion shall apply ratably to all Canadian Revolving Credit Lenders in accordance with their respective Canadian Revolving Credit Commitment Percentages. In the event that the aggregate undiscounted face amount of Acceptances requested by the Canadian Borrower to be created by all Canadian Revolving Credit Lenders hereunder pursuant to any Request for Acceptances is an amount which, if divided ratably among the Canadian Revolving Credit Lenders in accordance with their respective Canadian Revolving Credit Commitment Percentages, would not result in each Canadian Revolving Credit Lender accepting a Draft which has an undiscounted face amount equal to C\$100,000 or a whole multiple of C\$100,000 in excess thereof, then, notwithstanding any provision in this Section 5.12 to the contrary, the Canadian Administrative Agent is authorized by the Canadian Borrower and the Canadian Revolving Credit Lenders to allocate among the Canadian Revolving Credit Lenders the Acceptances to be issued in such manner and amounts as the Canadian Administrative Agent may, in its sole discretion, acting reasonably, consider necessary, rounding up or down, so as to ensure that no Canadian Revolving Credit Lender is required to accept a Draft for a fraction of C\$100,000 and, in such event, the Canadian Revolving Credit Lenders' ratable share with respect to such Acceptances shall be adjusted accordingly.

5.13 Special Provisions Relating to Acceptance Notes. (a) The Canadian

Borrower and each Canadian Revolving Credit Lender hereby acknowledge and agree that from time to time certain Canadian Revolving Credit Lenders which are not Canadian chartered banks or which are Schedule II Canadian Revolving Credit Lenders may not be authorized to or may, as a matter of general corporate policy, elect not to accept Drafts, and the Canadian Borrower

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and each Canadian Revolving Credit Lender agree that any such Canadian Revolving Credit Lender may purchase Acceptance Notes of the Canadian Borrower in accordance with the provisions of Section 5.13(b) in lieu of creating Acceptances for its account.

(b) In the event that any Canadian Revolving Credit Lender described in Section 5.13(a) above is unable to, or elects as a matter of general

corporate policy not to, create Acceptances hereunder, such Canadian Revolving Credit Lender shall not create Acceptances hereunder, but rather, if the Canadian Borrower requests the creation of such Acceptances, the Canadian Borrower shall deliver to such Canadian Revolving Credit Lender non- interest bearing promissory notes (each, an "Acceptance Note") of the Canadian Borrower,

substantially in the form of Exhibit J, having the same maturity as the Acceptances to be created and in an aggregate principal amount equal to the undiscounted face amount of such Acceptances. Each such Canadian Revolving Credit Lender hereby agrees to purchase Acceptance Notes from the Canadian Borrower at a purchase price equal to the Acceptance Purchase Price which would have been applicable if a Draft in the same aggregate face amount as the principal amount of its Acceptance Notes and of the same maturity had been accepted by it (less any stamping fee which would have been paid pursuant to Section 5.9 if such Lender had created an Acceptance) and such Acceptance Notes shall be governed by the provisions of this Section 5 as if they were Acceptances.

5.14 Canadian Swing Line Commitment. (a) Subject to the terms and

conditions hereof, the Canadian Swing Line Lender agrees that, during the Canadian Revolving Credit Commitment Period, it will make available to the Canadian Borrower in the form of swing line loans ("Canadian Swing Line Loans ")

a portion of the credit otherwise available to the Canadian Borrower under the Canadian Revolving Credit Commitments; provided that (i) the aggregate principal

amount of Canadian Swing Line Loans outstanding at any time shall not exceed the Canadian Swing Line Commitment then in effect (notwithstanding that the Canadian Swing Line Loans outstanding at any time, when aggregated with the Canadian Swing Line Lender's other outstanding Canadian Revolving Credit Loans hereunder, may exceed the Canadian Swing Line Commitment then in effect or such Canadian Swing Line Lender's Canadian Revolving Credit Commitment then in effect) and (ii) the Canadian Borrower shall not request, and the Canadian Swing Line Lender shall not make, any Canadian Swing Line Loan unless, after giving effect to the making of such Canadian Swing Line Loan, (A) the Available Canadian Revolving Credit Commitment of each Canadian Revolving Credit Lender would be equal to or greater than zero, and (B) the Aggregate Canadian Revolving Extensions of Credit would not exceed the Borrowing Base of the Canadian Borrower. During the Canadian Revolving Credit Commitment Period, the Canadian Borrower may use the Canadian Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. The Canadian Swing Line Loans may be denominated in U.S. Dollars or Canadian Dollars, at the option of the Canadian Borrower. The Canadian Swing Line Loans denominated in Canadian Dollars shall be Canadian Dollar Prime Rate Loans, and the Canadian Swing Line Loans denominated in U.S. Dollars shall be Canadian Base Rate Loans.

(b) The Canadian Borrower shall repay all outstanding Canadian Swing Line Loans on the Canadian Revolving Credit Termination Date. The Canadian Borrower shall also

prepay all Canadian Swing Line Loans then outstanding simultaneously with each borrowing of Canadian Revolving Credit Loans.

5.15 Procedure for Canadian Swing Line Borrowing; Refunding of

Canadian Swing Line Loans. (a) The Canadian Borrower may borrow under the

Canadian Swing Line Commitment on any Business Day during the Canadian Revolving Credit Commitment Period, provided, the Canadian Borrower shall give the

Canadian Swing Line Lender and the Canadian Administrative Agent irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by the Canadian Swing Line Lender and the Canadian Administrative Agent not later than 1:30 P.M., Toronto time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Canadian Swing Line Commitment shall be in an amount equal to U.S.\$100,000 or a whole multiple of U.S.\$50,000 in excess thereof, in the case of borrowings in U.S. Dollars, or C\$100,000 or a whole multiple of C\$50,000 in excess thereof, in the case of borrowings in Canadian Dollars. Upon receipt of any such notice from the Canadian Borrower, the Canadian Swing Line

Lender shall promptly notify the Canadian Administrative Agent. Not later than 3:00 P.M., Toronto time, on the Borrowing Date specified in the borrowing notice in respect of any Canadian Swing Line Loan, the Canadian Swing Line Lender shall make available to the Canadian Administrative Agent at the Canadian Funding Office an amount in immediately available funds equal to the amount of such Canadian Swing Line Loan. The Canadian Administrative Agent shall make the proceeds of such Canadian Swing Line Loan available to the Canadian Borrower on such Borrowing Date in like funds as received by the Canadian Administrative Agent.

(b) The Canadian Swing Line Lender, at any time and from time to time in its sole and absolute discretion may (and not less frequently than bi-weekly, shall), on behalf of the Canadian Borrower (which hereby irrevocably directs the Canadian Swing Line Lender to act on its behalf), on one Business Day's notice given by the Canadian Swing Line Lender no later than 12:00 Noon, Toronto time, request each Canadian Revolving Credit Lender to make, and each Canadian Revolving Credit Lender hereby agrees to make, a Canadian Revolving Credit Loan, in an amount equal to such Canadian Revolving Credit Lender's Canadian Revolving Credit Percentage of the aggregate amount of the Canadian Swing Line Loans (the "Refunded Canadian Swing Line Loans ") outstanding on the date of such notice,

to repay the Canadian Swing Line Lender. Each Canadian Revolving Credit Lender shall make the amount of such Canadian Revolving Credit Loan available to the Canadian Administrative Agent at the Canadian Funding Office in immediately available funds, not later than 10:00 A.M., Toronto time, one Business Day after the date of such notice. The proceeds of such Canadian Revolving Credit Loans shall be made immediately available by the Canadian Administrative Agent to the Canadian Swing Line Lender for application by the Canadian Swing Line Lender to the repayment of the Refunded Canadian Swing Line Loans.

(c) If prior to the time a Canadian Revolving Credit Loan would have otherwise been made pursuant to Section 5.15(b), one of the events described in Section 13(f) shall have occurred and be continuing with respect to the Canadian Borrower, or if for any other reason, as determined by the Canadian Swingline Lender in its sole discretion, Canadian Revolving Credit Loans may not be made as contemplated by Section 5.15(b), each Canadian Revolving Credit

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Lender shall, on the date such Canadian Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 5.15(b) (the "Canadian

Refunding Date"), purchase for cash an undivided participating interest in the

then outstanding Canadian Swing Line Loans by paying to the Canadian Swing Line Lender an amount (the "Canadian Swing Line Participation Amount") equal to (i)

such Canadian Revolving Credit Lender's Canadian Revolving Credit Percentage times (ii) the sum of the aggregate principal amount of Canadian Swing Line

Loans then outstanding which were to have been repaid with such Canadian Revolving Credit Loans.

(d) Whenever, at any time after the Canadian Swing Line Lender has received from any Canadian Revolving Credit Lender such Lender's Canadian Swing Line Participation Amount, the Canadian Swing Line Lender receives any payment on account of the Canadian Swing Line Loans, the Canadian Swing Line Lender will distribute to such Lender its Canadian Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to

pay the principal of and interest on all Canadian Swing Line Loans then due); provided, however, that in the event that such payment received by the Canadian

Swing Line Lender is required to be returned, such Canadian Revolving Credit Lender will return to the Canadian Swing Line Lender any portion thereof previously distributed to it by the Canadian Swing Line Lender.

(e) Each Canadian Revolving Credit Lender's obligation to make the Canadian Revolving Credit Loans referred to in Section 5.15(b) and to purchase participating interests pursuant to Section 5.15(c) shall be absolute and

unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Canadian Revolving Credit Lender or the Canadian Borrower may have against the Canadian Swing Line Lender, the Canadian Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 9; (iii) any adverse change in the condition (financial or otherwise) of Holdings or the Canadian Borrower; (iv) any breach of this Agreement or any other Loan Document by the Canadian Borrower, any other Loan Party or any other Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing

5.16 Increase of Canadian Revolving Credit Commitments. At any time

after the Restatement Effective Date, Lehman Commercial Paper Inc. may provide for entities that are Canadian Lenders and/or additional Canadian entities that are then becoming parties to this Agreement as Canadian Lenders to make available additional Canadian Revolving Credit Commitments in an aggregate amount of up to additional U.S.\$1,562,500, and the U.S. Revolving Credit Commitments of Lehman Commercial Paper Inc. shall automatically reduce by the amount of any such increase in the Canadian Revolving Credit Commitments, simultaneously with such increase. Any such increase in the Canadian Revolving Credit Commitments and simultaneous reduction in U.S. Revolving Credit Commitments shall be effected pursuant to Lender Addenda and/or Assignments and Acceptances, as determined by the General Administrative Agent, and the Borrowers shall execute such documents and take such action in connection therewith as the General Administrative Agent shall reasonably request.

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SECTION 6. LETTERS OF CREDIT

6.1 L/C Commitments. (a) Subject to the terms and conditions hereof,

each U.S. Issuing Lender, in reliance on the agreements of the other U.S. Revolving Credit Lenders set forth in Section 6.4(a), agrees to issue letters of credit ("U.S. Letters of Credit") for the account of the U.S. Borrower on any

Business Day during the U.S. Revolving Credit Commitment Period in such form as may be approved from time to time by such Issuing Lender; provided, that no

Issuing Lender shall have any obligation to issue any U.S. Letter of Credit if, after giving effect to such issuance, (i) the U.S. L/C Obligations would exceed the U.S. L/C Commitment or (ii) the aggregate amount of the Available U.S. Revolving Credit Commitments would be less than zero or (iii) the Aggregate U.S. Revolving Extensions of Credit would exceed the Borrowing Base of the U.S. Borrower. Each U.S. Letter of Credit shall (i) be denominated in U.S. Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the U.S. Revolving Credit Termination Date, provided that any U.S. Letter of Credit with

a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) Subject to the terms and conditions hereof, each Canadian Issuing Lender, in reliance on the agreements of the other Canadian Revolving Credit Lenders set forth in Section 6.4(a), agrees to issue letters of credit ("Canadian Letters of Credit"; together with the U.S. Letters of Credit, the

"Letters of Credit") for the account of the Canadian Borrower on any Business

Day during the Canadian Revolving Credit Commitment Period in such form as may be approved from time to time by such Issuing Lender; provided, that no Issuing

Lender shall have any obligation to issue any Canadian Letter of Credit if, after giving effect to such issuance, (i) the Canadian L/C Obligations would exceed the Canadian L/C Commitment, (ii) the aggregate amount of the Aggregate Available Canadian Revolving Credit Commitments would be less than zero, or (iii) the Aggregate Canadian Revolving Credit Outstanding would exceed the Borrowing Base of the Canadian Borrower. Each Canadian Letter of Credit shall (i) be denominated in U.S. Dollars or Canadian Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y)

the date which is five Business Days prior to the Canadian Revolving Credit Termination Date, provided that any Canadian Letter of Credit with a one-year

term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(c) No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause such Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

6.2 Procedure for Issuance of Letters of Credit. The U.S. Borrower or

the Canadian Borrower may from time to time request that a U.S. Issuing Lender or a Canadian Issuing Lender, as the case may be, issue a Letter of Credit by delivering to such Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of such Issuing Lender, and such other certificates, documents and other papers and information as such Issuing Lender may request. Upon receipt of any Application, an Issuing Lender will process such Application and the certificates, documents and other papers and information

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delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by such Issuing Lender and the relevant Borrower (but in no event shall any Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto). Promptly after issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall furnish a copy of such Letter of Credit to the relevant Borrower. Each Issuing Lender shall promptly furnish to the General Administrative Agent (and, in the case of a Canadian Letter of Credit, to the Canadian Administrative Agent), notice of the issuance of each Letter of Credit issued by it (including the amount thereof) and such Agent shall promptly upon receipt of such notice notify each Lender.

6.3 Fees and Other Charges. (a) Each Borrower will pay a fee on the

aggregate drawable amount of all outstanding Letters of Credit issued for such Borrower's account at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans under the U.S. Revolving Credit Facility, shared ratably among the U.S. Revolving Credit Lenders or the Canadian Revolving Credit Lenders, as the case may be, in accordance with their respective U.S. Revolving Credit Percentages or Canadian Revolving Credit Percentages, as the case may be, and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, each Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the aggregate drawable amount of each outstanding Letter of Credit issued by such Issuing Lender for the account of such Borrower of 1/4 of 1% per annum, payable quarterly in arrears on each L/C Fee Payment Date after the issuance date of such Letter of Credit.

(b) In addition to the foregoing fees, each Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit issued for such Borrower's account.

(c) Fees payable in respect of any Letter of Credit shall be payable in the currency in which such Letter of Credit is denominated.

6.4 L/C Participations. (a) Each Issuing Lender irrevocably agrees to

grant and hereby grants to each L/C Participant, and, to induce each Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from each Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to (i) in the case of each U.S. L/C Participant, such U.S. L/C Participant's U.S. Revolving Credit Percentage in each Issuing Lender's obligations and rights under each

U.S. Letter of Credit issued by such Issuing Lender hereunder and the amount of each draft paid by such Issuing Lender thereunder and (ii) in the case of each Canadian L/C Participant, such Canadian L/C Participant's Canadian Revolving Credit Percentage in each Issuing Lender's obligations and rights under each Canadian Letter of Credit issued by such Issuing Lender hereunder and the amount of each draft paid by such Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with each Issuing Lender that, if a draft is paid under any Letter of Credit in which such L/C Participant has a participating interest for which the relevant Issuing Lender is not

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reimbursed in full by the relevant Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to such Issuing Lender upon demand at such Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's U.S. Revolving Credit Percentage (in the case of U.S. Letters of Credit) or Canadian Revolving Credit Percentage (in the case of Canadian Letters of Credit) of the amount of such draft, or any part thereof, that is not so reimbursed.

(b) If any amount required to be paid by any L/C Participant to an Issuing Lender pursuant to Section 6.4(a) in respect of any unreimbursed portion of any payment made by such Issuing Lender under any Letter of Credit is paid to such Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to such Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate (in the case of amounts owing in U.S. Dollars) or the rate determined by the Canadian Issuing Bank to be its cost of funding the overdue amount (in the case of amounts owing in Canadian Dollars) during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 6.4(a) is not made available to such Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, such Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to U.S. Base Rate Loans under the U.S. Revolving Credit Facility (in the case of amounts owing in U.S. Dollars) or Canadian Base Rate Loans under the Canadian Revolving Credit Facility (in the case of amounts owing in Canadian Dollars). A certificate of such Issuing Lender submitted to any L/C Participant with respect to any such amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after an Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro

rata share of such payment in accordance with Section 6.4(a), such Issuing

Lender receives any payment related to such Letter of Credit (whether directly from the relevant Borrower or otherwise, including proceeds of collateral applied thereto by such Issuing Lender), or any payment of interest on account thereof, such Issuing Lender will distribute to such L/C Participant its pro

rata share thereof; provided, however, that in the event that any such payment

received by such Issuing Lender shall be required to be returned by such Issuing Lender, such L/C Participant shall return to such Issuing Lender the portion thereof previously distributed by such Issuing Lender to it.

6.5 Reimbursement Obligation of the Borrowers. Each Borrower agrees to

reimburse each relevant Issuing Lender on each date on which such Issuing Lender notifies such Borrower of the date and amount of a draft presented under any Letter of Credit issue for the account of such Borrower and paid by such Issuing Lender for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by such Issuing Lender in connection with such payment (the amounts described in the foregoing clauses (a) and (b) in respect of any drawing, collectively, the "Payment Amount "). Each such payment

shall be made to such Issuing Lender at its address for notices specified herein in the currency in which such

amount is owing and in immediately available funds . Interest shall be payable on each Payment Amount from the date of the applicable drawing until payment in full at the rate set forth in (i) until the second Business Day following the date of the applicable drawing, Section 7.1(b) (in the case of amounts outstanding in U.S. Dollars) in Section 7.1(c) (in the case of amounts outstanding in Canadian Dollars) and (ii) thereafter, Section 7.1(e). Each drawing under any Letter of Credit shall (unless an event of the type described in clause (i) or (ii) of Section 13(f) shall have occurred and be continuing with respect to the Borrower, in which case the procedures specified in Section 6.4 for funding by L/C Participants shall apply) constitute a request by the relevant Borrower to the relevant Administrative Agent for (x) in the case of a drawing in U.S. Dollars, a borrowing pursuant to Section 2.5 of U.S. Base Rate Loans (or, at the option of the General Administrative Agent and the Swing Line Lender in their sole discretion, a borrowing pursuant to Section 2.7 of Swing Line Loans) in the amount of such drawing or (y), in the case of a drawing in Canadian Dollars, a borrowing pursuant to Section 5.1 of Canadian Prime Rate Loans in the amount of such drawing. The Borrowing Date with respect to such borrowing shall be the first date on which a borrowing of U.S. Revolving Credit Loans, Canadian Revolving Credit Loans or applicable, Swing Line Loans, as the case may be, could be made, pursuant to Section 2.5, 5.2 or 2.7, as the case may be, if the relevant Administrative Agent had received a notice of such borrowing at the time such Administrative Agent receives notice from the relevant Issuing Lender of such drawing under such Letter of Credit.

6.6 Obligations Absolute. Each Borrower's obligations under this

 Section 6 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that such Borrower may have or have had against any Issuing Lender, any beneficiary of a Letter of Credit or any other Person. Each Borrower also agrees with each Issuing Lender that such Issuing Lender shall not be responsible for, and such Borrower's Reimbursement Obligations under Section 6.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among such Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of such Borrower against any beneficiary of such Letter of Credit or any such transferee. No Issuing Lender shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions resulting from the gross negligence or willful misconduct of such Issuing Lender. Each Borrower agrees that any action taken or omitted by an Issuing Lender under or in connection with any Letter of Credit issued by it or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards or care specified in the Uniform Commercial Code of the State of New York, shall be binding on such Borrower and shall not result in any liability of such Issuing Lender to such Borrower.

6.7 Letter of Credit Payments. If any draft shall be presented for

 payment under any Letter of Credit, the relevant Issuing Lender shall promptly notify the relevant Borrower of the date and amount thereof. The responsibility of the relevant Issuing Lender to the relevant Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit issued by such Issuing Lender, be limited to determining that the documents (including each draft) delivered

under such Letter of Credit in connection with such presentment appear on their face to be in conformity with such Letter of Credit.

6.8 Applications. To the extent that any provision of any Application

 related to any Letter of Credit is inconsistent with the provisions of this Section 6, the provisions of this Section 6 shall apply.

7.1 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall

bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such Interest Period plus the Applicable Margin in effect for such day.

(b) Each U.S. Base Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the U.S. Base Rate for such day plus the Applicable Margin in effect for such day.

(c) Each Canadian Prime Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Canadian Prime Rate for such day plus the Applicable Margin in effect for such day.

(d) Each Canadian Base Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Canadian Base Rate for such day plus the Applicable Margin in effect for such day.

(e) If all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon or (iii) any fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall to the extent legally permitted bear interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2%.

(f) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (e) of this

subsection shall be payable from time to time on demand.

7.2 Conversion and Continuation Options With Respect to Loans. (a) The

U.S. Borrower may elect from time to time to convert outstanding Eurodollar Loans made to it under any Facility to U.S. Base Rate Loans under such Facility by giving the General Administrative Agent at least one Business Day's prior irrevocable notice of such election, provided that any such conversion of

Eurodollar Loans made on a day other than the last day of an Interest Period with respect thereto unless the U.S. Borrower as shall be accompanied by payments of amounts specified in Section 7.12. The U.S. Borrower may elect from time to time to convert outstanding U.S. Base Rate Loans made to it under any Facility (other than Swing Line Loans) (in whole or in part) to Eurodollar Loans under such Facility by giving the General Administrative Agent at least three Business Days' prior irrevocable notice of such election. Any such notice of

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conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the General Administrative Agent shall promptly notify each U.S. Lender thereof. All or any part of outstanding Eurodollar Loans and U.S. Base Rate Loans owing by the U.S. Borrower under such Facility may be converted as provided herein, provided that

(i) no U.S. Base Rate Loan under any Facility may be converted into a Eurodollar Loan when any Default or Event of Default has occurred and is continuing and the General Administrative Agent or the Majority Facility Lenders with respect to such Facility have determined that such conversion is not appropriate, (ii) any such conversion may only be made if, after giving effect thereto, Section 7.3 shall not have been violated, (iii) no U.S. Base Rate Loan may be converted into a Eurodollar Loan after the date that is one month prior to the U.S. Revolving Credit Termination Date (in the case of U.S. Revolving Credit Loans) or the scheduled maturity date therefor (in the case of U.S. Term Loans) and (iv) Swing Line Loans may not be converted to Eurodollar Loans.

(b) The Canadian Borrower may elect from time to time to convert outstanding Eurodollar Loans made to it under any Facility to Canadian Base Rate Loans under such Facility by giving the Canadian Administrative Agent at least one Business Day's prior irrevocable notice of such election, provided that any

such conversion of Eurodollar Loans made on a day other than the last day of an Interest Period with respect thereto shall be accompanied by payment of amounts

specified in Section 7.12. The Canadian Borrower may elect from time to time to convert outstanding Canadian Base Rate Loans made to it under any Facility (other than Canadian Swing Line Loans) to Eurodollar Loans under such Facility by giving the Canadian Administrative Agent at least three Business Days' prior irrevocable notice of such election. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Canadian Administrative Agent shall promptly notify each affected Canadian Lender thereof. All or any part of outstanding Eurodollar Loans and Canadian Base Rate Loans owing by the Canadian Borrower under such Facility may be converted as provided herein, provided that (i) no Canadian Base Rate Loan under any Facility may be converted

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into a Eurodollar Loan when any Default or Event of Default has occurred and is continuing and the Canadian Administrative Agent or the Majority Facility Lenders with respect to any Facility have determined that such conversion is not appropriate, (ii) any such conversion may only be made if, after giving effect thereto, Section 7.3 shall not have been violated, (iii) no Canadian Base Rate Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Canadian Revolving Credit Termination Date (in the case of Canadian Revolving Credit Loans) or the scheduled maturity date therefor (in the case of Canadian Term Loans) and (iv) Canadian Swing Line Loans may not be converted to Eurodollar Loans.

(c) Any Eurodollar Loans under any Facility may be continued as such upon the expiration of the then current Interest Period with respect thereto by the relevant Borrower giving notice to the General Administrative Agent or the Canadian Administrative Agent, as the case may be, of the length of the next Interest Period to be applicable to such Loans determined in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, provided that no Eurodollar Loan under any Facility may be continued as such (i)

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when any Default or Event of Default has occurred and is continuing and the General Administrative Agent (or, in the case of Canadian Facility Loans, the Canadian Administrative Agent) or the Majority

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Facility Lenders under such Facility have determined that such continuation is not appropriate, (ii) if, after giving effect thereto, Section 7.3 would be contravened or (iii) after the date that is one month prior to the U.S. Revolving Credit Termination Date, Canadian Revolving Credit Termination Date or applicable final maturity date, as the case may be, and provided, further, that

if the relevant Borrower shall fail to give such notice or if such continuation is not permitted pursuant to the preceding proviso such Eurodollar Loans shall be automatically converted to U.S. Base Rate Loans or Canadian Base Rate Loans, as applicable, on the last day of such then expiring Interest Period.

7.3 Minimum Amounts of Tranches. (a) All borrowings, conversions and

continuations of Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, (i) the aggregate principal amount of the Eurodollar Loans comprising each Tranche shall be equal to U.S.\$1,000,000 or a whole multiple of U.S. \$100,000 in excess thereof, and (ii) there shall not be more than nine Tranches at any one time outstanding.

(b) All Acceptances created hereunder, all conversions and continuations thereof and all selections of maturity dates with respect thereto shall be made pursuant to such elections so that, after giving effect thereto, there shall be no more than six Acceptance Tranches at any one time outstanding.

7.4 Optional Prepayments. (a) The U.S. Borrower may at any time and

from time to time prepay U.S. Facility Loans, in whole or in part without premium or penalty (except with respect to prepayments of Tranche C Term Loans, as provided in Section 7.4(d)) upon at least three Business Days' irrevocable notice to the General Administrative Agent (in the case of Eurodollar Loans) and at least one Business Day's irrevocable notice to the General Administrative Agent (in the case of U.S. Base Rate Loans) specifying the date and amount of prepayment, the Facility to which such prepayment applies and the type of Loans being prepaid under each such Facility. Upon the receipt of any such notice the General Administrative Agent shall promptly notify each affected U.S. Lender

thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Partial prepayments of the U.S. Facility Loans (other than Swing Line Loans) shall be in an aggregate principal amount of U.S.\$250,000 or a whole multiple of U.S.\$100,000 in excess thereof (or in such lower amount as may be then outstanding). Partial prepayments of the Swing Line Loans shall be in aggregate principal amount of U.S.\$100,000 or a whole multiple of U.S.\$100,000 in excess thereof (or in such lower amount as may be then outstanding). Optional prepayments of the U.S. Term Loans shall be applied to the Tranche A Term Loans and Tranche B Term Loans ratably in accordance with the outstanding principal amounts thereof.

Prepayments made pursuant to this Section 7.4(a) shall be applied as specified in Section 7.5(f) and are subject to the provisions of Section 7.5(i). The Tranche C Term Loans may not be optionally prepaid (except with the proceeds of Replacement Subordinated Debt) so long as any other amounts are owing by any Loan Party under this Agreement or the other Loan Documents; provided, that the

Tranche C Term Loans may be prepaid with Net Cash Proceeds of the IPO as permitted by Section 7.5(a).

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(b) The Canadian Borrower may at any time and from time to time prepay, without premium or penalty, the Canadian Facility Loans, in whole or in part, upon at least three Business Days' irrevocable notice to the Canadian Administrative Agent (in the case of Eurodollar Loans) and at least one Business Day's irrevocable notice to the Canadian Administrative Agent (in the case of Canadian Base Rate Loans or Canadian Prime Rate Loans) specifying the date and amount of prepayment, the Facility to which such prepayment applies and the type of Loans being prepaid under each such Facility. Upon the receipt of any such notice, the Canadian Administrative Agent shall promptly notify each affected Canadian Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Partial prepayments of Canadian Facility Loans (other than Canadian Swing Line Loans) shall be in an aggregate principal amount of C\$300,000 or a whole multiple of C\$100,000 in excess thereof (in the case of Canadian Facility Loans denominated in Canadian Dollars), U.S.\$250,000 or a whole multiple of US\$100,000 in excess thereof (in the case of Canadian Facility Loans denominated in U.S. Dollars (or in such lower amount as may be then outstanding for either denomination). Partial prepayments of the Canadian Swing Line Loans shall be in aggregate principal amount of U.S.\$100,000 or a whole multiple of U.S.\$100,000 in excess thereof, in the case of borrowings in U.S. Dollars (or in such lower amounts as may be then outstanding), or C\$100,000 or a whole multiple of C\$100,000 in excess thereof, in the case of borrowings in Canadian Dollars (or in such lower amounts as may be then outstanding). Prepayments made pursuant to this Section 7.4(b) shall be applied as specified in Section 7.5(g). Except as otherwise provided in Section 13, no prepayment of any Acceptance shall be made by the Canadian Borrower prior to the maturity date of such Acceptance.

(c) Each prepayment of Loans pursuant to this Section 7.4 shall be accompanied by accrued and unpaid interest on the amount prepaid to the date of prepayment and any amounts payable under Section 7.12 in connection with such prepayment.

(d) Each prepayment in respect of the Tranche C Term Loans shall be accompanied by a prepayment premium equal to (i) if such prepayment is made prior to the first anniversary of the Original Closing Date, 3.5% of the principal amount of such prepayment, (ii) if such prepayment is made on or after the first anniversary of the Original Closing Date and prior to the second anniversary of the Original Closing Date, 3% of the principal amount of such prepayment, (iii) if such prepayment is made on or after the second anniversary of the Original Closing Date and on or prior to the third anniversary of the Original Closing Date, 2% of the principal amount of such prepayment and (iv) if such prepayment is made on or after the third anniversary of the Original Closing Date and prior to the fourth anniversary of the Original Closing Date, 1% of the principal amount of such prepayment and (v) if such prepayment is made after the fourth anniversary of the Original Closing Date, 0% of the principal amount of such prepayment.

7.5 Mandatory Prepayments; Application of Prepayments. (a) Unless the

Required Prepayment Lenders shall otherwise agree, if Holdings receives Net Cash Proceeds from Capital Stock Sales, an amount equal to 100% of such Net Cash Proceeds shall be applied within three Business Days after the date of receipt

thereof toward the prepayment of the Loans and Acceptances as set forth in Section 7.5(e); provided, that (i) Net Cash Proceeds from the sale or exercise

of the 2000 Warrants shall not be required to be applied toward such prepayment and

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reduction, (ii) the Net Cash Proceeds of the IPO shall be applied (A) to repay the Tranche B Term Loans in full (subject to the provisions of Section 7.5(i)), (B) to repay the Canadian Term Loans in full, (C) to repay in full the principal of, and accrued and unpaid interest on, the 2000 Subordinated Notes and other unsecured loans and loans secured by fixed assets recently incurred by Holdings and its Subsidiaries in an aggregate principal amount for all such loans and the 2000 Subordinated Notes not exceeding U.S. \$15,000,000, (D) to finance the Pensar Acquisition and pay related fees and expenses, (E) to repay Loans outstanding under the Revolving Credit Commitments (without any reduction of the Revolving Credit Commitments), (F) to pay U.S.\$1,800,000 in the aggregate to the Sponsors as consideration for the termination of the Management Agreement and (G) at the option of the U.S. Borrower, to repay the Tranche C Term Loans in full and (iii) Specified Equity Proceeds may be applied, within 90 days after the receipt thereof by Holdings and its Subsidiaries, to fund Permitted Acquisitions, and any Specified Equity Proceeds not so applied within 90 days after the receipt thereof by Holdings and its Subsidiaries shall be applied on or before the Business Day immediately following such 90th day toward the prepayment of the Loans and Acceptances as set forth in Section 7.5(e); and (iv) no repayment of Loans by the U.S. Borrower shall be required pursuant to this Section 7.5(a) once the Tranche A Term Loans and Tranche B Term Loans have been paid in full.

(b) Unless the Required Prepayment Lenders shall otherwise agree, if after the Original Closing Date any Indebtedness shall be issued or incurred by Holdings or any of its Subsidiaries (excluding any Indebtedness incurred in accordance with Section 11.2, other than Replacement Subordinated Debt permitted by Section 11.2(n), the proceeds of which shall be used to prepay Tranche C Term Loans), an amount equal to 100% of the Net Cash Proceeds thereof shall be applied within five Business Days after the date of such issuance or incurrence toward the prepayment of the Loans and Acceptances as set forth in Section 7.5(e); provided, however, that no repayment of Loans by the U.S. Borrower

shall be required pursuant to this Section 7.5(b) once the Tranche A Term Loans and Tranche B Term Loans have been paid in full.

(c) [Reserved]

(d) Unless the Required Prepayment Lenders shall otherwise agree, if, for any fiscal year of Holdings commencing with the fiscal year ending on December 31, 2000, Holdings shall have Excess Cash Flow (calculated with respect to Holdings and its Subsidiaries) and the U.S. Borrower shall have Excess Cash Flow (calculated with respect to the U.S. Borrower and its Subsidiaries), the U.S. Borrower shall, on the relevant Excess Cash Flow Application Date, apply the ECF Percentage of the smaller of Holdings' Excess Cash Flow and the U.S. Borrower's Excess Cash Flow for such fiscal year toward the prepayment of the Loans as set forth in Section 7.5(f).; provided, however, that no repayment of

Loans by the U.S. Borrower shall be required pursuant to this Section 7.5(d) once the Tranche A Term Loans and Tranche B Term Loans have been paid in full. Each such prepayment shall be made on a date (an "Excess Cash Flow Application

Date") no later than five days after the earlier of (i) the date on which the

financial statements of Holdings referred to in Section 10.1(a), for the fiscal year with respect to which such prepayment is made, are required to be delivered to the Lenders and (ii) the date such financial statements are actually delivered.

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(e) Subject to Section 7.9 and except as provided in the proviso to Section 7.5(a), amounts to be applied in connection with prepayments and Commitment reductions made pursuant to Section 7.5(a) or 7.5(b) shall be applied to the prepayment of the Tranche A Term Loans and the Tranche B Term Loans, ratably in accordance with the outstanding amount of each such Facility. The

application of any such prepayment of U.S. Term Loans shall be made first to U.S. Base Rate Loans and second to Eurodollar Loans (in a manner, to the extent practicable and permitted hereunder, which minimizes amounts payable under Section 7.12 as a result of such prepayment). Each such prepayment of Loans shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

(f) Subject to Section 7.9, amounts to be applied in connection with prepayments and reductions made pursuant to Section 7.4(a) or the first sentence of Section 7.5(d) shall be applied to the prepayment of the Tranche A Term Loans and Tranche B Term Loans, ratably in accordance with the respective outstanding amounts of the Facilities. The application of any such prepayment of U.S. Term Loans shall be made first to U.S. Base Rate Loans and second to Eurodollar Loans (in a manner, to the extent practicable and permitted hereunder, which minimizes amounts payable under Section 7.12 as a result of such prepayment). Each such prepayment of the Loans shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

(g) [Reserved]

(h) The amount of each prepayment of the Loans made pursuant to Section 7.4 or Section 7.5 shall be applied to reduce the then remaining installments of the Loans under the relevant Facility pro rata based upon the
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then remaining outstanding principal amount of such installments; provided, that

the relevant Borrower may elect for such prepayments to be first applied to installments payable under such Loans during the twelve months following the date of such prepayment.

(i) Notwithstanding anything in Section 7.4(a), Section 7.5(e) or Section 7.5(f) to the contrary and provided that there are Tranche A Term Loans then outstanding, with respect to the amount of any optional prepayment described in Section 7.4(a) or mandatory prepayment described in Section 7.5 that is allocated to the Tranche B Term Loans (such amounts, the "Tranche B

Prepayment Amount"), the U.S. Borrower will, in lieu of applying such amount to

the prepayment of Tranche B Term Loans, as provided in Section 7.4(a) or Section 7.5(e) or (f), as the case may be, on the date specified in Section 7.4(a) or Section 7.5, as the case may be, for such prepayment, give the General Administrative Agent telephonic notice (promptly confirmed in writing) requesting that the General Administrative Agent prepare and provide to each Tranche B Lender a notice (each, a "Prepayment Option Notice") as described

below. As promptly as practicable after receiving such notice from the U.S. Borrower, the General Administrative Agent will send to each Tranche B Lender a notice (a "Prepayment Option Notice"), which shall be in the form of Exhibit K,

and shall include an offer by the U.S. Borrower to prepay on the date (each a "Proposed Prepayment Date") that is 15 days after the date of the Prepayment

Option Notice, the Tranche B Term Loans of such Lender by an amount equal to the portion of the Tranche B Prepayment Amount indicated in such Lender's Prepayment Option Notice as being applicable to such Lender's Tranche B Term Loans (which shall be such Lender's pro rata share of the Tranche B Prepayment Amount). On
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the Proposed

Prepayment Date, (A) the U.S. Borrower shall pay to the General Administrative Agent the aggregate amount necessary to prepay that portion of the outstanding Tranche B Term Loans in respect of which Tranche B Lenders have accepted prepayment as described above (such Lenders, the "Accepting Lenders"), and such

amount shall be applied to reduce the Tranche B Prepayment Amount with respect to each Accepting Lender and (B) the U.S. Borrower may retain 50% of the Tranche B Prepayment Amount not accepted for prepayment and shall pay to the General Administrative Agent an amount equal to 50% of the portion of the Tranche B Prepayment Amount not accepted for prepayment, and such amount shall be applied (i) in the case of optional prepayments pursuant to Section 7.4, to prepay the Tranche A Term Loans and (ii) in the case of mandatory prepayments, to the other

Facilities required to be prepaid pursuant to Section 7.5(e) or Section 7.5(f), as the case may be, ratably in accordance with the outstanding amounts thereof. Notwithstanding the foregoing, if any Tranche B Term Loan Lender declines to accept the prepayment of its Tranche B Term Loan on the Restatement Effective Date, such declined amount shall not be required to be applied to prepay any other Loans and will instead be applied in accordance with the proviso to Section 7.5(a).

7.6 Certain Fees. (a) The U.S. Borrower shall pay (without duplication

of any other fee payable under this Section 7.6) to the Arranger and the Syndication Agent, for their respective accounts, all fees separately agreed to by the U.S. Borrower and the Arranger and the Syndication Agent, as the case may be.

(b) The Canadian Borrower shall (without duplication of any other fee payable under this Section 7.6) pay to the Canadian Administrative Agent all fees separately agreed to by the Canadian Borrower and the Canadian Administrative Agent.

(c) The U.S. Borrower shall (without duplication of any other fee payable under this Section 7.6) pay to the General Administrative Agent all fees separately agreed to by the U.S. Borrower and the General Administrative Agent.

(d) Holdings agrees to pay to the General Administrative Agent on the Restatement Effective Date, for the account of each Lender that has executed and delivered a Lender Addendum consenting to the amendment and restatement of the Existing Credit Agreement effected hereby, the amendment fee specified in Section 9.2(f).

7.7 Computation of Interest and Fees. (a) Interest based on the

Eurodollar Rate the Canadian Prime Rate, the Canadian Base Rate, or the U.S. Base Rate when it is based upon the Federal Funds Effective Rate shall be calculated on the basis of a 360-day year for the actual days elapsed; and commitment fees, letters of credit fees and interest (other than interest based the Canadian Prime Rate, the Canadian Base Rate, upon the Eurodollar Rate or the U.S. Base Rate when it is based upon the Federal Funds Effective Rate) shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The General Administrative Agent shall as soon as practicable notify the relevant Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the U.S. Base Rate, the Canadian Base Rate or the Canadian Prime Rate shall become effective as of the opening of business on the day on which such change becomes effective. The General Administrative Agent shall as soon as practicable notify the

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U.S. Borrower and the Lenders of the effective date and the amount of each such change in the U.S. Base Rate, and the Canadian Administrative Agent shall as soon as practicable notify the U.S. Borrower and Canadian Borrower and the Canadian Revolving Credit Lenders of each such change in the Canadian Prime Rate and the Canadian Base Rate; provided that a failure by the General

Administrative Agent or the Canadian Administrative Agent to notify the U.S. Borrower or the Canadian Borrower of such respective rate changes does not affect the obligation of the U.S. Borrower or the Canadian Borrower to pay interest at the applicable rate as changed. For purposes of the Interest Act (Canada), whenever any interest or fee under this Agreement is calculated based on a period which is less than a year (the "Lesser Period"), the interest rate

or fee determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (i) the applicable rate based on such Lesser Period, (ii) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable ends, and (iii) divided by the number of days in such Lesser Period. The rates of interest specified in this Agreement are nominal rates and all interest payments and computations are to be made without allowance or deduction for deemed reinvestment of interest.

(b) Each determination of an interest rate by the General Administrative Agent or the Canadian Administrative Agent, as the case may be, pursuant to any provision of this Agreement shall be conclusive and binding on

the Borrowers and the Lenders in the absence of manifest error. Each Administrative Agent shall, at the request of a Borrower, deliver to such Borrower a statement showing in reasonable detail the calculations used by such Administrative Agent in determining any interest rate pursuant to Section 7.1(a).

(c) If any Canadian Reference Lender shall for any reason no longer have a Canadian Revolving Credit Commitment or any Canadian Revolving Credit Loans, such Canadian Reference Lender shall thereupon cease to be a Canadian Reference Lender, and if, as a result, there shall only be one Schedule I Canadian Reference Lender or Schedule II Canadian Reference Lender (as the case may be) remaining, the Canadian Administrative Agent, with the consent of the Canadian Borrower (after consultation with the Schedule I Canadian Lenders or the Schedule II Canadian Lenders, as applicable) shall, by notice to the Canadian Borrower and the Canadian Lenders, designate another Schedule I Canadian Lender or Schedule II Canadian Lender, as applicable, as a Schedule I Canadian Reference Lender or a Schedule II Canadian Reference Lender, as applicable, so that there shall at all times be at least two Schedule I Canadian Reference Lenders and two Schedule II Canadian Reference Lenders.

(d) Each Canadian Reference Lender shall use its best efforts to furnish quotations of rates to the Canadian Administrative Agent as contemplated hereby. If any of the Canadian Reference Lenders shall be unable or shall otherwise fail to supply such rates to the applicable Administrative Agent upon its request, the rate of interest shall, subject to the provisions of Section 7.8, be determined on the basis of the quotations of the remaining Canadian Reference Lenders or Reference Lender.

7.8 Inability to Determine Interest Rate. If prior to the first day of

any Interest Period:

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(a) the General Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrowers absent manifest error) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the General Administrative Agent has received notice from the Majority Facility Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Eurodollar Loans during such Interest Period,

the General Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans under the relevant Facility shall be converted, on the first day of such Interest Period, to Base Rate Loans. Until such time as the Eurodollar Rate can be determined by the General Administrative Agent in the manner specified in the definitions of such terms in Section 1.1, no further Eurodollar Loans under the affected Facility shall be continued as such at the end of the then current Interest Periods or shall be made, nor shall the relevant Borrower have the right to convert outstanding Loans under such Facility into Eurodollar Loans. The Administrative Agent shall withdraw (i) any such notice pursuant to clause (a) above if the Administrative Agent determines that the relevant circumstances have ceased to exist and (ii) any such notice pursuant to clause (b) above upon receipt of notice from the Majority Facility Lenders in respect of the relevant Facility that the relevant circumstances described in such clause (b) have ceased to exist.

7.9 Pro Rata Treatment and Payments. (a) (i) Each borrowing from the

Lenders under any Facility shall be made pro rata according to the respective
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Commitment Percentages of the Lenders in respect of such Facility in effect on the date of such borrowing. Each payment on account of any commitment fee or

letter of credit fee relating to any Facility shall be allocated by the relevant Administrative Agent among the Lenders in accordance with the respective Commitment Percentages of the Lenders in respect of such Facility. Any reduction of the Commitments under any Facility shall be allocated among the Lenders pro

rata according to the Commitment Percentages of the Lenders in respect of such

Facility. Each payment (other than any optional prepayment) by a Borrower on account of principal of the Loans shall be allocated by the relevant Administrative Agent pro rata according to the respective principal amounts

thereof then due and owing to each Lender. Each payment by a Borrower on account of interest on the Loans shall be allocated by the relevant Administrative Agent pro rata according to the respective amounts of interest then due and owing to

each Lender. Each optional prepayment on account of principal of or interest on the Loans under any Facility shall be allocated by the relevant Administrative Agent pro rata according to the respective outstanding principal amounts of

Loans outstanding under such Facility.

(ii) All payments (including prepayments) to be made by the U.S. Borrower hereunder, whether on account of principal, interest, fees or otherwise,

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shall be made without set-off or counterclaim and shall be made prior to 1:00 P.M., New York City time, on the due date thereof to the General Administrative Agent, for the account of the U.S. Lenders, at the U.S. Payment Office, in U.S. Dollars and in immediately available funds. The General Administrative Agent shall distribute such payments to the U.S. Lenders entitled to receive the same promptly upon receipt in like funds as received.

(iii) All payments (including prepayments) to be made by the Canadian Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without set-off or counterclaim and shall be made prior to 1:00 P.M., Toronto time, on the due date thereof to the Canadian Administrative Agent, for the account of the Canadian Lenders, at the Canadian Payment Office, in the currency in which the relevant amount is outstanding and in immediately available funds. The Canadian Administrative Agent shall distribute such payments to the Canadian Lenders entitled to receive the same promptly upon receipt in like funds as received.

(iv) If any payment hereunder (other than payments on the Eurodollar Loans and the Acceptances) becomes due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day (and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension) unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. Acceptances may only mature on a Business Day.

(b) Unless the applicable Administrative Agent shall have been notified in writing by any Lender prior to a Borrowing Date that such Lender will not make the amount that would constitute its share of such borrowing available to such Administrative Agent, such Administrative Agent may assume that such Lender is making such amount available to such Administrative Agent, and such Administrative Agent may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. If such amount is not made available to such Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to such Administrative Agent, on demand, such amount with interest thereon at a rate per annum equal to (i) the daily average Federal Funds Effective Rate (in the case of a borrowing of Loans in U.S. Dollars), and (ii) the Canadian Administrative Agent's reasonable

estimate of its average daily cost of funds (in the case of a borrowing of Loans or Acceptances in Canadian Dollars), in each case for the period until such Lender makes such amount immediately available to such Administrative Agent. A certificate of such Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to such Administrative Agent by such Lender within three

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Business Days of such Borrowing Date, the applicable Borrower shall repay such Lender's share of such borrowing (together with interest thereon from the date such amount was made available to such Borrower (i) at the rate per annum applicable to U.S. Base Rate Loans under the relevant Facility (in the case of amounts made available to the U.S. Borrower and amounts made available in U.S. Dollars to the Canadian Borrower) and (ii) at the rate per annum applicable to Canadian Prime Rate Loans under the relevant Facility (in the case of amounts made available in Canadian Dollars to the Canadian Borrower) to such Administrative Agent not later than three Business Days after receipt of written notice from such Administrative Agent specifying such Lender's share of such borrowing that was not made available to such Administrative Agent. Nothing contained in this Section 7.9(b) shall prejudice any claims otherwise available to any Borrower against any Lender as a result of such Lender's failure to make its share of any borrowing available to an Administrative Agent for the account of a Borrower.

7.10 Illegality. (a) Notwithstanding any other provision herein, if

the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (i) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert U.S. Base Rate Loans or Canadian Base Rate Loans to Eurodollar Loans shall forthwith be cancelled until such time as it shall no longer be unlawful for such Lender to make or maintain the affected Loans and, (ii) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to U.S. Base Rate Loans or Canadian Base Rate Loans, as the case may be, on the respective last days of the then current Interest Periods with respect to such Eurodollar Loans or within such earlier period as may be required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the relevant Borrower shall not be obligated to pay to such Lender such amounts, if any, as may be required pursuant to Section 7.12.

(b) Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Canadian Lender to create or maintain Acceptances as contemplated by this Agreement, (a) the commitment of such Canadian Lender hereunder to accept Drafts, purchase Acceptances, continue Acceptances as such and convert Canadian Revolving Credit Loans or Canadian Dollar Term Loans to Acceptances shall forthwith be cancelled until such time as it shall no longer be unlawful for such Canadian Lender to create or maintain Acceptances and (b) such Canadian Lender's then outstanding Acceptances, if any, shall be converted automatically to Canadian Prime Rate Loans on the respective maturities thereof or within such earlier period as may be permitted and required by law.

(c) Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Canadian Lender to make or maintain Canadian Base Rate Loans, (i) the commitment of such Canadian Lender hereunder to make Canadian Base Rate Loans shall forthwith be cancelled until such time as it shall no longer be unlawful for such Canadian Lender to make or maintain Canadian Base Rate Loans and (ii) such Canadian Lender's then outstanding Canadian Base Rate Loans, if any, shall be converted automatically to Canadian Dollars at the Exchange Rate

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and Canadian Prime Rate Loans on the respective maturities thereof or within such earlier period as may be permitted and required by law.

(d) If, by reason of circumstances affecting the money markets

generally, there is no market for Acceptances (i) the right of the Canadian Borrower to request an Acceptance shall be suspended until the circumstances causing a suspension no longer exist, and (ii) any Request for an Acceptance which is outstanding shall be canceled and the requested Acceptance shall not be available. The Canadian Administrative Agent shall promptly notify the Canadian Borrower of the suspension of the Canadian Borrower's right to request an Acceptance and of the termination of any suspension.

7.11 Requirements of Law. (a) If the adoption of, or any change in,

any Requirement of Law or in the interpretation thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note, any Acceptance created by it, any Letter of Credit issued or participated in by it or any Loans made by it, or change the basis of taxation of payments to such Lender of principal, fees, interest or any other amount payable hereunder (except for taxes covered by Section 7.13 and changes in the rate of tax on the overall net income or capital of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender which are not otherwise included in the determination of the Eurodollar Rate, including, without limitation, the imposition of any reserves with respect to Eurocurrency Liabilities under Regulation D of the Board;
or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by any amount which such Lender deems to be material, of making, renewing or maintaining advances or extensions of credit or to reduce any amount receivable hereunder, in each case in respect of its Loans, its Acceptances or its Participating Interests, then, in any such case, the applicable Borrower shall, to the extent permitted by law, promptly pay such Lender, upon receipt of its demand setting forth in reasonable detail, any additional amounts necessary to compensate such Lender for such additional cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Borrower in reasonable detail (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled. This covenant shall survive the termination of this Agreement and payment of all amounts outstanding hereunder.

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(b) In the event that any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy (or in the interpretation or application thereof) or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the U.S. Borrower (with a copy to the General Administrative Agent) of a written request therefor, setting forth in reasonable detail the basis therefor the U.S. Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) If any Lender becomes entitled to claim any additional amounts pursuant to this Section 7.11 or Section 7.13, it shall promptly notify the relevant Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled, provided that no Lender shall be

entitled to claim any such additional amount with respect to the period which is

more than 180 days prior to the delivery of such notice.

7.12 Indemnity. Each Borrower agrees to indemnify each Lender and each

Agent and to hold each Lender and each Agent harmless from any loss or expense (other than any loss of Applicable Margin) which such Lender or such Agent, as the case may be, may sustain or incur as a consequence of (a) default by such Borrower in payment when due of the principal amount of or interest on any Loans of such Lender, (b) default by such Borrower in making a borrowing or conversion after the Borrower has given a notice of borrowing or a notice of conversion in accordance with this Agreement, (c) default by such Borrower in making any prepayment after such Borrower has given a notice in accordance with this Agreement, (d) the making of a prepayment of a Eurodollar Loan on a day which is not the last day of an Interest Period with respect thereto, including, without limitation, any such loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained, (e) the prepayment of an Acceptance or an Acceptance Note on a day which is not the maturity date thereof, (f) the failure of the Canadian Borrower to make any payment, repayment or prepayment on the date required hereunder or specified by it in any notice hereunder which results in any cost or expense accrued by reason of the liquidation or re-employment in whole or in part of deposits or other funds required by any Lender to fund any Acceptance or (g) the Canadian Borrower's failure to provide for the payment to the Canadian Administrative Agent or any Lender of the full face amount of each Acceptance on its maturity date, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it to maintain its Eurodollar Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. A certificate as to any such loss or expense submitted by such Lender shall be presumptively correct, absent manifest error. This covenant shall survive termination of this Agreement and payment of all amounts outstanding hereunder.

7.13 Taxes. (a) Except as otherwise provided herein, all payments made

by either Borrower under this Agreement shall be made free and clear of, and without deduction or

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withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on any Agent or any Lender as a result of a present or former connection between such Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from such Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-

Excluded Taxes") or any Other Taxes are required to be withheld from any amounts

payable to any Agent or any Lender hereunder, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to such Agent or such Lender (after payment of all taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided, however, that the Borrowers shall not be required to

increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrowers with respect to such Non-Excluded Taxes pursuant to Section 7.13(a).

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by

any Borrower, as promptly as possible thereafter such Borrower shall send to the relevant Administrative Agent for the account of the relevant Agent or Lender, as the case may be, a certified copy of an original official receipt received by such Borrower showing payment thereof. If any Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the relevant Administrative Agent the required receipts or other required documentary evidence, such Borrower shall indemnify the Agents and the Lenders for any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure. The agreements in this Section 7.13 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(d) Each Lender or Transferee (other than a Canadian Lender) that is not a U.S. person as defined in section 7701(a)(30) of the Code (a "Non-U.S.

Lender") shall deliver to the U.S. Borrower and the General Administrative Agent

(or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest" a statement substantially in the form of Exhibit L and a Form W-8, or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a

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reduced rate of, U.S. federal withholding tax on all payments by the U.S. Borrower under this Agreement and the other Loan Documents together with any other certificate or statement of exemption required under the Code or Regulations issued thereunder. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each such Non-U.S. Lender shall promptly notify the U.S. Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the U.S. Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) Each Canadian Lender that is entitled to an exemption from or reduction of Canadian withholding tax with respect to payments under this Agreement shall deliver to the Canadian Borrower (with a copy to the General Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Canadian Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Canadian

Lender is legally entitled to complete, execute and deliver such documentation and in such Canadian Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Canadian Lender.

(f) If an Administrative Agent or any Lender receives a refund or otherwise would have received a refund but for the offset of the amount of such refund against the Lender's Non-Excluded Taxes ("Tax Refund"), which in the

good faith judgment of such Lender is allocable to Non-Excluded Taxes paid by the Borrower, it shall promptly pay such Tax Refund to the Borrower, net of all out-of-pocket expenses of such Lender incurred in obtaining such Tax Refund, provided, however, that the Borrower agrees to promptly return such Tax Refund

to such Administrative Agent or the applicable Lender, as the case may be, if it receives notice from such Administrative Agent or applicable Lender that such Administrative Agent or Lender is required to repay such Tax Refund but only if such repayment is required because the initial Tax Refund was permitted in error.

7.14 Use of Proceeds. The proceeds of the Loans have been and shall be

used for general corporate purposes of Holdings and its Subsidiaries, including the Transactions and acquisitions permitted hereunder and to finance certain repayments of Loans under the Existing Credit Agreement.

7.15 Change of Lending Office. Each Lender agrees that, upon the

occurrence of any event giving rise to the operation of Section 7.10, 7.12 or 7.13(a) with respect to such Lender, it will, if requested by Holdings, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such

designation is made on terms that, in the sole judgment of such Lender, cause such Lender and

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its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any

of the obligations of any Borrower or the rights of any Lender pursuant to Section 7.10, 7.12 or 7.13(a).

7.16 Replacement of Lenders under Certain Circumstances. Holdings

shall be permitted to (a) replace any Lender that (i) defaults in its obligation to make Loans hereunder, (ii) is not required to make Eurodollar Loans pursuant to Section 7.10 or 7.11, (iii) is not required to issue Acceptances under Section 7.10 (unless such Lender complies with Section 5.13) or (iv) in connection with any proposed amendment, modification, supplement or waiver with respect to any of the provisions of the Loan Documents as contemplated in Section 15.1 where such amendment, modification, supplement or waiver has been approved by the Required Lenders (and, if applicable, the Required Prepayment Lenders and/or Majority Facility Lenders) in accordance with such Section, fails to consent to any such proposed action and (b) replace or remove any Lender that requests reimbursement for amounts owing pursuant to Section 7.11 or 7.13, in each case with a replacement financial institution and, if the Borrower elects to remove such Lender, terminate such Lender's applicable Revolving Credit Commitment hereunder; provided that (i) such replacement or removal does not

conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement or removal, (iii) prior to any such replacement or removal pursuant to clause (b) above, such Lender shall have taken no action under Section 7.15 so as to eliminate the continued need for payment of amounts owing pursuant to Section 7.11 or 7.13, (iv) the relevant Borrower shall be liable to such replaced Lender under Section 7.12 (as though Section 7.12 were applicable) if any Eurodollar Loan owing to such replaced Lender or Acceptance created by such Lender shall be purchased other than on the last day of the Interest Period or maturity date relating thereto, (v) any such replacement or removal, as the case may be, shall not be deemed to be a waiver of any rights which the Borrower, the Administrative Agents or any other Lender shall have against the replaced or removed Lender, (vi) in the case of replacement of a Lender under this Section 7.16, the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (vii) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the General Administrative Agent, (viii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 15.6 (provided that no registration and processing fee referred to therein shall be required to be paid in connection therewith), and (ix) the relevant Borrower shall pay all additional amounts (if any) required pursuant to Section 7.11 or 7.13, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated. If the Borrower elects to remove a Lender under clause (b) of this Section 7.16 and if such Lender has any Loans outstanding at such time, the consent of the General Administrative Agent and the Required Lenders shall be required to terminate such Lender's Revolving Credit Commitment and in the case of replacement of a non-consenting Lender under clause (a)(iii) of this Section 7.16, the Borrower shall replace such Lender within 120 days of such Lender's failure to consent to the proposed action.

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans, issue or participate in the Letters of Credit, Holdings and the Borrowers hereby

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represent and warrant to each Agent and each Lender that (it being understood that the representations and warranties of the Canadian Borrower are made only with respect to matters relating to it):

8.1 Financial Condition. (a) The unaudited pro forma consolidated

balance sheet of Holdings and its consolidated Subsidiaries as at April 2, 2000 (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished

to each Lender, has been prepared giving effect (as if such events had occurred on such date) to (i) the consummation of the IPO (and the use of proceeds thereof) and the Pensar Acquisition, (ii) the Loans to be made and the Acceptances to be created on the Restatement Effective Date and the use of proceeds thereof, (iii) the Loan repayments to be made on the Restatement Effective Date and (iv) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on the best information reasonably available to the Borrower as of the date of delivery thereof and on good faith estimates and assumptions believed to be reasonable at the time made, and presents fairly in all material respects on a pro forma

basis the estimated financial position of Holdings and its consolidated Subsidiaries as at April 2, 2000, assuming that the events specified in the preceding sentence had actually occurred at such date.

(b) The audited consolidated balance sheet of Holdings as at December 31, 1999, and the related consolidated statements of earnings (loss), changes in shareholders' equity (deficiency) and of cash flows for the fiscal year ended on such date, reported on by and accompanied by an unqualified report from KPMG LLP, present fairly in all material respects the consolidated financial condition of Holdings as at such date, and the consolidated results of its operations and its consolidated cash flows for the fiscal year then ended. The unaudited consolidated balance sheet of Holdings as at April 2, 2000, and the related unaudited consolidated statements of earnings (loss), changes in shareholders' equity (deficiency) and of cash flows for the fiscal quarter ended on such date, present fairly in all material respects the consolidated financial condition of Holdings as at such date, and the consolidated results of its operations for the fiscal quarter then ended (subject to normal year-end audit adjustments and the absence of certain notes thereto). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). Immediately prior to the consummation of the Pensar Acquisition, Holdings does not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph. During the period from December 31, 1999 to and including the date hereof there has been no Disposition by Holdings of any material part of its business or Property.

8.2 No Change. Since December 31, 1999, there has been no development

or event that has had or could reasonably be expected to have a Material Adverse Effect.

8.3 Corporate Existence; Compliance with Law. Each of Holdings and

its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to

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own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as

a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification, except to the extent the failure to be so qualified and/or in good standing could not reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.4 Corporate Power; Authorization; Enforceable Obligations. Each

Loan Party has the corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of each Borrower, to borrow hereunder. Each Loan Party has taken all necessary corporate action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of each Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the Pensar Acquisition, the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 8.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect, (ii) other consents required in connection with the Pensar Acquisition, the failure to obtain which could not reasonably be expected to have a Material Adverse Effect, and (iii) the filings referred to in Section 8.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

8.5 No Legal Bar. The execution, delivery and performance of this

Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any material Requirement of Law or any material Contractual Obligation of Holdings or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any material Requirement of Law or any such material Contractual Obligation (other than the Liens created by the Security Documents). No Contractual Obligation applicable to Holdings or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

8.6 No Material Litigation. Except as disclosed on Schedule 8.6, as

of the date hereof, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Holdings, threatened by or against Holdings or any of its Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

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8.7 No Default. Neither Holdings nor any of its Subsidiaries is in

default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

8.8 Ownership of Property; Liens. Each of Holdings and its

Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other Property material to the conduct of its Business, and none of such Property is subject to any Lien except as permitted by Section 11.3.

8.9 Intellectual Property. Holdings and each of its Subsidiaries

owns, or is licensed to use, or otherwise has the right to use, all Intellectual Property necessary for the conduct of its business as currently conducted, except for any failure to so own, license or have the right to use Intellectual Property which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No material claim has been asserted and is pending by any Person against Holdings or any of its Subsidiaries challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property by Holdings or any of its Subsidiaries or the validity or effectiveness of any Intellectual Property used by Holdings or any of its Subsidiaries, except for any claims which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. The use of Intellectual Property by Holdings and its Subsidiaries does not infringe on the rights of any Person in any respect which could reasonably be expected to have a Material Adverse Effect.

8.10 Taxes. Each of Holdings and each of its Subsidiaries has filed or

caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all material taxes shown to be due and payable on said returns prior to the date penalties or interest attach thereto or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Holdings or its Subsidiaries, as the case may be); and no tax Lien has been filed that is not permitted by Section 11.3, and, to the knowledge of Holdings, no claim is being asserted, with respect to any such tax, fee or other charge.

8.11 Federal Regulations. No part of the proceeds of any Loans will be

used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the General Administrative Agent, the relevant Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

8.12 Labor Matters. There are no strikes or other labor disputes

against Holdings or any of its Subsidiaries pending or, to the knowledge of Holdings, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of Holdings and its Subsidiaries have not been in

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violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from Holdings or any of its Subsidiaries on account of employee health and welfare insurance that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of Holdings or the relevant Subsidiary.

8.13 ERISA. Neither a Reportable Event nor an "accumulated funding

deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five- year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither Holdings nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither Holdings nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such

Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

8.14 Investment Company Act; Other Regulations. No Loan Party is an

"investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) which limits its ability to incur Indebtedness.

8.15 Subsidiaries. The Subsidiaries listed on Schedule 8.15 constitute

all the Subsidiaries of Holdings at the date hereof. Schedule 8.15 sets forth as of the Restatement Effective Date the name and jurisdiction of incorporation of each Subsidiary and, as to each Subsidiary, the percentage of each class of Capital Stock owned by each Loan Party.

8.16 Use of Proceeds. The proceeds of the Loans shall be used for the

purposes set forth in Section 7.14.

8.17 Environmental Matters. Other than exceptions to any of the

following that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) Holdings and its Subsidiaries: (i) are, and within the period of all applicable statutes of limitation have been, in compliance with all applicable Environmental Laws; (ii) hold all Environmental Permits (each of which is in full force and effect) required for any of their

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current or intended operations or for any property owned, leased, or otherwise operated by any of them; (iii) are, and within the period of all applicable statutes of limitation have been, in compliance with all of their Environmental Permits; and (iv) reasonably believe that: each of their Environmental Permits will be timely renewed and complied with, without material expense; any additional Environmental Permits that may be required of any of them will be timely obtained and complied with, without material expense; and compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense.

(b) Materials of Environmental Concern are not present at, on, under, in, or about any real property now or formerly owned, leased or operated by Holdings or any of its Subsidiaries, or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re- use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of Holdings or any of its Subsidiaries under any applicable Environmental Law or otherwise result in costs to Holdings or any of its Subsidiaries, or (ii) interfere with Holdings or any of its Subsidiaries' continued operations, or (iii) impair the fair saleable value of any real property owned or leased by Holdings or any of its Subsidiaries.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which Holdings or any of its Subsidiaries is, or to the knowledge of Holdings or any of its Subsidiaries will be, named as a party that is pending or, to the knowledge of Holdings or any of its Subsidiaries, threatened.

(d) Neither Holdings nor any of its Subsidiaries has received any written request for information, or been notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Materials of Environmental Concern.

(e) Neither Holdings nor any of its Subsidiaries has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial,

administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(f) Neither Holdings nor any of its Subsidiaries has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Material of Environmental Concern.

8.18 Accuracy of Information, etc. Subject to the next succeeding

sentence and to the qualification provided therein, no statement or information contained in this Agreement, any other Loan Document, the Confidential Information Package or any other document, certificate or statement furnished to any Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished (or, in the case of the Confidential Information Package, as of the

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date of this Agreement), any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The projections and pro forma financial information contained in the

materials referenced above are based upon good faith estimates and assumptions believed by management of Holdings to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. As of the date hereof, the representations and warranties of each of the Loan Parties and, to the best knowledge of Holdings, each of the other parties thereto contained in the Pensar Acquisition Documentation are true and correct in all material respects. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents, in the Confidential Information Package or in any other documents, certificates and statements furnished to the Agents and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

8.19 Security Documents. (a) The Guarantee and Collateral Agreement is

effective to create in favor of the General Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when any stock certificates representing such Pledged Stock are delivered to the General Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 8.19(a)-1 (which financing statements have been duly completed and executed and delivered to the General Administrative Agent) and such other filings as are specified on Schedule 3 to the Guarantee and Collateral Agreement (all of which filings have been duly completed), the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 11.3). Schedule 8.19(a)-2 lists each UCC Financing Statement that (i) names any Loan Party as debtor and (ii) will remain on file after the Restatement Effective Date. Schedule 8.19(a)-3 lists each UCC Financing Statement that (i) names any Loan Party as debtor and (ii) will be terminated on or prior to the Restatement Effective Date; and on or prior to the Original Closing Date, the U.S. Borrower will have delivered to the General Administrative Agent, or caused to be filed, duly completed UCC termination statements, signed by the relevant secured party, in respect of each UCC Financing Statement listed in Schedule 8.19(a)-3.

(b) Each Canadian Security Document is effective to create in favor of the General Administrative Agent, for the benefit of the Canadian Lenders, a legal, valid and enforceable security interest in the Collateral described

therein and proceeds thereof. In the case of the Pledged Stock described in the Canadian Security Documents, when any stock certificates representing such Pledged Stock are delivered to the General Administrative Agent, and in the case of the other Collateral described in the Canadian Security Documents, when financing

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statements or other registrations specified in Schedule 8.19(b)-1 are registered in the offices specified therein, the Canadian Security Documents shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Canadian Borrower Obligations in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 11.3). Schedule 8.19(b)-2 lists each registered financing statement or other registration made under the Personal Property Security Act (Ontario) ("PPSA") and similar legislation in effect in

each of the other provinces of Canada and under The Bank Act (Canada) that (i) names any Loan Party as debtor and (ii) will remain on file after the Restatement Effective Date. Schedule 8.19(b)-3 lists each registered financing statement or other registration made under the PPSA and similar legislation in effect in each of the other provinces of Canada and under The Bank Act (Canada) that (i) names any Loan Party as debtor and (ii) will be discharged on or prior to the Original Closing Date; and on or prior to the Restatement Effective Date, the Canadian Borrower will have delivered to the Canadian Administrative Agent, or caused to be filed, duly completed financing change statements, designated as discharges or other releases and discharges in form satisfactory to the Canadian Administrative Agent signed by the relevant secured party, in respect of each registered financing statement listed in Schedule 8.19(b)-3.

8.20 Solvency. Each of (i) Holdings and its Subsidiaries on a

consolidated basis, (ii) the U.S. Borrower and its Subsidiaries on a consolidated basis, and (iii) the Canadian Borrower and its Subsidiaries on a consolidated basis is, and after giving effect to the Pensar Acquisition and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

8.21 Insurance. The insurance certificates delivered to the General

Administrative Agent pursuant to the Original Credit Agreement continue to satisfy the requirements of Section 5.3 of the Guarantee and Collateral Agreement and the comparable provisions of the other Security Documents.

SECTION 9. CONDITIONS PRECEDENT

9.1 Conditions to Original Closing Date and Initial Extension of

Credit. The agreement of each Lender to make the initial Extension of Credit

requested to be made by it hereunder was subject to the satisfaction, prior to or concurrently with the making of such Extension of Credit on the Original Closing Date, of the following conditions precedent, each of which was satisfied or waived prior to the Initial Extension of Credit:

(a) Loan Documents. The Administrative Agents shall have received (i)

the Original Credit Agreement, executed and delivered by a duly authorized officer of Holdings and each Borrower, (ii) the Original Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of Holdings, the U.S. Borrower and each Subsidiary Guarantor and (iii) each Canadian Security Document, executed by a duly authorized officer of each party thereto.

(b) Transactions, etc. The following transactions shall have been

consummated, in each case on terms and conditions reasonably satisfactory to the Lenders:

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(i) the Transactions shall have been consummated in

accordance with the Transaction Documentation for aggregate consideration not exceeding \$160,000,000; and

(ii) Investors shall have invested at least \$16,730,000 in cash to buy shares of the Loan Parties.

The capital structure of each Loan Party after the Transactions shall be satisfactory to the General Administrative Agent.

(c) Pro Forma Balance Sheet; Financial Statements. The Lenders shall

have received (i) the Pro Forma Balance Sheet referred to in the Original Credit Agreement, and (ii) unaudited interim consolidated financial statements of each of the Canadian Borrower and the U.S. Borrower (in each case, prior to the consummation of the Transactions) for each fiscal month and quarterly period ended subsequent to the date of the latest applicable financial statements delivered pursuant to Section 8.1 of the Original Credit Agreement as to which such financial statements are available; and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of either the Canadian Borrower or the U.S. Borrower, as reflected in the financial statements or projections contained in the Confidential Information Memorandum referred to in the Original Credit Agreement.

(d) Approvals. All material governmental and third party approvals

(including landlords' and other consents) necessary in connection with the Transactions, the continuing operations of Holdings, the Borrowers and their Subsidiaries and the transactions contemplated by the Original Credit Agreement shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the Transactions or the financing contemplated hereby.

(e) Related Agreements. The Administrative Agents shall have

received, with a copy for each Lender, true and correct copies, certified as to authenticity by the relevant Borrower, of any debt instrument, security agreement or other material contract that they have requested to which the Loan Parties may be a party.

(f) Termination of Existing Credit Facilities. The General

Administrative Agent acting reasonably and in good faith shall have received evidence satisfactory to the General Administrative Agent that all of the outstanding Indebtedness of Holdings or any Subsidiary shall have been repaid in full and the commitments thereunder terminated (other than any such Indebtedness permitted by Section 11.2 of the Original Credit Agreement to remain outstanding) shall be simultaneously terminated, all amounts thereunder shall be simultaneously paid in full and arrangements satisfactory to the General Administrative Agent acting reasonably and in good faith shall have been made for the termination of Liens and security interests granted in connection therewith.

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(g) Fees. The Lenders and the Agents shall have received all fees

required to be paid, and all expenses for which invoices have been presented (including reasonable fees, disbursements and other charges of counsel to the Agents), on or before the Original Closing Date. All such amounts will be paid with proceeds of Loans made on the Original Closing Date and will be reflected in the funding instructions given by the Borrowers to the Administrative Agents on or before the Original Closing Date.

(h) Business Plan. The Lenders shall have received a satisfactory

business plan for fiscal years 1999-2007 and a satisfactory written analysis of the business and prospects of the Borrowers and their Subsidiaries for the period from the Original Closing Date through 2007.

(i) Solvency Analysis. The Lenders shall have received a reasonably

satisfactory solvency analysis certified by the vice president -- finance of Holdings which shall document the solvency of Holdings and its Subsidiaries considered as a whole after giving effect to the transactions contemplated hereby.

(j) Lien Searches. The Administrative Agents shall have received the

results of a recent lien search in each of the jurisdictions in which Uniform Commercial Code financing statement or other filings or recordations should be made to evidence or perfect security interests in all assets of the Loan Parties, and such search shall reveal no liens on any of the assets of the Loan Party, except for Liens permitted by Section 11.3 of the Original Credit Agreement.

(k) Environmental Matters. The General Administrative Agent shall

have received, with a copy for each Lender, a written environmental assessment regarding the Borrowers and their Subsidiaries, prepared by an environmental consultant acceptable to the Administrative Agent, in form, scope, and substance satisfactory to the General Administrative Agent, together with a letter from the environmental consultant permitting the Agents and the Lenders to rely on the environmental assessment as if addressed to and prepared for each of them.

(l) Closing Certificate. The Administrative Agents shall have

received a certificate of each Loan Party, dated the Original Closing Date, substantially in the form of Exhibit C to the Original Credit Agreement, with appropriate insertions and attachments.

(m) Legal Opinions. The Administrative Agents shall have received the

following executed legal opinions:

(i) the legal opinion of Ropes & Gray, counsel to Holdings and its Subsidiaries, substantially in the form of Exhibit F-1 to the Original Credit Agreement;

(ii) the legal opinions of (x) McMillan Binch and (y) Stewart, McKelvey, Stirling, Scales, Canadian counsel to Holdings and its Subsidiaries, substantially in the form of Exhibit F-2 to the Original Credit Agreement; and

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(iii) to the extent consented to by the relevant counsel, each legal opinion, if any, delivered in connection with the Transaction Documents, accompanied by a reliance letter in favor of the Lenders.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the General Administrative Agent may reasonably require.

(n) Pledged Stock; Stock Powers; Acknowledgment and Consent. The

General Administrative Agent shall have received (i) the certificates representing the shares of Capital Stock pledged pursuant to the Original Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, (ii) an Acknowledgment and Consent, substantially in the form of Annex II to the Original Guarantee and Collateral Agreement, duly executed by any issuer of Capital Stock pledged pursuant to the Original Guarantee and Collateral Agreement that is not itself a party to the Original Guarantee and Collateral Agreement and (iii) each promissory note pledged pursuant to the Original Guarantee and Collateral Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank satisfactory to the General Administrative Agent) by the pledgor thereof. The Canadian Administrative Agent shall have received (i) the certificates representing the shares of Capital Stock pledged pursuant to the Canadian Security Documents, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof or registered in the name of the Canadian Administrative Agent or its nominees, all as the Canadian Administrative Agent shall direct, (ii) an Acknowledgment and Consent,

substantially in the form attached to any of the Canadian Security Documents, duly executed by any issuer of Capital Stock pledged pursuant to any of the Canadian Security Documents that is not itself a party to any of the Canadian Security Documents and (iv) each promissory note pledged pursuant to any of the Canadian Security Documents endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank satisfactory to the Canadian Administrative Agent) by the pledgor thereof.

(o) Filings, Registrations and Recordings. Each document (including,

without limitation, any Uniform Commercial Code financing statement and any PPSA financing statement) required by the Security Documents or under law or reasonably requested by the General Administrative Agent to be filed, registered or recorded in order to create in favor of the General Administrative Agent or the Canadian Administrative Agent, as the case may be, for the benefit of the relevant Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 11.3), shall have been filed, registered or recorded or shall have been delivered to the General Administrative Agent or the Canadian Administrative Agent, as the case may be, in proper form for filing, registration or recordation.

(p) Insurance. The General Administrative Agent shall have received

insurance certificates satisfying the requirements of Section 5.3 of the Original Guarantee and Collateral Agreement and the comparable provisions of the other Security Documents.

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9.2 Conditions to Restatement Effective Date. The occurrence of the

Restatement Effective Date, and the agreement of each Lender to make any Extension of Credit requested to be made by it hereunder on or after the Restatement Effective Date, are subject to the satisfaction on or prior to the Restatement Effective Date of the following conditions precedent:

(a) Loan Documents. The Administrative Agents shall have received (i)

this Agreement, executed and delivered by a duly authorized officer of Holdings, each Borrower, (ii) Lender Addenda signed by (A) each Tranche A Term Loan Lender, U.S. Revolving Credit Lender, Tranche C Term Loan Lender and Canadian Lender that will be a party hereto on the Restatement Effective Date after giving effect to the repayment of Loans occurring on such date and (B) if any Tranche B Term Loans are to remain outstanding after the Restatement Effective Date, the Majority Facility Lenders in respect of the Tranche B Term Loan Facility (determined prior to any prepayments made on the Restatement Effective Date), (iii) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of Holdings, the U.S. Borrower and each Subsidiary Guarantor and (iv) an Acknowledgment and Confirmation with respect to each Canadian Security Document, executed by a duly authorized officer of each party to such Canadian Security Document.

(b) Pensar Acquisition. The Pensar Acquisition shall have been

accomplished in accordance with the Pensar Acquisition Documents, and the General Administrative Agent shall have received reasonably satisfactory evidence thereof.

(c) IPO. The IPO shall have been consummated, and the General

Administrative Agent shall have received reasonably satisfactory evidence thereof.

(d) Repayment of Loans and Other Indebtedness. The net cash proceeds

of the IPO shall have been applied to make the following repayments:

(i) Canadian Term Loans. The Canadian Term Loans shall

have been repaid in full, and all accrued and unpaid interest and other amounts owing by the Canadian Borrower in respect thereof shall have been paid in full.

(ii) Tranche B Term Loans. The Tranche B Term Loans shall

have been repaid in full (other than the Tranche B Term Loans owing to any Lender that declines such repayment pursuant to Section 7.5(i)), and all accrued and unpaid interest and other amounts owing by the U.S. Borrower in respect of the Tranche B Term Loans so repaid shall have been paid in full.

(iii) Other Loans. The \$15,000,000 aggregate principal

amount of 2000 Subordinated Notes, unsecured loans and loans secured by fixed assets made to the Borrowers since May 18, 2000 shall have been repaid in full, and all accrued and unpaid interest and other amounts owing by the relevant Borrower in respect thereof shall have been paid in full.

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(iv) Tranche C Term Loans. If the U.S. Borrower shall

determine to do so, the Tranche C Term Loans shall have been repaid in full, and all accrued and unpaid interest and other amounts owing by the U.S. Borrower in respect thereof (including prepayment fees owing pursuant to Section 7.4(d)) shall have been repaid in full.

(v) U.S. Revolving Credit Loans and Canadian Revolving

Credit Loans. The net cash proceeds of the IPO remaining after giving

effect to the payments described in the foregoing clauses (i) through (iv) and after giving effect to the payment of the cost of the Pensar Acquisition and related fees and expenses shall have been applied toward repayment of the U.S. Revolving Credit Loans and the Canadian Revolving Credit Loans (without any corresponding reduction in the Commitments).

(e) Borrowings and Repayments. The U.S. Borrower and the Canadian

Borrower, as applicable, shall have made such repayments and reborrowings of U.S. Revolving Credit Loans and Canadian Revolving Credit Loans such that, after giving effect thereto, the outstanding principal amount of U.S. Revolving Credit Loans and Canadian Revolving Credit Loans owing to the Lenders shall be proportionate to the relevant Commitments of the Lenders.

(f) Amendment Fee. The General Administrative Agent shall have

received from Holdings, for the account of each Lender which has executed a Lender Addendum granting its consent to this Agreement, an amendment fee equal to .50% of the aggregate amount of such Lender's Extensions of Credit and undrawn Commitments under the Existing Credit Agreement immediately prior to the Restatement Effective Date (other than any such Extensions of Credit in the form of Tranche B Term Loans that are prepaid on the Restatement Effective Date and other than Tranche C Term Loans).

(g) Pro Forma Balance Sheet; Financial Statements. The Lenders shall

have received (i) the Pro Forma Balance Sheet, and (ii) the financial statements referred to in Section 8.1(b).

(h) Approvals. All material governmental and third party approvals

(including landlords' and other consents) necessary in connection with the Pensar Acquisition, the continuing operations of Holdings, the Borrowers and their Subsidiaries and the transactions contemplated hereby shall have been obtained and be in full force and effect.

(i) Related Agreements. The Administrative Agents shall have

received, with a copy for each Lender, true and correct copies, certified as to authenticity by the relevant Borrower, of any debt instrument, security agreement or other material contract that they have requested to which the Loan Parties may be a party.

(j) Fees. The Lenders and the Agents shall have received all fees

required to be paid, and all expenses for which invoices have been presented (including reasonable fees, disbursements and other charges of counsel to the Agents), on or before the Restatement Effective Date. All such amounts will be paid with proceeds of Loans made on the Restatement

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Effective Date and will be reflected in the funding instructions given by the Borrowers to the Administrative Agents on or before the Restatement Effective Date.

(k) Business Plan. The Lenders shall have received a satisfactory

business plan for fiscal years 2000-2005 and a satisfactory written analysis of the business and prospects of the Borrowers and their Subsidiaries for the period from the Restatement Effective Date through 2005.

(l) Lien Searches. The Administrative Agents shall have received the

results of a recent lien search in each of the jurisdictions in which Uniform Commercial Code financing statement or other filings or recordations should be made to evidence or perfect security interests in all assets of the Loan Parties, and such search shall reveal no liens on any of the assets of the Loan Party, except for Liens permitted by Section 11.3.

(m) Closing Certificate. The Administrative Agents shall have received

a certificate of each Loan Party, dated the Restatement Effective Date, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(n) Legal Opinions. The Administrative Agents shall have received the

following executed legal opinions:

(i) the legal opinion of Ropes & Gray, counsel to Holdings and its Subsidiaries, substantially in the form of Exhibit F-1;

(ii) the legal opinions of (x) McMillan Binch and (y) Stewart, McKelvey, Stirling, Scales, Canadian counsel to Holdings and its Subsidiaries, substantially in the form of Exhibit F-2; and

(iii) to the extent consented to by the relevant counsel, each legal opinion, if any, delivered in connection with the Pensar Acquisition Documents, accompanied by a reliance letter in favor of the Lenders.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the General Administrative Agent may reasonably require.

(o) Pledged Stock; Stock Powers; Acknowledgment and Consent. The

General Administrative Agent shall have received (i) the certificates representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, (ii) an Acknowledgment and Consent, substantially in the form of Annex II to the Guarantee and Collateral Agreement, duly executed by any issuer of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement that is not itself a party to the Guarantee and Collateral Agreement and (iii) each promissory note pledged pursuant to the Guarantee and Collateral Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank satisfactory to the General Administrative Agent) by the pledgor thereof.

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The Canadian Administrative Agent shall have received (i) the certificates representing the shares of Capital Stock pledged pursuant to the Canadian

Security Documents, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof or registered in the name of the Canadian Administrative Agent or its nominees, all as the Canadian Administrative Agent shall direct, (ii) an Acknowledgment and Consent, substantially in the form attached to any of the Canadian Security Documents, duly executed by any issuer of Capital Stock pledged pursuant to any of the Canadian Security Documents that is not itself a party to any of the Canadian Security Documents and (iv) each promissory note pledged pursuant to any of the Canadian Security Documents endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank satisfactory to the Canadian Administrative Agent) by the pledgor thereof.

(p) Filings, Registrations and Recordings. Each document (including,

without limitation, any Uniform Commercial Code financing statement and any PPSA financing statement) required by the Security Documents or under law or reasonably requested by the General Administrative Agent to be filed, registered or recorded in order to create in favor of the General Administrative Agent or the Canadian Administrative Agent, as the case may be, for the benefit of the relevant Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 11.3), shall have been filed, registered or recorded or shall have been delivered to the General Administrative Agent or the Canadian Administrative Agent, as the case may be, in proper form for filing, registration or recordation.

9.3 Conditions to Each Extension of Credit. The agreement of each

Lender to make any Extension of Credit requested to be made by it hereunder on any date (including, without limitation, its initial Extension of Credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and

warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct on and as of such date as if made on and as of such date.

(b) No Default. No Default or Event of Default shall have occurred and

be continuing on such date or after giving effect to the Extensions of Credit requested to be made on such date.

Each borrowing by, issuance of a Letter of Credit for the account of, or creation of an Acceptance for the account of, any Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such Extension of Credit that the conditions contained in this Section 9.3 have been satisfied.

SECTION 10. AFFIRMATIVE COVENANTS

Holdings and each Borrower hereby jointly and severally agree that, so long as the Commitments remain in effect, any Letter of Credit or Acceptance (which has not been cash collateralized in the manner described in the third to final and penultimate paragraphs of Section

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13) remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, each of Holdings and each Borrower shall and shall cause each of its Subsidiaries to:

10.1 Financial Statements. Furnish to each Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of Holdings, a copy of the audited consolidated balance sheet of Holdings and its consolidated Subsidiaries and the unaudited consolidated balance sheet of each Borrower and its respective consolidated Subsidiaries as at the end of such year and the related audited consolidated, in the case of Holdings, and unaudited consolidated, in the case of each Borrower, statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on without a "going concern" or like qualification or exception, or

qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of Holdings, the unaudited consolidated balance sheet of Holdings and its consolidated Subsidiaries and the unaudited consolidated balance sheet of each Borrower and its respective consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of certain notes); and

(c) as soon as available, but in any event not later than 45 days after the end of each month occurring during each fiscal year of Holdings (other than the third, sixth, ninth and twelfth such month), the unaudited consolidated balance sheets of Holdings and its Subsidiaries as at the end of such month and the related unaudited consolidated statements of income and of cash flows for such month and the portion of the fiscal year through the end of such month, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of certain notes);

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

10.2 Certificates; Other Information. Furnish to each Agent and each

Lender, or, in the case of clause (f), to the relevant Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 10.1(a), a certificate of the independent certified public accountants reporting on such

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financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate (it being understood that such certifications of accountants are not required to the extent inconsistent with customary practices in the profession);

(b) concurrently with the delivery of any financial statements pursuant to Section 10.1, (i) a certificate of a Responsible Officer stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (x) a Compliance Certificate containing all information necessary for determining compliance by Holdings, Holdings and its Subsidiaries with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of Holdings, as the case may be, and (y) to the extent not previously disclosed to the relevant Administrative Agent, a listing of any county or state within the United States or any Province of Canada where any Loan Party keeps inventory or equipment and of any Intellectual Property acquired by any Loan Party since the date of the most recent list delivered pursuant to this clause (y) (or, in the case of the first such list so delivered, since the Restatement Effective Date);

(c) as soon as available, and in any event no later than 90 days after the end of each fiscal year of Holdings, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of Holdings and its Subsidiaries as of the end of the following fiscal year, and the related consolidated statements of projected cash flow and projected income), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year which are delivered to the Board of Directors of Holdings for its review (collectively, the "Projections"), which Projections shall in each case be accompanied by a

certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions at the time made in light of the circumstances then existing and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect (it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount);

(d) within five days after the same are sent, copies of all financial statements and reports that Holdings sends to the holders of any class of its debt securities or public equity securities and, promptly after the same are filed, copies of all financial statements and reports that Holdings may make to, or file with, the SEC;

(e) as soon as possible and in any event within five days of obtaining knowledge thereof: (i) any development, event, or condition that, individually or in the aggregate with other developments, events or conditions, could reasonably be expected to result in the payment by Holdings and its Subsidiaries, in the aggregate, of a Material Environmental Amount; and (ii) any notice that any governmental authority may deny any application for an Environmental Permit sought by, or revoke or refuse to renew any Environmental Permit held by, Holdings or any Subsidiary; and

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(f) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

10.3 Collateral Reports. Each Borrower, at its own expense, shall

deliver or cause to be delivered the following:

(a) to the Collateral Monitoring Agent, within fifteen (15) Business Days after the end of each fiscal month (together with a copy of all or any part of such delivery requested by any Lender in writing after the Original Closing Date), a Borrowing Base Certificate of such Borrower accompanied by such supporting detail and documentation as shall be requested by the Collateral Monitoring Agent in its reasonable discretion;

(b) to the Collateral Monitoring Agent, the results of each physical verification, if any, which such Borrower or any of its Subsidiaries may in their discretion have made, or caused any other Person to have made on their behalf, of all or any portion of their Inventory (and, if a Default or an Event of Default shall have occurred and be continuing, the Borrowers shall, upon the request of the Collateral Monitoring Agent, conduct, and deliver the results of, such physical verifications as the Collateral Monitoring Agent may require, not to exceed four per fiscal year); and

(c) to the Collateral Monitoring Agent such appraisals of its assets as the relevant Administrative Agent may request (i) at any time after the occurrence and during the continuance of a Default or an Event of Default and (ii) at any other time, not more frequently than twice in each fiscal year, such appraisals to be conducted by an appraiser, and in form and substance, satisfactory to the Collateral Monitoring Agent; provided, that such appraisals

(other than the second appraisal in any fiscal year requested pursuant to clause (ii) of this sentence) shall be at the expense of the relevant Borrower.

10.4 Payment of Obligations. Pay, discharge or otherwise satisfy at or

before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where (a) the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of Holdings or its Subsidiaries, as the case may be or (b) the failure to so pay, discharge or otherwise satisfy any such obligations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

10.5 Conduct of Business and Maintenance of Existence, etc. (a) (i)

Preserve, renew and keep in full force and effect its existence and (ii) take

all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 11.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

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10.6 Maintenance of Property; Insurance. (a) Keep all material

tangible Property useful and necessary in its business in good working order and condition, ordinary wear and tear and damage occurring as a result of a casualty event excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

10.7 Inspection of Property; Books and Records; Discussions. (a) Keep

proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of the Administrative Agents to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of Holdings and its Subsidiaries with officers and employees of Holdings and its Subsidiaries and with its independent certified public accountants, provided

that all such visits and inspections shall be coordinated through the Administrative Agents.

10.8 Notices. Promptly give notice to the Administrative Agent and

each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of Holdings or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between Holdings or any of its Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting Holdings or any of its Subsidiaries in which the amount involved is \$1,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought;

(d) the following events, as soon as possible and in any event within 30 days after Holdings or any Borrower knows or has reason to know thereof unless any such event could not, individually or together with all such other events, reasonably be expected to have a Material Adverse Effect: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or Holdings or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and

(e) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

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Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action Holdings or the relevant Subsidiary proposes to take

with respect thereto.

10.9 Environmental Laws. (a) Comply in all material respects with,

and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, except for such failures to comply which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws, except for such failures to comply which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

10.10 Interest Rate Protection. Within 60 days after the Restatement

Effective Date, enter into Hedge Agreements to the extent necessary to provide that at least 33 1/3% of the aggregate principal amount of Funded Debt of Holdings and its Subsidiaries is subject to either a fixed interest rate or interest rate protection for a period of not less than two years, which Hedge Agreements shall have terms and conditions reasonably satisfactory to the General Administrative Agent.

10.11 Additional Collateral, etc. (a) With respect to any Property

acquired after the Original Closing Date by Holdings, the U.S. Borrower or any of its Subsidiaries (other than (w) Property of any Canadian Entity, (x) any Property described in paragraph (b) or paragraph (c) of this Section, (y) any Property subject to a Lien expressly permitted by Section 11.3(g) and (z) Property acquired by an Excluded Foreign Subsidiary) as to which the General

Administrative Agent, for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the General Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the General Administrative Agent deems necessary or advisable to grant to the General Administrative Agent, for the benefit of the Lenders, a security interest in such Property and (ii) take all actions necessary or advisable to grant to the General Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in such Property (subject to Liens permitted under Section 11.3), including without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the General Administrative Agent.

(b) With respect to any fee interest in any real property having a value (together with improvements thereof) of at least U.S.\$500,000 acquired after the Original Closing Date by Holdings, the U.S. Borrower or any of its Subsidiaries (other than any such real property (x) owned by an Excluded Foreign Subsidiary (y) owned by a Canadian Entity or (z) subject to a

Lien expressly permitted by Section 11.3(g)), promptly (i) execute and deliver a first priority mortgage or deed of trust in favor of the General Administrative Agent, for the benefit of the Lenders, covering such real property, (ii) if requested by the General Administrative Agent, provide the Lenders with (x) title and extended coverage insurance covering such real property in an amount at least equal to the purchase price of such real property (or such other amount as shall be reasonably specified by the General Administrative Agent) as well as a current ALTA survey thereof, together with a surveyor's certificate and (y) any consents or estoppels reasonably deemed necessary or advisable by the general Administrative Agent in connection with such mortgage or deed of trust, each of the foregoing in form and substance reasonably satisfactory to the General Administrative Agent and (iii) if requested by the General Administrative Agent, deliver to the General Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the General

Administrative Agent.

(c) With respect to any new Subsidiary (other than (x) an Excluded Foreign Subsidiary or (y) a Canadian Entity) created or acquired after the Original Closing Date (which, for the purposes of this paragraph, shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary), by Holdings, the U.S. Borrower or any of its Subsidiaries, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by Holdings, the U.S. Borrower or any of its Subsidiaries (subject to Liens permitted under Section 11.3), (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of Holdings, the U.S. Borrower or such Subsidiary, as the case may be, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement and (B) to take such actions necessary or advisable to grant to the General Administrative Agent for the benefit of the Lenders a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including, without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the General Administrative Agent, and (iv) if requested by the General Administrative Agent, deliver to the General Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the General Administrative Agent.

(d) With respect to any new Excluded Foreign Subsidiary or any Canadian Entity created or acquired after the Original Closing Date by Holdings, the U.S. Borrower or any of its Subsidiaries (other than any Excluded Foreign Subsidiaries), promptly (i) execute and deliver to the General Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the General Administrative Agent deems necessary or advisable in order to grant to the General Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by Holdings, the U.S. Borrower or any of its Subsidiaries (other than any Excluded Foreign Subsidiaries), (provided that in no event shall more than 65% of the total outstanding Capital

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Stock of any such new Excluded Foreign Subsidiary be required to be so pledged), (ii) deliver to the General Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of Holdings, the Borrower or such Subsidiary, as the case may be, and take such other action as may be necessary or, in the opinion of the General Administrative Agent, desirable to perfect the Lien of the General Administrative Agent thereon, and (iii) if requested by the General Administrative Agent, deliver to the General Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the General Administrative Agent.

(e) With respect to any Property acquired after the Original Closing Date by the Canadian Borrower or any of its Subsidiaries (other than (x) any Property described in paragraph (f) of this Section or (y) any Property subject to a Lien expressly permitted by Section 11.3(g) as to which the Canadian Administrative Agent, for the benefit of the Canadian Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Canadian Administrative Agent such amendments to the relevant Canadian Security Document or such other documents as the Canadian Administrative Agent deems necessary or advisable to grant to the Canadian Administrative Agent, for the benefit of the Canadian Lenders, a security interest in such Property and (ii) take all actions necessary or advisable to grant to the Canadian Administrative Agent, for the benefit of the Canadian Lenders, a perfected first priority security interest in such Property, including without limitation, the filing of financing statements in such jurisdictions as may be required by the relevant Canadian Security Document or by law or as may be requested by the Canadian Administrative Agent.

(f) With respect to any fee interest in any real property having a value (together with improvements thereof) of at least U.S.\$500,000 acquired

after the Original Closing Date by the Canadian Borrower or any of its Subsidiaries (other than any such real property subject to a Lien expressly permitted by Section 11.3(g)), promptly (i) execute and deliver a first priority mortgage in favor of the Canadian Administrative Agent, for the benefit of the Canadian Lenders, covering such real property, (ii) if requested by the Canadian Administrative Agent, provide the Canadian Lenders with (x) title and extended coverage insurance covering such real property in an amount at least equal to the purchase price of such real property (or such other amount as shall be reasonably specified by the Canadian Administrative Agent) as well as a current ALTA survey thereof, together with a surveyor's certificate and (y) any consents or estoppels reasonably deemed necessary or advisable by the Canadian Administrative Agent in connection with such mortgage, each of the foregoing in form and substance reasonably satisfactory to the Canadian Administrative Agent and (iii) if requested by the Canadian Administrative Agent, deliver to the Canadian Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the General Administrative Agent.

(g) With respect to any new Subsidiary created or acquired after the Original Closing Date, by the Canadian Borrower or any of its Subsidiaries, promptly (i) execute and deliver to the Canadian Administrative Agent such amendments to the relevant Canadian Security Document as the Canadian Administrative Agent deems necessary or advisable to grant to the Canadian Administrative Agent, for the benefit of the Canadian Lenders, a perfected first

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priority security interest in the Capital Stock of such new Subsidiary that is owned by the Canadian Borrower or any of its Subsidiaries, (ii) deliver to the Canadian Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the Canadian Borrower or such Subsidiary, as the case may be, (iii) cause such new Subsidiary (A) to become a party to the relevant Canadian Security Document and (B) to take such actions necessary or advisable to grant to the Canadian Administrative Agent for the benefit of the Lenders a perfected first priority security interest in the Collateral described in the relevant Canadian Security Document with respect to such new Subsidiary, including, without limitation, the filing of financing statements in such jurisdictions as may be required by the relevant Canadian Security Document or by law or as may be requested by the Canadian Administrative Agent, and (iv) if requested by the Canadian Administrative Agent, deliver to the Canadian Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Canadian Administrative Agent.

10.12 Further Assurances. From time to time execute and deliver, or

cause to be executed and delivered, such additional instruments, certificates or documents, and take all such actions, as the General Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agents and the Lenders with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by Holdings or any Subsidiary which may be deemed to be part of the Collateral) pursuant hereto or thereto. Upon the exercise by any Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, Holdings will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the relevant Administrative Agent or such Lender may be required to obtain from Holdings or any of its Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

SECTION 11. NEGATIVE COVENANTS

Holdings and each Borrower hereby jointly and severally agree that, so long as the Commitments remain in effect, any Letter of Credit or Acceptance (which has not been cash collateralized in the manner described in the third to final and penultimate paragraphs of Section 13) remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, each of Holdings and each Borrower shall not, and shall not permit any of its Subsidiaries to,

directly or indirectly:

11.1 Financial Condition Covenants.

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage

Ratio as at the last day of any period of four consecutive fiscal quarters of Holdings ending with any fiscal quarter set forth below to exceed the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter	Consolidated Leverage Ratio
FQ3 2000	4.00 to 1.00
FQ4 2000	3.75 to 1.00
FQ1 2001	3.75 to 1.00
FQ2 2001	3.50 to 1.00
FQ3 2001	3.50 to 1.00
FQ4 2001	3.25 to 1.00
FQ1 2002	3.25 to 1.00
FQ2 2002	3.00 to 1.00
FQ3 2002	3.00 to 1.00
FQ4 2002	2.75 to 1.00
FQ1 2003	2.75 to 1.00
FQ2 2003	2.75 to 1.00
FQ3 2003 and thereafter	2.50 to 1.00

(b) Consolidated First Priority Debt Ratio. Permit the Consolidated

First Priority Debt Ratio as at the last day of any period of four consecutive fiscal quarters of Holdings ending with any fiscal quarter set forth below to exceed the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter	Consolidated First Priority Debt Ratio
FQ3 2000	3.50 to 1.00
FQ4 2000	3.50 to 1.00
FQ1 2001	3.50 to 1.00
FQ2 2001	3.25 to 1.00
FQ3 2001	3.25 to 1.00
FQ4 2001	3.00 to 1.00
FQ1 2002	3.00 to 1.00
FQ2 2002	2.75 to 1.00
FQ3 2002	2.75 to 1.00
FQ4 2002	2.50 to 1.00
FQ1 2003	2.50 to 1.00
FQ2 2003	2.50 to 1.00
FQ3 2003 and thereafter	2.25 to 1.00

; provided, that the covenant contained in this Section 11.1(b) shall cease to apply when the Tranche C Term Loans have been repaid in full.

(c) Consolidated Interest Coverage Ratio. Permit the Consolidated

Interest Coverage Ratio for any period of four consecutive fiscal quarters of Holdings ending with any fiscal quarter set forth below to be less than the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter	Consolidated Interest Coverage Ratio
FQ4 2000	2.75 to 1.00
FQ1 2001	2.75 to 1.00
FQ2 2001	2.75 to 1.00

FQ3 2001	3.00 to 1.00
FQ4 2001	3.25 to 1.00
FQ1 2002	3.25 to 1.00
FQ2 2002	3.50 to 1.00
FQ3 2002	3.50 to 1.00
FQ4 2002 and thereafter	3.75 to 1.00

provided, that for purposes of calculating the foregoing ratio for the periods

 ending December 31, 2000, March 31, 2001 and June 30, 2001, Consolidated Cash Interest Expense for the relevant period shall be deemed to equal (i) in the case of the period ending December 31, 2000, Consolidated Cash Interest Expense for the fiscal quarter ending December 31, 2000 multiplied by 4, (ii) in the

 case of the period ending March 31, 2001, Consolidated Cash Interest Expense for the two consecutive fiscal quarters ending March 31, 2001 multiplied by 2, and

 (iii) in the case of the period ending June 30, 2001, Consolidated Cash Interest Expense for the three consecutive fiscal quarters ending June 30, 2001 multiplied by 4/3.

(d) Minimum Consolidated EBITDA. Permit Consolidated EBITDA of

 Holdings and its Subsidiaries for any period of four consecutive fiscal quarters ending during any period set forth below to be less than the amount set forth below opposite such period:

Period	Consolidated EBITDA
-----	-----
FQ3 2000	U.S.\$27,000,000
FQ4 2000	31,000,000
FQ1 2001	31,000,000
FQ2 2001	31,000,000
FQ3 2001	31,000,000
FQ4 2001	35,750,000
FQ1 2002	35,750,000
FQ2 2002	35,750,000
FQ3 2002	35,750,000
FQ4 2002	39,300,000
FQ1 2003	39,300,000
FQ2 2003	39,300,000
FQ3 2003	39,300,000
FQ4 2003 and thereafter	43,250,000

11.2 Limitation on Indebtedness. Create, incur, assume or suffer to

 exist any Indebtedness, except:

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(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) (i) Indebtedness of the U.S. Borrower to any Subsidiary of the U.S. Borrower; (ii) Indebtedness of the Canadian Borrower to any Subsidiary of the Canadian Borrower; (iii) Indebtedness of any Wholly Owned Subsidiary Guarantor to the U.S. Borrower or any other Subsidiary of the U.S. Borrower; and (iv) Indebtedness of the Canadian Borrower to any Canadian Entity which is a guarantor of the Canadian Borrower Obligations;

(c) Indebtedness (including, without limitation, Capital Lease Obligations other than Sale/Leaseback transactions constituting Capital Lease Obligations permitted by Section 11.2(f)) secured by Liens permitted by Section 11.3(g) in an aggregate principal amount not to exceed U.S.\$10,000,000 at any one time outstanding;

(d) Indebtedness outstanding on the Restatement Effective Date and listed on Schedule 11.2(d), and any renewals, extensions, refundings or refinancings of any such Indebtedness, provided that (i) the principal amount of

 such Indebtedness is not increased pursuant to any such renewal, extension,

refunding or refinancing and (ii) the weighted average life to maturity of such Indebtedness after giving effect to such renewal, extension, refunding or refinancing is not earlier than the weighted average life to maturity of such Indebtedness immediately prior to such renewal, extension, refunding or refinancing;

(e) (i) Guarantee Obligations made in the ordinary course of business by the U.S. Borrower or any of its Subsidiaries of obligations of the U.S. Borrower or any Subsidiary Guarantor and (ii) Guarantee Obligations made in the ordinary course of business by the Canadian Borrower or any Canadian Subsidiary Guarantor; and

(f) Indebtedness of Holdings or any of its Subsidiaries arising out of any Sale/Leaseback Transaction permitted under Section 11.11 (to the extent such Sale/Leaseback Transactions would constitute Indebtedness) in an aggregate outstanding amount not to exceed \$2,000,000;

(g) (i) Indebtedness of Holdings with respect to Permitted Seller Debt in an aggregate principal amount at any time outstanding not exceeding U.S.\$15,000,000, (ii) Indebtedness of Holdings or either Borrower incurred in connection with any Permitted Acquisition, or of any Person which becomes a Subsidiary after the Original Closing Date pursuant to any Permitted Acquisition, provided, that the aggregate principal amount of Indebtedness

incurred pursuant to this clause (ii) shall not exceed at any time outstanding an amount equal to the sum of (a) U.S.\$15,000,000 plus (b) the lesser of (A) \$25,000,000 and (B) the amount of Net Cash Proceeds of all Capital Stock Sales consummated after the Original Closing Date, (iii) Indebtedness of Holdings with respect to Acquisition Subordinated Debt in an aggregate principal amount at any time outstanding not exceeding U.S.\$15,000,000 (provided, that the aggregate

principal amount of Indebtedness permitted by the foregoing clauses (i), (ii) and (iii) shall not at any

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time exceed the sum of (x) \$25,000,000 and (y) the amount described in clause (b) of the proviso to the foregoing clause (ii)), (iv) Indebtedness of any Person acquired in a Permitted Acquisition (other than the Pensar Acquisition), provided that (A) such Indebtedness existed at the time such Person became a

Subsidiary and was not incurred in anticipation of such Permitted Acquisition and (B) the amount of such Indebtedness is not increased and (v) any renewals, extensions, refundings or refinancings of any Indebtedness permitted under this paragraph (g), (other than the Pensar Acquisition) provided that (A) the

principal amount of such Indebtedness is not increased pursuant to any such renewal, extension, refunding or refinancing, (B) the weighted average life to maturity of such Indebtedness after giving effect to such renewal, extension, refunding or refinancing is not earlier than the weighted average life to maturity of such Indebtedness immediately prior to such renewal, extension, refunding or refinancing and (C) the aggregate principal amount of Indebtedness outstanding under this paragraph (g) shall not at any time exceed the amounts permitted in the foregoing clauses (i) through (iv);

(h) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such

Indebtedness is extinguished within two Business Days of notice to the relevant Borrower or the relevant Subsidiary of its incurrence;

(i) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds, completion guarantees or other similar obligations arising in the ordinary course of business, provided that no such bond or similar

obligation is provided to secure the repayment of other Indebtedness;

(j) Indebtedness arising out of purchase price adjustments and customary indemnifications by Holdings or any of its Subsidiaries in connection with the Transactions or any Permitted Acquisition, so long as the aggregate obligations in respect of such purchase price adjustments would not result in a breach of the limitations set forth in Section 11.8;

(k) Indebtedness incurred in connection with the financing of insurance premiums in the ordinary course of business;

(l) Guarantee Obligations made by Holdings of obligations of the U.S. Borrower in respect of the U.S. Borrower's lease of space located at 109 Constitution Boulevard, Franklin, Massachusetts from Lincoln Franklin LLC;

(m) Indebtedness of any Person in respect of any Restricted Payment made to it and permitted pursuant to Section 11.6 to the extent such Restricted Payment is either made or recharacterized as a loan instead of a distribution;

(n) Replacement Subordinated Debt, the proceeds of which are used to prepay the Tranche C Term Loans;

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(o) additional Indebtedness of the U.S. Borrower or any of its Subsidiaries in an aggregate principal amount (for the U.S. Borrower and all Subsidiaries) not to exceed U.S.\$2,000,000 at any one time outstanding;

(p) additional Indebtedness of the Canadian Borrower or any of its Subsidiaries in an aggregate principal amount (for the Canadian Borrower and all Subsidiaries) not to exceed U.S. \$2,000,000 at any one time outstanding; and

(q) until repayment thereof on the Restatement Effective Date, Indebtedness represented by the 2000 Subordinated Notes.

11.3 Limitation on Liens. Create, incur, assume or suffer to exist any

Lien upon any of its Property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes, assessments or governmental charges or levies not yet delinquent or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained

on the books of Holdings or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business, and Liens imposed by law not securing Indebtedness, in each case which are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions, minor defects or irregularities of title and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the Restatement Effective Date listed on Schedule 11.3(f), securing Indebtedness permitted by Section 11.2(d), provided

that no such Lien is spread to cover any additional Property after the Restatement Effective Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens securing Indebtedness of either Borrower or any other Subsidiary thereof incurred pursuant to Section 11.2(c) to finance the acquisition, repair or improvement of fixed or capital assets (including any interest or title of a lessor under any Capital Lease Obligation) and real property, provided that (i) such Liens shall be created within 180 days after

the acquisition, repair or improvement of such fixed or capital assets or real property, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens created pursuant to this Agreement and the Security Documents;

(i) any interest or title of a lessor under any lease entered into by Holdings or any Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) Liens securing Indebtedness permitted under Section 11.2(g)(ii) (or under Section 11.2(g)(v), to the extent such refinancing Indebtedness refinances Indebtedness incurred pursuant to Section 11.2(g)(ii)), provided,

that such Liens may encumber only the assets, or portions thereof, acquired in the Permitted Acquisition that was financed with the proceeds of such Indebtedness;

(k) Liens arising from judgments or decrees which do not result in an Event of Default under Section 13(h);

(l) Liens on any assets of a Person which becomes a Subsidiary after the date hereof pursuant to a Permitted Acquisition and Liens on fixed assets otherwise acquired pursuant to any such Permitted Acquisition, provided that (i)

such Liens existed at the time such Person became a Subsidiary or such assets were acquired, as the case may be, and were not created in anticipation of the Permitted Acquisition, (ii) any such Lien does not by its terms cover any property or assets after the time such Person becomes a Subsidiary or such assets were acquired, as the case may be, which were not covered immediately prior thereto, (iii) any such Lien does not by its terms secure any Indebtedness other than Indebtedness existing immediately prior to the time such Person becomes a Subsidiary or such assets are acquired, as the case may be and (iv) such Liens secure only Indebtedness permitted under Section 11.2(g)(iv) (or under Section 11.2(g)(v), to the extent such refinancing Indebtedness refinances Indebtedness incurred pursuant to Section 11.2(g)(iv));

(m) all building codes and zoning ordinances and other laws, ordinances, regulations, rules, orders or determinations of any federal, state, county, municipal or other governmental authority now or hereafter enacted;

(n) Liens securing reimbursement of obligations in respect of (i) documentary letters of credit, provided that such Liens cover only the

documents, the goods covered thereby and the proceeds thereof and (ii) bankers' acceptances created in respect of drawings under such letters of credit, provided that such Liens cover only the specific goods financed under such

letter of credit and the proceeds thereof;

(o) Liens consisting of rights of set-off of a customary nature or bankers' liens on amounts on deposit, whether arising by contract or operation of law, incurred in the ordinary course of business;

(p) Liens encumbering customary initial deposits in respect of commodity trading accounts or other brokerage accounts incurred in the ordinary course of business;

(q) Liens solely on any cash earnest money deposits made by Holdings or any Subsidiary in connection with any letter of intent or purchase agreement entered into by it in connection with a Permitted Acquisition;

(r) Liens on goods in favor of customs and revenue authorities which secure payment of customs duties in connection with the importation of such goods;

(s) Liens securing obligations (other than Indebtedness) under operating, reciprocal easements or similar agreements entered into in the ordinary course of business by Holdings and its Subsidiaries which do not materially interfere with the ordinary conduct of the business of Holdings and its Subsidiaries;

(t) Liens on insurance policies and the proceeds thereof securing the financing of premiums with respect thereto; and

(u) Liens not otherwise permitted by this Section 11.3 so long as neither (i) the aggregate outstanding principal amount of the obligations secured thereby nor (ii) the aggregate fair market value (determined, in the case of each such Lien, as of the date such Lien is incurred) of the assets subject thereto exceeds (as to Holdings and all Subsidiaries) \$5,000,000 at any one time.

11.4 Limitation on Fundamental Changes. Enter into any merger,

consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that:

(a) any Subsidiary of either Borrower may be merged or consolidated with or into such Borrower (provided that such Borrower shall be the continuing

or surviving corporation) or with or into any Subsidiary (provided that if any

Subsidiary party to such merger or consolidation is a Subsidiary Guarantor or Canadian Subsidiary Guarantor, the surviving entity shall also be a Subsidiary Guarantor or Canadian Subsidiary Guarantor, as the case may be);

(b) (i) either Borrower may Dispose of any or all of its assets

(including the Capital Stock of any Subsidiary) to any Subsidiary Guarantor and (ii) any Subsidiary of either Borrower may Dispose of any or all of its assets (including Capital Stock of any other Subsidiary) (upon voluntary liquidation, dissolution or otherwise) to the U.S. Borrower and or any Subsidiary Guarantor and any Subsidiary of the Canadian Borrower may Dispose of any or all of its assets (including Capital Stock of any other Subsidiary) (upon voluntary liquidation, dissolution or otherwise) to the Canadian Borrower or any Canadian Subsidiary Guarantor;

(c) either Borrower or any Subsidiary of either Borrower may merge with or consolidate with any Person in connection with any Permitted Acquisition, provided that (i) if a

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Borrower is a party thereto, such Borrower is the surviving entity of such merger or consolidation and (ii) if a Subsidiary Guarantor or Canadian Subsidiary Guarantor is a party thereto, the surviving entity of such merger or consolidation is a Subsidiary Guarantor or Canadian Subsidiary Guarantor, as the case may be; and

(d) Dispositions permitted under Section 11.5.

11.5 Limitation on Disposition of Property. Dispose of any of its

Property (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete, worn out or surplus property in the ordinary course of business;

(b) the sale or lease of inventory or equipment in the ordinary course of business;

(c) Dispositions permitted by Section 11.4(a) or (b);

(d) (i) the sale or issuance to the U.S. Borrower or any Subsidiary Guarantor of the Capital Stock of any Subsidiary of Holdings; or (ii) the sale or issuance to the Canadian Borrower or any Canadian Subsidiary Guarantor of any Capital Stock of any Subsidiary of any Canadian Entity; or (iii) the sale or issuance to Holdings of the Capital Stock of either Borrower;

(e) the Disposition of other assets having a fair market value not to exceed \$2,000,000 in the aggregate for any fiscal year of Holdings; provided,

that such amount shall be increased to \$5,000,000 when the Consolidated Leverage Ratio is less than 3.50 to 1.0;

(f) any Recovery Event, provided, that the requirements of Section 7.5

are complied with in connection therewith;

(g) the sale or discount, in each case without recourse, of Accounts Receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof;

(h) the sale or exchange of specific items of equipment for replacement items of equipment in the ordinary course of business which are the functional equivalent of the item of equipment so exchanged;

(i) Dispositions of assets sold pursuant to a Sale/Leaseback Transaction permitted under Section 11.11;

(j) Restricted Payments permitted under Section 11.6;

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(k) leases and licenses of real or personal property (including Intellectual Property) in the ordinary course of business;

(l) Dispositions of (i) Cash Equivalents and (ii) Investments (other than the Capital Stock of Subsidiaries); and

(m) the exchange of Exchangeable Shares.

11.6 Limitation on Restricted Payments. Declare or pay any dividend

(other than dividends payable solely in Capital Stock of the Person making such dividend or by increasing the liquidation preference of any such Capital Stock) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of Holdings, either Borrower or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of Holdings, either Borrower or any Subsidiary, or enter into any derivatives or other transaction with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating

Holdings, either Borrower or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any such Capital Stock (collectively, "Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to the holders of its Capital Stock ratably in accordance with their respective ownership interests;

(b) Holdings may make Restricted Payments in the form of common stock of Holdings;

(c) so long as no Default or Event of Default shall have occurred and be continuing, either Borrower may pay dividends to Holdings to permit Holdings to (i) (A) purchase Holdings' Capital Stock or options to purchase Capital Stock from present or former officers or employees of Holdings, either Borrower or any Subsidiary of either Borrower upon the death, disability or termination of employment of such officer or employee, or (B) make payments on promissory notes ("Management Notes") issued by Holdings to any such officers or employees of

Holdings, the Borrower or any of their respective Subsidiaries to finance the

purchase of Capital Stock or options to purchase Capital Stock upon the death, disability or termination of employment of any such officer or employee, provided, that the aggregate amount of payments by any Borrower under this

clause (i) (not including the forgiveness of any Indebtedness described in Section 11.8(n)) subsequent to the date hereof (net of any proceeds received by Holdings subsequent to the date hereof in connection with resales of any Capital Stock or options to purchase Capital Stock so purchased) shall not exceed U.S.\$2,500,000 (in the case of the U.S. Borrower) or U.S.\$2,500,000 (in the case of the Canadian Borrower); provided, that Holdings shall also be permitted to

make such purchases with the Net Cash Proceeds to either Borrower from any "key-man" life insurance policies received after the Original Closing Date; (ii) pay fees, expenses and other amounts to the Sponsor and its Control Investment Affiliates expressly permitted by Section 11.10 and (iii) pay directors' fees and expenses and directors' and officers' indemnity obligations;

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(d) the Borrowers may make Restricted Payments to Holdings to permit Holdings to (i) pay corporate overhead expenses incurred in the ordinary course of business not to exceed \$1,000,000 in any fiscal year and (ii) pay any taxes which are due and payable for which Holdings is liable;

(e) any Person may make Restricted Payments pursuant to the Transactions;

(f) Holdings may repurchase Capital Stock as a result of the surrender of such Capital Stock for cancellation in connection with the exercise of stock options; and

(g) the Canadian Borrower, Holdings or SMTC Nova Scotia may exchange or call Exchangeable Shares.

11.7 Limitation on Capital Expenditures. Make or commit to make any

Capital Expenditure, except (a) Capital Expenditures of Holdings and its Subsidiaries in the ordinary course of business not exceeding an aggregate amount during any fiscal year of Holdings the amount set forth below opposite such fiscal year:

Fiscal Year	Amount
-----	-----
2000	\$14,000,000
2001	\$18,000,000
2002	\$20,000,000
2003	\$21,500,000
2004	\$23,000,000

provided, that (i) such amount referred to above, to the extent not so expended

in the fiscal year for which it is permitted, may be carried over for expenditure in the next succeeding fiscal year (as to such fiscal year, the "CapEx Carryforward Amount") and (ii) Capital Expenditures made pursuant to this

clause (a) during any fiscal year shall be deemed made, first, in respect of

amounts permitted for such fiscal year as provided above and second, in respect

of amounts carried over from the prior fiscal year pursuant to subclause (i) above, (b) Capital Expenditures made with the proceeds of any Reinvestment Deferred Amount, (c) Capital Expenditures in any fiscal year made with the then unused Permitted Expenditure Amounts and (d) Capital Expenditures attributable to all or a portion of the cost of Permitted Acquisitions.

11.8 Limitation on Investments. Make any advance, loan, extension of

credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting an ongoing business from, or make any other investment in, any other Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business, including Accounts Receivable;

(b) investments in Cash and Cash Equivalents;

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(c) Investments arising in connection with the incurrence of Indebtedness permitted by Section 11.2(b) and (e);

(d) loans and advances to employees of Holdings, either Borrower or any Subsidiaries of either Borrower in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses) in an aggregate amount for Holdings, the Borrowers and their Subsidiaries not to exceed U.S.\$1,000,000 at any one time outstanding; provided,

that, in addition to such loans and advances, Holdings or either Borrower may make a loan to Gary Walker of up to \$2,500,000 in connection with taxes incurred by such Person due to the exchange of his Class Y shares for common stock of Holdings immediately prior to the IPO;

(e) the Transactions;

(f) Permitted Acquisitions;

(g) Investments in assets useful in a Borrower's business made by such Borrower or any of its Subsidiaries with the proceeds of any Reinvestment Deferred Amount; provided, that any Reinvestment Deferred Amount attributable to the U.S. Borrower and its Subsidiaries may not be invested in any Canadian Entity;

(h) Investments (other than those relating to the incurrence of Indebtedness permitted by Section 11.8(c)) by Holdings, either Borrower or any of its Subsidiaries in such Borrower or any Person that, prior to such Investment, is a Subsidiary Guarantor;

(i) Investments by Holdings or any Subsidiary in the U.S. Borrower or any Subsidiary Guarantor and Investments by the Canadian Borrower in any Canadian Subsidiary Guarantor;

(j) Investments in Capital Stock of Holdings to facilitate the exchange of Exchangeable Shares that are promptly Disposed of in connection with such exchange;

(k) Investments received in connection with the collection of Accounts Receivable in the ordinary course of business and Investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in good faith settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(l) Investments received in connection with any Asset Sale or other Disposition permitted hereunder;

(m) loans and advances to suppliers, customers or users of the products of either Borrower or any Subsidiary or customers of distributors of such products in the ordinary course of business consistent with past practice;

(n) loans to employees of Holdings, either Borrower or any Subsidiaries of either Borrower to finance the acquisition by such employees from Holdings, either Borrower or any such Subsidiary of Capital Stock of Holdings or Exchangeable Shares, including without

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limitation a loan to Gary Walker of up to \$2,500,000 in connection with taxes incurred by such Person due to the exchange of his Class Y shares into common stock of Holdings immediately prior to the IPO;

(o) Investments arising out of any repurchase of Indebtedness in connection with the refinancing thereof to the extent permitted under Section 11.2;

(p) Investments by Subsidiaries which are not Subsidiary Guarantors in either Borrower or any other Subsidiary;

(q) loans to Holdings by either Borrower or any of their respective Subsidiaries to the extent permitted by Section 11.2(m);

(r) Investments existing on the Original Closing Date and listed on Schedule 11.8; and

(s) in addition to Investments otherwise expressly permitted by this Section, Investments by Holdings or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed \$2,500,000 prior to the second anniversary of the Original Closing Date or \$5,000,000 thereafter during the term of this Agreement.

11.9 Limitation on Optional Payments and Modifications of Debt

Instruments, etc. (a) Make or offer to make any optional or voluntary payment, -----
prepayment, repurchase or redemption of, or otherwise voluntarily or optionally defease, any Indebtedness (other than Indebtedness hereunder), or segregate funds for any such payment, prepayment, repurchase, redemption or defeasance, or enter into any derivative or other transaction with any Derivatives Counterparty obligating Holdings, either Borrower or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any subordinated debt, (b) amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of any subordinated debt (other than any such amendment, modification, waiver or other change which (i) (A) would extend the maturity or reduce the amount of any payment of principal thereof, reduce the rate or extend the date for payment of interest thereon or relax any covenant or other restriction applicable to Holdings, either Borrower or any of its Subsidiaries and (B) does not involve the payment of a consent fee or (ii) is not adverse in any respect to the interests of the Lenders in the reasonable opinion of the General Administrative Agent), or (c) amend its certificate of incorporation in any manner determined by the General Administrative Agent to be adverse to the Lenders. Notwithstanding the foregoing, Holdings may redeem the \$15,000,000 aggregate principal amount of 2000 Subordinated Notes, unsecured loans and loans secured by fixed assets made to the Borrowers since May 18, 2000 as contemplated by Section 7.5(a) and Section 9.2(d).

11.10 Limitation on Transactions with Affiliates. Enter into any

transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than Holdings, either Borrower or any Subsidiary Guarantor) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of Holdings,

such Borrower or such Subsidiary, as the case may be, and (c) upon fair and reasonable terms no less favorable to Holdings, such Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate. Notwithstanding the foregoing, so long as no Default or Event of Default is continuing, (i) Holdings and its Subsidiaries may pay to the Sponsor and its Control Investment Affiliates on the Restatement Effective Date a fee of \$1,800,000 as consideration for termination of the Management Agreement (plus expenses and indemnity payments with respect to claims that have accrued through the Restatement Effective Date), (ii) the Transactions shall be permitted, (iii) Holdings, the Borrowers and their respective Subsidiaries may pay customary fees to, and the reasonable out-of-pocket expenses of, their respective Boards of Directors and may provide customary indemnities for the benefit of members of their respective Board of Directors, (iv) [Reserved], (v) transactions with Subsidiaries that are not Subsidiary Guarantors, joint venture partners or purchasers or sellers of goods or services, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture agreements) and otherwise in compliance with the terms of the Loan Documents which are fair to the relevant Borrower or its Subsidiaries, in the good faith determination of the Board of Directors of such Borrower or the senior

management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, (vi) any employment agreement entered into by Holdings or any of its Subsidiaries or employee compensation payments in the ordinary course of business and consistent with past practices of Holdings or such Subsidiary, (vii) Restricted Payments that are permitted by the provisions of Section 11.6, (viii) payments or loans to employees or consultants which are approved by the Board of Directors of Holdings in good faith, (ix) transfers of Inventory from a Borrower or a Subsidiary thereof to a Subsidiary operating in a different jurisdiction in exchange for value not less than the cost of producing such Inventory and not more than the value at which such Subsidiary expects to Dispose of such Inventory and (x) the exchange of Exchangeable Shares.

11.11 Limitation on Sales and Leasebacks. Enter into any arrangement

with any Person providing for the leasing by Holdings, either Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by Holdings, such Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of Holdings, such Borrower or such Subsidiary (a "Sale/Leaseback Transaction"), except for Sale/Leaseback

Transactions by the Borrower and its Subsidiaries (i) relating to assets owned by Holdings and its Subsidiaries on the Original Closing Date, in an aggregate amount not exceeding U.S.\$2,000,000 at any time outstanding, (ii) relating to assets of the business acquired in any Permitted Acquisition, provided, that (A)

each such Sale/Leaseback Transaction is consummated not more than 120 days after the consummation of such Permitted Acquisition and (B) if such Permitted Acquisition was financed with the proceeds of any Indebtedness (other than the proceeds of U.S. Revolving Credit Loans or Canadian Revolving Credit Loans), the proceeds of such Sale/Leaseback Transaction are applied toward repayment of such Indebtedness or (iii) relating to assets owned by Holdings and its Subsidiaries on the Original Closing Date or acquired thereafter (other than in connection with a Permitted Acquisition) with an aggregate sales price not to exceed \$3,000,000 during the term of this Agreement.

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11.12 Limitation on Changes in Fiscal Periods. Permit the fiscal year

of either Borrower to end on a day other than December 31 or change Holdings' or such Borrower's method of determining fiscal quarters.

11.13 Limitation on Negative Pledge Clauses. Enter into or suffer to

exist or become effective any agreement that prohibits or limits the ability of Holdings, either Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any guarantor, its obligations under the Guarantee and Collateral Agreement any Canadian Security Documents, other than (a) this Agreement and the other Loan Documents, (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby), (c) any agreement relating to a Disposition of Property by Holdings or any of its Subsidiaries (in which case, any prohibition or restriction shall only be effective against the Property to be Disposed in such Disposition), (d) customary non-assignment provisions in leases entered into in the ordinary course of business and (e) any agreements relating to Liens permitted under Section 11.3(g), 11.3(l), 11.3(n), 11.3(p), 11.3(q), 11.3(t) or 11.3(u) (in which case, any prohibition or restriction shall only be effective against the Property subject to the relevant Lien).

11.14 Limitation on Restrictions on Subsidiary Distributions. Enter

into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, either Borrower or any other Subsidiary, (b) make Investments in either Borrower or any other Subsidiary or (c) transfer any of its assets to either Borrower or any other Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan

Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, (iii) applicable law, (iv) customary provisions restricting the assignment of rights under contracts, (v) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (vi) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (c) above on the property so acquired, (vii) any agreement for the sale of a Subsidiary that restricts distributions by that Subsidiary pending its sale, (viii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements and other similar agreements entered into in the ordinary course of business, (ix) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into the ordinary course of business and (x) restrictions on rights to dispose of assets subject to Liens permitted under Section 11.3(g), 11.3(l), 11.3(n), 11.3(p), 11.3(q), 11.3(t) or 11.3(u).

11.15 Limitation on Lines of Business. Enter into any business, either

directly or through any Subsidiary, except for those businesses in which Holdings and its Subsidiaries are engaged on the date of this Agreement (after giving effect to the Transactions) or that are reasonably related thereto.

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11.16 Limitation on Activities of Holdings. In the case of Holdings,

notwithstanding anything to the contrary in this Agreement or any other Loan Document, (a) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than (i) those incidental to its ownership of the Capital Stock of Subsidiaries and those incidental to Investments by or in Holdings permitted hereunder, (ii) activities incidental to the maintenance of its existence and compliance with applicable laws and legal, tax and accounting matters related thereto and activities relating to its employees, (iii) activities relating to the performance of obligations under the Loan Documents to which it is a party and (iv) the receipt and payment of Restricted Payments permitted under Section 11.6, (b) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (i) nonconsensual obligations imposed by operation of law, (ii) pursuant to the Loan Documents to which it is a party, (iii) obligations with respect to its Capital Stock, or the Exchangeable Shares, (iv) obligations to its employees, officers and directors not prohibited hereunder, (v) Guarantee Obligations permitted under Section 11.2(l) or (vi) obligations under the Transaction Documents as in effect on the date hereof or (c) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with Restricted Payments made by a Borrower in accordance with Section 11.6 pending application in the manner contemplated by said Section) and cash equivalents) other than the ownership of shares of Capital Stock of the direct Subsidiary owned by it on the Original Closing Date or in respect of notes issued to Holdings by management in respect of the purchase of its Capital Stock or Exchangeable Shares. Notwithstanding the foregoing, Holdings may engage in the transactions contemplated by the terms of the 2000 Subordinated Notes and the 2000 Warrants and may consummate the IPO and the Pensar Acquisition; provided, however, that Holdings shall contribute the

capital stock of Pensar to the U.S. Borrower immediately upon the consummation of the Pensar Acquisition.

11.17 Limitation on Hedge Agreements. Enter into any Hedge Agreement

other than Hedge Agreements entered into in the ordinary course of business, and not for speculative purposes, to protect against changes in interest rates or foreign exchange rates.

SECTION 12. GUARANTEE

12.1 Guarantee. (a) The U.S. Borrower hereby unconditionally and

irrevocably guarantees to the Canadian Administrative Agent, for the ratable benefit of the Canadian Administrative Agent and the Canadian Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Canadian Borrower when due (whether at

the stated maturity, by acceleration or otherwise) of the Canadian Borrower Obligations.

(b) The U.S. Borrower further agrees to pay any and all expenses (including, without limitation, all reasonable fees and disbursements of counsel which may be paid or incurred by the Canadian Administrative Agent, or any Canadian Lender in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Canadian Borrower Obligations and/or enforcing any rights with respect to, or collecting against, the U.S. Borrower under this Section. This Section shall remain in full force and effect until the Obligations are paid in full and the Commitments are terminated, notwithstanding that

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from time to time prior thereto any Borrower may be free from any Canadian Borrower Obligations.

(c) No payment or payments made by any Borrower or any other Person or received or collected by the Administrative Agents or any Lender from any Borrower or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Canadian Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the U.S. Borrower hereunder which shall, notwithstanding any such payment or payments, remain liable hereunder for the Canadian Borrower Obligations until the Canadian Borrower Obligations are paid in full and the Commitments are terminated.

(d) The U.S. Borrower agrees that whenever, at any time, or from time to time, it shall make any payment to any Administrative Agent or any Lender on account of its liability hereunder, it will notify such Administrative Agent and such Lender in writing that such payment is made under this Section for such purpose.

(e) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of the U.S. Borrower hereunder and under the other Loan Documents in respect of the Canadian Borrower Obligations shall in no event exceed the amount which can be guaranteed by the U.S. Borrower under applicable federal and state laws relating to the insolvency of debtors.

12.2 No Subrogation. Notwithstanding any payment or payments made by

the U.S. Borrower hereunder, or any set-off or application of funds of the U.S. Borrower by any Administrative Agent or any Lender, the U.S. Borrower shall not be entitled to be subrogated to any of the rights of any Administrative Agent or any Lender against the other Borrowers or against any collateral security or guarantee or right of offset held by any Administrative Agent or any Lender for the payment of the Canadian Borrower Obligations, nor shall the U.S. Borrower seek or be entitled to seek any contribution or reimbursement from the other Borrowers in respect of payments made by the U.S. Borrower hereunder, until all amounts owing to the Administrative Agents and the Lenders by the other Borrowers on account of the Canadian Borrower Obligations are paid in full and the Commitments are terminated. If any amount shall be paid to the U.S. Borrower on account of such subrogation rights at any time when all of the Canadian Borrower Obligations shall not have been paid in full, such amount shall be held by the U.S. Borrower in trust for the Administrative Agents and the Lenders, segregated from other funds of the U.S. Borrower, and shall, forthwith upon receipt by the U.S. Borrower, be turned over to the Canadian Administrative Agent in the exact form received by the U.S. Borrower (duly indorsed by the U.S. Borrower to the Canadian Administrative Agent, if required), to be applied against the Canadian Borrower Obligations, whether matured or unmatured, in such order as the Canadian Administrative Agent may determine.

12.3 Amendments, etc. with respect to the Canadian Borrower

Obligations; Waiver of Rights. The U.S. Borrower shall remain obligated

hereunder notwithstanding that, without any reservation of rights against the U.S. Borrower, and without notice to or further assent by the U.S. Borrower, any demand for payment of any of the Canadian Borrower

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Obligations made by any Administrative Agent or any Lender may be rescinded by such Administrative Agent or such Lender, and any of the Canadian Borrower Obligations continued, and the Canadian Borrower Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by any Administrative Agent or any Lender, and any Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, in accordance with the provisions thereof as the Administrative Agents or the Lenders (or the Required Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by any Administrative Agent or any Lender for the payment of the Canadian Borrower Obligations may be sold, exchanged, waived, surrendered or released. None of any Administrative Agent or any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Canadian Borrower Obligations or for this Agreement or any property subject thereto. When making any demand hereunder against the U.S. Borrower, any Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on any other Borrower or any other guarantor, and any failure by any Administrative Agent or any Lender to make any such demand or to collect any payments from any such Borrower or any such other guarantor or any release of such Borrower or such other guarantor shall not relieve the U.S. Borrower of its obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of any Administrative Agent or any Lender against the U.S. Borrower. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

12.4 Guarantee Absolute and Unconditional. The U.S. Borrower waives

any and all notice of the creation, renewal, extension or accrual of any of the Canadian Borrower Obligations and notice of or proof of reliance by any Administrative Agent or any Lender upon this Agreement or acceptance of this Agreement; the Canadian Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Agreement; and all dealings between the Borrowers and the U.S. Borrower and the Canadian Borrower, on the one hand, and the Administrative Agents and the Lenders, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Agreement. The U.S. Borrower waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the other Borrowers and the U.S. Borrower with respect to the Canadian Borrower Obligations. This Section 12 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of this Agreement, any other Loan Document, any of the Canadian Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by any Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Canadian Borrower against any Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Canadian Borrower or the U.S. Borrower) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Canadian Borrower for the Canadian Borrower Obligations, or of the U.S.

Borrower under this Section 12, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against the U.S. Borrower, any Administrative Agent and any Lender may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Canadian Borrower or any other Person or against any collateral security or guarantee for the Canadian Borrower Obligations or any right of offset with respect thereto, and any failure by any Administrative Agent or any Lender to pursue such other rights or remedies or to collect any payments from such other Borrowers or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the other Borrower or any such other Person or of any such collateral security, guarantee or right of offset, shall not relieve the U.S. Borrower of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of any Administrative Agent or any Lender against

the U.S. Borrower. This Section 12 shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the U.S. Borrower and its successors and assigns, and shall inure to the benefit of the Administrative Agents and the Lenders, and their respective successors, indorsees, transferees and assigns, until all the Canadian Borrower Obligations and the obligations of the U.S. Borrower under this Agreement shall have been satisfied by payment in full and the Commitments shall be terminated, notwithstanding that from time to time during the term of this Agreement the Borrowers may be free from any Canadian Borrower Obligations.

12.5 Reinstatement. This Section 12 shall continue to be effective, or

be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Canadian Borrower Obligations is rescinded or must otherwise be restored or returned by any Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Borrower or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Borrower or any substantial part of its property, or otherwise, all as though such payments had not been made.

12.6 Payments. The U.S. Borrower hereby agrees that all payments

required to be made by it hereunder will be made to the Canadian Administrative Agent, for the benefit of the Administrative Agents and the Lenders, as the case may be, without set-off or counterclaim in accordance with the terms of the Canadian Borrower Obligations, including, without limitation, in the currency in which payment is due.

SECTION 13. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) Either Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation or Acceptance Reimbursement Obligation when due in accordance with the terms hereof; or either Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation or Acceptance Reimbursement Obligation, or any stamping fee or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof; or

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(b) Any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(c) (i) Any Loan Party shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 10.5(a) (with respect to Holdings and each Borrower only), Section 11, or in Section 5 of the Guarantee and Collateral Agreement; or

(d) Any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after the earlier of (x) the date upon which such Loan party knows or should reasonably be expected to know the existence of such default or (y) the date upon which such Loan party receives notice of such default from an Administrative Agent or Lender; or

(e) Holdings, any Borrower or any of their respective Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations and Acceptance Reimbursement Obligations) on the scheduled or original due date with respect thereto beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition

relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to or mandatory offer to purchase by the obligor thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause

(i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate U.S.\$5,000,000; or

(f) (i) Holdings, any Borrower or any of their respective Material Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts,

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or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Holdings, any Borrower or any of their respective Material Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Holdings, any Borrower or any of their respective Material Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against Holdings, any Borrower or any of their respective Material Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) Holdings, any Borrower or any of their respective Material Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Holdings, any Borrower or any of their respective Material Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of Holdings or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, reasonably be expected to have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against Holdings, any Borrower or any of their respective Material Subsidiaries involving for Holdings, the Borrowers and their Subsidiaries taken as a whole a

liability (to the extent not paid or covered by insurance of U.S.\$5,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

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(i) Any of the Security Documents shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 15.15), to be in full force and effect in all material respects (other than in accordance with its terms), or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby as to Collateral having an aggregate value in excess of \$2,500,000; or

(j) The guarantee contained in Section 2 of the Guarantee and Collateral Agreement, or any Canadian Facility Guarantee shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 15.15 and other than in accordance with its terms), to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) (i) Any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding the Permitted Investors, shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of a greater percentage of the securities having the power to elect directors of Holdings than the percentage of such securities then owned by the Permitted Investors; (ii) the board of directors of Holdings shall cease to consist of a majority of Continuing Directors; or (iii) Holdings shall cease to own and control, of record and beneficially, directly or indirectly through one or more wholly owned Subsidiaries, 100% of each class of outstanding Capital Stock of each Borrower (other than Exchangeable Shares) free and clear of all Liens (except Liens created by the Guarantee and Collateral Agreement);

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the U.S. Borrower or the Canadian Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all Reimbursement Obligations and Acceptance Reimbursement Obligations, regardless of whether or not such Reimbursement Obligations and Acceptance Reimbursement Obligations are then due and payable) shall immediately become due and payable, and (B) if such event is any other Event of Default, any of the following actions may be taken: (i) with the consent of the Required Lenders, the General Administrative Agent may, or upon the request of the Required Lenders, the General Administrative Agent shall, by notice to the Borrowers declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; (ii) with the consent of the Required Lenders, the General Administrative Agent may, or upon the direction of the Required Lenders, the General Administrative Agent shall, by notice of default to the Borrowers, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including all amounts payable in respect of Letters of Credit whether or not the beneficiaries thereof shall have presented the drafts and other documents required thereunder) and the Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable and (iii) the General Administrative Agent may, and upon the direction of the Required Lenders shall, exercise any

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and all remedies and other rights provided pursuant to this Agreement and/or the other Loan Documents.

With respect to all outstanding Reimbursement Obligations which have not matured at the time of an acceleration pursuant to the second preceding paragraph, the relevant Borrower shall at such time deposit in a cash collateral account opened by and maintained by the relevant Administrative Agent an amount equal to the aggregate amount of all such Reimbursement Obligations. Amounts held in such cash collateral account shall be applied by an Administrative Agent to the payment of Reimbursement Obligations when drawings under the related Letters of Credit are made, and any balance in such account shall be applied to

repay other obligations of the relevant Borrower hereunder. After all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrowers hereunder shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the relevant Borrower.

With respect to all outstanding Acceptance Reimbursement Obligations in respect of Acceptances which have not matured at the time of an acceleration pursuant to the second preceding paragraph, the Canadian Borrower shall at such time deposit in a cash collateral account opened by and maintained by the Canadian Administrative Agent an amount equal to the aggregate undiscounted face amount of all such unmatured Acceptances. Amounts held in such cash collateral account shall be applied by the Canadian Administrative Agent to the payment of maturing Acceptances, and any balance in such account shall be applied to repay other obligations of the Canadian Borrower hereunder and under any Notes. After all Acceptance Reimbursement Obligations shall have been satisfied and all other obligations of the Canadian Borrower hereunder and under any Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Canadian Borrower.

Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 14. THE AGENTS; THE ARRANGER

14.1 Appointment. Each Lender hereby irrevocably designates and

appoints the Agents as agents of such Lender under this Agreement and the other Loan Documents, and each Lender irrevocably authorizes each Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to such Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agents shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any Agent.

14.2 Delegation of Duties. Each Agent may execute any of its duties

under this Agreement and the other Loan Documents by or through agents or attorneys-in- fact and shall be

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entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys- in-fact selected by it with reasonable care.

14.3 Exculpatory Provisions. Neither any Agent nor any of its

respective officers, directors, employees, agents, attorneys- in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Borrower or other Person or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by such Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of a Borrower or any other Person to perform its obligations hereunder or thereunder. No Agent shall 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 Borrowers.

14.4 Reliance by Agents. Each Agent shall be entitled to rely, and

shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrowers or either of them), independent accountants and other experts selected by such Agent. Each Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment or transfer thereof shall have been filed with such Agent. Each Agent shall be fully justified as between itself and the Lenders 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 or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans, the Reimbursement Obligations and the Acceptance Reimbursement Obligations.

14.5 Notice of Default. No Agent shall be deemed to have knowledge or

notice of the occurrence of any Default or Event of Default hereunder unless such Agent has received notice from a Lender or a Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the General Administrative Agent receives such a notice, the General Administrative Agent shall give notice thereof to the Lenders. The General Administrative Agent shall take such action reasonably promptly with respect to such Default or Event of Default as shall be reasonably

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directed by the Required Lenders; provided that unless and until the General

Administrative Agent shall have received such directions, the General Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

14.6 Non-Reliance on Agents and Other Lender. Each Lender expressly

acknowledges that neither any Agent nor any of its respective officers, directors, employees, agents, attorneys-in- fact or affiliates has made any representations or warranties to it and that no act by such Agent hereafter taken, including any review of the affairs of either Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender represents to each Agent that it has, independently and without reliance upon such Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrowers and made its own decision to make its Extensions of Credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon either any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly required to be furnished to the Lenders by an Agent hereunder, such Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrowers which may come into the possession of such Agent or any of its respective officers, directors, employees, agents, attorneys- in-fact or affiliates.

14.7 Indemnification. Each Lender agrees to indemnify each Agent in

its capacity as such (to the extent not reimbursed by the Borrowers and without

limiting the obligation of the Borrowers to do so), ratably according to its Aggregate Exposure Percentage in effect on the date on which indemnification is sought from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Loans, the Reimbursement Obligations and the Acceptance Reimbursement Obligations) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any

portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of such Agent. The agreements in this subsection shall survive the payment of the Loans, the Acceptance Reimbursement Obligations, the Reimbursement Obligations and all other amounts payable hereunder.

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14.8 Agents in their Individual Capacity. Each Agent and its

respective affiliates may make loans to, accept Drafts, accept deposits from and generally engage in any kind of business with the Borrowers as though such Agent was not an Agent hereunder and under the other Loan Documents. With respect to the Loans made or renewed by such Agent, any Acceptances created by such Agent and any Note or Acceptance Note issued to it, such Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

14.9 Successor Agents. The General Administrative Agent may resign as

General Administrative Agent, the Canadian Administrative Agent may resign as Canadian Administrative Agent and the Collateral Monitoring Agent may resign as the Collateral Monitoring Agent, in each case upon 30 days' notice to the Lenders and the other Agents. If any Agent shall resign as Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the U.S. Lenders (in the case of a resignation of the General Administrative Agent or the Collateral Monitoring Agent) or the Canadian Lenders (in the case of a resignation of the Canadian Administrative Agent) a successor agent for the Lenders, whereupon such successor agent shall succeed to the rights, powers and duties of the resigning Agent, and the terms "General Administrative Agent", "Canadian Administrative Agent" or "Collateral Monitoring Agent", as the case may be, shall mean such successor agent effective upon such appointment and approval, and the former Agent's rights, powers and duties as such Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Loans. After any resigning Agent's resignation, the provisions of this Section 14 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Agent under this Agreement and the other Loan Documents.

14.10 The Documentation Agent, the Arranger and the Syndication

Agents. Each Lender, the Documentation Agent, the Arranger and the Syndication

Agent acknowledge that the Documentation Agent, the Arranger and the Syndication Agent, in such capacities, shall have no duties or responsibilities, and shall incur no liabilities, under this Agreement or the other Loan Documents in their respective capacities as such.

14.11 Authorization to Release Liens and Guarantees. Each

Administrative Agent is hereby irrevocably authorized by each of the Lenders to effect any release of Liens or guarantee obligations contemplated by Section 15.15.

SECTION 15. MISCELLANEOUS

15.1 Amendments and Waivers. Neither this Agreement or any other Loan

Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 15.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or the General Administrative Agent (with the written consent of the Required Lenders) and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements

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hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as may be specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver

and no such amendment, supplement or modification shall:

(i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, Reimbursement Obligation or Acceptance Reimbursement Obligation, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Commitment of any Lender, in each case without the consent of each Lender directly affected thereby;

(ii) amend, modify or waive any provision of this Section or reduce any percentage specified in the definition of Required Lenders or Required Prepayment Lenders consent to the assignment or transfer by any Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Subsidiary Guarantors from their guarantee obligations under the Guarantee and Collateral Agreement or all or substantially all of the guarantors from their obligations under the Canadian Facility Guarantees, in each case without the consent of all Lenders, except as otherwise provided in this Agreement or any other Loan Document;

(iii) amend, modify or waive any condition precedent to any extension of credit under the U.S. Revolving Credit Facility or the Canadian Revolving Credit Facility set forth in Section 9.2 (including, without limitation, the waiver of an existing Default or Event of Default required to be waived in order for such extension of credit to be made), or change the Advance Rate, without the consent of the Majority Facility Lenders under the relevant Facility;

(iv) reduce the percentage specified in the definition of Majority Facility Lenders with respect to any Facility without the written consent of all Lenders under such Facility; (v) amend, modify or waive any provision of Section 14 without the consent of any Agent directly affected thereby;

(vi) (x) amend, modify or waive any provision of Section 2.6 or 2.7 without the written consent of the Swing Line Lender or (y) amend, modify or waive any provision of Section 5.14 or 5.15 without the written consent of the Canadian Swing Line Lender;

(vii) amend, modify or waive any provision of Section 7.9 without the consent of each Lender directly affected thereby; or

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(viii) amend, modify or waive any provision of Section 6 without the consent of each Issuing Lender directly affected thereby.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Agents and all future holders of the Loans. In the case of any

waiver, the Loan Parties, the Lenders and the Agents shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section; provided, that delivery of an executed signature page of any such

instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

For the avoidance of doubt, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Agents and each Loan Party to each relevant Loan Document (x) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof (collectively, the "Additional Extensions of Credit") to share ratably

in the benefits of this Agreement and the other Loan Documents with the Loans and other Extensions of Credit and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders, Required Prepayment Lenders and Majority Facility Lenders; provided, however, that no such amendment

shall permit the Additional Extensions of Credit to share ratably with or with preference to the Loans in the application of mandatory prepayments without the consent of the Required Prepayment Lenders.

15.2 Notices. All notices, requests and demands to or upon the

respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed (a) in the case of Holdings, the Borrowers and the Agents, as follows and (b) in the case of the Lenders, as set forth in an administrative questionnaire delivered to the General Administrative Agent or on Schedule I to the Lender Addendum to which such Lender is a party or, in the case of a Lender which becomes a party to this Agreement pursuant to an Assignment and Acceptance, in such Assignment and Acceptance or (c) in the case of any party, to such other address as such party may hereafter notify to the other parties hereto:

Holdings: SMTC Corporation
635 Hood Road
Markham, Ontario
Canada L3R 4N6
Attention: President
Telecopy: (905)479-9686

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Telephone: (905)479-1000

The U.S. Borrower: HTM Holdings, Inc.
12520 Grant Street
Thornton, Colorado 80241
Attention: President
Telecopy: (303)280-2096
Telephone: (303)255-4426

The Canadian Borrower: SMTC Manufacturing Corporation of Canada
635 Hood Road
Markham, Ontario
Canada L3R 4N6
Attention: President
Telecopy: (905)479-9686
Telephone: (905)479-1000

The General Administrative Agent: Lehman Commercial Paper Inc.
3 World Financial Center

New York, New York 10285
Attention: Andrew Keith
Telecopy: (212)526-0242
Telephone: (212)526-4059

The Canadian Administrative Agent: The Bank of Nova Scotia
International Banking Division
Loan Administration and Agency Services
44 King Street West
14/th/ Floor
Toronto, Ontario
Canada M5H 1H1
Attention: Nancy Buccat
Telecopy: (416)866-5991
Telephone: (416)866-6471

The Collateral Monitoring Agent: The Bank of Nova Scotia
International Banking Division
Loan Administration and Agency Services
44 King Street West
14/th/ Floor
Toronto, Ontario
Canada M5H 1H1
Attention: Nancy Buccat
Telecopy: (416)866-5991
Telephone: (416)866-6471

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Issuing Lender: As notified by such Issuing Lender to the
Administrative Agent and the Borrower

provided that any notice, request or demand to or upon the any Agent, the

Issuing Lender or any Lender shall not be effective until received.

15.3 No Waiver; Cumulative Remedies. No failure to exercise and no

delay in exercising, on the part of the any Agent or any Lender, any right,
remedy, power or privilege hereunder or under the other Loan Documents 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.
The rights, remedies, powers and privileges herein provided are cumulative and
not exclusive of any rights, remedies, powers and privileges provided by law.

15.4 Survival of Representations and Warranties. All representations

and warranties made hereunder, in the other Loan Documents and in any document,
certificate or statement delivered pursuant hereto or in connection herewith
shall survive the execution and delivery of this Agreement and the making of the
Loans and other extensions of credit hereunder.

15.5 Payment of Expenses. The Borrowers jointly and severally agree

(a) to pay or reimburse the Agents for all their reasonable out-of-pocket costs
and expenses incurred in connection with the syndication of the Facilities
(other than fees payable to syndicate members but including fees payable in
connection with the use of IntraLinks) and the development, preparation and
execution of, and any amendment, supplement or modification to, this Agreement
and the other Loan Documents and any other documents prepared in connection
herewith or therewith, and the consummation and administration of the
transactions contemplated hereby and thereby, including, without limitation, the
reasonable fees and disbursements of counsel to the Agents, (b) to pay or
reimburse each Lender and the Agents for all their costs and expenses incurred
in connection with the enforcement or preservation of any rights under this
Agreement, the other Loan Documents and any such other documents, including,
without limitation, the fees and disbursements of counsel (including the
allocated fees and disbursements of in-house counsel) to each Lender and of
counsel to the Agents, (c) to pay, indemnify, or reimburse each Lender and the
Agents for, and hold each Lender and the Agents harmless from, any and all
recording and filing fees and any and all liabilities with respect to, or
resulting from any delay in paying, stamp, excise (other than excise taxes

imposed in lieu of income taxes) and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify or reimburse each Lender, each Agent, their respective affiliates, and their respective officers, directors, trustees, employees, advisors, agents and controlling persons (each, an "Indemnatee") for, and hold each Indemnatee harmless from and against any and

all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including, without limitation, any of the

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foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of either Borrower any of its Subsidiaries or any of the Properties and the fees and disbursements of legal counsel in connection with successful claims, actions or proceedings by any Indemnatee against either Borrower hereunder (all the foregoing in this clause (d), collectively, the "Indemnified

Liabilities"), provided, that the Borrowers shall have no obligation hereunder

to any Indemnatee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities (i) are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnatee or (ii) arise from disputes among the Agents, among the Lenders or between the Agents and the Lenders. Without limiting the foregoing, and to the extent permitted by applicable law, each Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries so to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnatee. No indemnified person shall be liable for any damages arising from the use by unauthorized persons of information or other materials sent through electronic, telecommunications or other information transmission systems that are intercepted by such persons or for any special, indirect, consequential or punitive damages in connection with the Facilities. All amounts due under this Section shall be payable not later than 30 days after written demand therefor. Statements payable by the Borrowers pursuant to this Section shall be submitted to the Borrowers at the address of the U.S. Borrower set forth in Section 15.2, or to such other Person or address as may be hereafter designated by the U.S. Borrower in a written notice to the General Administrative Agent. The agreements in this Section shall survive repayment of the Loans and all other amounts payable hereunder.

14.6 Successors and Assigns; Participations and Assignments. (a) This

Agreement shall be binding upon and inure to the benefit of Holdings, the Borrowers, the Lenders, the Agents, all future holders of the Loans and their respective successors and assigns, except that neither Holdings nor any Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agents and each Lender.

(b) Any Lender may, without the consent of Holdings or either Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant")

participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrowers and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and

obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party

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therefrom, except to the extent that such amendment, waiver or consent would require the consent of all Lenders pursuant to Section 15.1. Each of Holdings and each Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid after applicable grace periods, or shall have been declared or shall have become due and payable upon the occurrence and during the continuation of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement 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, in purchasing

such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 5.7(a) as fully as if such Participant were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 7.11, 7.12 and 7.13 with respect to its participation in the Commitments and the Loans outstanding from time to time as if such Participant were a Lender if and to the extent the transferor Lender waives its rights to such amounts; provided that,

in the case of Section 7.13, such Participant shall have complied with the requirements of said Section, and provided, further, that no Participant shall

be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "Assignor") may, in accordance with applicable law

and upon written notice to the General Administrative Agent (and the Canadian Administrative Agent, in the case of assignments with respect to the Canadian Facilities), at any time and from time to time assign to any Lender or any affiliate or Control Investment Affiliate thereof or, with the consent of the relevant Borrower and the Administrative Agents and, in the case of any assignment of U.S. Revolving Credit Commitments or Canadian Revolving Credit Commitments, the written consent of each relevant Issuing Lender and Swing Line Lender or the Canadian Swing Line Lender, as the case may be, (which, in each case, shall not be unreasonably withheld or delayed) (provided (x) that no such

consent need be obtained by any Lehman Entity for a period of 180 days following the Restatement Effective Date and (y) no consent of Borrowers need be obtained with respect to any assignment of Term Loans), to an additional bank, financial institution or other entity (an "Assignee") all or any part of its rights and

obligations under this Agreement pursuant to an Assignment and Acceptance, substantially in the form of Exhibit E, executed by such Assignee and such Assignor (and, where the consent of a Borrower, the Administrative Agents or any Issuing Lender or the Swing Line Lender or the Canadian Swing Line Lender, as the case may be, is required pursuant to the foregoing provisions, by such Borrower and such other Persons) and delivered to the General Administrative Agent for its acceptance and recording in the Register; provided that no such

assignment to an Assignee (other than any Lender or any affiliate thereof) shall be in an aggregate principal amount of less than U.S.\$5,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), unless otherwise agreed by the relevant Borrower and the General Administrative Agent. Any such assignment need not be ratable as among the Facilities. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with Commitments and/or

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Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent

provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto, except as to Section 7.11, 7.13 and 15.5 in respect of the period prior to such effective date). Notwithstanding any provision of this Section, the consent of the Borrowers shall not be required for any assignment that occurs at any time when any Event of Default shall have occurred and be continuing. Any assignment of Canadian Facilities after the Syndication Date must be to an Assignee that is entitled to receive payments in respect of the Canadian Facilities free and clear of any withholding or similar tax imposed by Canada or any province thereof.

(d) The General Administrative Agent (together with the Canadian Administrative Agent, in the case of Canadian Facility Loans) shall, on behalf of the relevant Borrower, maintain at its address referred to in Section 15.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and

the Commitments of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrowers, each Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing such Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Acceptance; thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated Assignee, and the old Notes shall be returned by the General Administrative Agent to the relevant Borrower marked "canceled". The Register shall be available for inspection by the Borrowers or any Lender (with respect to any entry relating to such Lender's Loans) at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an Assignor and an Assignee (and, in any case where the consent of any other Person is required by Section 15.6(c), by each such other Person) together with payment to the General Administrative Agent of a registration and processing fee of \$3,500 (except that no such registration and processing fee shall be payable (y) in connection with an assignment by or to any Lehman Entity or (z) in the case of an Assignee which is already a Lender or is an affiliate or Control Investment Affiliate of a Lender or a Person under common management with a Lender), the General Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders, the Agents and the Borrowers. On or prior to such effective date, the relevant Borrower, at its own expense, upon request, shall execute and deliver to the General Administrative Agent (in exchange for the Note or Notes of the assigning Lender) a new applicable Note and/or applicable Notes to the order of such Assignee in an amount equal to the Commitment and/or applicable Loans, as the case may be, assumed or acquired by it pursuant to such Assignment and Acceptance and, if the Assignor has

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retained a Commitment and/or Loans, as the case may be, upon request, a new Note or Notes, as the case may be, to the order of the Assignor in an amount equal to the Commitment and/or applicable Loans, as the case may be, retained by it hereunder. Such new Note or Notes shall be dated the Original Closing Date and shall otherwise be in the form of the Note or Notes replaced thereby.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

15.7 Adjustments; Set-off. (a) If any Lender (for purposes of this

sentence, a "Benefitted Lender") shall at any time prior to any date on which

the Commitments are terminated and the Loans, Reimbursement Obligations or Acceptance Reimbursement Obligations become due and payable pursuant to Section 13 (an "Acceleration") receive any payment of all or part of the Extensions of

Credit made by such Benefitted Lender to any Borrower, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Extensions of Credit made by it to such Borrower, or interest thereon (in each case except to the extent that this Agreement provides for payments to be allocated to the Lenders under a particular Facility) then such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Extensions of Credit, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral or proceeds with each of the Lenders ratably (based upon the respective Aggregate Exposure Percentages of the Lenders immediately prior to receipt by such Benefitted Lender of such payment or collateral); provided, however, that if all or any portion of such excess

payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Except as provided with respect to the Tranche C Term Loans in Section 15.18, if any Lender (for purposes of this sentence, a "Benefitted Lender") shall at any time after an

Acceleration receive any payment of all or part of the aggregate amount of the Extensions of Credit made by such Benefitted Lender to all Borrowers, or interest thereon, or receive any collateral in respect thereof (whether voluntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 13(f), or otherwise), in a greater proportion than any such payment or collateral received by any other Lender, if any, in respect by the aggregate amount of the Extensions of Credit made by such Lender to all Borrowers, or interest thereon, then such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Extensions of Credit, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral or proceeds with each of the Lenders ratably (based upon the respective Aggregate Exposure Percentages of the Lenders immediately prior to receipt by such Benefitted Lender of such payment or collateral); provided, however, that if all or any portion of such excess payment or benefits

is thereafter recovered

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from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrowers, any such notice being expressly waived by the Borrowers to the extent permitted by applicable law, upon any amount becoming due and payable by a Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) after any applicable grace period, to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch, agency or Affiliate thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrowers and the Administrative Agents after any such set-off and application made by such Lender, provided that

the failure to give such notice shall not affect the validity of such set-off and application.

15.8 Counterparts. This Agreement may be executed by one or more of

the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same

instrument. Delivery of an executed signature page of this Agreement or of a Lender Addendum by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement and Lender Addenda signed by all the parties shall be lodged with the Borrower and the General Administrative Agent.

15.9 Severability. Any provision of this Agreement that is prohibited

or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

15.10 Integration. This Agreement and the other Loan Documents

represent the entire agreement of Holdings, the Borrowers, the Agents, the Arranger and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arranger, any Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

15.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF

THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

15.12 Submission To Jurisdiction; Waivers. Each of Holdings and each

Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and

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enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to Holdings or such Borrower, as the case may be at its address set forth in Section 15.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

15.13 Acknowledgments. Each of Holdings and each Borrower hereby

acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Arranger, any Agent nor any Lender has any fiduciary relationship with or duty to Holdings or any Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the

relationship between the Arranger, the Agents and the Lenders, on one hand, and Holdings and the Borrowers, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arranger, the Agents and the Lenders or among Holdings, the Borrowers and the Lenders.

15.14 Confidentiality. Each of the Agents and the Lenders agrees to

keep confidential all non-public information provided to it by any Loan Party pursuant to this Agreement; provided that nothing herein shall prevent any Agent

or any Lender from disclosing any such information (a) to the Arranger, any Agent, any other Lender or any affiliate of any thereof, (b) to any Participant or Assignee (each, a "Transferee") or prospective Transferee that agrees to

comply with the provisions of this Section, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) to any financial institution that is a direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional

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advisor to such contractual counterparty agrees to be bound by the provisions of this Section), (e) upon the request or demand of any Governmental Authority having jurisdiction over it, (f) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (g) in connection with any litigation or similar proceeding, (h) that has been publicly disclosed other than in breach of this Section, (i) to the National Association of Insurance Commissioners or any similar organization or 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 or (j) in connection with the exercise of any remedy hereunder or under any other Loan Document.

15.15 Release of Collateral and Guarantee Obligations.

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the relevant Borrower in connection with any Disposition of Property permitted by the Loan Documents, the relevant Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in any Collateral being Disposed of in such Disposition, and to release any guarantee obligations under any Loan Document of any Person being Disposed of in such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents.

(b) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all obligation of the Borrowers secured by the Security Documents (other than obligations in respect of any Specified Hedge Agreement) have been paid in full, all Commitments have terminated or expired and no Extensions of Credit shall be outstanding, upon request of the relevant Borrower, the relevant Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations under any Loan Document, whether or not on the date of such release there may be outstanding obligations in respect of Specified Hedge Agreements. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

15.16 Accounting Changes. In the event that any "Accounting Change"

(as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then Holdings and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating Holdings' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrowers, the Administrative Agents and the Required

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Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

15.17 Delivery of Lender Addenda. Each Lender that wishes to become a

party hereto on the Restatement Effective Date, to provide any increased Commitment on the Restatement Effective Date or to evidence its consent to the amendment and restatement of the Existing Credit Agreement effected hereby, shall become a party to this Agreement, agree to provide such increased Commitment or evidence such consent, as the case may be, by delivering to the General Administrative Agent a Lender Addendum duly executed by such Lender, the Borrowers and the General Administrative Agent.

15.18 Intercreditor Provisions. (a) Notwithstanding (i) any provision

hereof or of any other Loan Document and (ii) the priority of any Lien on the Collateral, all proceeds received by the Canadian Administrative Agent from the Canadian Facility Guarantees or from the exercise by the Canadian Administrative Agent of any of its remedies under any of the Canadian Security Documents or the Canadian Facility Guarantees shall be applied by the Canadian Administrative Agent as follows:

First, to reimburse the Canadian Administrative Agent for all costs

and expenses incurred by them in administering the Collateral, the Canadian Facility Guarantees and the Canadian Security Documents and in enforcing rights thereunder;

Second, to the Lenders or, in the case of any Specified Hedge

Agreement, any affiliate of any Lender, to pay principal of, accrued and unpaid interest on, and other amounts payable hereunder with respect to all indebtedness, obligations and liabilities of the U.S. Borrower under the Loan Documents (including, without limitation, the guarantee obligations of the U.S. Borrower pursuant to Section 12 and the obligations of the U.S. Borrower to cash collateralize U.S. L/C Obligations, but excluding any indebtedness, obligations and liabilities of any Loan Party with respect to the Tranche C Term Loans) and all amounts payable in respect of the Borrower Hedge Agreement Obligations, but only to the extent that, and only so long as, the Borrower Credit Agreement Obligations (as defined in the Guarantee and Collateral Agreement) are secured and guaranteed pursuant to the Guarantee and Collateral Agreement (all such non-excluded indebtedness, obligations and liabilities, collectively, the "First Priority

Obligations"), ratably among the Lenders according to the amounts of First

Priority Obligations owing to the Lenders or, in the case of any Specified Hedge Agreement, any affiliate of any Lender;

Third, after payment in full of all of the amounts described in the

foregoing clauses First and Second of this paragraph (a), to the Canadian Borrower or the other Loan Parties entitled thereto or as otherwise may be required under applicable law.

(b) Notwithstanding (i) any provision hereof or of any other Loan Document and (ii) the priority of any Lien on the Collateral, all proceeds received by the General Administrative Agent from the guarantees contained in the Guarantee and Collateral Agreement or from the exercise by the General Administrative Agent of any of its remedies under any of the Security Documents or the guarantees contained in the Guarantee and Collateral Agreement shall be applied by the General Administrative Agent as follows:

First, to reimburse the General Administrative Agent for all costs and

expenses incurred by them in administering the Collateral and the Security Documents and in enforcing rights thereunder;

Second, to the Lenders or, in the case of any Specified Hedge

Agreement, any affiliate of any Lender, to pay principal of, accrued and unpaid interest on, and other amounts payable hereunder with respect to all indebtedness, obligations and liabilities of the U.S. Borrower under the Loan Documents (including, without limitation, the guarantee obligations of the U.S. Borrower pursuant to Section 12 and the obligations of the U.S. Borrower to cash collateralize U.S. L/C Obligations, but excluding any indebtedness, obligations and liabilities of any Loan Party with respect to the Tranche C Term Loans) and all amounts payable in respect of the Borrower Hedge Agreement Obligations, but only to the extent that, and only so long as, the Borrower Credit Agreement Obligations (as defined in the Guarantee and Collateral Agreement) are secured and guaranteed pursuant to the Guarantee and Collateral Agreement (all such non-excluded indebtedness, obligations and liabilities, collectively, the "First Priority

Obligations"), ratably among the Lenders according to the amounts of First

Priority Obligations owing to the Lenders or, in the case of any Specified Hedge Agreement, any affiliate of any Lender;

Third, after payment in full of the First Priority Obligations, to the

Tranche C Term Loan Lenders to pay the principal of, accrued and unpaid interest on, and other amounts payable hereunder with respect to, the Tranche C Term Loans; and

Fourth, after payment in full of all of the amounts described in the

foregoing clauses First, Second and Third of this paragraph (b), to the U.S. Borrower or the other Loan Parties entitled thereto or as otherwise may be required under applicable law.

(c) The General Administrative Agent, and the Canadian Administrative Agent under the direction of the General Administrative Agent, shall coordinate their exercise of remedies and the application of the proceeds thereof with the intent of causing the repayment of the largest possible amount of the indebtedness, obligations and liabilities of the Canadian Borrower under the Loan Documents before application toward such repayment of proceeds from (i) the guarantee of the U.S. Borrower under Section 12, (ii) the guarantee contained in the Guarantee and Collateral Agreement or (iii) any Security Document (other than the Canadian Security Documents).

(d) Notwithstanding any provision hereof or of any other Loan Document, without the consent of a majority in outstanding principal amount of the Tranche C Term Loan

Lenders, neither Holdings nor any of its Subsidiaries will create, incur, assume or suffer to exist any Indebtedness that ranks senior or pari passu in right of payment or with respect to Collateral to the Tranche C Term Loans (either directly or indirectly, including without limitation through intercreditor arrangements or otherwise) other than Indebtedness which ranks pari passu in right of payment or with respect to collateral with the First Priority Obligations.

Agreement. On the Restatement Effective Date, the Existing Credit Agreement

shall be amended, restated and superseded in its entirety by this Agreement. The parties hereto acknowledge and agree that (a) this Agreement and the other Loan Documents, whether executed and delivered in connection herewith or otherwise, do not constitute a novation, payment and reborrowing, or termination of the Loans and other Extensions of Credit (as defined in the Existing Credit Agreement) under the Existing Credit Agreement as in effect prior to the Restatement Effective Date; (b) such Loans and other Extensions of Credit are in all respects continuing (as amended and restated hereby) with only the terms thereof being modified as provided in this Agreement; and (c) upon the effectiveness of this Agreement all Extensions of Credit of Lenders outstanding under the Existing Credit Agreement immediately before the effectiveness of this Agreement (except to the extent repaid as a condition to the occurrence of the Restatement Effective Date as provided in Section 9.2(d)) will be converted into Extensions of Credit of such Lenders hereunder on the terms and conditions set forth in this Agreement.

15.20 WAIVERS OF JURY TRIAL. HOLDINGS, THE BORROWERS, THE AGENTS AND

THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

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

SMTC CORPORATION

By: /s/ Paul Walker

Name: Paul Walker
Title: President

HTM HOLDINGS, INC.

By: /s/ Paul Walker

Name: Paul Walker
Title: President

SMTC MANUFACTURING CORPORATION OF
CANADA

By: /s/ Paul Walker

Name: Paul Walker
Title: President

LEHMAN BROTHERS INC.,
as Arranger

By: /s/ Jon Gordan

Name: Jon Gordan
Title: Managing Director

LEHMAN COMMERCIAL PAPER INC., as
General Administrative Agent

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorized Signatory

THE BANK OF NOVA SCOTIA, as Canadian
Administrative Agent

By: /s/ Mike House

Name: Mike House

Title: Director

THE BANK OF NOVA SCOTIA, as Syndication Agent

By: /s/ Jon A. Burckin

Name: Jon A. Burckin

Title: Director, Corporate

GENERAL ELECTRIC CAPITAL
CORPORATION, as Documentation Agent

By: /s/ John Goodwin

Name: John Goodwin

Title: Duly Authorized Signatory

LEHMAN COMMERCIAL PAPER INC., as
Collateral Monitoring Agent

By: /s/ G. Andrew Keith

Name: G. Andrew Keith

Title: Authorized Signatory

EXHIBIT 10.2

AMENDED AND RESTATED
GUARANTEE AND COLLATERAL AGREEMENT

made by

SMTC CORPORATION,

HTM HOLDINGS, INC.

and certain of their Subsidiaries

in favor of

LEHMAN COMMERCIAL PAPER INC.,
as General Administrative Agent

Dated as of July 27, 2000

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AMENDED AND RESTATED GUARANTEE AND COLLATERAL AGREEMENT, dated as of July 27, 2000, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in

favor of LEHMAN COMMERCIAL PAPER INC., as General Administrative Agent (in such capacity, the "General Administrative Agent") for the banks and other financial

institutions (the "Lenders") from time to time parties to the Amended and

Restated Credit and Guarantee Agreement, dated as of July 27, 2000 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"),

among SMTC CORPORATION, a Delaware corporation ("Holdings"), HTM Holdings, Inc.,

a Delaware corporation (the "U.S. Borrower"), SMTC Manufacturing Corporation of

Canada (formerly known as The Surface Mount Technology Centre, Inc.), a corporation organized under the laws of the Province of Ontario, Canada (the "Canadian Borrower"; together with the U.S. Borrower, the "Borrowers"), the

several banks and other financial institutions or entities from time to time parties to the Credit Agreement (the "Lenders"), LEHMAN BROTHERS INC., as

advisor, lead arranger and book manager (in such capacity, the "Arranger"), the

General Administrative Agent and others.

W I T N E S S E T H:

WHEREAS, the parties hereto are parties to the Guarantee and

Collateral Agreement, dated as of July 28, 1999 (the "Existing Guarantee and

Collateral Agreement"), which guarantees and secures the existing credit

agreement that is being amended and restated pursuant to the Credit Agreement;

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make Extensions of Credit to the Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrowers are members of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the Extensions of Credit under the Credit Agreement will be used in part to enable the Borrowers to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, the Borrowers and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the Extensions of Credit under the Credit Agreement;

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement and to the obligation of the Lenders to make their respective Extensions of Credit to the Borrowers under the Credit Agreement that the Existing Guarantee and Collateral Agreement shall have been amended and restated hereby;

NOW, THEREFORE, in consideration of the premises and to induce the General Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective Extensions of Credit to the Borrowers thereunder, each Grantor hereby agrees with the General Administrative Agent, for the ratable benefit of the Lenders, that,

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on the Restatement Effective date, the Existing Guarantee and Collateral Agreement shall be amended and restated in its entirety as follows:

SECTION 1. DEFINED TERMS

1.1 Definitions. (a) Unless otherwise defined herein, terms defined in

the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, and the following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Chattel Paper, Documents, Equipment, Farm Products, Goods, Instruments, Inventory and Investment Property.

(b) The following terms shall have the following meanings:

"Agreement": this Amended and Restated Guarantee and Collateral

Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrower Credit Agreement Obligations": the collective reference to

the unpaid principal of and interest on the Loans, the Reimbursement Obligations, the Acceptance Reimbursement Obligations, the guarantee obligations of the U.S. Borrower under Section 12 of the Credit Agreement and all other obligations and liabilities of either Borrower (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Loans and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to either Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to any Agent or any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, this Agreement, or any other document made, delivered or given in connection therewith, in each case whether on account of principal,

interest, reimbursement obligations, guarantee obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Agents or to the Lenders that are required to be paid by either Borrower pursuant to the terms of any of the foregoing agreements).

"Borrower Hedge Agreement Obligations": the collective reference to

all obligations and liabilities of either Borrower (including, without limitation, interest accruing at the then applicable rate provided in any Specified Hedge Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to either Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to any Lender or any affiliate of any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, any Specified Hedge Agreement or any other document made, delivered

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or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the relevant Lender or affiliate thereof that are required to be paid by either Borrower pursuant to the terms of any Specified Hedge Agreement).

"Borrower Obligations": the collective reference to (i) the Borrower

Credit Agreement Obligations, (ii) the Borrower Hedge Agreement Obligations, but only to the extent that, and only so long as, the Borrower Credit Agreement Obligations are secured and guaranteed pursuant hereto, and (iii) all other obligations and liabilities of the Borrower, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement (including, without limitation, all fees and disbursements of counsel to the Agents or to the Lenders that are required to be paid by either Borrower pursuant to the terms of this Agreement).

"Collateral": as defined in Section 3.

"Collateral Account": any collateral account established by the

General Administrative Agent as provided in Section 6.1 or 6.4.

"Copyrights": (i) all copyrights arising under the laws of the United

States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed in Schedule 6), all registrations and

recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"Copyright Licenses": any written agreement naming any Grantor as

licensor or licensee (including, without limitation, those listed in Schedule 6), granting any right under any Copyright, including, without

limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"Deposit Account": as defined in the Uniform Commercial Code of any

applicable jurisdiction and, in any event, including, without limitation, any demand, time, savings, passbook or like account maintained with a depository institution.

"Foreign Subsidiary": any Subsidiary of Holdings organized under the

laws of any jurisdiction outside the United States of America.

"Foreign Subsidiary Voting Stock": the voting Capital Stock of any

Foreign Subsidiary.

"General Intangibles": all "general intangibles" as such term is

defined in Section 9-106 of the Uniform Commercial Code in effect in the
State of New York on the date hereof and, in any event, including, without
limitation, with respect to any Grantor, all contracts, agreements,
instruments and indentures in any form, and portions thereof, to which such
Grantor is a party or under which such Grantor has any right, title or
interest

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or to which such Grantor or any property of such Grantor is subject, as the
same may from time to time be amended, supplemented or otherwise modified,
including, without limitation, (i) all rights of such Grantor to receive
moneys due and to become due to it thereunder or in connection therewith,
(ii) all rights of such Grantor to damages arising thereunder and (iii) all
rights of such Grantor to perform and to exercise all remedies thereunder,
in each case to the extent the grant by such Grantor of a security interest
pursuant to this Agreement in its right, title and interest in such
contract, agreement, instrument or indenture is not prohibited by such
contract, agreement, instrument or indenture without the consent of any
other party thereto, would not give any other party to such contract,
agreement, instrument or indenture the right to terminate its obligations
thereunder, or is permitted with consent if all necessary consents to such
grant of a security interest have been obtained from the other parties
thereto (it being understood that the foregoing shall not be deemed to
obligate such Grantor to obtain such consents); provided, that the

foregoing limitation shall not affect, limit, restrict or impair the grant
by such Grantor of a security interest pursuant to this Agreement in any
Receivable or any money or other amounts due or to become due under any
such contract, agreement, instrument or indenture.

"Guarantor Obligations": with respect to any Guarantor, all

obligations and liabilities of such Guarantor which may arise under or in
connection with this Agreement (including, without limitation, Section 2)
or any other Loan Document to which such Guarantor is a party, in each case
whether on account of guarantee obligations, reimbursement obligations,
fees, indemnities, costs, expenses or otherwise (including, without
limitation, all fees and disbursements of counsel to the Agents or to the
Lenders that are required to be paid by such Guarantor pursuant to the
terms of this Agreement or any other Loan Document).

"Guarantors": the collective reference to each Grantor other than the

U.S. Borrower.

"Hedge Agreements": as to any Person, all interest rate swaps, caps or

collar agreements or similar arrangements entered into by such Person
providing for protection against fluctuations in interest rates or currency
exchange rates or the exchange of nominal interest obligations, either
generally or under specific contingencies.

"Intellectual Property": the collective reference to all rights,

priorities and privileges relating to intellectual property, whether
arising under United States, multinational or foreign laws or otherwise,
including, without limitation, the Copyrights, the Copyright Licenses, the
Patents, the Patent Licenses, the Trademarks and the Trademark Licenses,
and all rights to sue at law or in equity for any infringement or other
impairment thereof, including the right to receive all proceeds and damages
therefrom.

"Intercompany Note": any promissory note evidencing loans made by any

Grantor to Holdings or any of its Subsidiaries.

"Investment Property": the collective reference to (i) all "investment

property" as such term is defined in Section 9-115 of the New York UCC
(other than any Foreign Subsidiary Voting Stock excluded from the
definition of "Pledged Stock") and (ii)

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whether or not constituting "investment property" as so defined, all
Pledged Notes and all Pledged Stock.

"Issuers": the collective reference to each issuer of a Pledged

Security.

"New York UCC": the Uniform Commercial Code as from time to time in

effect in the State of New York.

"Obligations": (i) in the case of the U.S. Borrower, the Borrower

Obligations, and (ii) in the case of each Guarantor, its Guarantor
Obligations.

"Patents": (i) all letters patent of the United States, any other

country or any political subdivision thereof, all reissues and extensions
thereof and all goodwill associated therewith, including, without
limitation, any of the foregoing referred to in Schedule 6, (ii) all

applications for letters patent of the United States or any other country
and all divisions, continuations and continuations-in-part thereof,
including, without limitation, any of the foregoing referred to in Schedule

6, and (iii) all rights to obtain any reissues or extensions of the
-
foregoing.

"Patent License": all agreements, whether written or oral, providing

for the grant by or to any Grantor of any right to manufacture, use or sell
any invention covered in whole or in part by a Patent, including, without
limitation, any of the foregoing referred to in Schedule 6.

"Pledged Notes": all promissory notes listed on Schedule 2, all

Intercompany Notes at any time issued to any Grantor and all other
promissory notes issued to or held by any Grantor (other than promissory
notes issued in connection with extensions of trade credit by any Grantor
in the ordinary course of business).

"Pledged Securities": the collective reference to the Pledged Notes

and the Pledged Stock.

"Pledged Stock": the shares of Capital Stock listed on Schedule 2,

together with any other shares, stock certificates, options or rights of
any nature whatsoever in respect of the Capital Stock of any Person that
may be issued or granted to, or held by, any Grantor while this Agreement
is in effect; provided that in no event shall more than 66% of the total

outstanding Foreign Subsidiary Voting Stock of any Foreign Subsidiary be
required to be pledged hereunder.

"Proceeds": all "proceeds" as such term is defined in Section 9-306(1)

of the Uniform Commercial Code in effect in the State of New York on the date hereof and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"Receivable": any right to payment for goods sold or leased or for

services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

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"Securities Act": the Securities Act of 1933, as amended.

"Specified Hedge Agreement": any Hedge Agreement (a) entered into by

(i) either Borrower or any of its subsidiaries and (ii) any Lender or any affiliate thereof, as counterparty, and (b) which has been designated by such Lender and such Borrower, by notice to the General Administrative Agent and the Syndication Agent not later than 90 days after the execution and delivery by such Borrower or such Subsidiary thereof, as a Specified Hedge Agreement. The designation of any Hedge Agreement as a Specified Hedge Agreement shall not create in favor of the Lender or affiliate thereof that is a party thereto any rights in connection with the management or release of any Collateral or any Guarantor Obligations.

"Trademarks": (i) all trademarks, trade names, corporate names,

company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule 6, and (ii) the

right to obtain all renewals thereof.

"Trademark License": any agreement, whether written or oral, providing

for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule

6.
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"Vehicles": all cars, trucks, trailers, construction and earth moving

equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

1.2 Other Definitional Provisions. -----

The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(a) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(b) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

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SECTION 2. GUARANTEE

2.1 Guarantee.

(a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the General Administrative Agent, for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrowers when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the General Administrative Agent or any Lender hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by payment in full, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrowers may be free from any Borrower Obligations.

(e) No payment made by either Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by either Administrative Agent or any Lender from either Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit or Acceptance shall be outstanding and the Commitments are terminated.

2.2 Right of Contribution.

Each Subsidiary Guarantor hereby agrees that to the extent that a Subsidiary Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against any other Subsidiary Guarantor hereunder which has not paid its proportionate share of such payment. Each Subsidiary Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the

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obligations and liabilities of any Subsidiary Guarantor to the General Administrative Agent and the Lenders, and each Subsidiary Guarantor shall remain liable to the General Administrative Agent and the Lenders for the full amount guaranteed by such Subsidiary Guarantor hereunder.

2.3 No Subrogation.

Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the General Administrative

Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the General Administrative Agent or any Lender against either Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the General Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from either Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the General Administrative Agent and the Lenders by either Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the General Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the General Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the General Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Credit Agreement shall provide.

2.4 Amendments, etc. with respect to the Borrower Obligations.

Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by either Administrative Agent or any Lender may be rescinded by such Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the relevant Administrative Agent or any Lender, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as either Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by either Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agents nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5 Guarantee Absolute and Unconditional.

Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agents or any Lender upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrowers and any of the Guarantors, on the one hand, and the Administrative Agents and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon either Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (1) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by either Administrative Agent or any Lender, (2) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by either Borrower or any other Person against either Administrative Agent or any Lender, or (3) any other circumstance whatsoever (with or without

notice to or knowledge of either Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of either Borrower for the Borrower Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the General Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against either Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agents or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from either Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of either Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agents or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6 Reinstatement.

The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agents or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of either Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, either Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

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2.7 Payments.

Each Guarantor hereby guarantees that payments hereunder will be paid to the relevant Administrative Agent without set-off or counterclaim in the currency in which the relevant Borrower Obligation is denominated at the U.S. Payment Office or Canadian Payment Office, as the case maybe, specified in the Credit Agreement.

SECTION 3. GRANT OF SECURITY INTEREST

(a) Each Grantor hereby confirms that pursuant to the Existing Guarantee and Collateral Agreement such Grantor has assigned and transferred, or pursuant hereto hereby assigns and transfers, to the General Administrative Agent, and hereby confirms that pursuant to the Existing Guarantee and Collateral Agreement such Grantor has granted, or pursuant hereto hereby grants, to the General Administrative Agent, for the ratable benefit of the Lenders (and any affiliates of any Lender to which Borrower Hedge Agreement Obligations are owing), a first priority security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"), as collateral security for the prompt and

complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations (other than any obligation of the U.S. Borrower with respect to the Tranche C Term Loans):

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Deposit Accounts;
- (iv) all Documents;
- (v) all Equipment;

- (vi) all General Intangibles;
- (vii) all Instruments;
- (viii) all Intellectual Property;
- (ix) all Inventory;
- (x) all Investment Property;
- (xi) all Goods and other property not otherwise described above;
- (xii) all books and records pertaining to the Collateral; and

(xiii) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

(b) Each Grantor hereby confirms that pursuant to the Existing Guarantee and Collateral Agreement such Grantor has assigned and transferred, or pursuant hereto hereby assigns and transfers, to the General Administrative Agent, and hereby confirms that pursuant to the Existing Guarantee and Collateral Agreement such Grantor has granted, or pursuant hereto hereby grants, to the General Administrative Agent, for the ratable benefit of the Lenders, a second priority security interest in, all of the Collateral now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations in respect of the Tranche C Term Loans.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agents and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective Extensions of Credit to the Borrowers thereunder, each Grantor hereby represents and warrants to the Administrative Agents and each Lender that:

4.1 Representations in Credit Agreement.

(a) In the case of each Guarantor, the representations and warranties set forth in Section 8 of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party, each of which is hereby incorporated herein by reference, are true and correct, and the Administrative Agents and each Lender shall be entitled to rely on each of them as if they were fully set forth herein, provided that each reference in each such representation and warranty to the knowledge of Holdings or a Borrower shall, for the purposes of this Section 4.1(a), be deemed to be a reference to such Guarantor's knowledge.

4.2 Title; No Other Liens.

Except for the security interest granted to the General Administrative Agent for the ratable benefit of the Lenders pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Credit Agreement, such Grantor owns each item of its Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the General Administrative Agent, for the ratable benefit of the Lenders, pursuant to this Agreement or as are permitted by the Credit Agreement.

4.3 Perfected First Priority Liens.

The security interests granted pursuant to this Agreement (1) upon completion of the filings and other actions specified on Schedule 3 (which, in the case of all filings and other

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documents referred to on said Schedule, have been delivered to the General Administrative Agent in completed and duly executed form) will constitute valid perfected security interests in all of the Collateral in favor of the General Administrative Agent, for the ratable benefit of the Lenders, as collateral security for such Grantor's Obligations (as specified in Section 3), enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and are prior to all other Liens on the Collateral in existence on the date hereof (as specified in Section 3) except for Liens permitted by Section 11.3 of the Credit Agreement.

4.4 Chief Executive Office.

On the date hereof, such Grantor's jurisdiction of organization and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4.

4.5 Inventory and Equipment.

On the date hereof, the Inventory and the Equipment (other than mobile goods) are kept at the locations listed on Schedule 5.

4.6 Farm Products.

None of the Collateral constitutes, or is the Proceeds of, Farm Products.

4.7 Pledged Securities.

(a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer owned by such Grantor or, in the case of Foreign Subsidiary Voting Stock, if less, 66% of the outstanding Foreign Subsidiary Voting Stock of each relevant Issuer.

(b) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(d) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement.

4.8 Receivables.

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(a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to the General Administrative Agent.

(b) None of the obligors on any Receivables is a Governmental Authority.

(c) The amounts represented by such Grantor to the Lenders from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate.

4.9 Intellectual Property. -----

(a) Schedule 6 lists all Intellectual Property owned by such Grantor in its own name on the date hereof.

(b) On the date hereof, all material Intellectual Property of such Grantor described on Schedule 6 is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other Person.

(c) Except as set forth in Schedule 6, on the date hereof, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or such Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a Material Adverse Effect.

(e) No action or proceeding is pending, or, to the knowledge of such Grantor, threatened, on the date hereof (1) seeking to limit, cancel or question the validity of any Intellectual Property or such Grantor's ownership interest therein, or (2) which, if adversely determined, would have a material adverse effect on the value of any Intellectual Property.

SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Administrative Agents and the Lenders that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit or Acceptance shall be outstanding and the Commitments shall have terminated:

5.1 Covenants in Credit Agreement. -----

In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor or any of its Subsidiaries.

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5.2 Delivery of Instruments and Chattel Paper. -----

If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be immediately delivered to the General Administrative Agent, duly indorsed in a manner satisfactory to the General Administrative Agent, to be held as Collateral pursuant to this Agreement.

5.3 Maintenance of Insurance. -----

(a) Such Grantor will maintain, with financially sound and reputable companies, insurance policies (1) insuring the Inventory, Equipment and Vehicles against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the General Administrative Agent and (2) insuring such Grantor, the General Administrative Agent and the Lenders against liability for personal injury and property damage relating to such Inventory, Equipment and Vehicles, such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the General Administrative Agent and the Lenders.

(b) All such insurance shall (1) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the General Administrative Agent of written notice thereof, (2) name the General Administrative Agent as insured party or loss payee, (3) if reasonably requested by the General Administrative Agent, include a breach of warranty clause and (4) be reasonably satisfactory in all other respects to the General Administrative Agent.

(c) The U.S. Borrower shall deliver to the General Administrative Agent and the Lenders a report of a reputable insurance broker with respect to such insurance substantially concurrently with the delivery by the U.S. Borrower to the General Administrative Agent of its audited financial statements for each fiscal year and such supplemental reports with respect thereto as the General Administrative Agent may from time to time reasonably request.

5.4 Payment of Obligations.

Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

5.5 Maintenance of Perfected Security Interest; Further

Documentation.

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.3 and shall defend such security interest against the claims and demands of all Persons whomsoever.

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(b) Such Grantor will furnish to the General Administrative Agent and the Lenders from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection with the Collateral as the General Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the General Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the General Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (1) the filing of any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (2) in the case of Investment Property, Deposit Accounts and any other relevant Collateral, taking any actions necessary to enable the General Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto.

5.6 Changes in Locations, Name, etc.

Such Grantor will not, except upon 15 days' prior written notice to the General Administrative Agent and delivery to the General Administrative Agent of (1) all additional executed financing statements and other documents reasonably requested by the General Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein and (2) if applicable, a written supplement to Schedule 5 showing any additional location at which Inventory or Equipment shall be kept:

(i) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedule 5;

(ii) change its jurisdiction of organization or the location of its chief executive office or sole place of business from that referred to in Section 4.4; or

(iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the General Administrative Agent in connection with this Agreement would become misleading.

5.7 Notices.

Such Grantor will advise the General Administrative Agent and the Lenders promptly, in reasonable detail, of:

(a) any Lien (other than security interests created hereby or Liens permitted under the Credit Agreement) on any of the Collateral which would adversely affect the ability of the General Administrative Agent to exercise any of its remedies hereunder; and

(b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

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5.8 Investment Property.

(a) If such Grantor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the General Administrative Agent and the Lenders, hold the same in trust for the General Administrative Agent and the Lenders and deliver the same forthwith to the General Administrative Agent in the exact form received, duly indorsed by such Grantor to the General Administrative Agent, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the General Administrative Agent so requests, signature guaranteed, to be held by the General Administrative Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall be paid over to the General Administrative Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Investment Property or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the General Administrative Agent, be delivered to the General Administrative Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Securities shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the General Administrative Agent, hold such money or property in trust for the Lenders, segregated from other funds of such Grantor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the General Administrative Agent, such Grantor will not (1) vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of any Issuer, (2) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds

thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (3) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (4) enter into any agreement or undertaking restricting the right or ability of such Grantor or the General Administrative Agent to sell, assign or transfer any of the Pledged Securities or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (1) it will be bound by the terms of this Agreement relating to the Pledged Securities issued by it and will comply with such terms insofar as such terms are applicable to it, (2) it will notify the General Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.8(a) with respect to the Pledged Securities issued by it and (3) the terms of

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Sections 6.3(c) and 6.7 shall apply to it, mutatis mutandis, with respect to all

actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Pledged Securities issued by it.

5.9 Receivables.

(a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not (1) grant any extension of the time of payment of any Receivable, (2) compromise or settle any Receivable for less than the full amount thereof, (3) release, wholly or partially, any Person liable for the payment of any Receivable, (4) allow any credit or discount whatsoever on any Receivable or (5) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof.

(b) Such Grantor will deliver to the General Administrative Agent a copy of each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than 5% of the aggregate amount of the then outstanding Receivables.

5.10 Intellectual Property.

(a) Such Grantor (either itself or through licensees) will (1) continue to use each material Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (2) maintain as in the past the quality of products and services offered under such Trademark, (3) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (4) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the General Administrative Agent, for the ratable benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (5) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (1) will employ each material Copyright and (2) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the General Administrative Agent and the Lenders immediately if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the General Administrative Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the General Administrative Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the General Administrative Agent may request to evidence the General Administrative Agent's and the Lenders' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the General Administrative Agent after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

5.11 Vehicles.

The aggregate book value of all Vehicles owned by such Grantor does not exceed \$250,000.

SECTION 6. REMEDIAL PROVISIONS

6.1 Certain Matters Relating to Receivables.

(a) The General Administrative Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the General Administrative Agent may require in connection with such test verifications. At any time and from time to time, upon the General Administrative Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the General Administrative Agent to furnish to the General Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables.

(b) The General Administrative Agent hereby authorizes each Grantor

to collect such Grantor's Receivables, subject to the General Administrative Agent's direction and control, and the General Administrative Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the General Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (1) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the General Administrative Agent if required, in a Collateral Account maintained under the sole dominion and control of the General Administrative Agent, subject to withdrawal by the General Administrative Agent for the account of the Lenders only as provided in Section 6.5, and (2) until so turned over, shall be held by such Grantor in trust for the General Administrative Agent and the Lenders, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At the General Administrative Agent's request, each Grantor shall deliver to the General Administrative Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including, without limitation, all original orders, invoices and shipping receipts.

6.2 Communications with Obligors; Grantors Remain Liable.

(a) The General Administrative Agent in its own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables to verify with them to the General Administrative Agent's satisfaction the existence, amount and terms of any Receivables.

(b) Upon the request of the General Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables that the Receivables have been assigned to the General Administrative Agent for the ratable benefit of the Lenders and that payments in respect thereof shall be made directly to the General Administrative Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the General Administrative Agent nor any Lender

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shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by the General Administrative Agent or any Lender of any payment relating thereto, nor shall the General Administrative Agent or any Lender be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

6.3 Pledged Stock.

(a) Unless an Event of Default shall have occurred and be continuing and the General Administrative Agent shall have given notice to the relevant Grantor of the General Administrative Agent's intent to exercise its corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock and all payments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent not prohibited in the Credit Agreement, and to exercise all voting and corporate rights with respect to the Pledged Securities; provided, however,

that no vote shall be cast or corporate right exercised or other action taken which, in the General Administrative Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the General Administrative Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (1) the General Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Securities and make application thereof to the Obligations in the order set forth in Section 6.5, and (2) any or all of the Pledged Securities shall be registered in the name of the General Administrative Agent or its nominee, and the General Administrative Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Pledged Securities at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Securities as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the General Administrative Agent of any right, privilege or option pertaining to such Pledged Securities, and in connection therewith, the right to deposit and deliver any and all of the Pledged Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the General Administrative Agent may determine), all without liability except to account for property actually received by it, but the General Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder to (1) comply with any instruction received by it

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from the General Administrative Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (2) unless otherwise expressly permitted 20 hereby, pay any dividends or other payments with respect to the Pledged Securities directly to the General Administrative Agent.

6.4 Proceeds to be Turned Over To General Administrative Agent.

In addition to the rights of the General Administrative Agent and the Lenders specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the General Administrative Agent and the Lenders, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the General Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the General Administrative Agent, if required). All Proceeds received by the General Administrative Agent hereunder shall be held by the General Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the General Administrative Agent in a Collateral Account (or by such Grantor in trust for the General Administrative Agent and the Lenders) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5 Application of Proceeds.

At such intervals as may be agreed upon by the U.S. Borrower and the General Administrative Agent, or, if an Event of Default shall have occurred

and be continuing, at any time at the General Administrative Agent's election, the General Administrative Agent may apply all or any part of Proceeds constituting Collateral, whether or not held in any Collateral Account, and any proceeds of the guarantee set forth in Section 2, in payment of the Obligations in the following order:

First, to pay incurred and unpaid fees and expenses of the

Administrative Agents under the Loan Documents;

Second, to the General Administrative Agent, for application by it

towards payment of amounts then due and owing and remaining unpaid in respect of the Obligations, in the order specified in Sections 7.5 and 15.18 of the Credit Agreement;

Third, to the General Administrative Agent, for application by it

towards prepayment of the Obligations, in the order specified in Sections 7.5 and 15.18 of the Credit Agreement; and

Fourth, any balance of such Proceeds remaining after the Obligations

shall have been paid in full, no Letters of Credit or Acceptance shall be outstanding and the Commitments shall have terminated shall be paid over to the U.S. Borrower or to whomsoever may be lawfully entitled to receive the same.

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6.6 Code and Other Remedies.

If an Event of Default shall occur and be continuing, the General Administrative Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the General Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the General Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The General Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the General Administrative Agent's request, to assemble the Collateral and make it available to the General Administrative Agent at places which the General Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The General Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the General Administrative Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in the order specified in Sections 7.5 and 15.18 of the Credit Agreement, and only after such application and after the payment by the General Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the New York UCC, need the General Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives

all claims, damages and demands it may acquire against the General Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.7 Registration Rights.

(a) If the General Administrative Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 6.6, and if in the opinion of the General Administrative Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (1) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all

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such other acts as may be, in the opinion of the General Administrative Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (2) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, and (3) make all amendments thereto and/or to the related prospectus which, in the opinion of the General Administrative Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the General Administrative Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the General Administrative Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The General Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 6.7 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to the General Administrative Agent and the Lenders, that the General Administrative Agent and the Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

6.8 Waiver; Deficiency.

Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the New York UCC. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the

fees and disbursements of any attorneys employed by the General Administrative Agent or any Lender to collect such deficiency.

SECTION 7. THE GENERAL ADMINISTRATIVE AGENT

7.1 General Administrative Agent's Appointment as Attorney-in-Fact, etc.

(a) Each Grantor hereby irrevocably constitutes and appoints the General Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the General Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the General Administrative Agent for the purpose of collecting any and all such moneys due under any Receivable or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the General Administrative Agent may request to evidence the General Administrative Agent's and the Lenders' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.6 or 6.7, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the General Administrative Agent or as the General Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such

suit, action or proceeding and, in connection therewith, give such discharges or releases as the General Administrative Agent may deem appropriate; (7) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the General Administrative Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral

as fully and completely as though the General Administrative Agent were the absolute owner thereof for all purposes, and do, at the General Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the General Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the General Administrative Agent's and the Lenders' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1 (a) to the contrary notwithstanding, the General Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the General Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the General Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the rate per annum at which interest would then be payable on past due U.S. Revolving Credit Loans that are U.S. Base Rate Loans under the Credit Agreement, from the date of payment by the General Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the General Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2 Duty of General Administrative Agent.

The General Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the General Administrative Agent deals with similar property for its own account. Neither the General Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the General Administrative Agent and the Lenders hereunder are solely to protect the General

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Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the General Administrative Agent or any Lender to exercise any such powers. The General Administrative Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7.3 Execution of Financing Statements.

Pursuant to Section 9-402 of the New York UCC and any other applicable law, each Grantor authorizes the General Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the General Administrative Agent reasonably determines appropriate to perfect the security interests of the General Administrative Agent under this Agreement. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

7.4 Authority of General Administrative Agent.

Each Grantor acknowledges that the rights and responsibilities of the General Administrative Agent under this Agreement with respect to any action taken by the General Administrative Agent or the exercise or non-exercise by the General Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the General Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the General Administrative Agent and the Grantors, the General Administrative Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1 Amendments in Writing.

None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 15.1 of the Credit Agreement.

8.2 Notices.

All notices, requests and demands to or upon the General Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 15.2 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

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8.3 No Waiver by Course of Conduct; Cumulative Remedies.

Neither the General Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the General Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the General Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the General Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4 Enforcement Expenses; Indemnification.

(a) Each Guarantor agrees to pay, or reimburse each Lender and each Administrative Agent for, all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Guarantor is a party, including, without limitation, the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agents.

(b) Each Guarantor agrees to pay, and to save the Administrative Agents and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to save the Administrative

Agents and the Lenders harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the U.S. Borrower would be required to do so pursuant to Section 15.5 of the Credit Agreement.

(d) The agreements in this Section shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5 Successors and Assigns. -----

This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Agents and the Lenders and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the General Administrative Agent.

8.6 Set-Off. -----

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Each Grantor hereby irrevocably authorizes the General Administrative Agent and each Lender at any time and from time to time while an Event of Default pursuant to Section 13(a) of the Credit Agreement shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the General Administrative Agent or such Lender to or for the credit or the account of such Grantor, or any part thereof in such amounts as the General Administrative Agent or such Lender may elect, against and on account of the obligations and liabilities of such Grantor to the General Administrative Agent or such Lender hereunder and claims of every nature and description of the General Administrative Agent or such Lender against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement, any other Loan Document or otherwise, as the General Administrative Agent or such Lender may elect, whether or not the General Administrative Agent or any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The General Administrative Agent and each Lender shall notify such Grantor promptly of any such set-off and the application made by the General Administrative Agent or such Lender of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the General Administrative Agent and each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the General Administrative Agent or such Lender may have.

8.7 Counterparts. -----

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8 Severability. -----

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9 Section Headings. -----

The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10 Integration.

This Agreement and the other Loan Documents represent the agreement of the Grantors, the General Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the

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Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

8.11 GOVERNING LAW.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12 Submission To Jurisdiction; Waivers.

Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the General Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13 Acknowledgments.

Each Grantor hereby acknowledges that:

(a) 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;

(b) neither any Agent nor any Lender has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Agents and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

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(c) 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 Grantors and the Lenders.

8.14 Additional Grantors.

Each Subsidiary of the U.S. Borrower that is required to become a party to this Agreement pursuant to Section 10.11 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.15 Releases.

(a) At such time as the Loans, the Reimbursement Obligations, the Acceptance Obligations and the other Obligations (other than Borrower Hedge Agreement Obligations) shall have been paid in full, the Commitments have been terminated and no Letters of Credit or Acceptances shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the General Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the General Administrative Agent shall deliver to such Grantor any Collateral held by the General Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the General Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of the U.S. Borrower, a Subsidiary Guarantor shall be released from its obligations hereunder in the event that all the Capital Stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the U.S. Borrower shall have delivered to the General

Administrative Agent, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant Subsidiary Guarantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the U.S. Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

8.16 WAIVER OF JURY TRIAL.

EACH GRANTOR AND, BY ACCEPTANCE OF THE BENEFITS HEREOF, EACH AGENT AND EACH LENDER, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

SMTC CORPORATION

By: /s/ Paul Walker

Title: President

HTM HOLDINGS, INC.

By: /s/ Paul Walker

Title: President

SMTC MANUFACTURING CORPORATION OF TEXAS

By: /s/ Paul Walker

Title: President

SMTC MANUFACTURING CORPORATION OF CALIFORNIA

By: /s/ Paul Walker

Title: President

SMTC MANUFACTURING CORPORATION OF NORTH CAROLINA

By: /s/ Paul Walker

Title: President

SMTC MEX HOLDINGS, INC.

By: /s/ Paul Walker

Title: President

SMTC MANUFACTURING CORPORATION OF COLORADO

By: /s/ Paul Walker

Title: President

SMTC MANUFACTURING CORPORATION OF MASSACHUSETTS

By: /s/ Paul Walker

Title: President

PENSAR CORPORATION

By: /s/ Paul Walker

Title: President

EXHIBIT 10.3

SMTC CORPORATION/
SMTC MANUFACTURING CORPORATION OF CANADA
2000 EQUITY INCENTIVE PLAN

SECTION 1. DEFINED TERMS

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

SECTION 2. GENERAL

The Plan has been established to advance the interests of the Company by giving selected Employees, directors and other persons (including both individuals and entities) who provide services to the Company or its Affiliates Stock-based incentives or incentives based on Performance Criteria.

SECTION 3. ADMINISTRATION

The Administrator has discretionary authority, subject only to the express provisions of the Plan, to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; prescribe forms, rules and procedures (which it may modify or waive); and otherwise do all things necessary to carry out the purposes of the Plan. Once an Award has been communicated in writing to a Participant, the Administrator may not, without the Participant's consent, alter the terms of the Award so as to affect adversely the Participant's rights under the Award, unless the Administrator expressly reserved the right to do so in writing at the time of such communication. In the case of any Award intended to be eligible for the performance-based compensation exception under Section 162(m), the Administrator shall exercise its discretion consistent with qualifying the Award for such exception.

The Administrator may from time to time make recommendations to the SMTC Canada Board with respect to the grant of Awards by SMTC Canada in accordance with the Plan; provided, however, that no Award under which Exchangeable Shares or other securities of SMTC Canada may be issued shall be effective prior to the confirmation and approval of such recommended Award by the SMTC Canada Board.

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SECTION 4. LIMITS ON AWARD UNDER THE PLAN

a. Number of Shares.

(1) Number of Shares. The number of shares of Stock that may be issued

under Awards granted under the Plan (including Stock that may be issued on the exchange of Exchangeable Shares issuable under Awards) shall not exceed (A) 1,727,052 plus (B) as of the first day of each fiscal year (commencing with the fiscal year beginning in 2001) of the Company during the life of the Plan, an additional number of shares determined by the Board but not to exceed 1% of the total number of shares of Stock actually outstanding on such date.

Notwithstanding the preceding sentence, no more than 3,000,000 shares of Stock may be delivered in satisfaction of any ISOs awarded under the Plan.

(2) Number of Exchangeable Shares. The number of Exchangeable Shares that

may be issued under Awards granted under the Plan shall not exceed 1,000,000.

(3) Shares Not Delivered. For purposes of this Section 4.a., the following

shares shall not be considered to have been delivered under the Plan: (A) shares remaining under an Award that terminates without having been exercised in full;

(B) shares subject to an Award, where cash is delivered to a Participant in lieu of such shares; (C) shares of Restricted Stock that have been forfeited in accordance with the terms of the applicable Award; and (D) shares held back, in satisfaction of the exercise price or tax withholding requirements, from shares that would otherwise have been delivered pursuant to an Award.

(4) Netting of Certain Shares. The number of shares of Stock or

Exchangeable Shares delivered under an Award shall be determined net of any previously acquired shares tendered by the Participant in payment of the exercise price or of withholding taxes.

b. Type of Shares. Stock and Exchangeable Shares delivered by the Company

or SMTC Canada, as applicable, under the Plan may be authorized but unissued shares or previously issued shares acquired by the Company or SMTC Canada, as applicable, and held in treasury. No fractional shares will be delivered under the Plan.

c. Option & SAR Limits. The maximum number of shares of Stock and

Exchangeable Shares for which Stock Options may be granted to any person in any calendar year, the maximum number of shares of Stock and Exchangeable Shares subject to SARs granted to any person in any calendar year and the aggregate maximum number of shares of Stock and Exchangeable Shares subject to other Awards that may be delivered to any person in any calendar year shall each be 1,000,000. For purposes of the preceding sentence, the repricing of a Stock Option or SAR shall be treated as a new grant to the extent required under Section 162(m). Subject to these limitations, each person eligible to participate in the Plan shall be eligible in any year to receive Awards covering up to the full number of shares of Stock then available for Awards under the Plan.

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d. Other Award Limits. No more than \$1,000,000 may be paid to any

individual with respect to any Cash Performance Award. In applying the limitation of the preceding sentence: (i) multiple Cash Performance Awards to the same individual that are determined by reference to performance periods of one year or less ending with or within the same fiscal year of the Company shall be subject in the aggregate to one limit of such amount, and (ii) multiple Cash Performance Awards to the same individual that are determined by reference to one or more multi-year performance periods ending in the same fiscal year of the Company shall be subject in the aggregate to a separate limit of such amount. With respect to any Performance Award other than a Cash Performance Award or a Stock Option or SAR, the maximum Award opportunity shall be 1,000,000 shares of Stock or Exchangeable Shares, or their equivalent value in cash, subject to the limitations of Section 4.c.

e. Exchangeable Share Award Limits. No Stock Option or SAR shall be granted

which could, under the terms of the Plan and any other share option plan or share purchase plan of the Company or SMTC Canada, result in the number of Exchangeable Shares reserved for issuance to any one person exceeding 5% of the issued and outstanding Exchangeable Shares on the date of grant.

SECTION 5. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among those key Employees, directors and other individuals or entities providing services to the Company or its Affiliates who, in the opinion of the Administrator, are in a position to make a significant contribution to the success of the Company and its Affiliates. Eligibility for ISOs is further limited to those individuals whose employment status would qualify them for the tax treatment described in Sections 421 and 422 of the Code.

SECTION 6. RULES APPLICABLE TO AWARDS

a. ALL AWARDS

(1) Terms of Awards. The Administrator shall determine the terms of all

Awards subject to the limitations provided herein, provided that no Stock Option or SAR shall be granted for a term of more than 10 years from the date of grant.

(2) Performance Criteria. Where rights under an Award depend in whole or in

part on satisfaction of Performance Criteria, actions by the Company or its Affiliates that have an effect, however material, on such Performance Criteria or on the likelihood that they will be satisfied will not be deemed an amendment or alteration of the Award.

(3) Alternative Settlement. The Company or SMTC Canada, as applicable, may

at any time extinguish rights under an Award in exchange for payment in cash, Stock or

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Exchangeable Shares (subject to the limitations of Section 4) or other property on such terms as the Administrator determines, provided the holder of the Award consents to such exchange.

(4) Transferability Of Awards. Except as the Administrator otherwise

expressly provides, and subject to the requirements of the TSE in the case of Awards under which Exchangeable Shares may be issued, Awards may not be transferred other than by will or by the laws of descent and distribution, and during a Participant's lifetime an Award requiring exercise may be exercised only by the Participant (or in the event of the Participant's incapacity, the person or persons legally appointed to act on the Participant's behalf).

(5) Vesting, Etc. Without limiting the generality of Section 3, the

Administrator may determine the time or times at which an Award will vest (i.e., become free of forfeiture restrictions) or become exercisable and the terms on which an Award requiring exercise will remain exercisable. Unless the Administrator expressly provides otherwise, immediately upon the cessation of the Participant's employment or other service relationship with the Company and its Affiliates, an Award requiring exercise will cease to be exercisable, and all Awards to the extent not already fully vested will be forfeited, except that:

(A) all Stock Options and SARs held by a Participant immediately prior to his or her death, to the extent then exercisable, will remain exercisable by such Participant's executor or administrator or the person or persons to whom the Stock Option or SAR is transferred by will or the applicable laws of descent and distribution, for the lesser of (i) a one year period ending with the first anniversary of the Participant's death or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6.a.(5) and shall thereupon terminate;

(B) all Stock Options and SARs held by the Participant immediately prior to the cessation of the Participant's employment or other service relationship for reasons other than death and except as provided in (C) below, to the extent then exercisable, will remain exercisable for the lesser of (i) a period of three months or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6.a.(5), and shall thereupon terminate; and

(C) all Stock Options and SARs held by the Participant whose cessation of employment or other service relationship is determined by the Administrator in its sole discretion to result for reasons which cast such discredit on the Participant as to justify immediate termination of the Award shall immediately terminate upon such cessation.

Unless the Administrator expressly provides otherwise, a Participant's "employment or other service relationship with the Company and its Affiliates" will be deemed to have ceased, in the case of an employee Participant, upon termination of the Participant's employment with the Company and its Affiliates (whether or not the Participant continues in the service of the Company or its Affiliates in some capacity other than that of an employee of the Company or

its Affiliates), and in the case of any other Participant, when the service relationship in respect of which the Award was granted terminates (whether or not the Participant continues in the service of the Company or its Affiliates in some other capacity).

(6) Taxes. The Administrator will make such provision for the withholding

of taxes as it deems necessary. The Administrator may, but need not, hold back shares from an Award or permit a Participant to tender previously owned shares in satisfaction of tax withholding requirements.

(7) Dividend Equivalents, Etc. The Administrator may provide for the

payment of amounts in lieu of cash dividends or other cash distributions with respect to Stock or Exchangeable Shares subject to an Award.

(8) Rights Limited. Nothing in the Plan shall be construed as giving any

person the right to continued employment or service with the Company or its Affiliates, or any rights as a shareholder except as to shares of Stock or Exchangeable Shares actually issued under the Plan. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of termination of employment or service for any reason, even if the termination is in violation of an obligation of the Company or Affiliate to the Participant.

(9) Section 162(m). In the case of an Award intended to be eligible for the

performance-based compensation exception under Section 162(m), the Plan and such Award shall be construed to the maximum extent permitted by law in a manner consistent with qualifying the Award for such exception. In the case of a Performance Award intended to qualify as performance-based for the purposes of Section 162(m) (other than a Stock Option or SAR with an exercise price at least equal to the fair market value of the underlying Stock on the date of grant), the Committee shall in writing preestablish one or more specific Performance Criteria no later than 90 days after the commencement of the period of service to which the performance relates (or at such earlier time as is required to qualify the Award as performance-based under Section 162(m)). Prior to payment of any Performance Award (other than a Stock Option or SAR with an exercise price at least equal to the fair market value of the underlying Stock on the date of grant) intended to qualify as performance-based under Section 162(m), the Committee shall certify whether the Performance Criteria have been attained and such determination shall be final and conclusive. If the Performance Criteria with respect to any such Award are not attained, no other Award shall be provided in substitution of the Performance Award.

b. AWARDS REQUIRING EXERCISE

(1) Time And Manner Of Exercise. Unless the Administrator expressly

provides otherwise, (a) an Award requiring exercise by the holder will not be deemed to have been exercised until the Administrator receives a written notice of exercise (in form acceptable to the Administrator) signed by the appropriate person and accompanied by any payment required

under the Award; and (b) if the Award is exercised by any person other than the Participant, the Administrator may require satisfactory evidence that the person exercising the Award has the right to do so.

(2) Exercise Price. The Administrator shall determine the exercise price of

each Stock Option provided that (a) each Stock Option intended to qualify for the performance-based exception under Section 162(m) of the Code and each ISO must have an exercise price that is not less than the fair market value of the Stock subject to the Stock Option, determined as of the date of grant; provided

that an ISO granted to an Employee described in Section 422(b)(6) of the Code must have an exercise price that is not less than 110% of such fair market value

and (b) each Stock Option exercisable for Exchangeable Shares must have an exercise price that is not less than the simple average of the daily averages of the high and low prices of which a board lot of Exchangeable Shares traded on the TSE on each of the five trading days immediately preceding the date of grant of the Stock Option. The exercise price of a SAR under which Exchangeable Shares may be issued shall not be less than the simple average of the daily averages of the high and low prices of which a board lot of Exchangeable Shares traded on the TSE on each of the five trading days immediately preceding the date of grant of the SAR.

(3) Payment Of Exercise Price, If Any. Where the exercise of an Award is to

be accompanied by payment, the Administrator may determine the required or permitted forms of payment, subject to the following: (a) all payments will be by cash or check acceptable to the Administrator, or, if so permitted by the Administrator (with the consent of the optionee of an ISO if permitted after the grant), (i) through the delivery of shares of Stock which have been outstanding for at least six months (unless the Administrator approves a shorter period) and which have a fair market value equal to the exercise price, (ii) by delivery of a promissory note of the person exercising the Award to the Company or SMTC Canada, as applicable, payable on such terms as are specified by the Administrator, (iii) by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company or SMTC Canada, as applicable, sufficient funds to pay the exercise price, or (iv) by any combination of the foregoing permissible forms of payment; and (b) where shares of Stock issued under an Award are part of an original issue of shares, the Award shall require an exercise price equal to at least the par value of such shares.

(4) Reload Awards. The Administrator may provide that upon the exercise of

an Award, either by payment of cash or (if permitted under Section 6.b.(3) above) through the tender of previously owned shares of Stock or Exchangeable Shares, the Participant or other person exercising the Award will automatically receive a new Award of like kind covering a number of shares of Stock or Exchangeable Shares equal to the number of shares of Stock or Exchangeable Shares for which the first Award was exercised.

(5) ISOs. No ISO may be granted under the Plan after June 30, 2010, but

ISOs previously granted may extend beyond that date.

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c. AWARDS NOT REQUIRING EXERCISE

(1) Restricted Stock. Awards of Restricted Stock and Unrestricted Stock may

be made in return for either (A) services determined by the Administrator to have a value not less than the par value of the Awarded shares of Stock, or (B) cash or other property having a value not less than the par value of the Awarded shares of Stock plus such additional amounts (if any) as the Administrator may determine payable in such combination and type of cash, other property (of any kind) or services as the Administrator may determine.

(2) Exchangeable Shares. Awards of Exchangeable Shares may be made in

return for either the fair equivalent of the money that SMTC Canada would have received if the Awarded Exchangeable Shares had been issued for money, as applicable plus such additional amounts (if any) as the Administrator may determine payable in such combination and type of cash, other property (of any kind) or services as the Administrator may determine.

SECTION 7. EFFECT OF CERTAIN TRANSACTIONS

----- a. MERGERS, ETC.

In the event of a Covered Transaction, (i) all outstanding Awards shall vest and if relevant become exercisable and all deferrals, other than deferrals of amounts that are neither measured by reference to nor payable in shares of Stock or Exchangeable Shares, shall be accelerated, immediately prior to the Covered Transaction and (ii) upon consummation of such Covered Transaction all Awards then outstanding and requiring exercise shall be forfeited unless, in

each case, such Awards and deferrals are assumed by an acquiring or surviving entity or its affiliate as provided in the following sentence. In connection with any Covered Transaction in which there is an acquiring, a surviving entity or in which all or substantially all of the Company's then outstanding common stock is acquired, the Administrator may provide for substitute or replacement Awards from, or the assumption of Awards by, the Company, the acquiring or surviving entity or its affiliates, as applicable, any such substitution, replacement or assumption to be on such terms as the Administrator determines.

b. CHANGES IN AND DISTRIBUTIONS WITH RESPECT TO THE STOCK

(1) Basic Adjustment Provisions. In the event of a stock dividend, stock

split or combination of shares, recapitalization or other change in the Company's and/or SMTC Canada's capital structure, the Administrator will make appropriate adjustments to the maximum number of shares that may be delivered under the Plan under Section 4.a. and to the maximum share limits described in Section 4.b., and will also make appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or

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subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change.

(2) Certain Other Adjustments. The Administrator may also make adjustments

of the type described in paragraph (1) above to take into account distributions to the Company's common stockholders other than those provided for in Section 7.a. and 7.b.(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder; provided, that no such adjustment shall be made to the maximum share limits described in Section 4.c. or 4.d., or otherwise to an Award intended to be eligible for the performance-based exception under Section 162(m), except to the extent consistent with that exception, nor shall any change be made to ISOs except to the extent consistent with their continued qualification under Section 422 of the Code.

(3) Continuing Application of Plan Terms. References in the Plan to shares

of Stock shall be construed to include any stock or securities resulting from an adjustment pursuant to Section 7.b.(1) or 7.b.(2) above.

SECTION 8. LEGAL CONDITIONS ON DELIVERY OF SHARES

Neither the Company nor SMTC Canada will be obligated to deliver any shares of Stock or Exchangeable Shares pursuant to the Plan or to remove any restriction from shares of Stock or Exchangeable Shares previously delivered under the Plan until the Company's counsel has approved all legal matters in connection with the issuance and delivery of such shares; if the outstanding Stock or Exchangeable Shares, as applicable, are at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and all conditions of the Award have been satisfied or waived. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act. The Company may require that certificates evidencing Stock or Exchangeable Shares issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such shares.

SECTION 9. AMENDMENT AND TERMINATION

Subject to the last sentence of the first paragraph of Section 3 and to the requirements of the TSE, the Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, or may at any time terminate the Plan as to any further grants of Awards; provided, that (except to the extent expressly required or permitted by the Plan) no such amendment will, without the approval of the stockholders of

the Company, effectuate a change for which stockholder approval is required in order for the Plan

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to continue to qualify under Section 422 of the Code and for Awards to be eligible for the performance-based exception under Section 162(m).

SECTION 10. NON-LIMITATION OF RIGHTS

The existence of the Plan or the grant of any Award shall not in any way affect the Company's or SMTC Canada's right to Award a person bonuses or other compensation in addition to Awards under the Plan.

SECTION 11. GOVERNING LAW

The Plan shall be construed in accordance with the laws of the State of Delaware.

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EXHIBIT A

Definition of Terms

The following terms, when used in the Plan, shall have the meanings and be subject to the provisions set forth below:

"Administrator": The Board or, if one or more has been appointed, the Committee.

"Affiliate": Any corporation or other entity owning, directly or indirectly, 50% or more of the outstanding Stock of the Company, or in which the Company or any such corporation or other entity owns, directly or indirectly, 50% of the outstanding capital stock (determined by aggregate voting rights) or other voting interests.

"Award": Any or a combination of the following:

(i) Stock Options.

(ii) SARs.

(iii) Restricted Stock.

(iv) Unrestricted Stock or Exchangeable Shares.

(v) Deferred Stock.

(vi) Securities (other than Stock Options) that are convertible into or exchangeable for Stock or Exchangeable Shares on such terms and conditions as the Administrator determines.

(vii) Cash Performance Awards.

(viii) Performance Awards.

(ix) Grants of cash, or loans, made in connection with other Awards in order to help defray in whole or in part the economic cost (including tax cost) of the Award to the Participant.

"Board": The Board of Directors of the Company.

"Cash Performance Award": A Performance Award payable in cash. The right of the Company under Section 6.a.(3) to extinguish an Award in exchange for cash or the exercise by the Company of such right shall not make an Award otherwise not payable in cash a Cash Performance Award.

"Code": The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Committee": One or more committees of the Board which in the case of Awards granted to officers of the Company shall be comprised solely of two or more outside directors within the meaning of Section 162(m). Any Committee may delegate ministerial tasks to such persons (including Employees) as it deems appropriate.

"Company": SMTC Corporation.

"Covered Transaction": Any of (i) a consolidation or merger in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company's assets, or (iii) a dissolution or liquidation of the Company.

"Deferred Stock": A promise to deliver Stock, Exchangeable Shares or other securities in the future on specified terms.

"Employee": Any person who is employed by the Company or an Affiliate.

"Exchangeable Share": Non-voting exchangeable shares of SMTC Canada.

"ISO": A Stock Option intended to be an "incentive stock option" within the meaning of Section 422 of the Code. No Stock Option Awarded under the Plan will be an ISO unless the Administrator expressly provides for ISO treatment.

"Participant": An Employee, director or other person providing services to the Company or its Affiliates who is granted an Award under the Plan.

"Performance Award": An Award subject to Performance Criteria. The Committee in its discretion may grant Performance Awards that are intended to qualify for the performance-based compensation exception under Section 162(m) and Performance Awards that are not intended so to qualify.

"Performance Criteria": Specified criteria the satisfaction of which is a condition for the exercisability, vesting or full enjoyment of an Award. For purposes of Performance Awards that are intended to qualify for the performance-based compensation exception under Section 162(m), a Performance Criterion shall mean an objectively determinable measure of performance relating to any one or more of the following (determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof): (i) sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or

other items, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; network deployment; sales of particular products or services; customer acquisition, expansion and retention; or any combination of the foregoing; or (ii) acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity) and refinancings; transactions that would constitute a change of control; or any combination of the foregoing. A Performance Criterion measure and targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss.

"Plan": SMTC Corporation/SMTC Manufacturing Corporation of Canada 2000 Equity Incentive Plan as from time to time amended and in effect.

"Restricted Stock": An Award of Stock subject to restrictions requiring that such Stock be redelivered to the Company if specified conditions are not satisfied.

"Section 162(m)": Section 162(m) of the Code.

"SARs": Rights entitling the holder upon exercise to receive cash, Stock or Exchangeable Shares, as the Administrator determines, equal to a function (determined by the Administrator using such factors as it deems appropriate) of the amount by which the Stock or Exchangeable Shares, as applicable, have appreciated in value since the date of the Award.

"SMTC Canada": SMTC Manufacturing Corporation of Canada.

"SMTC Canada Board": The Board of Directors of SMTC Canada.

"Stock": Common Stock of the Company, par value \$.01 per share.

"Stock Options": Options entitling the recipient to acquire shares of Stock or Exchangeable Shares, as applicable, upon payment of the exercise price.

"TSE": The Toronto Stock Exchange.

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"Unrestricted Stock": An Award of Stock not subject to any restrictions under the Plan.

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EXHIBIT 10.4

LEASE AGREEMENT

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

1. PARTIES:

THIS LEASE, made and entered into this the 1st day of June, 2000 by and between SMTC Manufacturing Corporation of North Carolina, hereinafter called "TENANT" and Garrett and Garrett, hereinafter called "LANDLORD."

2. DEMISED PREMISES:

The LANDLORD, in consideration of the covenants, conditions, agreements and stipulations of the TENANT hereinafter expressed, does hereby demise and lease the following premises situation in the City of Charlotte and State of North Carolina, described as follows:

5601-1	60,000 Sq. Ft.
5601-2	10,720 Sq. Ft.
5601-3	41,600 Sq. Ft.
5601-4	10,000 Sq. Ft.

	122,320 Sq. Ft.

all areas approximate, all located at 5601 Wilkinson Boulevard, Charlotte, North Carolina.

3. TERM AND USE:

To have and hold the same for a term of three (3) years to commence on June 1, 2000.

TENANT covenants to occupy and use the demised premises during the term of this lease and renewals thereof as an office, light manufacturing and warehouse and for such purpose and in such manner as shall not violate the zoning ordinances and other regulations of the Federal, State, County, and Municipal authorities now in force or hereafter adopted which in any manner affect the use of the demised premises or any appurtenances thereto.

4. RENTAL AND OPTION RENEW:

The LANDLORD hereby reserves and the TENANT hereby agrees to pay the LANDLORD upon the commencement of the three (3) year term referred to hereinabove an annual rental of Three Hundred Forty Three Thousand Four Hundred Fifty Six and 80/100

(\$343,456.80) Dollars including capital improvements proration of \$26,648.05, said payments to be made in twelve equal monthly installments of \$28,621.40 each, between the first and fifth days of each month during the lease term.

OPTION TO RENEW:

LANDLORD hereby gives TENANT an option to renew for a period of three (3) years at the rental rate set forth herein increased by the percentage change in the Consumer Price Index spreadsheet of the U.S. Government, from the date hereof to the date of the renewal lease agreement, for the narrowest reported area in which the city of Charlotte, state of North Carolina, is located. All other conditions to remain the same. TENANT shall notify LANDLORD in writing of his intent to exercise such option six (6) months prior to expiration of this Lease.

5. RENTAL PAYMENTS:

All rental payments provided herein shall be made to LANDLORD at its office, US Commercial, 5970 Fairview Road, Suite 106, Charlotte, North Carolina 28210, until notice to the contrary is given by LANDLORD.

6. UTILITIES:

During the term of the lease, TENANT shall provide and pay for all lights, heat, water, storm water fees and other utilities upon the demised premises.

7. OWNERSHIP, POSSESSION AND WARRANTY:

The LANDLORD covenants that it is lawfully seized of the demised premises and of the parking areas, driveways and footways and has good right and lawful authority to enter into this lease for the full term aforesaid, that LANDLORD will put the TENANT in actual possession of the demised premises at the beginning of the term aforesaid, and that TENANT, on paying the said rent and performing the covenants herein agreed by it to be performed, shall and may reasonably and quietly have, hold and enjoy the demised premises and use the appurtenances thereto as hereinabove referred to for the said term.

8. FIXTURES AND PERSONAL PROPERTY:

Any trade fixtures, equipment and other property installed in or attached to the demised premises by and at the expense of the TENANT and all light fixtures provided by TENANT and installed by LANDLORD and all other items whether trade fixtures or otherwise, installed by TENANT, shall remain as the property of the TENANT and the LANDLORD agrees that the TENANT shall have the right at any time and from time to time, provided it be not in default hereunder, to remove any and all of its trade fixtures, equipment

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and other property which it may have stored or installed on the demised premises substantially to the same condition in which they were at the time the TENANT took possession.

9. INTERNAL MAINTENANCE AND TENANT'S COVENANT TO SURRENDER PREMISES IN GOOD CONDITION:

TENANT covenants that it will at its own expense keep and maintain in good order and repair the interior of the improvements to be constructed upon the demised premises excluding principal structural portions, but including without limitation all window glass, plumbing, wiring, electrical systems, heating and air conditioning system, overhead doors, locks, exterior locks, leading doors and entrance doors. Tenant further covenants that it will not make structural change or alteration without the prior written consent of the LANDLORD, that it will not in any manner deface or injure said premises or any part thereof; and that it will return said premises reasonably and promptly to the LANDLORD at the end of the term of this lease, or at any previous termination thereof, in as good condition as the same are at the beginning of the term, loss by fire or other hazard and by ordinary wear and tear expected.

10. EXTERNAL MAINTENANCE:

LANDLORD covenants that it will at its own expense keep and maintain the exterior and principal interior structural portions of the improvements to be constructed upon the demised premises and the parking areas, driveways and footways in good order and repair during said term; provided, however, that LANDLORD shall not be responsible for or required to make any repairs which may have been occasioned or necessitated by the negligence or willfulness of TENANT, its agents or employees. It shall be the TENANT's responsibility to keep the area immediately in front of and adjacent to the demised premises free and clear from trash and debris.

11. TAXES AND INSURANCE:

The LANDLORD shall pay all real estate taxes on the demised premises, parking areas and driveways. LANDLORD will maintain and pay for adequate fire insurance, with extended coverage, on the demised premises. If during the term of this lease the demised premises are used by the TENANT for any purpose or in any manner that causes the improvements to be rated by fire insurance companies as extra hazardous, TENANT will pay the additional insurance premium caused by such use.

TENANT covenants and agrees to save LANDLORD harmless from any liability, whatsoever arising out of TENANT'S negligent use of the demised premises, parking areas, driveways and footways and shall provide and pay for

adequate comprehensive general liability coverage for that purpose.

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TENANT shall provide for all hazard insurance on its own contents in the demised premises.

TENANT shall pay all personal property taxes.

LANDLORD and TENANT mutually agree that in respect to any loss which is covered by insurance then being carried by them respectively, the one carrying such insurance and suffering said loss, releases the other of and from any and all claims with respect to such loss, to the extent reimbursable by such insurance.

12. TAX CLAUSE:

The TENANT agrees to pay any and all ad valorem taxes assessed or levied against or upon the premises which are in excess of the amount of such taxes imposed upon the premises for the year 2000, provided that the premises are fully improved and assessed for the entire year of 2000, whether the increase results from a higher tax rate or an increase in the assessed valuation of the premises or both. Such increase shall be deemed additional rent and shall be paid by the TENANT within thirty (30) days after the LANDLORD exhibits to the TENANT the tax bill evidencing such increase.

It is understood and agreed that TENANT shall have the right, in its name or the name of LANDLORD, to protest or review by legal proceedings or in such other manner as it may deem suitable any tax or assessment with respect to the demised premises, provided any such protest or review shall be at the sole cost and expense of TENANT. LANDLORD will on request, furnish TENANT with the tax receipts, bills or other data which TENANT may deem necessary or property for the purpose of such protest or review and such authorization or authorizations as may be necessary therefore.

13. RIGHTS OF PAYMENT UPON DEFAULT:

The LANDLORD agrees that if it shall at any time fail to pay any taxes and to provide and pay for any insurance required of it under the terms of this lease, then TENANT may at its option without liability for forfeiture pay such taxes or provide and pay for such insurance and deduct the actual cost thereof from the rent next thereafter falling due hereunder.

LANDLORD further agrees that TENANT shall also have the right at its option without liability of forfeiture to pay when due or within the grace period permitted any installment of mortgage indebtedness upon the demised premises when the payment thereof shall be necessary to preserve TENANT's leasehold interest hereunder and deduct the payment thereof from the rent thereafter falling due hereunder.

TENANT agrees to pay as rent in addition to the rental herein reserved any and all sums which may become due for reason for the failure of TENANT to comply with all of

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the covenants of this lease and any and all damages, costs and expenses which the LANDLORD may suffer or incur by reason of any default of the TENANT, or failure on its part to comply with the covenants of this lease and each of them, and also any and all damages to the demised premises caused by any act or neglect of the TENANT. Upon notification from any first Mortgagee on the aforementioned described property, the TENANT hereby agrees to give said Mortgagee thirty (30) days notice in writing of any defaults under this lease in order that said Mortgagee may have the right to cure said defaults at their sole option.

14. TENANT'S DEFAULT:

If the TENANT shall make default in any covenant or agreement to be performed by it and if after written notice from LANDLORD to TENANT such default shall continue for a period of ten (10) days or if the leasehold interest of the TENANT shall be taken on execution or other process of law of if the TENANT shall petition to be or be declared bankrupt or insolvent according to law, or

may any conveyance or general assignment for the benefit of creditors, or if a receiver by appointed for such TENANT's property and such appointment be not vacated and set aside within thirty (30) days from the date of such appointment, or if proceedings for reorganization or for composition with creditors be instituted by or against such TENANT, then, and in any of said cases, LANDLORD may immediately or at any time thereafter and without further notice or demand enter into and upon said premises or any part thereof and take absolute possession of the same fully and absolutely without such re-entry working a forfeiture of the rents to be paid and the covenants to be performed by the TENANT for the full term of this lease and may at the LANDLORD's election lease or sublet such premises or any part thereof on such terms and conditions and for such rents and for such time as the LANDLORD may elect and after crediting the rent actually collected by the LANDLORD from such reletting on the rentals stipulated to be paid under this lease by the TENANT, collect from the TENANT any balance remaining due on the rent reserved under this lease.

15. ASSIGNING AND SUBLETTING:

The TENANT may not assign this lease or sublet the whole or any part of the demised premises without the written consent of the LANDLORD, it being understood and agreed that such consent will not be unreasonably withheld; provided, however, that TENANT may sublease or assign this lease agreement to a parent, subsidiary or affiliated corporation, and in such event, subsection (a)-(d) of this section shall apply. In the event the LANDLORD at any time in writing consents to the assignments of this lease or to the subletting of the whole or any part of the demised premises, such assignments or sublease shall be in writing and shall be subject to the following conditions:

(a) That neither such assignment nor sublease nor the acceptance of rent by the LANDLORD from such assignee or subtenant shall relieve, release or in any manner affect the liability of that TENANT hereunder;

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(b) That the said assignee or subtenant by an instrument in writing in recordable form shall assume and agree to keep, observe and perform all of the agreements, conditions, covenants and terms of this lease on the part of the TENANT to be kept, observed and performed, and shall be, and become jointly and severally liable with the TENANT for the nonperformance thereof;

(c) That a duplicate-original of such instrument of assignment or sublease and assumption shall be delivered to the LANDLORD as soon as such assignment or sublease shall be made except upon compliance with and subject to the provisions of this paragraph;

(d) That no further or additional assignment of the lease or sublease shall be made, except upon compliance with and subject to the provisions of this paragraph.

16. SIGNS:

The TENANT shall have the right to erect reasonably and normal signs relating to its business activities provided that consent to the erection of any such signs shall first be obtained from LANDLORD, which consent shall not be unreasonably withheld. The care and maintenance of such signs shall be the responsibility of the TENANT and shall remain the property of the TENANT.

The LANDLORD or his designated agent shall have the privilege of installing a "For Lease" and/or "For Sale" sign on the leased premises during the last ninety (90) days of the lease term or any extension thereof and shall have the privilege of showing the leased premises to prospective TENANTS or purchasers during such ninety (90) day period.

17. DESTRUCTION BY FIRE:

The parties hereto mutually agree that if the improvements upon the demised premises be damaged by fire or other cause insured against by LANDLORD, TENANT shall meanwhile be entitled to an abatement of rent to the extent of the loss of use suffered by it. LANDLORD will repair the said damages as promptly as practicable, under the supervision of TENANT's engineering department. In the event of the destruction (meaning by "destruction" damage to the extent of

seventy-five (75%) percent or more of its value) of the said building by fire or other cause insured against, either party may, at its option, cancel and terminate this lease by giving to the other written notice thereof at any time within thirty (30) days after the date of such destruction.

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18. CONDEMNATION:

If the whole or a substantial portion of the demised premises is taken by any governmental agency or corporation vested with the right of exercise of eminent domain, whether such taking be effected by Court action or by settlement with the agency exercising or threatening to exercise such power and if the property so taken renders the remainder of said property unfit for the use thereof by TENANT, then the TENANT shall have the option to terminate, or if the taking does not interfere with TENANT's use of the premises to the extent TENANT does not have an option to terminate, there shall be a permanent reduction of the annual rent according to the nature and extent of the taking.

19. NOTICES:

Whenever in this lease it shall be required or permitted that notice or demand be given or served by either party to this lease to the other, such notice or demand shall be given or served and shall not be deemed to have been given or served unless in writing and forwarded by mail addressed as follows:

To the LANDLORD at its office, US Commercial, 5970 Fairview Road, Suite 106, Charlotte, North Carolina 28210.

To the TENANT at SMTC Manufacturing Corporation of North Carolina, 5601 Wilkinson Blvd., Charlotte, North Carolina 28208.

Such addresses may be changed from time to time by either party service notice as provided.

20. AGREEMENT BETWEEN LANDLORD AND TENANT:

It is expressly understood and agreed by and between the parties hereto that this lease sets forth all the promises, agreement, conditions and understandings between LANDLORD and TENANT relative to the demised premises, and that there are no promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. It is further understood and agreed that, except as herein otherwise provided, no subsequent alteration, amendment, change or addition to the lease shall be binding upon LANDLORD or TENANT unless reduced to writing and signed by them.

21. OBLIGATIONS OF SUCCESSORS:

The LANDLORD and the TENANT agree that all the provisions hereof are to be constructed as covenants and agreements as though the words imparting such covenants and agreements were used in each separate paragraph hereof and that all the provisions hereof shall

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bind and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns.

22. SUBORDINATION OF LEASE:

This lease, its terms and conditions, and all leasehold interest and rights hereunder, are expressly made, given and granted subject and subordinate to the lien of any bona fide mortgage or deed of trust now or hereafter imposed upon all or any part of the demised premises, and TENANT agrees to execute and deliver to the LANDLORD, its successors or assigns, or to any other person or corporation designated by the LANDLORD, any instrument or instruments requested by the LANDLORD consenting to any such subordinate, all rights of TENANT hereunder shall be fully preserved and protected as long as TENANT complies with all the covenants or conditions herein assumed by it.

23. ENVIRONMENTAL RESTRICTIONS:

TENANT shall not dispose of waste of any kind, whether hazardous or

not, and TENANT shall not conduct any activity which may or does require hazardous materials treatment, storage or disposal permit from any governmental agency.

24. SPECIAL CONDITIONS:

TENANT has right to terminate this agreement during the initial term only, by three (3) months advance notification in writing to LANDLORD, plus payment of an additional rent equal to three (3) times the amount due for the first month prior to the notice date, plus any amount of capital improvement reimbursement remaining unpaid.

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IN TESTIMONY WHEREOF, the LANDLORD and TENANT have caused these presents to be executed and delivered as of the day and year stated in Article 1.

ATTEST: GARRETT AND GARRETT

/s/ Junanita H. Gray

By: /s/ Blake P. Garrett Jr.

ATTEST: SMTC MANUFACTURING CORPORATION
OF NORTH CAROLINA

By: /s/ William B. McDonough

STATE OF North Carolina
COUNTY OF Mecklenburg

I, Dawn J. Harrison, a Notary Public in and for said county and state hereby do certify that William B. McDonough personally came before me and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal this 27th day of July, 2000.

/s/ Dawn J. Harrison

Notary Public

My Commission expires: November 25, 2002

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STATE OF
COUNTY OF

I, _____, a Notary Public, certify that _____ personally came before me this day and acknowledged that he is Secretary of _____ and that, by authority duly given and as the act of the Corporation, the foregoing instrument was signed in its name by its _____ resident, sealed with its corporate seal, and attested by himself as its Secretary.

WITNESS my hand and notarial seal, this _____ day of _____, 2000.

Notary Public

My Commission expires:

STATE OF SOUTH CAROLINA
COUNTY OF GREENVILLE

I, Pamela S. State, a Notary Public in and for said county and state hereby do certify that Blake P. Garrett Jr. personally came before me and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal this 31st day of July, 2000.

/s/ Pamela S. State

Notary Public

My Commission expires: 4-15-2009

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EXHIBIT 10.5

LEASE AGREEMENT - FRANKLIN, MA

EXHIBIT 1, SHEET 1
109 Constitution Boulevard
FRANKLIN INDUSTRIAL PARK
Franklin, Massachusetts

EXECUTION DATE: August 11, 2000

TENANT: SMTC MANUFACTURING CORPORATION OF
MASSACHUSETTS, a Massachusetts corporation

MAILING ADDRESS: SMTC CORPORATION
635 Hood Road
Markham, Ontario, Canada L3R 4N6
Attention: Richard Smith, Chief Financial Officer

with a copy to:

Ropes & Gray
One International Place
Boston, Massachusetts 02110
Attention: Walter R. McCabe, III

LANDLORD: LINCOLN-FRANKLIN LLC, a Delaware limited liability company

MAILING ADDRESS: c/o Lincoln Property Company

101 Arch Street
Suite 650
Boston, Massachusetts 02110
Attention: Sean V. Chrisom

with a copy to:

Goulston & Storrs, P.C.
400 Atlantic Avenue
Boston, Massachusetts 02110
Attention: Raymond Kwasnick, Esq.

COMPLEX: The land, buildings and other improvements thereon, from time to time, located off Constitution Boulevard in the City of Franklin, Middlesex County, Commonwealth of Massachusetts known as Franklin Industrial Park. The Complex is initially substantially as shown on Exhibit 3-1, and the legal description of the Complex is set forth on Exhibit 3; however, the Complex may change from time to time as set forth herein.

EXHIBIT 1, SHEET 2
Building No. 109
FRANKLIN INDUSTRIAL PARK
Franklin, Massachusetts

Tenant: SMTC MANUFACTURING CORPORATION OF MASSACHUSETTS
Execution Date: August 11, 2000

BUILDING: 109 Constitution Boulevard, Franklin, Massachusetts

PREMISES: Area on the first floor of the Building, substantially as shown on Lease Plan, Exhibit 2

Art. 3.1 TERM COMMENCE DATE:

The date that this Lease is executed and delivered by both parties.

RENT COMMENCEMENT DATE:

The earlier of (i) the Outside Rent Commencement Date, as hereinafter defined, or (ii) the date Tenant commences to use any portion of the premises for business purposes.

OUTSIDE RENT COMMENCEMENT DATE:

October 1, 2000, provided however, that if the Landlord's Work Necessary to Trigger Rent commencement Date is not deemed to be Substantially Complete, as defined in Article 4.3, as of such date, then the Outside Rent Commencement Date shall be the date as of which the Landlord's Work Necessary to Trigger Rent Commencement Date is deemed to be Substantially Complete as aforesaid.

Art.3.2 TERMINATION DATE:

Seven (7) years after the Rent Commencement Date, or such later date to which the term of this Lease may be executed by Tenant pursuant to the terms of Paragraph 2 of the Rider to Lease.

Art.5 PERMITTED USE:

Warehousing, light manufacturing, fabrication, finishing, prototype circuit-board assembly, wet paint and powder coat finishing, electro/mechanical assembly uses and ancillary office and storage uses.

Art.6 YEARLY RENT:

RENT YEAR: Each twelve month period during the term of this Lease commencing as of the Rent Commencement Date, or as of any anniversary of the Rent Commencement Date.

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EXHIBIT 1, SHEET 3
Building No. 109
FRANKLIN INDUSTRIAL PARK
Franklin, Massachusetts

Tenant: SMTc MANUFACTURING CORPORATION OF MASSACHUSETTS
Execution Date: August 11, 2000

YEARLY RENT

RENT YEAR	YEARLY RENT	MONTHLY PAYMENT
1-3	\$864,000.00	\$72,000.00
4	\$900,000.00	\$75,000.00
5-7	\$936,000.00	\$78,000.00

Art. 7 TOTAL RENTABLE AREA OF THE PREMISES: 144,000 square feet

TOTAL RENTABLE AREA OF THE BUILDING: 192,000 square feet

INITIAL TOTAL RENTABLE AREA OF THE COMPLEX: 384,000 square feet

Art. 9 TENANT'S PROPORTIONATE SHARE:

TENANT'S PROPORTIONATE COMPLEX SHARE shall be a fraction, the numerator of which shall be the Total Rentable Area of the Premises, and the denominator of which shall be the total rented area of the Complex, as it may change from time to time, but in no event shall the denominator be less than ninety-five percent (95%) of the Total Rentable Area of the Complex.

TENANT'S PROPORTIONATE BUILDING SHARE: shall be a fraction,

the numerator of which shall be the Total Rentable Area of the Premises, and the denominator of which shall be the total rented area of the Building, as it may change from time to time, but in no event shall the denominator be less than ninety-five percent (95%) of the Total Rentable Area of the Building.

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EXHIBIT 1, SHEET 4
Building No. 109
FRANKLIN INDUSTRIAL PARK
Franklin, Massachusetts

Tenant: SMTC MANUFACTURING CORPORATION OF MASSACHUSETTS
Execution Date: August 11, 2000

Art. 29.3 BROKER: Cushman & Wakefield

Art. 29.5 ARBITRATION: Superior Court, Middlesex County

EXHIBIT DATE: Lease Plan, Exhibit 2, dated August 11, 2000

Rider,

Paragraph 1: SECURITY DEPOSIT: \$450,000.00, subject to the reduction pursuant to the terms of Paragraph 1 of the Rider to Lease

LANDLORD: LINCOLN-FRANKLIN, LLC
TENANT: SMTC MANUFACTURING CORPORATION OF MASSACHUSETTS

By: Lincoln Investors Group 2, Inc. By:
Its: Managing Member Its:

By: /s/ WILLIAM M. HICKEY By: /s/ THOMAS HARRINGTON

Name: William M. Hickey Name: Thomas Harrington
Its: Vice President Title: President
Hereunto Duly Authorized Hereunto Duly Authorized

Date Signed: August 23, 2000 Date Signed: August 16, 2000

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EXHIBIT 1, SHEET 5
Building No. 109
FRANKLIN INDUSTRIAL PARK
Franklin, Massachusetts

Tenant: SMTC MANUFACTURING CORPORATION OF MASSACHUSETTS
Execution Date: August 11, 2000

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RIDER
GUARANTEE

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THIS INDENTURE OF LEASE made and entered into on the Execution Date as stated in Exhibit 1 and between the Landlord and the Tenant named in Exhibit 1.

Landlord does hereby demise and lease to Tenant, and Tenant does hereby hire and take from Landlord, the premises hereinafter mentioned and described (hereinafter referred to as "premise"), upon and subject to the covenants, agreements, terms, provisions and conditions of this Lease for the term hereinafter stated:

1. REFERENCE DATA

Each reference in this Lease to any of the terms and title contained in any Exhibit attached to this Lease shall be deemed and construed to incorporate the data stated under that term or title in such Exhibit.

2. DESCRIPTION OF DEMISED PREMISES

2.1 DEMISED PREMISES. The premises are that portion of the Building as described in Exhibit 1 (as the same may from time to time be constituted after changes therein, additions thereto and eliminations therefrom pursuant to rights of Landlord hereinafter reserved) and is hereinafter referred to as "Building", substantially as shown hatched or outlined on the Lease Plan (Exhibit 2) hereto attached and incorporated by reference as part hereof.

2.2 APPURTENANT RIGHTS.

Tenant shall have, as appurtenant to the premises, rights to use in common, with others entitled thereto, subject to reasonable rules from time to time made by Landlord of which Tenant is given notice: (i) the common lobbies, hallways, stairways and elevators of the Building, serving the premises in common with others, (ii) common walkways necessary for access to the Building, (iii) if the premises included less than the entire rentable area of any floor, the common toilets and other common facilities of such floor, (iv) up to the number of parking spaces identified as "Tenant's Common Parking Spaces" on Exhibit 3-1, in the common parking areas of the Complex, as the Complex may be modified by Landlord from time to time (but only in a manner that does not materially adversely affect Tenant's Parking rights, as hereinafter defined), for parking for Tenant's employees, agents, contractors, and invitees, on a first-come, first-served basis. In addition, subject to Rules and Regulations from time to time made by Landlord pursuant to Article 17.1, Tenant shall have the exclusive use of the Reserved Parking Area shown on Exhibit 3-1. The Reserved Parking Area shall be identified by a line in the parking lot in the location shown on Exhibit 3-1. Landlord shall have no obligation to police the use of the Reserved Parking Area. As used herein, "Tenant's Parking Rights" shall mean Tenant's common rights in and to Tenant's Common Parking Spaces and Tenant's exclusive rights in and to the Reserved Parking Area, collectively. Tenant shall have no appurtenant rights or easements, except those expressly contained in this Lease.

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2.3 EXCLUSIONS AND RESERVATIONS. All the perimeter walls of the premises except the inner surfaces thereof, any balconies (except to the extent same are shown as part of the premises on the Lease Plan (Exhibit 2), terraces or roofs adjacent to the premises, and any space in or adjacent to the premises used for shafts, stacks, pipes, conduits, wires and appurtenant fixtures, fan rooms, ducts, electric or other utilities, sinks or other Building facilities, and the use thereof, are expressly excluded from the premises and reserved to Landlord.

3. TERM OF LEASE

3.1 DEFINITIONS. As used in this Lease the words and terms which follow mean and include the following:

(a) "Term Commencement Date" - The date on which the term of this Lease commences as stated in Exhibit 1.

(b) "Rent Commencement Date" - The date on which Tenant's obligations to pay Yearly Rent, Tenant's Taxes, and Tenant's Operating Costs commences as stated on Exhibit 1.

3.2 HABENDUM. TO HAVE AND TO HOLD the premises for a term of years commencing on the Term Commencement Date and ending on the Termination Date as stated in Exhibit 1 or on such earlier date upon which said term may expire or be terminated pursuant to any of the conditions of limitation or other provisions of this Lease or pursuant to law (which date for the termination of the terms hereof will hereafter be called "Termination Date"). Notwithstanding the foregoing, if the Termination Date as stated in Exhibit 1 shall fall on other than the last day of a calendar month, said Termination Date shall, at the option of Landlord, be deemed to be the last day of the calendar month in which said Termination Date occurs.

3.3 DECLARATION FIXING TERM COMMENCEMENT DATE AND RENT COMMENCEMENT DATE. As soon as maybe after the execution date hereof, each of the parties hereto agrees, upon demand of the other party to join in the execution, in - -recordable form, of a statutory notice, memorandum, etc. of lease and/or written declaration in which shall be stated such Term Commencement Date, the Rent Commencement Date and (if need be) the Termination Date. If this Lease is terminated before the term expires, then upon Landlord's request the parties shall execute, deliver and record an instrument acknowledging such fact and the date of termination of this Lease, and should Tenant fail, without cause, to execute and deliver such instrument to Landlord within ten (10) days upon Landlord's request therefor, Tenant in such instance appoints Landlord its attorney-in-fact in its name and behalf to execute such instrument.

4. READINESS FOR OCCUPANCY - ENTRY BY TENANT PRIOR TO TERM COMMENCEMENT DATE

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4.0 "AS-IS" CONDITION. Tenant acknowledges and agrees that it has had an opportunity to inspect the premises and that it is taking the premises "as-is", without any obligation on the part of Landlord to prepare or construct the premises for Tenant's occupancy, except for the performance of Landlord's Work, as defined on Exhibit 4. Tenant further acknowledges and agrees that, except as expressly set forth in this Lease, Landlord has made no representation as to the condition of the premises and that it is relying upon its own inspection of the premises in entering into this Lease.

4.1 DEFINITION OF LANDLORD'S WORK. LANDLORD'S WORK CONSISTS OF: (i) Landlord's Work Necessary to Trigger Term Commencement Date, (ii) Landlord's Work Necessary to Trigger Rent Commencement Date, and (iii) landscaping, all as more particularly described and referenced on Exhibit 4.

4.2 PERFORMANCE OF LANDLORD'S WORK. Subject to delay by causes beyond the reasonable control of Landlord or caused by Tenant Delays, as hereinafter defined, Landlord shall use reasonable speed and diligence to Substantially Complete: (i) Landlord's Work Necessary to Trigger Rent Commencement Date by October 1, 2000, and (ii) the landscaping work when Landlord reasonably deems appropriate prior to the winter season in the year 2000. The failure of Landlord to Substantially Complete the Landlord's Work within the foregoing schedule shall in no way affect the validity of this Lease or the obligations of Tenant hereunder nor shall the same be construed in any way to extend the term of this Lease. Subject to Tenant's rights pursuant to Article 4.4, if Landlord's Work has not been deemed Substantially Completed on the Rent Commencement Date, Tenant shall not have any claim against Landlord, and Landlord shall have no liability to Tenant, by reason thereof.

4.3 SUBSTANTIAL COMPLETION OF LANDLORD'S WORK.

(a) The Landlord's Work Necessary to Trigger Rent Commencement Date shall be deemed to be "Substantially Complete" when (i) such portion of Landlord's Work is, in fact, complete except for Punch List Items (as hereinafter defined) and Landlord has removed all of its equipment used in connection with, and all debris caused by the performance of, Landlord's Work, provided however, if such portion of Landlord's Work is delayed as the result of Tenant Delays, as hereinafter defined, the Landlord's Work Necessary to Trigger

Rent Commencement Date shall be deemed to be Substantially Complete on the date that such portion of Landlord's Work would have been Substantially Complete but for such Tenant Delays; and (ii) Landlord has obtained all consents, approvals, and "sign-offs" from governmental authorities with jurisdiction, indicating that Landlord's Work has been completed in accordance with all applicable legal requirements. Such consents, approvals and "sign-offs" shall be without any condition that would prevent or materially interfere with Tenant's performance of Tenant's Work (as hereinafter defined).

(b) Tenant Delays. For the purposes hereof, "Tenant Delays" shall be defined as any delays in the performance of Landlord's Work to the extent caused by Tenant or its contractors including, without limitation, the utility companies and other

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entities furnishing communications, data processing or other service or equipment; provided, however; that no period of time prior to the date Landlord notifies Tenant of a Tenant Delay shall be considered a period of Tenant Delay.

(d) Landlord's Architect's Certificate of Substantial Completion. Landlord's architect's certificate of substantial completion, as hereinabove stated, given in good faith, or of any other facts pertinent to this Article 4.3 shall be deemed conclusive of the statements therein contained and binding upon Tenant, unless, within seven (7) days after Tenant receives such certificate, Tenant gives Landlord written notice setting forth with specificity Tenant's objections thereto. Tenant shall have the right, at the time that Landlord has purportedly Substantially Completed any portion of Landlord's Work, to have its representative review such portion of Landlord's Work to the end of the parties mutually agreeing upon those items of minor or insubstantial details of construction or mechanical adjustment that will not materially interfered with the performance of Tenant's Work on Tenant's use of the Premises ("Punch List Items"), if any, of such portion of Landlord's Work which remain incomplete.

(e) Completion of Punch List Items. Any of the Punch List Items not fully completed on the Rent Commencement Date shall thereafter be completed within thirty (30) days after the Rent Commencement Date, subject to causes beyond Landlord's reasonable control.

4.4 TENANT'S SELF-HELP RIGHT. If the Landlord Work Necessary to Trigger Rent Commencement Date is not Substantially Complete on or before October 1, 2000, then Tenant shall have the right to complete any portion of the Landlord Work Necessary to Trigger Rent Commencement Date, by giving Landlord a written notice ("Self-Help Notice"). The Self-Help Notice shall set forth with specificity the remaining portions ("Incomplete Items") of the Landlord Work Necessary to Trigger Rent Commencement Date which remains incomplete. If Landlord fails to Substantially Complete any of the Incomplete Items identified in the Self-Help Notice within thirty (30) days of Landlord's receipt of the Self-Help Notice, then Tenant shall have the right to complete such Incomplete Items at Landlord's cost, provided however, that in no event shall Landlord be required to reimburse Tenant for any amount incurred by Tenant in excess of The Cost Cap for such Incomplete Item, as set forth on Exhibit 4. After Tenant has complete such Incomplete Item, Landlord shall, within thirty (30) days of billing therefore, together with evidence reasonably acceptable to Landlord of the costs so incurred by Tenant, pay to Tenant the amount due on account of such Incomplete Item. If Landlord fails timely to pay any amount due to Tenant pursuant to this Article 4.4, Tenant shall have the right to deduct such amount from future installments of Yearly Rent due under the Lease until Tenant is reimbursed in full, subject to said Cost Caps.

4.5 TENANT'S WORK.

(a) "Tenant's Work" shall be defined as the initial leasehold improvements to be performed by Tenant in order to prepare the premises for Tenant's occupancy. Tenant's Work shall be performed in accordance with the provisions of this Lease,

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including, without limitation, Articles 4, 12, and 13 hereof. Except for Landlord's Contribution, as set forth in Article 4.7, Tenant's Work shall be performed at Tenant's sole cost and expense.

(b) "Required Tenant Work" shall be defined as that portion of the Tenant's Work consisting of the heating and air conditioning system described in Tenant's Plans referenced on Exhibit 4-1. Tenant shall, on or before December 15, 2000, substantially complete any portion of the Required Tenant Work relating to the heating system, and Tenant shall, on or before June 1, 2001, substantially complete the balance of the Required Tenant Work. Except for the Required Tenant Work, Tenant shall have no obligation to complete other portions of the Tenant Work.

(c) Tenant shall be solely responsible for the timely preparation and submission to Landlord of the final architectural, electrical and mechanical construction drawings, plans and specifications (called "plans") necessary to perform Tenant's Work. Such plans shall be subject to the reasonable approval of Landlord's architect and engineers and shall comply with their requirements to avoid material conflicts with the design and function of the balance of the Building. Landlord's approval is solely given for the benefit of Landlord and neither Tenant nor any third party shall have the right to rely upon Landlord's approval of Tenant's plans for any purpose whatsoever. Without limiting the foregoing, Tenant shall be responsible for all elements of the design of Tenant's plans (including, without limitation, compliance with law, functionality of design, the structural integrity of the design, the configuration of the premises and the placement of Tenant's furniture, appliances and equipment), and Landlord's approval of Tenant's plans shall in no event relieve Tenant of the responsibility for such design. Tenant shall be solely responsible for all costs related to Tenant's plans.

(d) Landlord acknowledges that it has approved the plans and specifications ("Tenant's Plans") referenced on Exhibit 4-1. Tenant shall complete final construction documents in respect of the Required Tenant Work after the execution of this Lease. Landlord shall, within five (5) business days of request therefor, respond to any request from Tenant for approval of Tenant's final construction documents in respect of any aspect of Tenant Work. If Tenant is ready to commence to the Tenant Work prior to the Outside Rent Commencement Date, and if Landlord fails to respond within said five business day period, as aforesaid, and if Tenant is actually delayed in the performance of Tenant Work as the result of such failure by Landlord, then the Outside Rent Commencement Date shall be extended one (1) day for each day the Landlord fails to respond beyond the initial five business day period.

4.6 COOPERATION OF CONTRACTORS. Landlord and Tenant shall each take necessary reasonable measures to the end that its respective contractors shall cooperate in all ways with the other party's contractors to avoid any delay to the Landlord Work and the Tenant Work or conflict in any other way with the performance of such work.

4.7 LANDLORD'S CONTRIBUTION.

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(a) Landlord's Contribution. Landlord shall, in the manner hereinafter set forth, provide to Tenant up to Three Hundred Fifty-Five Thousand Six Hundred Eighty Dollars and 00/100 (\$355,680) [i.e. the sum of \$252,000 towards the cost of the construction of offices within the premises, \$36,000 as a credit on account of the cost of lighting which would otherwise have been included in Landlord's Work, plus \$67,680 as a credit on account of the cost of heating equipment which would have been included in Landlord's Work] towards the cost of Tenant's Work.

(b) Provided that Tenant is not in default, beyond the expiration of all applicable grace and cure periods, of its obligations under the Lease at the time that Tenant submits any requisition on account of Landlord's Contribution, Landlord shall pay the cost of the work shown on each requisition (as hereinafter defined) submitted by Tenant to Landlord within thirty (30) days of submission thereof by Tenant to Landlord.

(c) For the purposes hereof, a "requisition" shall mean written documentation (including, without limitation, invoices from Tenant's contractor, written lien waivers and such other documentation as Landlord's mortgagee may reasonably request) showing in reasonable detail the costs of the improvements installed to date in the premises, accompanied by certifications from Tenant, Tenant's architect, and Tenant's contractor that the work performed to date has been performed in accordance with applicable laws and in accordance with Tenant's approved plans, and that the amount of the requisition in question does

not exceed the amount of the work covered by such requisition. Each requisition shall be accompanied by evidence reasonably satisfactory to Landlord that all work covered by previous requisitions has been fully paid by Tenant. Landlord shall have the right, upon reasonable advance notice to Tenant, to inspect Tenant's books and records relating to each requisition in order to verify the amount thereof. Tenant shall submit requisition(s) no more often than monthly.

(d) Notwithstanding anything to the contrary herein contained:

(i) Landlord shall have no obligation to advance funds on account of Landlord's Contribution unless and until Landlord has received the requisition in question, together with the certifications required by Paragraph (c) of this Article 4.7, certifying that the work shown on the requisition has been performed in accordance with applicable law and in accordance with Tenant's plans.

(ii) Except with respect to work and/or materials previously paid for by Tenant, as evidenced by paid invoices and written lien waivers provided to Landlord, Landlord shall have the right to have Landlord's Contribution paid to both Tenant and Tenant's contractor(s) and vendor(s) jointly.

(iii) Tenant shall not be entitled to any portion of Landlord's Contribution, and Landlord shall have no obligation to pay Landlord's Contribution in respect of any requisition submitted after December 31, 2001.

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(e) Additional Costs. Landlord acknowledges that, pursuant to a Letter Agreement by and between Landlord and Tenant, dated as of May 25, 2000 (the "Letter Agreement"), a copy of which is attached hereto and made a part hereof as Exhibit 4-2, Tenant has agreed to pay to Landlord the Additional Costs (as defined in the Letter Agreement) incurred by Landlord. Landlord and Tenant hereby agree that: (i) Landlord shall have the right to apply Landlord's Contribution towards the Additional Costs (i.e. thereby reducing the amount of Landlord's Contribution which is available for other costs incurred by Tenant), and (ii) Tenant's obligation to pay the Additional Costs to Landlord if Tenant exercises its right to terminate the Lease pursuant to Article 4.4(a) shall be secured by the Security Deposit, as defined in Paragraph 1 of the Rider to the Lease. Landlord agrees that, upon execution and delivery of this Lease by Tenant, together with the Security Deposit required pursuant to Paragraph 1 of the Rider to this Lease, Landlord shall return to Tenant the \$127,000 letter of credit delivered by Tenant to Landlord in connection with the Letter Agreement.

(f) Landlord Default. If Landlord fails to pay all or any portion of Landlord's Contribution that Landlord is obligated to pay pursuant to the terms and provisions of this Article 4.7, then from and after the Rent Commencement Date, Tenant shall have the right, after giving Landlord thirty (30) days' prior written notice of such failure by Landlord, to offset against Yearly Rent the any unpaid portion of Landlord's Contribution which is properly payable by Landlord to Tenant.

4.8 TENANTS DELAY - ADDITIONAL COSTS. If, as the result of any Tenant Delay Landlord incurs any additional cost to Landlord in connection with the completion of Landlord's Work, Tenant shall promptly pay such additional cost to Landlord to the extent arising from such Tenant Delay. For the purposes of the next preceding sentence, the expression "additional cost to Landlord" shall mean the cost over and above such cost as would have been the aggregate cost to Landlord of performing Landlord's Work had there been no such Tenant Delay. Nothing contained in this Article 4.8 shall limit or qualify or prejudice any other covenants, agreements, terms, provisions and conditions contained in this Lease, including, but not limited to Article 4.3.

4.9 CONCLUSIVENESS OF LANDLORD'S PERFORMANCE.

(a) Landlord Warranty. Landlord covenants to Tenant that, during the period expiring as of the Warranty Expiration Date, as hereinafter defined, all components of the Building other than components of Tenant Work will be free from defects in workmanship and materials, all of Landlord's Work shall have been performed in compliance with applicable laws, ordinances and regulations, and that Landlord shall, at Landlord's expense promptly upon written notice thereof, correct any defects in workmanship and materials. Tenant shall be conclusively deemed to have agreed that Landlord has performed all of its obligations under this Article 4 (and Tenant shall be deemed to have waived any

claim which it has under the foregoing warranty) unless, not later than the date ("Warranty Expiration Date") eleven (11) months and two weeks from

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the Rent Commencement Date, Tenant shall have given written notice to Landlord specifying the respects in which Landlord has not performed any such obligation.

(b) Notwithstanding the foregoing: (i) with respect to the Landlord's Necessary Work Necessary to Trigger Rent Commencement Date, the Warranty Expiration Date shall be eleven months and two weeks after the substantial completion of such portion of Landlord's Work, and (ii) with respect to Punch List Items which are not complete on the Rent Commencement Date, the Warranty Expiration Date shall be the date eleven (11) months and two weeks from the day such work is, IN FACT, completed.

(c) If, after the Warranty Expiration Date, latent defects are discovered in any component of the Building (other than components of Tenant Work), which component Tenant is required to maintain pursuant to the provisions of this Lease, Landlord shall assign to Tenant Landlord's rights against the applicable third party to the extent necessary to enable Tenant to assert its rights against such third party.

(d) Nothing in this Article 4.9 shall relieve Landlord of its obligations under Article 8.3.

4.10 TENANT PAYMENTS OF CONSTRUCTION COST. Landlord shall have the same rights and remedies which Landlord has upon the nonpayment of Yearly Rent and other charges due under this Lease for nonpayment of any amounts which Tenant is required to pay to Landlord or Landlord's contractor in connection with the construction and initial preparation of the premises (including, without limitation, any amounts which Tenant is required to pay in accordance with Article 4.8 hereof) or in connection with any construction in the premises performed for Tenant by Landlord, Landlord's contractor or any other person, firm or entity after the Rent Commencement Date.

4.11 DISPUTES. Any disputes under this Article 4 shall be submitted to arbitration in accordance with Article 29.5.

5. USE OF PREMISES

5.1 PERMITTED USE. During the term hereof, Tenant may occupy and use the premises only for the purposes as stated in Exhibit 1 and for no other purposes. Service and utility areas (whether or not a part of the premises) shall be used only for the particular purpose for which they were designed. Without limiting the generality of the foregoing, Tenant agrees that it shall not use the premises or any part thereof, or permit the premises or any part thereof to be used for the preparation of food. Notwithstanding the foregoing, but subject to the other terms and provisions of this Lease, Tenant may, with Landlord's prior written consent, which consent shall not be unreasonably withheld, install at its own cost and expense so-called hot-cold water fountains, coffee makers and so-called Dwyer refrigerator-sink-stove combinations for the preparation of beverages and foods, provided that no cooking, frying, etc., are carried on in the premises to such extent as requires special exhaust venting, Tenant hereby acknowledging that the Building is not engineered to provide any such special venting.

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5.2 PROHIBITED USES. Notwithstanding any other provision of this Lease, Tenant shall not use, or suffer or permit the use or occupancy of, or suffer or permit anything to be done in or anything to be brought into or kept in or about the premises or the Building or any part thereof (including, without limitation, any materials appliances or equipment used in the construction or other preparation of the premises and furniture and carpeting): (i) which would violate any of the covenants, agreements, terms, provisions and conditions of this Lease or otherwise applicable to or binding upon the Premises that are in effect as of the date of this Lease and of which Tenant has received notice prior to the execution of this Lease, including, without limitation, those covenants affecting the Franklin Industrial Park ("Park Covenants") and, subject to Article 23(h), any future rules and regulations which may be issued pursuant to the Park Covenants, (ii) for any unlawful purposes or in any unlawful manner; or (iii) which, in the reasonable judgment of Landlord shall in any way impair,

interfere with or otherwise diminish the quality of any of the Building services or the proper and economic heating, cleaning, ventilating, air conditioning or other servicing of the Building; or premises, or with the use or occupancy of any of the other areas of the Building, or occasion discomfort, inconvenience or annoyance, or injury or damage to any occupants of the premises or other tenants or occupants of the Building. Tenant shall not install or use any electrical or other equipment of any kind which, in the reasonable judgment of Landlord, might cause any such impairment, interference, discomfort, inconvenience, annoyance or injury. Notwithstanding the foregoing terms of this Article 5.2, Tenant shall not be deemed to have suffered or permitted an act or omission: (x) which occurs outside of the Premises, unless such act or omission was by Tenant or those for whom Tenant is legally responsible, or (y) by Landlord or those for whom Landlord is legally responsible.

5.3 LICENSES AND PERMITS. If any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business, and if the failure to secure such license or permit would in any way affect Landlord, the premises, the Building or Tenant's ability to perform any of its obligations under this Lease, Tenant, at Tenant's expense, shall duly procure and thereafter maintain such license and submit the same to inspection by Landlord. Tenant, at Tenant's expense, shall at all times comply with the terms and conditions of each such license or permit. Notwithstanding the foregoing, Landlord, and not Tenant, shall obtain all governmental approvals which are necessary for the performance of Landlord's Work. Tenant shall furnish all data and information to governmental authorities and Landlord as required in accordance with legal, regulatory, licensing or other similar requirements ("Laws") as they relate to Tenant's use or occupancy of the premises or the Building. Notwithstanding the foregoing, Tenant shall have the right to contest, in good faith, the validity and application in whole or in part, of any such Laws, provided that Tenant furnishes security which, in Landlord's reasonable judgment, is sufficient to cover any risk of delayed compliance to the operation, safety or value of the premises or the Building.

5.4 LANDLORD'S RECAPTURE RIGHT UPON VACANCY. Notwithstanding anything to the contrary in the Lease contained, if, at any time after Tenant completes the Required Tenant Work, Tenant shall abandon or vacate the premises for a period of no less than

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one hundred eighty (180) days, then Landlord shall have the right to terminate this Lease upon written notice to Tenant. Such termination right shall not, however, be deemed to be a default by Tenant for the purposes of this Lease.

6. RENT

During the term of this Lease the Yearly Rent and other charges, at the rate stated in Exhibit 1, shall be payable by Tenant to Landlord by monthly payments, as stated in Exhibit 1, in advance and without demand on the first day of each month for and in respect of such month. The rent and other charges reserved and covenanted to be paid under this Lease shall commence on the Rent Commencement Date as defined in Exhibit 1. Notwithstanding the provisions of the next preceding sentence, Tenant shall pay the first monthly installment of rent on the execution of this Lease. If, by reason of any provisions of this Lease, the rent reserved hereunder shall commence or terminate on any day other than the first day of a calendar month, the rent for such calendar month shall be prorated. The rent shall be payable to Landlord or, if Landlord shall so direct in writing, to Landlord's agent or nominee, in lawful money of the United States which shall be legal tender for payment of all debts and dues, public and private, at the time of payment, at the office of the Landlord or such place as Landlord may designate, and the rent and other charges in all circumstances shall be payable without any setoff or deduction whatsoever, except as expressly permitted herein. Rental and any other sums due hereunder not paid on or before the date due shall bear interest for each month or fraction thereof from the due date until paid computed at the annual rate of three (3) percentage points over the so-called prime rate then currently from time to time charged to its most favored corporate customers by the largest national bank (N.A.) located in the city in which the Building is located, or at any applicable lesser maximum legally permissible rate for debts of this nature.

7. RENTABLE AREA

7.1 Total Rentable Area of the premises, the Building and the Complex

have, as of the Execution Date, been agreed to be the amounts set forth on Exhibit 1.

7.2 Landlord and Tenant acknowledge the Total Rentable Area of the Premises, the Building and of the other buildings initially in the Complex have been determined by agreement, and that the figures set forth in Exhibit 1 shall be conclusive and binding on Landlord and Tenant with regard to the Complex.

8. SERVICES AND UTILITIES

Except as set forth in this Article 8, Landlord shall have no obligation to provide any services to the premises or the Complex. Any and all disputes arising under this Article 8 shall be subject to arbitration in accordance with Article 29.5, provided however, that Landlord shall have the right to perform or take any actions which Landlord is entitled to take under this Lease and that the only issues which may be

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submitted to arbitration are limited solely to Tenant's rent abatement and whether Tenant is obligated to pay for the cost of the actions so taken by Landlord.

8.1 ELECTRIC CURRENT.

(a) Tenant shall contract with the company supplying electric current for the purchase and obtaining by Tenant of electric current directly from such company to be billed directly to, and paid for by, Tenant. Tenant, at Tenant's cost, shall install an electric meter measuring the electric current consumed in the premises no later than the Rent Commencement Date. During the period between the Term Commencement Date -and the time that Tenant installs a separate meter, Tenant shall, as additional rent, reimburse Landlord for the cost of electric current consumed in the premises, within thirty (30) days of billing therefore, from time to time. Such cost shall be determined on the basis of the actual cost to Landlord of the electric current consumed in the premises, without mark-up. If, prior to the installation of a separate meter by Tenant, the meter measuring the electric current premises also serves other premises in which construction activity or occupancy is occurring, the cost for electric current measured by such meter shall be allocated based upon the relative floor areas served by such meter. Landlord shall provide a written accounting to Tenant of the electric charges billed to Tenant in respect of the period prior to meter installation.

(b) As part of Tenant's Work; Tenant, at Tenant's expense, shall furnish and install in or near the premises any necessary metering equipment used in connection with measuring Tenant's consumption of electric current and Tenant, at Tenant's expense, shall maintain and keep in repair such metering equipment. Tenant shall have the right to use Landlord's Contribution to pay for the cost of installing any such equipment.

(c) Landlord shall (i) permit its risers, conduits and feeders to the extent available, suitable and safely capable, to be used for the purpose of enabling Tenant to purchase and obtain electric current directly from such company, and (ii) at Tenant's expense, make such alterations and additions to the electrical equipment and/or appliances in the Building as such company shall specify for the purpose of enabling Tenant to purchase and obtain electric current directly from such company.

(d) If Tenant shall require electric current for use in the premises in excess of the electrical capacity at the Premises as set forth in this Article 8.1(d), and if in Landlord's reasonable judgment, Landlord's facilities are inadequate for such excess requirements then, Landlord upon written request and at the sole cost and expense of Tenant, will either (x) furnish and install such additional wire, conduits, feeders, switchboards and appurtenances as reasonably may be required to supply such additional requirements of Tenant if current therefor is or can be available to Landlord, or (y) grant easements for the benefit of utility companies in connection with providing additional electric service to the Building the location and terms of which shall be subject to Landlord's approval, not to be unreasonably withheld, provided that in each instance the same shall be permitted by applicable laws and insurance regulations and shall not cause

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damage to the Building or the premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations or repairs or interfere with or disturb other tenants or occupants of the Building. Landlord represents to Tenant that the electrical capacity available at the Premises as of the Rent Commencement Date is one thousand eight hundred (1800) amps.

(e) Subject to Article 8.4, Landlord shall not in any way be liable or responsible to Tenant for any loss, damage or expense which Tenant may sustain or incur if the quantity, character, or supply of electrical energy is changed or is no longer available or suitable for Tenant's requirements.

(f) Tenant agrees that it will not (i) make any material alteration or material addition to the electrical equipment and/or appliances in the premises that could overburden the electrical capacity available at the premises, or (ii) install any additional wiring, conduits or feeders in either (x) the common areas or (y) the exterior of the Building, without the prior written consent of Landlord in each instance first obtained, which consent will not be unreasonably withheld, and will promptly advise Landlord of any other alteration or addition to such electrical equipment and/or appliances.

8.2 UTILITIES. Tenant shall pay for all separately metered utilities, consumed in the Premises throughout the term of this Lease, including without limitation, sanitary, water, heat, and air conditioning, whenever the same are due and payable to any third party provider.

8.3 REPAIRS. Except as otherwise provided in Articles 18 and 20, and subject to Tenant's obligations in Article 14, Landlord shall keep and maintain the roof, exterior walls, structural floor slabs, columns, and other common facilities and systems of the Building, and the water systems serving the Building and the Premises, in good condition and repair. Landlord shall also maintain all common areas of the Complex, including all paved and landscaped areas, in good condition, and Landlord shall remove any snow and ice from the paved areas of the Complex as reasonably necessary.

8.4 INTERRUPTION OR CURTAILMENT OF SERVICES.

(a) When necessary by reason of accident or emergency, or for repairs, alterations, replacements or improvements which in the reasonable judgment of Landlord are necessary to be made, or of difficulty or inability in securing supplies or labor, or of strikes, or of any other cause beyond the reasonable control of Landlord, whether such other cause be similar or dissimilar to those hereinabove specifically mentioned until said cause has been removed, Landlord reserves the right to interrupt, curtail, stop or suspend any utility services provided to the Building and/or premises. Landlord shall exercise reasonable diligence to eliminate the cause of any such interruption, curtailment, stoppage or suspension, but, except as expressly provided herein, there shall be no diminution or abatement of rent or other compensation due from Landlord to Tenant hereunder, nor shall this Lease be affected or any of the Tenant's obligations hereunder reduced, and the Landlord shall have no responsibility or liability for any such

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interruption, curtailment, stoppage, or suspension of services or systems. Landlord shall, except in an emergency or accident, give Tenant reasonable advance notice of any interruption in Building services.

(b) Notwithstanding anything to the contrary in this Lease contained, if the premises shall lack any service which Landlord is required to provide hereunder or electric service (thereby rendering the premises or a portion thereof untenable) so that, for the Landlord Service Interruption Cure Period, as hereinafter defined, the continued operation in the ordinary course of Tenant's business is materially adversely affected and if Tenant ceases to use the affected portion of the premises during the period of untenability as the direct result of such lack of service, then, provided that Tenant ceases to use the affected portion of the premises during the entirety of the Landlord Service Interruption Cure Period and that such untenability and Landlord's inability to cure such condition is not caused by the fault or neglect of Tenant or Tenant's agents, employees or contractors, Yearly Rent shall thereafter be abated in proportion to such untenability until the day such condition is completely corrected.

(c) For the purposes hereof, the "Landlord Service Interruption Cure Period" shall be defined as five (5) consecutive business days after Landlord's receipt of written notice from Tenant of the condition causing untenantability in the premises, provided however, that the Landlord Service Interruption Cure Period shall be fifteen (15) consecutive business days after Landlord's receipt of written notice from Tenant of such condition causing untenantability in the premises if either the condition was caused by causes beyond Landlord's control or Landlord is unable to cure such condition as the result of causes beyond Landlord's control.

(d) The provisions of Paragraph (b) of this Article 8.4 shall not apply in the event of untenantability caused by fire or other casualty, or taking (see Articles 18 and 20).

8.5 ENERGY CONSERVATION. Notwithstanding anything to the contrary in this Article 8 or in this Lease contained, Landlord may institute, and Tenant shall comply with, such policies, programs and measures as may be necessary, required, or expedient for the conservation and/or preservation of energy or energy services, provided however, that Landlord does not, by reason of such policies, programs and measures, reduce the level of energy or energy services being provided to the premises below the level of energy or energy services then being provided in comparably aged industrial buildings with similar uses in the greater Franklin area, or as may be necessary or required to comply with applicable codes, rules regulations or standards.

9. ESCALATION

9.1 DEFINITIONS. As used in this Article 9, the words and terms which follow mean and include the following:

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(a) "Operating Year" shall mean a calendar year in which occurs any part of the term of this Lease.

(b) "Tenant's Proportionate Complex Share" shall be the figure as determined in Exhibit 1.

(c) "Tenant's Proportionate Building Share" shall be the figure as determined in Exhibit 1.

(d) "Taxes" shall mean the real estate taxes and other taxes, levies and assessments imposed upon the Building and the land on which it stands and upon any personal property of Landlord used in the operation thereof, or Landlord's interest in the Building or such personal property; governmental charges, fees and assessments for transit, housing, police, fire or other governmental services or purported benefits to the Building; service or user payments in lieu of taxes; and any and all other taxes, levies, betterments, assessments and charges arising from the ownership, leasing, operating, use or occupancy of the Building or based upon rentals derived therefrom, which are or shall be imposed by National, State, Municipal or other authorities. As of the Execution Date, "Taxes" shall not include any franchise, rental, transfer, income or profit tax, capital levy or excise, provided, however, that any of the same and any other tax, excise, fee, levy, charge or assessment, however described, that may in the future be levied or assessed as a substitute for or an addition to, in whole or in part, any tax, levy or assessment which would otherwise constitute "Taxes," whether or not now customary or in the contemplation of the parties on the Execution Date of this Lease, shall constitute "Taxes," but only to the extent calculated as if the Building and the land upon which it stands is the only real estate owned by Landlord. "Taxes" shall also include expenses of tax abatement or other proceedings contesting assessments or levies. Notwithstanding anything to the contrary herein contained, Taxes shall in no event include any voluntary payments made by Landlord, or any penalties and interest accruing due to Landlord's failure to pay such Taxes when due (unless resulting from Tenant's late payment).

(e) "Tax Period" shall be any fiscal/tax period in respect of which Taxes are due and payable to the appropriate governmental taxing authority, any portion of which period occurs during the term of this Lease, the first such Period being the one in which the Term Commencement Date occurs.

(f) "Operating Costs":

(f1) Definition of Building Operating Costs. "Building Operating Costs" shall mean all costs incurred and expenditures of whatever nature made by Landlord in the operation and management, for repair and replacements, and maintenance of the Building, as determined under generally accepted accounting principles consistently applied including, without limitation, vehicular and pedestrian passageways related to the Building, related equipment, facilities and appurtenances.

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(f2) Definition of Complex Operating Costs. "Complex Operating Costs" shall mean all costs incurred and expenditures made by Landlord in the operation and management, repair and replacement, cleaning and maintenance of the Complex, as determined under generally accepted accounting principles consistently applied (except that the Annual Charge-Off with respect to capital expenditures shall be determined in accordance with Subparagraph (f5)). Any expenses incurred by Landlord that can be allocated on a building-by-building basis shall be so allocated in accordance with Subparagraph (f3). To the extent that a cost included in Complex Operating Costs is also allocable to property other than the Complex, such cost shall be equitably allocated to each parcel of property which benefits from such cost.

(f3) The allocation of costs and expenditures among the various buildings in the Complex shall be on the basis of the ratio of the Total Rentable Area of each building in the Complex to the Total Rentable Area of the Complex, unless such allocation would result in a disproportionate charge based upon the relative usage of the service on which such cost is based, in which case such allocation shall be based upon such relative usage. Building Operating Costs and Complex Operating Costs shall include, without limitation, those categories of "Specifically Included Operating Costs", as set forth below, but shall not include "Excluded Costs", as hereinafter defined.

(f4) Definition of Excluded Costs. "Excluded Costs" shall be defined as:

- (i) Taxes
- (ii) Repairs or maintenance which are required due to the gross negligence or willful misconduct of the Landlord.
- (iii) The cost of making any repairs or alterations to the Building and/or the Complex which are required because of the failure of the Building and/or the Complex to comply with applicable laws, by-laws, ordinances, codes, rules, regulations, orders and other lawful requirements of governmental bodies having jurisdiction which are in effect as of the Term Commencement Date.
- (iv) Expenditures that are, under generally accepted accounting principles consistently applied, of a capital nature, except to the extent permitted pursuant to Article 9.1(f5).
- (v) Depreciation and amortization, except to the extent permitted pursuant to Article 9.1(f5).
- (vi) Increases in the casualty and liability insurance premium for the Building or the Complex due exclusively to the occupancy of another tenant or occupant in the Building or another part of the Complex or due to any unusual or

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extraordinary leasehold improvements solely for the benefit of another tenant or occupant in the Building or another part of the Complex (the parties hereby acknowledging that the determination of Landlord's insurance companies as to the reason for any increase in insurance premium charged by such insurance companies shall be conclusive and binding upon the parties).

- (vii) Any costs incurred to test, survey, clean-up, contain, abate, remove or otherwise remedy Hazardous Materials, as defined in Article 17.6, provided however that the provisions of this paragraph shall not apply to substances

or materials: (i) which exist in the Complex as of the Execution Date, which is not considered, as a matter of law, to be a Hazardous Substance, as of the Execution Date, but which is subsequently determined to be a Hazardous Substance as a matter of law; or (ii) which is introduced to the Complex after the Execution Date, which is not considered, as a matter of law, to be a Hazardous Substance as of the time that such substance is introduced to the Complex, but which is subsequently determined to be a Hazardous Substance.

- (viii) Any costs, fees or expenses paid to an affiliate, subsidiary or related company of the Landlord in excess of that which would be paid to competitor contractors, servicemen, vendors or companies at arms length for comparable service of comparable quality to the comparable area.
- (ix) General overhead, salaries, and other administrative costs of Landlord's home office.
- (x) Interest on debt or amortization payments on any mortgage or mortgages (except to the extent that such payments are included in the Annual Charge-Off for a capital expenditures that is permitted to be included in Operating Costs, as provided in Article 9.1(f5)), mortgage charges and brokerage commissions.
- (xi) Repair or other work occasioned by: (i) fire, windstorm or other casualty, except to the extent that such cost is within the deductible carried by Landlord under its casualty insurance (which deductible shall not exceed \$25,000), or (ii) the exercise of eminent domain.
- (xii) Leasing commissions, attorneys' fees, accountants' fees, architects' fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with the Tenant, other tenants, other occupants, or prospective tenant or occupants or associated with the enforcement of any leases or defenses of the Landlord's title to or interest in the Complex or any part thereof.

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- (xiii) Renovating or otherwise improving, decorating, painting or redecorating space for tenants or other occupants of the Building or another part of the Complex.
- (xiv) Expenses in connection with services or other benefits of a type or to the extent not provided to the Tenant or the Premises but which are provided to another tenant or occupant.
- (xv) Penalties or damages incurred due to violation by the Landlord or any tenant of the terms and conditions of any lease.
- (xvi) All items and services for which Tenant or any other tenant or occupant in the Building or another part of the Complex is separately charged, reimburses the Landlord (other than through Operating Cost pass-through provisions similar to Article 9) or pays third persons or for which the Landlord is reimbursed by any other party, including, without limitation, amounts reimbursed under insurance policies and the net amount recovered by the Landlord under any warranties.
- (xvii) Any fines or penalties incurred due to the violations by the Landlord of any governmental rule or authority.
- (xviii) Any costs incurred by the Landlord in the event that the Premises, the Building or the Complex does not comply with governmental rules in effect as of the Term Commencement Date.
- (xix) Costs of repairs or replacements which are made prior to the third anniversary of the Rent Commencement Date which are required because of defects in workmanship or materials provided by or for Landlord in connection with the initial construction of the Building (including Landlord's Work).
- (xx) Advertising and promotional expenditures.
- (xxi) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord at

the Complex.

(xxii) Payments of fixed or percentage rent under any ground lease.

(xxiii) Charitable or political contributions.

(f5) Capital Expenditures.

(i) CAPITAL EXPENDITURES. If, during the term of this Lease, Landlord makes any capital expenditures or acquires a capital item, whether new or a replacement of a capital item which was worn out, has become obsolete, etc. (collectively called "Capital Expenditures"), the total amount of which is not properly

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includible in Operating Costs for the Operating Year in which they were made, there shall nevertheless be included in such Operating Costs and in Operating Costs for each succeeding Operating Year the Annual Charge-Off (determined as hereinafter provided) of such capital expenditure. Notwithstanding the foregoing, with respect to such Capital Expenditure, the Annual Charge-Off of such Capital Expenditure, shall be included in Operating Costs, only:

(1) if the capital item being acquired is required by a change in law after the Rent Commencement Date;

(2) to the extent the capital item is reasonably projected to reduce Operating Costs, as and when such reductions are reasonably projected to occur; or

(3) in the case of a replacement, the Annual Charge-Off, (less insurance proceeds, if any, collected by Landlord by reason of damage to, or destruction of the capital item being replaced) exceeds the Annual Charge-Off of the capital expenditure for the item being replaced.

(ii) ANNUAL CHARGE-OFF. "Annual Charge-Off" shall be defined as the annual amount of principal and interest payments which would be required to repay a loan ("Capital Loan") in equal monthly installments of principal and interest over the Useful Life, as hereinafter defined, of the capital item in question on a direct reduction basis at an annual interest rate equal to the Capital Interest Rate, as hereinafter defined, where the initial principal balance is the cost of the capital item in question.

(iii) USEFUL LIFE. "Useful Life" shall be reasonably determined by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of acquisition of the capital item.

(iv) CAPITAL INTEREST RATE. "Capital Interest Rate" shall be defined as an annual rate of either one percentage point over the AA Bond rate (Standard & Poor's corporate composite or, if unavailable, its equivalent) as reported in the financial press at the time the capital expenditure is made or, if the capital item is acquired through third-party financing, then the actual (including fluctuating) rate paid by Landlord in financing the acquisition of such capital item.

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(f6) Specifically Included Categories of Operating Costs.

Subject to the Excluded Costs definition, the qualifications on reimbursable Building Operating Costs and Complex Operating Costs set forth in Articles 9.1(f1), 9.1(f2) and 9.1(f3), and except as otherwise expressly excluded from the definition of Building Operating Costs and Complex Operating Costs pursuant to the provisions of this Lease, Building Operating Costs and Complex Operating Costs shall include, but not be limited to, the following, provided that if such costs are attributable to the Building and to other buildings in the Complex, then such costs shall be equitably apportioned among the Building and

such other buildings in accordance with Article 9.1(f3), and if such costs are attributable to common areas of the Complex and to other property which is not part of the Complex, then such costs shall be equitably apportioned among the Complex and such other property.

Taxes (other than real estate taxes): Sales, Federal Social Security, Unemployment and Old Age Taxes and contributions and State Unemployment taxes and contributions accruing to and paid by the Landlord on account of all employees of Landlord and/or Landlord's managing agent, whose salaries are included in Operating Costs hereunder, but only to that extent. Taxes levied upon the net income of the Landlord and taxes withheld from employees, and "Taxes" as defined in Article 9.1(d) shall not be included herein.

Wages: Wages and cost of all employee benefits of all employees of the Landlord and/or Landlord's managing agent who are employed in, about or on account of the Building or the Complex, provided that wages and costs for employees who also work on other properties shall be allocated to the Complex based upon the proportion of their time spent working on the Complex and then allocated to the Premises or a square foot basis.

Management Fees not exceeding three and one-half (3 1/2%) of the gross income of the Complex during any Operating Year.

Cleaning, Snow and Ice Removal, and Landscaping: The cost of labor and materials for cleaning and maintaining the paved areas of the Complex, for maintaining any landscaping in the Complex, and for removing snow and ice from the paved areas and roofs of the Complex.

Electricity: The cost of all electric current for the operation of any machine, appliance or device used for the operation of the common areas of the Building and/or Complex, but not including electric current which is paid for directly to the utility by the user/tenant in the premises and/or Complex.

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Insurance, etc.: Fire, casualty, liability, rent loss and such other insurance as may from time to time be required by lending institutions on comparable first-class complexes in the Market Area, as defined in Paragraph 3 of the Rider to the Lease, and all other expenses customarily incurred in connection with the operation and maintenance of comparable first-class industrial complexes in the City or Town wherein the Building is located including, without limitation, insurance deductible amounts.

9.2 TENANT'S TAXES.

(a) IN GENERAL. Tenant shall pay to Landlord, as additional rent, Tenant's Proportionate Complex Share of Taxes incurred with respect to each Tax Period (referred to herein as "Tenant's Taxes"). Tenant's Taxes shall be due on the later to occur of (i) thirty (30) days after receipt of a bill from Landlord, or (ii) the date that is fifteen (15) days prior to the date interest or penalty would accrue to the assessing authority for nonpayment. In implementation and not in limitation of the foregoing, Tenant shall, commencing as of the Rent Commencement Date, remit to Landlord pro rata monthly installments on account of reasonably projected (as such projection may be changed from time to time by Landlord), Tenant's Taxes for Taxes due in the succeeding Tax Period as reasonably projected by Landlord on the basis of the most recent data available, including notices of proposed assessment. If the total of such monthly remittances on account of any Tax Period is greater than the actual Tenant's Taxes for such Tax Period, Tenant may credit the difference against the next installment of rent or other charges due to Landlord hereunder. If the total of such remittance is less than the actual Tenant's Taxes for such Tax Period, Tenant shall pay the difference to Landlord within thirty (30) days of the date Tenant is billed therefor.

(b) EFFECT OF ABATEMENTS. Appropriate credit shall be given for any refund obtained by reason of a reduction in any Taxes by the Assessors or the administrative, judicial or other governmental agency responsible therefor. The original computations, as well as reimbursement or payments of additional charges, if any, or allowances, if any, under the provisions of this Article 9.2

shall be based on the original assessed valuations with adjustments to be made at a later date when the tax refund, if any, shall be paid to Landlord by the taxing authorities. Expenditures for legal fees and for other similar or dissimilar expenses incurred in obtaining the tax refund may be charged against the tax refund before the adjustments are made for the Tax Period.

(c) EFFECT OF ASSESSMENT. Tenant shall not be responsible for any increase in Taxes which may result from or be attributable to any alteration, addition or improvement to the Complex in excess of the level of improvements reflected in the Premises as of the Term Commencement Date which is made by or for the account of a tenant of the Complex other than Tenant, but only as and to the extent that it is reasonably determinable from the records of the assessing authority that such increase in Taxes is based solely upon such alteration, addition or improvement. Without limiting the foregoing, for any Tax Period in which the assessing authority determines the

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assessed value of the Building and the land based upon an income approach, then the immediately preceding sentence shall not apply.

9.3 TENANT'S OPERATING EXPENSES.

(a) In General. Tenant shall pay to Landlord, as additional rent, Tenant's Proportionate Building Share of Building Operating Costs incurred by Landlord in respect of any Operating Year and Tenant's Proportionate Complex Share of Complex Operating Costs incurred by Landlord in respect of any Operating Year, during the term of this Lease. The amounts payable by Tenant pursuant to this Article 9.2 are collectively referred to herein as "Tenant's Operating Expenses". Tenant's Operating Expenses shall be due within thirty (30) days after receipt of an invoice from Landlord. In implementation and not in limitation of the foregoing, Tenant shall, commencing as of the Rent Commencement Date, remit to Landlord pro rata monthly installments on account of projected Tenant's Operating Expenses, calculated by Landlord on the basis of the most recent Operating Cost data or budget available. Landlord shall, within one hundred twenty (120) days after the end of each Operating Year, deliver to Tenant a reasonably detailed line-item statement ("Operating Year End Statement") of the actual amount of Operating Costs for such Operating Year. If the total of such monthly remittances on account of any Operating Year is greater than the actual Tenant's Operating Expenses for such Operating Year, Tenant may credit the difference against the next installment of rent or other charges due to Landlord hereunder. If the total of such remittances is less than actual Tenant's Operating Expenses for such Operating Year, Tenant shall pay the difference to Landlord when billed therefor. Landlord shall (or shall cause its managing agent to) maintain its books relating to Operating Expenses and retain all receipts, paid invoices and other supporting documentation reasonably necessary to evidence Operating Expenses for at least three (3) years after the expiration of the Operating Year in question.

(b) TENANT'S AUDIT RIGHTS. Subject to the provisions of this paragraph, Tenant shall have the right, at Tenant's cost and expense, to examine all documentation and calculations prepared in the determination of Operating Expenses:

(1) Such documentation and calculation shall be made available to Tenant at the offices where Landlord keeps such records during normal business hours within a reasonable time after Landlord receives a written request from Tenant to make such examination.

(2) Tenant shall have the right to make such examination no more than once in respect of any period in which Landlord has given Tenant an Operating Year End Statement.

(3) Any request for examination in respect of any Operating Year may be made and completed no more than one hundred twenty (120) days after Landlord has given Tenant an Operating Year End Statement for such Operating Year, provided however, if such examination results in a determination

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that Tenant was overcharged with respect to an Operating Year, then Tenant shall have the right to review Landlord's books as to the

erroneous items for the two (2) Operating Years immediately prior to the Operating Year in question, and if such examination results in a determination that Landlord committed a fraud with respect to an Operating Year then Tenant shall have the right to review Landlord's books for the three (3) Operating Years immediately prior to the Operating Year in question. If Tenant fails to submit to Landlord in writing any objections to Operating Costs with respect to any Operating Year within the foregoing time limits, Tenant shall be conclusively deemed to have accepted the amounts billed by Landlord to Tenant on account of such Operating Year.

(4) Such examination may be made first by Tenant and any employees of Tenant, and then, at Tenant's election, by an independent firm, provided that in no event shall the compensation payable by Tenant to such firm be on the basis of a contingent fee.

(5) As a condition to performing any such examination, Tenant and its examiners shall be required to execute and deliver to Landlord a confidentiality agreement in form reasonably acceptable to Landlord, agreeing to keep confidential any information which it discovers about Landlord or the Complex in connection with such examination, except as disclosure may be required by law.

9.4 PART YEARS. If the Rent Commencement Date or the Termination Date occurs on a day other than the first day of an Operating Year or Tax Period, Tenant shall be liable for only that portion of the Operating Expense or Taxes, as the case may be, in respect of such Operating Year or Tax Period represented by a fraction the numerator of which is the number of days of the herein term which falls within the Operating Year or Tax Period and the denominator of which is three hundred sixty-five (365), or the number of days in said Tax Period, as the case may be.

9.5 EFFECT OF TAKING. In the event of any taking of the Building or the land upon which it stands under circumstances whereby this Lease shall not terminate under the provisions of Article 20 then, Tenant's Proportionate Complex Share and Tenant's Proportionate Building Share shall be adjusted appropriately to reflect the proportion of the premises and/or the Building remaining after such taking.

9.6 SURVIVAL. Any obligations under this Article 9 which shall not have been paid at the expiration or sooner termination of the term of this Lease shall survive such expiration and shall be paid when and as the amount of same shall be determined to be due.

10. CHANGES OR ALTERATIONS BY LANDLORD

Landlord reserves the right, exercisable by itself or its nominee, at any time and from time to time without the same constituting an actual or constructive eviction and

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without incurring any liability to Tenant therefor or otherwise affecting Tenant's obligations under this Lease, to make such changes, alterations, additions, improvements, repairs or replacements in or to the Building (including the premises) and the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages, elevators, escalators, and stairways thereof, as it may deem necessary or desirable, and to change the arrangement and/or location of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets, or other public parts of the Building, or the Complex (including, without limitation, any driveways, sidewalks, parking areas, and other paved areas of the Complex) provided, however, that there be no material interference with Tenant's right of access to, or with Tenant's use and enjoyment of, the premises or (unless required by applicable law or taking) Tenant's appurtenant rights, including, without limitation, Tenant's Parking Rights. Notwithstanding the foregoing, Landlord shall not make any alteration, addition or improvement within the Premises that is not above the ceiling, behind the walls or below the floor unless either (i) Landlord obtains Tenant's prior written consent, which consent shall not be unreasonably withheld, or (ii) such work is required by law. Furthermore, in performing any such repair or alteration work, Landlord shall make reasonable efforts to minimize any interference with Tenant's use and enjoyment of the Premises, which shall include, at a minimum, all reasonable efforts to avoid disruption to any

utilities serving the Premises or interference with any other Building systems, and if, despite such reasonable efforts, any utility or other building system must be shut-down for any period of time, Landlord shall make reasonable efforts to provide Tenant with at least one (1) week prior written notice of such shut-down, except in an emergency. Nothing contained in this Article 10 shall be deemed to relieve Tenant of any duty, obligation or liability of Tenant with respect to making any repair, replacement or improvement or complying with any law, order or requirement of any governmental or other authority. Landlord reserves the right to adopt and at any time and from time to time to change the name or address of the Building and the Complex. Neither this Lease nor any use by Tenant shall give Tenant any right or easement for the use of any door or any passage or any concourse connecting with any other building or to any public convenience, and the use of such doors, passages and concourses and of such conveniences may be regulated or discontinued at any time and from time to time by Landlord without notice to Tenant and without affecting the obligation of Tenant hereunder or incurring any liability to Tenant therefor, provided, however, that there be no material interference with Tenant's right of access to, or with the use of the premises or Tenant's appurtenant rights (including, without limitation, Tenant's Parking Rights).

11. FIXTURES, EQUIPMENT AND IMPROVEMENTS--REMOVAL BY TENANT

Except as provided for in this Article 11 and in Article 12, all fixtures, equipment, improvements and appurtenances attached to or built into the premises prior to or during the term, whether by Landlord at its expense or at the expense of Tenant (either or both) or by Tenant shall be and remain part of the premises and shall not be removed by Tenant during or at the end of the term unless Landlord otherwise elects to require Tenant to remove such fixtures, equipment, improvements and appurtenances, in accordance with

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Articles 12 and/or 22 of the Lease. All electric, telephone, telegraph, communication, radio, plumbing, heating and sprinkling systems, fixtures and outlets, vaults, paneling, molding, shelving, radiator enclosures, cork, rubber, linoleum and composition floors, ventilating, silencing, air conditioning and cooling equipment, shall be deemed to be included in such fixtures, equipment, improvements and appurtenances, whether or not attached to or built into the premises. All removable electric fixtures, carpets, drinking or tap water facilities, or furniture, or trade fixtures or business equipment, the Other Removable Property, as hereinafter defined (collectively, "Tenant's Trade Fixtures"), and Tenant's inventory and stock in trade shall not be deemed to be included in such fixtures, equipment, improvements and appurtenances and will be removed by Tenant; however, the cost of repairing any damage to the premises or the Building arising from installation or such removal of any of the foregoing shall be paid by Tenant. For the purposes hereof, the "Other Removable Property" shall be defined as those items which Tenant identifies in writing at the time Tenant submits plans to Landlord, provided that Landlord approves such items. Such approval shall not be unreasonably withheld. In no event shall any air conditioning, heating or ventilating equipment serving the premises be deemed to be Other Removable Property.

12. ALTERATIONS AND IMPROVEMENTS BY TENANT

(a) Tenant shall make no alterations, decorations, installations, removals (other than Tenant's Trade Fixtures, which Tenant has the right to remove pursuant to Article 11), additions or improvements in or to the premises without Landlord's prior written consent and then only those made by contractors or mechanics approved by Landlord. Except for installation of conduit and wiring to serve Tenant's telecommunications needs (which may be only if Tenant has obtained Landlord's prior written consent), and except in connection with the initial Tenant Work described on Exhibit 4-I, Tenant shall have no right to make alterations, installations or removals outside of the premises. No installations or work shall be undertaken or begun by Tenant until: (i) Landlord has approved written plans and specifications and a time schedule for such work; (ii) Tenant has made provision for either written waivers of liens from all contractors, laborers and suppliers of materials for such installations or work, the filing of lien bonds on behalf of such contractors, laborers and suppliers, or other appropriate protective measures approved by Landlord; and (iii) with respect to the Required Tenant Work and any future installations or work, the cost of which exceeds \$250,000.00, Tenant has procured appropriate surety payment and performance bonds. Notwithstanding the foregoing, the provisions of clause (iii) of this Article 12 shall not apply if the aggregate net worth of the entity

holding Tenant's interest and of any and all other parties responsible for all of the obligations and liabilities of Tenant hereunder (collectively "Responsible Parties") as of the time of the installation or work (as evidenced by financial statements, in form reasonably acceptable to Landlord and prepared and certified by an independent certified public account reasonably acceptable to Landlord) is at least One Hundred Million and 00/100 (\$100,000,000) Dollars. Initially, the only Responsible Parties are Tenant and the Guarantor, SMTC Corporation. No amendments or additions to such plans and specifications shall be made without the prior written consent of Landlord.

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(b) Landlord's consent and approval required under this Article 12 shall not be unreasonably withheld. Landlord's approval is solely given for the benefit of Landlord and neither Tenant nor any third party shall have the right to rely upon Landlord's approval of Tenant's plans for any purpose whatsoever. Without limiting the foregoing, Tenant shall be responsible for all elements of the design of Tenant's plans (including, without limitation, compliance with law, functionality of design, the structural integrity of the design, the configuration of the premises and the placement of Tenant's furniture, appliances and equipment), and Landlord's approval of Tenant's plans shall in no event relieve Tenant of the responsibility for such design. Landlord shall have no liability or responsibility for any claim, injury or damage alleged to have been caused by the particular materials, whether building standard or non-building standard, appliances or equipment selected by Tenant in connection with any work performed by or on behalf of Tenant in the premises including, without limitation, furniture, carpeting, copiers, laser printers, computers and refrigerators. Any such work, alterations, decorations, installations, removals, additions and improvements shall be done at Tenant's sole expense and at such times and in such manner as Landlord may from time to time designate.

(c) If Tenant shall make any alterations, decorations, installations, removals, additions or improvements other than the Required Tenant Work (collectively "Alterations") then Landlord may elect to require the Tenant at the expiration or sooner termination of the term of this Lease to remove the Alterations and return the Premises in the condition required pursuant to Article 22 of the lease. Landlord shall, if so requested by Tenant at the time that Tenant requests that Landlord gives its approval to any such Alterations, or at the time that Tenant gives written notice to Landlord of such Alterations, make such election.

(d) Tenant shall pay, as an additional charge, the entire increase in real estate taxes on the Building which shall, at any time prior to or after the Term Commencement Date, result from or be attributable to any alteration, addition or improvement to the Premises made by or for the account of Tenant, but only as and to the extent it is reasonably determinable from the records of the assessing authority that such increase in Taxes is based solely upon such alteration, addition, or improvement.

(e) Notwithstanding anything to the contrary herein contained, Tenant shall have the right, without obtaining Landlord's consent, to make interior nonstructural decorations, alterations, additions, or improvements ("Permitted Alterations"), provided however, that:

(i) Tenant shall give prior written notice to Landlord of such decorations, alterations, additions or improvements;

(ii) Tenant shall submit to Landlord plans for such decorations, alterations, additions, or improvements if Tenant utilizes plans for such decorations, alterations, additions or improvements; and

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(iii) such decorations, alterations, additions or improvement shall not materially, adversely affect any of the Building's systems.

Tenant may engage a contractor to perform Permitted Alterations without obtaining Landlord's consent.

(f) Any disputes arising under this Article 12 shall be submitted to arbitration in accordance with Article 29.5 of the Lease.

(g) Notwithstanding any term or provision herein to the contrary,

during the Term of this Lease, any improvements or alterations made by Tenant to the premises, excluding any Required Tenant Work (and any equipment substituted by Tenant in place of the Required Tenant Work) shall be deemed owned by Tenant. Landlord and Tenant acknowledge and agree that Tenant has a substantial economic interest in such improvements and alterations, and, Tenant shall, during the term of this Lease, have the exclusive insurable interest in such property.

13. TENANT'S CONTRACTORS--MECHANICS' AND OTHER LIENS--STANDARD OF TENANT'S PERFORMANCE-COMPLIANCE WITH LAWS

Whenever Tenant shall make any alterations, decorations, installations, removals, additions or improvements in or to the premises--whether such work be done prior to or after the Term Commencement Date--Tenant will strictly observe the following covenants and agreements:

(a) Tenant agrees that it will not, either directly or indirectly, use any contractors and/or materials if their use will create any difficulty, whether in the nature of a labor dispute or otherwise, with other contractors and/or labor engaged by Tenant or Landlord or others in the construction, maintenance and/or operation of the Building or any part thereof. -

(b) In no event shall any material or equipment be incorporated in or added to the premises, so as to become a fixture or otherwise a part of the Building, in connection with any such alteration, decoration, installation, addition or improvement which is subject to any lien, charge, mortgage or other encumbrance of any kind whatsoever or is subject to any security interest or any form of title retention agreement. Notwithstanding the foregoing, Tenant shall have the right to grant security interests or lease Tenant's Trade Fixtures and access agreements for the benefit of such lessor or secured party and Landlord shall, upon written request of Tenant, execute waivers of its interest in Tenant's Trade Fixtures in forms reasonably acceptable to Landlord, provided that such lessor or secured party agrees:

1. That it will repair any damage to the Building or the premises caused by the installation or removal of any such equipment or personal property;

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2. That it will give Landlord not less than five (5) days advance written notice prior to making any entry into the premises;

3. That it will not hold any auction or foreclosure sale on the premises; and

4. That it will have the right to remove such equipment or property not later than the date that the term of this Lease expires or the date that is thirty (30) days after any earlier termination of the term of this Lease.

No installations or work shall be undertaken or begun by Tenant until (i) Tenant has made provision for written waiver of liens from all contractors, laborers and suppliers of materials for such installations or work, and taken other appropriate protective measures approved by Landlord; and (ii) with respect to the Required Tenant Work and any future installations or work, the cost of which exceeds \$250,000.00, Tenant has procured appropriate surety payment and performance bonds which shall name Landlord as an additional obligee and has filed lien bond(s) (in jurisdictions where available) on behalf of such contractors, laborers and suppliers. Notwithstanding the foregoing, the provisions of clause (ii) of this Article 13 shall not apply if the aggregate net worth of the entity holding Tenant's interest and all other Responsible Parties, as of the time of the installation or work (as evidenced by financial statements, in form reasonably acceptable to Landlord, and prepared and certified by an independent certified public account reasonably acceptable to Landlord) is at least One Hundred Million and 00/100 (\$100,000,000) Dollars. Any mechanic's lien filed against the premises or the Building for work claimed to have been done for, or materials claimed to have been furnished to, Tenant shall be discharged by Tenant within ten (10) days thereafter, at Tenant's expense by filing the bond required by law or otherwise. If Tenant fails so to discharge any lien, Landlord may do so at Tenant's expense and Tenant shall reimburse Landlord for any expense or cost incurred by Landlord in so doing within fifteen (15) days after rendition of a bill therefor.

(c) All installations or work done by Tenant shall be at its own expense and shall at all times comply with (i) laws, rules, orders and regulations of governmental authorities having jurisdiction thereof (ii) orders, rules and regulations of any Board of Fire Underwriters, or any other body hereafter constituted exercising similar functions, and governing insurance rating bureaus; and (iii) Rules and Regulations of Landlord.

(d) Tenant shall procure all necessary permits before undertaking any work in the premises; do all of such work in a good and workmanlike manner, employing materials of good quality and complying with all governmental requirements; and, subject to the terms of Article 19, defend, save harmless, exonerate and indemnify Landlord from all injury, loss or damage to any person or property occasioned by or growing out of such work. Tenant shall cause contractors employed by Tenant to carry Worker's Compensation Insurance in accordance with statutory requirements,

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Automobile Liability Insurance and, naming Landlord as an additional insured, Commercial General Liability Insurance covering such contractors on or about the premises in the amounts stated in Article 15 hereof or in such other reasonable amounts as Landlord shall require and to submit certificates evidencing such coverage to Landlord prior to the commencement of such work.

14. REPAIRS BY TENANT-FLOOR LOAD

14.1 REPAIRS BY TENANT.

(a) From and after the Rent Commencement Date throughout the term of this Lease, Tenant shall keep all and singular the interior of the premises, as well as any installations by Tenant which are not within the interior of the premises, neat and clean and in such repair, order and condition as the same are in on the Rent Commencement Date or may be put in during the term hereof, reasonable use and wearing thereof, damage by fire or by other casualty, repairs and replacements that are Landlord's responsibility hereunder, and damage caused by the negligence or willful misconduct of Landlord or those for whom Landlord is legally responsible, excepted. Tenant shall be solely responsible for the proper maintenance of all equipment and appliances operated by Tenant. Subject to Articles 18 and 19 of this Lease, Tenant shall make, as and when needed as a result of misuse by, or neglect or improper conduct of, Tenant or Tenant's, servants, employees, agents, contractors, invitees, or licensees or otherwise, all repairs in and about the premises necessary to preserve them in such repair, order and condition, which repairs shall be in quality and class equal to the original work; provided, however that Tenant shall not be obligated to make such repairs if the damage is covered by the terms of Article 19.

(b) Subject to the terms of Articles 18 and 19, Tenant's maintenance and repair obligations shall include, without limitation, repairing, maintaining, and making replacements to items such as the following, but only to the extent the same are located within or exclusively serving the premises: floors (other than structural floors); walls (other than the exterior face or service corridor walls); ceiling; utility meters; pipes and conduits; fixtures; any loading dock servicing the premises (including any mechanical system pertinent to the drainage thereof); electrical, heating, ventilating and air-conditioning equipment and systems (whether such electrical, heating, ventilating and air-conditioning equipment and systems are located inside the premises or on the roof of the Building) which are installed by Tenant or which exclusively serve the premises; sprinkler equipment and other equipment within the premises; security grilles or similar enclosures; locks and closing devices; window sashes, casements and frames; glass; all installations made by Tenant pursuant to Articles 12 and 13, and doors and door frames.

(c) Notwithstanding anything to the contrary herein contained, Tenant shall not be obligated to repair any damage to the premises due to (i) a failure of Landlord to perform its obligations pursuant to Article 8 of this Lease, or (ii) the negligence or willful misconduct of Landlord or those for whom Landlord is legally responsible.

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(d) Throughout the term of this Lease, and without limiting any of the other provisions of this Article 14.1, Tenant shall enter into a maintenance contract approved by Landlord with a service provider approved by landlord for

the maintenance and repair of the HVAC system servicing the premises. Landlord agrees that it will not unreasonably withhold or delay such approval.

14.2 FLOOR LOAD--HEAVY MACHINERY. Tenant shall not place a load upon any floor of the premises exceeding the floor load per square foot of area which such floor was designed to carry and which is allowed by law. Landlord reserves the right, on a reasonable basis, to prescribe the weight of all business machines and mechanical equipment, including safes, which shall be placed so as to distribute the weight. Business machines and mechanical equipment shall be placed and maintained by Tenant at Tenant's expense in settings sufficient in Landlord's reasonable judgment to absorb and prevent vibration, noise and annoyance. Tenant shall not move any safe, heavy machinery, heavy equipment, freight, bulky matter, or fixtures into or out of the Building without Landlord's prior written consent, which consent shall not be unreasonably withheld. If such safe, machinery, equipment, freight, bulky matter or fixtures requires special handling, Tenant agrees to employ only persons holding a Master Rigger's License to do said work, and that all work in connection therewith shall comply with applicable laws and regulations. Any such moving shall be at the sole risk and hazard of Tenant and Tenant will defend, indemnify and save Landlord harmless against and from any liability, loss, injury, claim or suit for personal injury, and subject to Article 19, damage to property resulting from such moving. Proper placement of all such business machines, etc., in the premises shall be Tenant's responsibility. Landlord hereby represents that the floors of the premises are designed to carry a floor load of 4,000 pounds per square inch.

15. INSURANCE, INDEMNIFICATION, EXONERATION AND EXCULPATION

15.1 GENERAL LIABILITY INSURANCE. Tenant shall procure, and keep in force and pay for Commercial General Liability Insurance insuring Tenant on an occurrence basis against all claims and demands for personal injury liability (including, without limitation, bodily injury, sickness, disease, and death) or damage to property which may be claimed to have occurred from and after the time Tenant and/or its contractors enter the premises in accordance with Article 4 of this Lease, of not less than Two Million (\$2,000,000) Dollars in the event of personal injury to any number of persons or damage to property, arising out of any one occurrence, and from time to time thereafter shall be not less than such higher amounts, if procurable, as may be reasonably required by Landlord and are customarily carried by responsible similar tenants in the City or Town wherein the Building is located. Landlord agrees it shall exercise its right to increase Tenant's insurance limits no more often than one time every three years. Tenant may maintain the insurance required under this Article 15.1 pursuant to a blanket policy.

15.2 CERTIFICATES OF INSURANCE. Such insurance shall be effected with insurers approved by Landlord, authorized to do business in the State wherein the Building is

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situated under valid and enforceable policies wherein Tenant names Landlord and Landlord's managing agent as additional insureds. Such insurance shall provide that it shall not be canceled or modified without at least thirty (30) days' prior written notice to each insured named therein. On or before the time Tenant and/or its contractors enter the premises in accordance with Articles 4 and 14 of this Lease and thereafter not less than fifteen (15) days prior to the expiration date of each expiring policy, certificates of the policies provided for in Article 15.1 setting forth in full the provisions thereof and issued by such insurers together with evidence satisfactory to Landlord of the payment of all premiums for such policies, shall be delivered by Tenant to Landlord and certificates as aforesaid of such policies shall upon request of Landlord, be delivered by Tenant to the holder of any mortgage affecting the premises.

15.3 GENERAL. Subject to Article 19, Tenant will save Landlord, its agents and employees, harmless and will exonerate, defend and indemnify Landlord, its agents and employees, from and against any and all claims, liabilities or penalties asserted by or on behalf of any person, firm, corporation or public authority arising from any of the following, provided that in each case Tenant has received prompt notice of any claim, and a reasonable opportunity to participate in the defense and settlement of any such claim:

(a) On account of or based upon any injury to person, or loss of or damage to property, sustained or occurring on the premises on or after the Rent

Commencement Date on account of or based upon the act, omission, fault, negligence or misconduct of any person whomsoever (except to the extent the same is caused by the negligence or willful misconduct of Landlord, or Landlord's agents, contractors or employees);

(b) On account of or based upon any injury to person, or loss of or damage to property, sustained or occurring elsewhere (other than on the premises) in or about the Building or the Complex (and, in particular, without limiting the generality of the foregoing, on or about the elevators, stairways, public corridors, sidewalks, concourses, arcades, malls, galleries, vehicular tunnels, approaches, areaways, roof, or other appurtenances and facilities used in connection with the Complex, the Building or the premises) caused by the use or occupancy of the Building or premises by the Tenant, or by any person claiming by, through or under Tenant, or on account of or based upon the negligence or willful misconduct of Tenant, its agents, employees or contractors; and

(c) On account of or based upon (including monies due on account of) any breach by Tenant of its obligations under the last two sentences of Article 13(b).

(d) Tenant's obligations under clauses (a) and (b) of this Article 15.3 shall be insured either under the Commercial General Liability Insurance required under Article 15.1, above, or by a contractual insurance rider or other coverage; and certificates of insurance in respect thereof shall be provided by Tenant to Landlord upon request.

15.4 PROPERTY OF TENANT.

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(a) In addition to and not in limitation of the foregoing, Tenant covenants and agrees that, to the maximum extent permitted by law, all merchandise, furniture, fixtures and property of every kind, nature and description related or arising out of Tenant's leasehold estate hereunder, which may be in or upon the premises or Building, in the public corridors, or on the sidewalks, areaways and approaches adjacent thereto, shall be at the sole risk and hazard of Tenant, and that if the whole or any part thereof shall be damaged, destroyed, stolen or removed from any cause or reason whatsoever no part of said damage or loss shall be charged to, or borne by, Landlord; unless, subject to Article 19 hereof, such damage or loss is due to the negligence or willful misconduct of Landlord or Landlord's agents, employees, or contractors, in which case Landlord shall bear such loss or damage.

(b) Notwithstanding any terms or provision herein to the contrary, neither Landlord nor any mortgagee or ground lessor of Landlord, shall have any interest in the proceeds of insurance relating to Tenant Work.

15.5 BURSTING OF PIPES, ETC. Landlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, air contaminants or emissions, electricity, electrical or electronic emanations or disturbance, water, rain or snow or leaks from any part of the Building or from the pipes, appliances, equipment or plumbing works or from the roof, street or sub-surface or from any other place or caused by dampness, vandalism, malicious mischief or by any other cause of whatever nature, unless caused by or due to the negligence or willful misconduct of Landlord, or its agents, servants or employees, and then only after (i) notice to Landlord of the condition claimed to constitute negligence and (ii) the expiration of a reasonable time after such notice has been received by Landlord without Landlord having taken all reasonable and practicable means to cure or correct such condition; and pending such cure or correction by Landlord, Tenant shall take all reasonably prudent temporary measures and safeguards to prevent any injury, loss or damage to persons or property. In no event shall Landlord be liable for any loss, the risk of which is covered by Tenant's insurance or is required to be so covered by this Lease; nor shall Landlord or its agents be liable for any such damage caused by other tenants or persons in the Building or caused by operations in construction of any private, public, or quasi-public work; nor shall Landlord be liable for any latent defect in the premises or in the Building; except as expressly provided herein.

15.6 REPAIRS AND ALTERATIONS - NO DIMINUTION OF RENTAL VALUE.

(a) Except as otherwise expressly provided in this Lease, there shall

be no allowance to Tenant for diminution of rental value and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to Tenant arising from any repairs, alterations, additions, replacements or improvements made by Landlord, or any related work, Tenant or others in or to any portion of the Building or premises or any property adjoining the Building, or in or to fixtures, appurtenances, or equipment thereof, or for failure of Landlord or others to make any repairs, alterations, additions or

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improvements in or to any portion of the Building, or of the premises, or in or to the fixtures, appurtenances or equipment thereof.

(b) Notwithstanding anything to the contrary in this Lease contained, if due to any such repairs, alterations, replacements, or improvements made by Landlord or if due to Landlord's failure to make any repairs, alterations, or improvements required to be made by Landlord, any portion of the premises becomes untenable so that for the Premises Untenantability Cure Period, as hereinafter defined, the continued operation in the ordinary course of Tenant's business is materially adversely affected, then, provided that Tenant ceases to use the affected portion of the premises during the entirety of the Premises Untenantability Cure Period by reason of such untenability, and that such untenability and Landlord's inability to cure such condition is not caused by the fault or neglect of Tenant or Tenant's agents, employees or contractors, Yearly Rent, Operating Expense Excess and Tax Excess shall thereafter be abated in proportion to such untenability until the day such condition is completely corrected.

(c) For the purposes hereof, the "Premises Untenantability Cure Period" shall be defined as five (5) consecutive business days after Landlord's receipt of written notice from Tenant of the condition causing untenability in the premises, provided however, that the Premises Untenantability Cure Period shall be fifteen (15) consecutive business days after Landlord's receipt of written notice from Tenant of such condition causing untenability in the premises if either the condition was caused by causes beyond Landlord's control or Landlord is unable to cure such condition as the result of causes beyond Landlord's control.

(d) The provisions of Paragraph (b) of this Article 15.6 shall not apply in the event of untenability caused by fire or other casualty, or taking (see Articles 18 and 20).

15.7 LANDLORD INDEMNITY OF TENANT. Landlord, subject to the limitations on Landlord's liability contained elsewhere in this Lease, agrees to hold Tenant harmless and to defend, exonerate and indemnify Tenant from and against any and all claims, liabilities, penalties and costs and expenses (including reasonable attorneys' fees) asserted by or on behalf of any third party (i.e. any person, firm, corporation or public authority) based upon any injury to persons, or loss of or damage to property, sustained or occurring in the Complex to the extent arising from the negligence, or willful misconduct of Landlord or Landlord's agents, employees or contractors. The provisions of this Article 15.7 shall survive any termination of the Lease.

16. ASSIGNMENT, MORTGAGING AND SUBLETTING

(a) Tenant covenants and agrees that neither this Lease nor the term and estate hereby granted, nor any interest herein or therein, will be assigned, mortgaged, pledged, encumbered or otherwise transferred, voluntarily, by operation of law or otherwise, and that neither the Premises, nor any part thereof will be encumbered in any manner by reason of any act or omission on the part of Tenant, or used or occupied, or permitted to

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be used or occupied, or utilized for desk space or for mailing privileges, by anyone other than Tenant, or for any use or purpose other than as stated in Exhibit 1, or be sublet, or offered or advertised for subletting, without obtaining Landlord's prior written consent, which consent may, except as set forth in this Article 16, be withheld in Landlord's sole discretion. The foregoing shall not prohibit Tenant's agents, employees, contractors, officers, directors and invitees from using the premises.

(b) The assignment or transfer of this Lease, and the term and estate

hereby granted, to any business entity ("Permitted Tenant Successor") into which Tenant is merged or with which Tenant is consolidated or which acquires all or substantially all of Tenant's stock or assets, is permitted without Landlord's consent, provided that:

(x) such Permitted Tenant Successor and Tenant shall promptly execute, acknowledge and deliver to Landlord an agreement ("Assumption Agreement") in form and substance reasonably satisfactory to Landlord whereby such Permitted Tenant Successor shall agree to be independently bound by and upon all the covenants, agreements, terms and provisions and conditions set forth in this Lease on the part of Tenant to be performed, and whereby such Permitted Tenant Successor shall expressly agree that the provisions of this Article 16 shall, notwithstanding such assignment or transfer, continue to be binding upon it with respect to all future assignments and transfers, and

(y) either:

(i) such successor entity shall have a net worth (as evidenced by financial statements, in form reasonably acceptable to Landlord prepared and certified as accurate by an independent certified accounting firm reasonably acceptable to Landlord) at least equal to the lesser of (a) Tenant's net worth on the day prior to such merger, consolidation or sale, as the case may be or (ii) One Hundred Million Dollars and 00/100 (\$100,000,000), or

(ii) there is no default by Tenant in its obligations under the Lease, and Tenant delivers to Landlord the Security Deposit in the amount of Four Hundred Fifty Thousand (\$450,000.00) Dollars and complying with the provisions of the Paragraph I of the Rider to the Lease. The requirement to deliver such Security Deposit may be satisfied by the Security Deposit then being held by Landlord in accordance with Paragraph I of the Rider to the Lease.

(c) Tenant shall have the right to assign its interest in this Lease, and sublet the Premises or any portion thereof without Landlord's consent to an Affiliate of Tenant, as hereinafter defined. For the purposes hereof, an "Affiliate of Tenant" shall be defined as any entity which controls, is controlled by, or is under common control with, Tenant, so long as such entity remains in such relationship with Tenant. Tenant's right to assign its interest in this Lease to an Affiliate of Tenant shall be further conditioned upon such

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Affiliate, prior to such assignment, executing and delivering to Landlord an Assumption Agreement, as defined in Article 16(b). No assignment or subletting or use of the premises by an Affiliate of Tenant shall affect the purpose for which the premises may be used as stated in Exhibit 1.

(d) Notwithstanding anything to the contrary in the Lease contained:

(i) Prior to offering or advertising the premises, or any portion thereof for sublease or assignment to anyone other than a Permitted Tenant Successor or an Affiliate of Tenant, Tenant shall give Landlord a Recapture Offer, as hereinafter defined.

(ii) For the purposes hereof a "Recapture Offer" shall be defined as a notice in writing from Tenant to Landlord which:

(w) States that Tenant desires to sublet the premises, or a portion thereof, or to assign its interest in this Lease.

(x) In the case of a sublease, identifies the affected portion of the premises ("Recapture Premises").

(y) In the case of a sublease, identifies the period of time ("Recapture Period") during which Tenant proposes to sublet the Recapture Premises.

(z) Offers to Landlord to terminate the Lease in respect of the Recapture Premises (in the case of a proposed assignment of Tenant's interest in the Lease or a subletting for the remainder of the term of the

Lease) or to suspend the term of the Lease PRO TANTO in respect of the Recapture Period (i.e. the term of the Lease in respect of the Recapture Premises shall be terminated during the Recapture Period and Tenant's rental obligations shall be reduced in proportion to the ratio of the Total Rentable Area of the Recapture Premises to the Total Rentable Area of the premises then demised to Tenant).

(iii) Landlord shall have thirty (30) days to accept a Recapture Offer. If Landlord does not timely give written notice to Tenant accepting a Recapture Offer, then Landlord agrees that it will not unreasonably withhold or delay its consent to a sublease of the Recapture Premises for the Recapture Period, or an assignment of Tenant's interest in the Lease, as the case may be, to a Qualified Transferee, as hereinafter defined.

(iv) For the purposes hereof, a "Qualified Transferee" shall be defined as a person, firm or corporation which, in Landlord's reasonable opinion:

(x) is financially responsible (giving consideration to all of the terms and provisions of this Lease) and of good reputation;

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(y) which will use the premises for any of the permitted uses specified in Exhibit 1; and

(z) is not a Restricted Complex Occupant.

(v) For the purposes hereof, a "Restricted Complex Occupant" shall be defined as any tenant or subtenant of Complex other than one who satisfies all three of the following criteria:

(x) Such Occupant desires to sublease the Recapture Premises for expansion purposes only; AND

(y) Such Occupant's occupancy of the Recapture Premises will not, either directly or indirectly, cause a vacancy in the premises which such occupant then occupies in the Complex; AND

(z) Such Occupant's need, as to the size of premises and length of term, cannot then (i.e., at the time that Tenant requests Landlord's consent to such Occupant) be satisfied by Landlord in the Complex.

(vi) No subletting or assignment shall relieve Tenant of its primary obligation as party-Tenant hereunder, nor shall it reduce or increase Landlord's obligations under the Lease.

(vii) Notwithstanding anything to the contrary in this Paragraph (d) contained:

(y) If Tenant is in default, beyond the expiration of all applicable notice, grace and cure periods, of its obligations under the Lease at the time that it makes the aforesaid offer to Landlord, such default shall be deemed to be a "reasonable" reason for Landlord withholding its consent to any proposed subletting or assignment; and

(z) If Tenant does not enter into a sublease with a subtenant (or an assignment to an assignee, as the case may be) approved by Landlord, as aforesaid, on or before the date which is one hundred eighty (180) days after the earlier of: (x) the expiration of said thirty (30) day period, or (y) the date that Landlord notifies Tenant that Landlord will not accept Tenant's offer to terminate or suspend the Lease, then Landlord shall have the right arbitrarily to withhold its consent to any subletting or assignment proposed to be entered into by Tenant after the expiration of said one hundred eighty (180) day period unless Tenant again offers, in accordance with this Paragraph (d), either to terminate or to suspend the Lease in

respect of the portion of the premises proposed to be sublet (or in respect of the entirety of the premises in the event of a proposed assignment, as the case may be).

If Tenant shall make any subsequent offers to terminate or suspend the Lease pursuant to this Paragraph (d), any such subsequent offers shall be treated in all respects as if it is Tenant's first offer to suspend or terminate the Lease pursuant to this Paragraph (d), provided that the period of time Landlord shall have in which to accept or reject such subsequent offer shall be fifteen (15) days.

(vii) Notwithstanding anything to the contrary in this Paragraph (d) contained, none of the terms or provisions of this Paragraph (d) shall apply to any assignment or sublease to an Affiliate of Tenant, or any assignment or transfer of this Lease to a Permitted Tenant Successor.

(e) In the event of an assignment of this Lease or a sublease of the premises or any portion thereof to anyone other than a Permitted Tenant Successor or an Affiliate of Tenant, Tenant shall pay to Landlord fifty (50%) percent of any Net Sublease Profits (as defined below), payable in accordance with the following. In the case of an assignment of this Lease, "Net Sublease Profit": (1) shall be defined as a lump sum in the amount (if any) by which any consideration paid by the assignee in consideration of or as an inducement to Tenant to make said assignment exceeds the reasonable attorneys' fees, construction costs and brokerage fees incurred by Tenant in order to effect such assignment (collectively, "Sublease Expenses"), and (2) shall be payable concurrently with the payment to be made by the assignee to Tenant but only to the extent actually paid by such assignee. In the case of a sublease, "Net Sublease Profit": (3) shall be defined as a monthly amount equal to the amount by which the sublease rent and other charges payable by the subtenant to Tenant under the sublease exceed the sum of the rent and other charges payable under this Lease for the premises or allocable to the sublet portion thereof, plus a monthly amount equal to the Sublease Expenses divided by the number of months in the term of the sublease, and (4) shall be payable on a monthly basis concurrently with the subtenant's payment of rent to Tenant under the sublease but only to the extent actually paid by such subtenant. -

(f) The listing of any name other than that of Tenant, whether on the doors of the premises or on the Building directory, or otherwise, shall not operate to vest in any such other person, firm or corporation any right or interest in this Lease or in the premises or be deemed to effect or evidence any consent of Landlord, it being expressly understood that any such listing is a privilege extended by Landlord revocable at will by written notice to Tenant.

(g) If this Lease be assigned, or if the premises or any part thereof be sublet or occupied by anybody other than Tenant, Landlord may, at any time and from time to time, collect rent and other charges from the assignee, subtenant or occupant, and apply the net amount collected to the rent and other charges herein reserved then due and thereafter becoming due, but no such assignment, subletting, occupancy or collection

shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as a tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. Any consent by Landlord to a particular assignment or subletting shall not in any way diminish the prohibition stated in the first sentence of this Article 16 or the continuing liability of the Tenant named on Exhibit 1 as the party Tenant under this Lease. No assignment or subletting shall affect the purpose for which the premises may be used as stated in Exhibit I.

17. MISCELLANEOUS COVENANTS

Tenant covenants and agrees as follows:

17.1 RULES AND REGULATIONS. Tenant will faithfully observe and comply with the Rules and Regulations, if any, annexed hereto and such other and further reasonable Rules and Regulations as Landlord hereafter at any time or from time to time may make and may communicate writing to Tenant, which in the

reasonable judgment of Landlord shall be necessary for the reputation, safety, care or appearance of the Building, or the preservation of good order therein, or the operation or maintenance of the Building, or the equipment thereof, or the comfort of tenants or others in the Building, provided, however, that in the case of any conflict between the provisions of this Lease and any such regulations, the provisions of this Lease shall control, and provided further that nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations or the terms, covenants or conditions in any other lease as against any other tenant and Landlord shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, contractors, visitors, invitees or licensees. All Rules and Regulations shall be of general applicability to, and non-discriminatorily applied against, all tenants in the Complex.

17.2 ACCESS TO PREMISES - SHORING. Tenant shall; upon prior oral notice (except that no notice shall be required in emergency situations), (i) permit Landlord and any mortgagee of the Building or the Building and land or of the interest of Landlord therein, and any lessor under any ground or underlying lease, and their representatives, to have access to and to enter upon the premises at all reasonable hours for the purposes of inspection or of making repairs, replacements or improvements in or to the premises or the Building or equipment (including, without limitation, sanitary, electrical, heating, air conditioning or other systems) or of complying with all laws, orders and requirements of governmental or other authority or of exercising any right reserved to Landlord by this Lease (including the right during the progress of any such repairs, replacements or improvements or while performing work and furnishing materials in connection with compliance with any such laws, orders or requirements to take upon or through, or to keep and store within, the premises all necessary materials, tools and equipment); and (ii) permit Landlord, at reasonable times, to show the premises during ordinary business hours to any existing or prospective mortgagee, ground lessor, space lessee, purchaser, or assignee of any mortgage, of the Building or of the Building and the land or of the interest of Landlord therein, and during the period of 12 months next preceding the Termination Date to any person contemplating the leasing of the premises or any part

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thereof. The foregoing rights of access shall not be construed as granting Landlord or others the right to use conduit installed by Tenant, with Landlord's approval, at Tenant's expense. Except in an emergency, in exercising any rights of access under this Lease, including, without limitation such rights under Article 10, Landlord shall provide Tenant with reasonable prior notice and the opportunity to have a representative of Tenant pursuant during such entry. If Landlord complies with its obligations under this Article 17.2, and Tenant shall not be personally present to open and permit an entry into the premises at any time when for any reason an entry therein shall be necessary or permissible, Landlord or Landlord's agents may enter the same by a master key, or may forcibly enter the same, without rendering Landlord or such agents liable therefor (if during such entry Landlord or Landlord's agents shall accord reasonable care to Tenant's -property), and without in any manner affecting the obligations and covenants of this Lease. Landlord shall exercise its rights of access to the premises permitted under any of the terms and provisions of this Lease in such manner as to minimize to the extent practicable interference with Tenant's use and occupation of the premises. If an excavation shall be made upon land adjacent to the premises or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, license to enter upon the premises for the purpose of doing such work as said person shall deem necessary to preserve the Building from injury or damage and to support the same by proper foundations without any claims for damages or indemnity against Landlord, or diminution or abatement of rent, subject, however, to the terms of this Lease.

17.3 ACCIDENTS TO SANITARY AND OTHER SYSTEMS. From and after the Rent Commencement Date, Tenant shall give to Landlord prompt notice of any fire or accident in the premises or in the Building and of any damage to, or defective condition in, any part or appurtenance of the Building including, without limitation, sanitary, electrical, ventilation, heating and air conditioning or other systems located in, or passing through, the premises, of which Tenant has actual knowledge. Except as otherwise provided in Articles 18 and 20, and subject to Tenant's obligations in Article 14, such damage or defective condition shall be, subject to Article 19, remedied by Landlord with reasonable diligence, but if such damage or defective condition was caused by Tenant or by

the employees, licensees, contractors or invitees of Tenant, the cost to remedy the same shall be paid by Tenant. In addition, all reasonable costs incurred by Landlord in connection with the investigation of any notice given by Tenant shall be paid by Tenant if the reported damage or defective condition was caused by Tenant or by the employees, licensees, contractors, or invitees of Tenant. Subject to the terms of this Lease, Tenant shall not be entitled to claim any eviction from the premises or any damages arising from any such damage or defect unless the same (i) shall have been occasioned by the negligence of the Landlord, its agents, servants or employees and (ii) shall not, after notice to Landlord of the condition claimed to constitute negligence, have been cured or corrected within a reasonable time after such notice has been received by Landlord; and in case of a claim of eviction unless such damage or defective condition shall have rendered the premises untenable and they shall not have been made tenantable by Landlord within a reasonable time.

17.4 SIGNS.

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(a) Tenant shall not place or authorize the placing of any signs, awnings, aerials, flagpoles or the like on or visible from any part of the exterior of the premises (or elsewhere in the Building or the Complex outside the interior of the premises) except for the signage described on Exhibit 5. Tenant's signs shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, and shall comply with all applicable law and shall comply with the Park Covenants. Tenant shall obtain all necessary governmental approvals prior to installing any such signage. No handwritten signs shall be approved. Tenant shall install Tenant's sign at the location designated by Landlord in writing. Tenant shall maintain all of its signage in good order and condition throughout the term of the Lease, and Tenant shall remove such signage upon termination of the term of the Lease and shall repair any damage to the Building caused by the installation or removal of such signage. Landlord may, without prior notice and at Tenant's sole cost and expense, remove any sign installed by or on behalf of Tenant which was not approved in advance in writing by Landlord. Any signs or lettering in the public corridors or on the doors shall conform to Landlord's building standard design.

(b) Neither Landlord's name, nor the name of the Building or any Center, Office Park or other Park of which the Building is a part, or the name of any other structure erected therein shall be used without Landlord's consent in any advertising material (except on business stationery or as an address in advertising matter), nor shall any such name, as aforesaid, be used in any undignified, confusing, detrimental or misleading manner.

17.5 ESTOPPEL CERTIFICATE. Each party (the "Responding Party") shall at any time and from time to time upon not less than ten (10) days' prior notice by the other party (the "Requesting Party"), execute, acknowledge and deliver to the Requesting Party a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), and the dates to which the Yearly Rent and other charges have been paid in advance, if any, stating whether or not the Responding Party is in default in performance of any covenant, agreement, term, provision or condition contained in this Lease and, if so, specifying each such default and such other fact as the Requesting Party may reasonably request, it being intended that any such statement delivered pursuant hereto may be relied upon by any prospective purchaser of the Building or of the Building and the land or of any interest of the Requesting Party therein, any mortgagee or prospective mortgagee thereof, any lessor or prospective lessor thereof, any lessee or prospective lessee thereof, or any prospective assignee of any mortgage thereof. Time is of the essence in respect of any such requested certificate, Tenant hereby acknowledging the importance of such certificates in mortgage financing arrangements, prospective sale and the like. Tenant hereby appoints Landlord Tenant's attorney-in-fact in its name and behalf to execute such statement if Tenant shall fail to execute such statement within such ten-(10)-day period.

17.6 PROHIBITED MATERIALS AND PROPERTY.

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(a) Landlord represents and warrants that, except as set forth in the Phase I Environmental Site Assessment dated April, 1999, prepared by GZA GeoEnvironmental, Inc. and that certain Partial A-2 Response Action Outcome

dated May 11, 1999, prepared by Response Environmental, Inc. (collectively, the "Environmental Reports"), Landlord is unaware of the existence of any Hazardous Material on the land or in the Building, including its interior, systems or structure (collectively, the "Property"). "Hazardous Material" shall mean: (i) asbestos or asbestos containing material, (ii) polychlorinated biphenyls, (iii) radiation and (iv) any material or substance, whether solid, gaseous or liquid, which may pose a present or potential hazard to human health or the environment when improperly disposed of, treated, stored, transported, or otherwise managed, including (a) oil (except for fuel properly stored and handled in the Building) or hazardous substances subject to Massachusetts General Laws Chapter 21E or the Federal Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 USC ss.9601, as amended, (b) hazardous waste identified in accordance with Section 3001 of the Federal Resource Conservation and Recovery Act of 1976, as amended, and (c) hazardous waste, material or substance identified by any present regulation of any governmental authority regulating environmental or health, matters.

(b) Landlord shall indemnify Tenant and hold it harmless against any claims, damages, losses or liabilities (including reasonable attorneys' fees) arising from any breach of the representations and warranties set forth in Article 17.6(a) and from claims, damages, losses or liabilities arising in the event that Landlord, Landlord's agents, employees or contractors release Hazardous Materials onto the Complex; provided however, the foregoing indemnity shall not apply to: (i) any material or substance which, as of the Execution Date, was not considered, as a matter of law, to be a Hazardous Material, but which is subsequently determined to be a Hazardous Material as a matter of law or (ii) Hazardous Material so determined after the later to occur of the Term Commencement Date or release of such Hazardous Material in or on the Complex. If Hazardous Materials are discovered in the Complex which were not introduced to the Complex by Tenant, or anyone for whom Tenant is responsible, Landlord shall remediate or remove such materials when and if required by applicable Laws.

(c) Tenant, at its sole cost and expense, shall comply with all Laws applicable to, Tenant's activities on the premises concerning environmental matters, including, but not limited to, any discharge into the air, surface, water, sewers, soil or groundwater of any Hazardous Materials within the premises or otherwise in the Building.

(d) Tenant shall not cause or knowingly permit any Hazardous Material (so determined at the time of introduction or installation) to be brought upon, kept or used in or about the premises or otherwise in the Property by Tenant, its agents, employees, contractors or invitees, without the prior written consent of Landlord except for quantities of such Hazardous Materials used in Tenant's ordinary course of business, as further described on Exhibit 6 (if any) which may be introduced onto the Property without such consent, provided that such Hazardous Materials are managed and used in compliance with all applicable laws. Notwithstanding the foregoing, in the event that Tenant is in

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breach of any of its obligations under subparagraphs (c) or (d) hereof, Landlord shall have the right to revoke any consent which Landlord has granted to Tenant to allow bringing upon, keeping or using any Hazardous Material in or about the premises or the Property. If: (i) Tenant breaches the obligations stated in the preceding sentence, or (ii) the presence of Hazardous Material in the premises or otherwise on the Property caused by Tenant results in the contamination of the premises or the Property, or (iii) Tenant knowingly permits its agents, employees, contractors or invitees to introduce Hazardous Materials in the premises or otherwise on the Property so as to result in the contamination of the premises or the Property, then, and in any such instance, Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses which arise during or after the term as a result of such contamination.

17.7 REQUIREMENTS OF LAW - FINES AND PENALTIES.

(a) Tenant at its sole expense shall comply with all laws, rules, orders and regulations, including, without limitation, all energy-related requirements, of Federal, State, County and Municipal Authorities and with any direction of any public officer or officers, pursuant to law, which shall impose any duty upon Landlord or Tenant with respect to or arising out of Tenants use or occupancy of the premises; provided however that Tenant shall have no obligation to make any alteration to the premises required by such laws, rules,

orders or regulations unless such alteration is required as the result of Tenant's particular use of the Premises. Tenant shall reimburse and compensate Landlord for all damages or fines sustained or incurred by, Landlord due to nonperformance or noncompliance with or breach or failure to observe any item, covenant, or condition of this Lease upon Tenant's part to be kept, observed, performed or complied with. If Tenant receives notice of any violation of law, ordinance, order or regulation applicable to the premises, it shall give prompt notice thereof to Landlord.

(b) Landlord, subject to inclusion of the cost of compliance as Operating Costs in accordance with the provisions of Article 9.1(f) of this Lease, shall comply with (i) all Laws which relate to the structure of the Building, unless the need for such compliance arises from Tenant's particular use of the Premises, and (ii) all other Laws applicable to the operation of the Complex generally for warehouse and accessory office uses. Without limiting the foregoing, if the Complex does not comply with any Laws or any of the Protective Covenants which are in effect as of the Term Commencement Date and such Laws or Protective Covenants relate to any portion of the Complex other than the Premises, Landlord shall, without charge to Tenant, and without inclusion of the cost of such work in Operating Costs, be responsible for making any alterations or improvements which may be required in order to bring such portion of the Complex into compliance with such Laws and Protective Covenants.

17.8 TENANT'S ACTS - EFFECT ON INSURANCE. Tenant shall not do or permit to be done any act or thing upon the premises or elsewhere in the Building which will invalidate or be in conflict with any insurance policies covering the Building and the fixtures and property therein; and shall not do, or permit to be done, any act or thing upon

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the premises which shall subject Landlord to any liability or responsibility for injury to any person or persons or to property by reason of any business or operation being carried on upon said premises or for any other reason. Tenant at its own expense shall comply with all rules, orders, regulations and requirements of the Board of Fire Underwriters, or any other similar body having jurisdiction and shall not (i) do, or permit anything to be done, in or upon the premises, or bring or keep anything therein, except as now or hereafter permitted by the Fire Department, Board of Underwriters, Fire Insurance Rating Organization, or other authority having jurisdiction, and then only in such quantity and manner of storage as will not increase the rate for any insurance applicable to the Building, or (ii) use the premises in a manner which shall increase such insurance rates on the Building, or on property located therein, over that applicable when Tenant first took occupancy of the premises hereunder; provided however, that Tenant shall have no obligation to make any alteration to the premises required by such laws, rules, orders or regulations unless such alteration is required as the result of Tenant's particular use of the Premises. If by reason of the failure of Tenant to comply with the provisions hereof the insurance rate applicable to any policy of insurance shall at any time thereafter be higher than it otherwise would be, the Tenant shall reimburse Landlord for that part of any insurance premiums thereafter paid by Landlord, which shall have been charged because of such failure by Tenant.

17.9 MISCELLANEOUS. Tenant shall not suffer or permit the premises or any fixtures, equipment or utilities therein or serving the same, to be overloaded, damaged or defaced, nor permit any hole to be drilled or made in any part thereof. Tenant shall not suffer or permit any of its employees, contractors, business invitees or visitors to violate any covenant, agreement or obligations of the Tenant under this Lease.

18. DAMAGE BY FIRE, ETC.

18.1 CASUALTY INSURANCE. During the entire term of this Lease, and adjusting Insurance coverages to reflect current values from time to time:--(i) Landlord shall keep the Building (including the Required Tenant Work, but excluding any other work, installations, improvements and betterments in the premises installed by or on behalf of Tenant, [called "Over-Building-Standard Property"] and any other property installed by or at the expense of Tenant) insured against loss or damage caused by any peril covered under fire, extended coverage and all risk insurance with coverage against vandalism and malicious mischief, in an amount equal to one hundred percent (100%) replacement cost value above foundation walls; and (ii) Tenant shall keep the Over-Building-Standard Property insured against loss or damage caused by any

peril covered under fire, extended coverage and all risk insurance in an amount equal to one hundred percent (100%) replacement cost value. In the event that the premium for Landlord's casualty insurance on the Building increases as a result of Landlord's obtaining insurance for the Required Tenant Work, the Tenant shall reimburse Landlord for the amount of such increase within thirty (30) days of billing therefor, which billing shall be accompanied by an itemized invoice from Landlord's insurance company setting forth the amount of insurance exclusively attributable to the Required Tenant Work. Tenant shall not be required to name Landlord as an additional insured party with respect to the Over-Building-Standard

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Property. The proceeds of all insurance covering the Required Tenant Work shall be paid to Landlord, Tenant hereby acknowledging that it has no interest in any proceeds of Landlord's Building insurance or in Landlord's insurance on the Required Tenant Work. The proceeds of all insurance covering the Over-Building-Standard Property shall be used only for the replacement or restoration of such Over-Building Standard Property, unless this Lease is terminated pursuant to this Article 18; in which case any proceeds payable in respect of the Over-Building Standard Property shall belong exclusively to Tenant.

18.2 REPAIR OF DAMAGE CAUSED BY CASUALTY. If any portion of the premises required to be insured by Landlord under the preceding paragraph shall be damaged by fire or other insured casualty, Landlord shall proceed with diligence, subject to the then applicable statutes, building codes, zoning ordinances, and regulations of any governmental authority, and at the expense of Landlord (but only to the extent of insurance proceeds made available to Landlord by any mortgagee and/or ground lessor of the real property of which the premises are a part; provided, however, that Landlord shall use reasonable efforts to cause its mortgagee to make sufficient proceeds available to Landlord to repair any damage or destruction to the Premises or the Building) to repair or cause to be repaired such damage, provided, however, in respect of any Over-Building Standard Property as shall have been damaged by such fire or other casualty and which (in the judgment of Landlord) can more effectively be repaired as an integral part of Landlord's repair work on the premises, that such repairs to such Tenant's alterations, decorations, additions and improvements shall be performed by Landlord but at Tenant's expense (Landlord hereby agreeing that, in such event, the amount chargeable to Tenant shall be based upon a competitive cost for the work performed); in all other respects, all repairs to and replacements of Tenant's property and Over-Building-Standard Property shall be made by and at the expense of Tenant, but only to the extent of insurance proceeds made available to Tenant. In any event, Landlord shall have no responsibility to repair or replace any aspect of Tenant's Work. If the premises or any part thereof shall have been rendered unfit for use and occupation hereunder by reason of such damage the Yearly Rent or a just and proportionate part thereof, according to the nature and extent to which the premises shall have been so rendered unfit, shall be suspended or abated until the premises (except as to the property which is to be repaired by or at the expense of Tenant) shall have been restored as nearly as practicably may be to the condition in which they were immediately prior to such fire or other casualty, provided, however, that if Landlord or any mortgagee of the Building or of the Building and the land shall be unable to collect the insurance proceeds (including rent insurance proceeds) applicable to such damage because of some action or inaction on the part of Tenant, or the employees, licensees or invitees of Tenant, the cost of repairing such damage shall be paid by Tenant and there shall be no abatement of rent. Landlord shall not be liable for delays in the making of any such repairs which are due to government regulation, casualties and strikes, unavailability of labor and materials, and other causes beyond the reasonable control of Landlord, nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage.

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18.3 LANDLORD'S TERMINATION RIGHTS. If (i) the Premises are so damaged by fire or other casualty (whether or not insured) at any time during the last eighteen (18) months of the term hereof that the cost to repair such damage is reasonably estimated to exceed one third of the total Yearly Rent payable hereunder for the period from the estimated date of restoration until the Termination Date, or (ii) the Building (whether or not including any portion of the Premises) is so damaged by fire or other casualty (whether or not insured)

that substantial alteration or reconstruction or demolition of the Building shall in Landlord's bona-fide business judgment be required, then and in either of such events, this Lease and the term hereof maybe terminated at the election of Landlord by a notice in writing of its election so to terminate which shall be given by Landlord to Tenant within sixty (60) days following such fire or other casualty, the effective termination date of which shall be not less than thirty (30) days after the day on which such termination notice is received by Tenant, unless the Termination Date occurs prior to the expiration of such thirty (30) day period, in which cause the effective termination date shall be the Termination Date. Notwithstanding the foregoing, if, at the time that Tenant receives Landlord's termination notice based upon clause (i) of this Article 18.3, Tenant's extension option has not lapsed unexercised, then Tenant shall have the right to render Landlord's termination notice pursuant to said clause (i) void and without force or effect by giving written notice to Landlord, on or before the date thirty (30) days after the date that Tenant receives Landlord's termination notice, properly exercising such extension option.

18.4 TENANT'S TERMINATION RIGHTS.

If all or any portion of the Premises is damaged by fire or other casualty to such an extent that the operation of Tenant's business in the Premises in the normal course is materially adversely affected, the following shall apply:

(a) Landlord shall advise Tenant in writing ("Casualty Notice"), on or before the date sixty (60) days after such fire or other casualty as to: (i) whether there will be sufficient insurance proceeds available to Landlord to complete Landlord's restoration work in accordance with this Article 18, and (ii) Landlord's estimate of the period ("Estimated Restoration Period") when Landlord will complete such restoration. Landlord's estimate of the Estimated Restoration Period shall be based upon the estimate of a reputable engineering firm.

(b) If Landlord advises Tenant that there will be insufficient insurance proceeds available to Landlord to permit Landlord to complete Landlord's restoration work, or if the Estimated Restoration Period is longer than two hundred seventy (270) days after the date of such casualty (except that if the casualty occurs during the last year of the term of the Lease, said two hundred seventy day period shall be ninety (90) days), then Tenant shall have the right to terminate this Lease by giving written notice to Landlord within fifteen days of its receipt of the Casualty Notice.

(c) If Landlord shall fail to substantially complete the restoration work on or before the date (the "Restoration Deadline Date") which is the later of: (i) the date two

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hundred seventy (270) days after the date of such fire or other casualty (except that if the casualty occurs during the last year of the term of the Lease, said two hundred seventy (270) day period shall be ninety (90) days), or (ii) the Estimated Restoration Period, Tenant may terminate this Lease by giving Landlord written notice as follows:

(a) Said notice shall be given after the Restoration Deadline Date.

(b) Said notice shall set forth an effective date which is not earlier than thirty (30) days after Landlord receives said notice.

(c) If the restoration work is substantially complete within thirty (30) days (which thirty-(30)-day period shall be extended by the length of any delays caused by Tenant or Tenant's contractors) after Landlord receives such notice, said notice shall have no further force and effect.

(d) If the restoration work is not substantially complete on or before the date thirty (30) days (which thirty-(30)-day period shall be extended by the length of any delays caused by Tenant or Tenant's contractors) after Landlord receives such notice, the Lease shall terminate as of said effective date.

Notwithstanding the foregoing, the Restoration Deadline Date shall be extended by the length of any delays in Landlord's restoration work arising from the fault of Tenant and by the length of any other delays arising from any other

causes beyond Landlord's control, provided however, that financial inability shall not constitute a cause beyond Landlord's reasonable control and the Restoration Deadline Date shall not be extended more than ninety days as the result of causes beyond Landlord's control other than the fault of Tenant.

18.5 GENERAL PROVISIONS RELATING TO ANY CASUALTY TERMINATION. In the event of any termination, this Lease and the term hereof shall expire as of such effective termination date as though that were the Termination Date as stated in Exhibit 1 and Rent and other charges payable under this Lease shall be apportioned as of such date; and if the Premises or any part thereof shall have been rendered unfit for use and occupation by reason of such damage Rent and other charges under this Lease for the period from the date of the fire or other casualty to the effective termination date, or a just and proportionate part thereof according to the nature and extent to which the Premises shall have been so rendered unfit, shall be abated.

19. WAIVER OF SUBROGATION

(a) In any case in which Tenant shall be obligated to pay to Landlord any loss, cost, damage, liability, or expense suffered or incurred by Landlord, Landlord shall allow to Tenant as an offset against the amount thereof the greater of (i) the net proceeds of any insurance collected by Landlord for or on account of such loss, cost, damage, liability or expense, provided that the allowance of such offset does not invalidate or prejudice the policy or policies under which such proceeds were payable, or (ii) the amount of any loss,

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cost, damage, liability or expense caused by a peril which could be covered by fire insurance with the broadest form of property insurance generally available on property in buildings of the type of the Building, whether or not actually procured by Landlord.

(b) In any case in which Landlord or Landlord's managing agent shall be obligated to pay to Tenant any loss, cost, damage, liability or expense suffered or incurred by Tenant, Tenant shall allow to Landlord or Landlord's managing agent, as the case may be, as an offset against the amount thereof the greater of (i) the net proceeds of any insurance collected by Tenant for or on account of such loss, cost, damage, liability, or expense, provided that the allowance of such offset does not invalidate or prejudice the policy or policies under which such proceeds were payable or (ii) the amount of any loss, cost, damage, liability or expense caused by a peril which could be covered by fire insurance with the broadest form of property insurance generally available on property in buildings of the type of the Building, whether or not actually procured by Tenant.

(c) The parties hereto shall each procure an appropriate clause in, or endorsement on, any property insurance policy covering the premises and the Building and personal property, fixtures and equipment located thereon and therein, pursuant to which the insurance companies waive subrogation or consent to a waiver of right of recovery in favor of either party, its respective agents or employees. Having obtained such clauses and/or endorsements, each party hereby agrees that it will not make any claim against or seek to recover from the other or its agents or employees for any loss or damage to its property or the property of others resulting from fire or other perils covered by such property insurance.

20. CONDEMNATION - EMINENT DOMAIN

(a) In the event that the premises or any part thereof, or the whole or any part of the Building, shall be taken or appropriated by eminent domain or shall be condemned for any public or quasi-public use, or (by virtue of any such taking, appropriation or condemnation) shall suffer any damage (direct, indirect or consequential) for which Landlord or Tenant shall be entitled to compensation, so that, in Landlord's bona fide business judgment, the continued operation of the Complex shall be rendered uneconomic or non-operational, then (and in any such event) this Lease and the term hereof may be terminated at the election of Landlord by a notice in writing of its election so to terminate which shall be given by Landlord to Tenant within sixty (60) days following the date on which Landlord shall have received notice of such taking, appropriation or condemnation. Notwithstanding the foregoing, it shall be a condition to Landlord's right to terminate the term of the Lease pursuant to this Article 20 that Landlord shall terminate the leases of all other tenants in the Building.

(b) In the event that either (i) more than 25% of the parking spaces in the Complex or (ii) a substantial part of the Premises or of the means of access thereto, shall be so taken, appropriated or condemned, then (and in any such event) this Lease and the term hereof may be terminated at the election of Tenant by a notice in writing of its election so to terminate which shall be given by Tenant to Landlord within sixty (60)

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days following the date on which Tenant shall have received notice of such taking, appropriation or condemnation, provided however, that if Tenant's termination exercise is based upon a loss of parking or access, Landlord may render such termination exercise void by providing to Tenant, within said sixty (60) day period, reasonably equivalent substitute parking areas within a reasonable distance of the Building and/or reasonable substitute access, as the case may be.

(c) Upon the giving of any such notice of termination (either by Landlord or Tenant) this Lease and the term hereof shall terminate on or retroactively as of the date on which Tenant shall be required to vacate any part of the premises or shall be deprived of a substantial part of the means of access thereto, provided, however, that Landlord may in Landlord's notice elect to terminate this Lease and the term hereof retroactively as of the date on which such taking, appropriation or condemnation became legally effective. In the event of any such termination, this Lease and the term hereof shall expire as of such effective termination date as though that were the Termination Date as stated in Exhibit 1, and the Yearly Rent shall be apportioned as of such date. If neither party (having the right so to do) elects to terminate Landlord will, with reasonable diligence and at Landlord's expense, restore the remainder of the premises, or the remainder of the means of access, as nearly as practicably may be to the same condition as obtained prior to such taking, appropriation or condemnation in which event (i) the Total Rentable Area shall be adjusted as in Exhibit 5 provided, (ii) a just proportion of the Yearly Rent, according to the nature and extent of the taking, appropriation or condemnation and the resulting permanent injury to the premises and the means of access thereto, shall be permanently abated, and (iii) a just proportion of the remainder of the Yearly Rent, according to the nature and extent of the taking, appropriation or condemnation and the resultant injury sustained by the premises and the means of access thereto, shall be abated until what remains of the premises and the means of access thereto shall have been restored as fully as may be for permanent use and occupation by Tenant hereunder.

(d) Except for any award specifically reimbursing Tenant for moving or relocation expenses, there are expressly reserved to Landlord all rights to compensation and damages created, accrued or accruing by reason of any such taking, appropriation or condemnation, in implementation and in confirmation of which Tenant does hereby acknowledge that Landlord shall be entitled to receive all such compensation and damages, grant to Landlord all and whatever rights (if any) Tenant may have to such compensation and damages, and agree to execute and deliver all and whatever further instruments of assignment as Landlord may from time to time request.

(e) In the event of any taking of the premises or any part thereof for temporary (i.e., not in excess of one (1) year) use, (i) this Lease shall be and remain unaffected thereby, and (ii) Tenant shall be entitled to receive for itself any award made to the extent allocable to the premises in respect of such taking on account of such use, provided, that if any taking is for a period extending beyond the term of this Lease, such award shall be apportioned between Landlord and Tenant as of the Termination Date or earlier termination of this Lease.

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21. DEFAULT

21.1 CONDITIONS OF LIMITATION - RE-ENTRY - TERMINATION. This Lease and the herein term and estate are, upon the condition that if (a) subject to Article 21.7, Tenant shall neglect or fail to perform or observe any of the Tenant's covenants or agreements herein, including (without limitation) the covenants or agreements with regard to the payment when due of rent, additional charges, reimbursement for increase in Landlord's costs, or any other charge payable by Tenant to Landlord (all of which shall be considered as part of

Yearly Rent for the purposes of invoking Landlord's statutory or other rights and remedies in respect of payment defaults); or (b) Tenant shall be involved in financial difficulties as evidenced by an admission in writing by Tenant of Tenant's inability to pay its debts generally as they become due, or by the making or offering to make a composition of its debts with its creditors; or (c) Tenant shall make an assignment or trust mortgage, or other conveyance or transfer of like nature, of all or a substantial part of its property for the benefit of its creditors, or (d) the leasehold hereby created shall be taken on execution or by other process of law and shall not be revested in Tenant within ninety (90) days thereafter; or (e) a receiver, sequesterer, trustee or similar officer shall be appointed by a court of competent jurisdiction to take charge of all or any part of Tenant's property and such appointment shall not be vacated within ninety (90) days; or (f) any proceeding shall be instituted by or against Tenant pursuant to any of the provisions of any Act of Congress or State law relating to bankruptcy, reorganizations, arrangements, compositions or other relief from creditors, and, in the case of any proceeding instituted against it, if Tenant shall fail to have such proceedings dismissed within ninety (90) days or if Tenant is adjudged bankrupt or insolvent as a result of any such proceeding, or (g) any event shall occur or any contingency shall arise whereby this Lease, or the term and estate thereby created, would (by operation of law or otherwise) devolve upon or pass to any person, firm or corporation other than Tenant, except as expressly permitted under Article 16 hereof-- then, and in any such event (except as hereinafter in Article 21.2 otherwise provided) Landlord may, by notice to Tenant, elect to terminate this Lease; and thereupon (and without prejudice to any remedies which might otherwise be available for arrears of rent or other charges due hereunder or preceding breach of covenant or agreement and without prejudice to Tenant's liability for damages as hereinafter stated), upon the giving of such notice, this Lease shall terminate as of the date specified therein as though that were the Termination Date as stated in Exhibit 1. Without being taken or deemed to be guilty of any manner of trespass or conversion, and without being liable to indictment, prosecution or damages therefor, Landlord may, forcibly if necessary, enter into and upon the premises (or any part thereof in the name of the whole); repossess the same as of its former estate; and expel Tenant and those claiming under Tenant. The words "re-entry" and "re-enter" as used in this Lease are not restricted to their technical legal meanings.

21.2 INTENTIONALLY OMITTED.

21.3 DAMAGES - TERMINATION. Upon the termination of this Lease under the provisions of this Article 21, then except as hereinabove in Article 21.2 otherwise

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provided, Tenant shall pay to Landlord the rent and other charges payable by Tenant to Landlord up to the time of such termination, shall continue to be liable for any preceding breach of covenant, and in addition, shall pay to Landlord as damages, at the election of Landlord

either:

(x) the amount (discounted to present value) by which, at the time of the termination of this Lease (or at any time thereafter if Landlord shall have initially elected damages under subparagraph (y), below), (i) the aggregate of the rent and other charges projected over the period commencing with such termination and ending on the Termination Date as stated in Exhibit I exceeds (ii) the aggregate projected rental value of the premises for such period;

or:

(y) amounts equal to the rent and other charges which would have been payable by Tenant had this Lease not been so terminated, payable upon the due dates therefor specified herein following such termination and until the Termination Date as specified in Exhibit 1, provided, however, if Landlord shall re-let the premises during such period, that Landlord shall credit Tenant with the net rents received by Landlord from such re-letting, such net rents to be determined by first deducting from the gross rents as and when received by Landlord from such re-letting the expenses incurred or paid by Landlord in terminating this Lease, as well as the expenses of re-letting, including altering and preparing the premises for new tenants, brokers' commissions, and all other similar and dissimilar expenses properly chargeable

against the premises and the rental therefrom, it being understood that any such re-letting may be for a period equal to or shorter or longer than the remaining term of this Lease; and provided, further, that (i) in no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder and (ii) in no event shall Tenant be entitled in any suit for the collection of damages pursuant to this Subparagraph (y) to a credit in respect of any net rents from a re-letting except to the extent that such net rents are actually received by Landlord with respect to the period on which the judgment obtained by Landlord in such suit is based. If the premises or any part thereof should be re-let in combination with other space, then proper apportionment on a square foot area basis shall be made of the rent received from such re-letting and of the expenses of re-letting.

Landlord agrees to use reasonable efforts to relet the premises after Tenant vacates the premises in the event that the Lease is terminated based upon a default by Tenant hereunder. Marketing of Tenant's premises in a manner similar to the manner in which Landlord markets other premises within Landlord's control in the Complex shall be deemed to have satisfied Landlord's obligation to use "reasonable efforts." In no event shall Landlord be required to (i) solicit or entertain negotiations with any other prospective tenants for the premises until Landlord obtains full and complete possession of the premises including, without limitation, the final and unappealable legal right to relet the premises free of any claim of Tenant, (ii) relet the premises before leasing other

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vacant space in the Complex, (iii) lease the premises for a rental less than the current fair market rental then prevailing for similar space in the Complex, or (iv) enter into a lease with any proposed tenant that does not have, in Landlord's reasonable opinion, sufficient financial resources or operating experience to operate its business in the premises.

In calculating the rent and other charges under Subparagraph (x), above, there shall be included, in addition to the Yearly Rent, Tax Excess and Operating Expense Excess and all other considerations agreed to be paid or performed by Tenant, on the assumption that all such amounts and considerations would have remained constant (except as herein otherwise provided) for the balance of the full term hereby granted.

Suit or suits for the recovery of such damages, or any installments thereof; may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the term of this Lease would have expired if it had not been terminated hereunder.

Nothing herein contained shall be construed as limiting or precluding the recovery by Landlord against Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant.

21.4 FEES AND EXPENSES.

(a) If Tenant shall default in the performance of any covenant on Tenant's part to be performed as in this Lease contained, Landlord may, subject to Article 21.7, except that no notice shall be required in an emergency, perform the same for the account of Tenant. If Landlord at any time is compelled to pay or elects to pay any sum of money, or do any act which will require the payment of any sum of money, by reason of the failure of Tenant to comply with any provision hereof, or if Landlord is compelled to or does incur any expense, including reasonable attorneys' fees, in instituting, prosecuting, and/or defending any action or proceeding instituted by reason of any default of Tenant hereunder, Tenant shall on demand pay to Landlord by way of reimbursement the sum or sums so paid by Landlord with all costs and damages, plus interest computed as provided in Article 6 hereof.

(b) Tenant shall pay Landlord's cost and expense, including reasonable attorneys' fees, incurred (i) in enforcing any obligation of Tenant under this Lease or (ii) as a result of Landlord, without its fault, being made party to any litigation pending by or against Tenant or any persons claiming through or under Tenant. Tenant shall not be obligated to make any payment to Landlord of any attorneys' fees incurred by Landlord unless judgment is entered (final, and beyond appeal) in favor of Landlord in the lawsuit relating to such

fees. Landlord shall pay, upon demand by Tenant, reasonable attorneys' fees incurred by Tenant in connection with any lawsuit between Landlord and Tenant where judgment is entered (final, and beyond appeal) in favor of Tenant.

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21.5 WAIVER OF REDEMPTION. Tenant does hereby waive and surrender all rights and privileges which it might have under or by reason of any present or future law to redeem the premises or to have a continuance of this Lease for the term hereby demised after being dispossessed or ejected therefrom by process of law or under the terms of this Lease or after the termination of this Lease as herein provided.

21.6 LANDLORD'S REMEDIES NOT EXCLUSIVE. The specified remedies to which Landlord may resort hereunder are cumulative and are not intended to be exclusive of any remedies or means of redress to which Landlord may at any time be lawfully entitled, and Landlord may invoke any remedy (including the remedy of specific performance) allowed at law or in equity as if specific remedies were not herein provided for. In addition to the remedies specifically provided to Tenant hereunder for the breach of any obligation by Landlord, Tenant may invoke the remedy of specific performance.

21.7 GRACE PERIOD. Notwithstanding anything to the contrary in this Article contained, Tenant shall not be deemed to be in default of its obligations under this Lease unless Tenant fails to cure a breach by Tenant in its obligations within the following cure periods: (a) for breach by Tenant in the payment when due of any sum of money, if Tenant shall cure such breach within five (5) business days after written notice thereof is given by Landlord to Tenant, provided, however, that no such notice need be given and no such breach in the payment of money shall be curable if on two (2) prior occasions in the same twelve (12) month period there had been a breach in the payment of money which had been cured after notice thereof had been given by Landlord to Tenant as herein provided or (b) for breach by Tenant in the performance of any covenant other than a covenant to pay a sum of money, if Tenant shall cure such breach within a period of thirty (30) days after written notice thereof given by Landlord to Tenant, or within such additional period as may reasonably be required to cure such breach if (because of governmental restrictions or any other cause beyond the reasonable control of Tenant) the breach is of such a nature that it cannot be cured within such thirty-(30)-day period, provided, however, (1) that there shall be no extension of time beyond such thirty-(30)-day period for the curing of any such breach unless, not more than thirty (30) days after the receipt of the notice of breach, Tenant in writing (i) shall specify the cause on account of which the breach cannot be cured during such period and shall advise Landlord of its intention duly to institute all steps necessary to cure the breach and (ii) shall, as soon as reasonably practicable, duly institute and thereafter diligently prosecute to completion all steps necessary to cure such breach and, (2) that no notice of the opportunity to cure a non-monetary breach need be given, and no grace period whatsoever shall be allowed to Tenant, if the breach is incurable.

Notwithstanding anything to the contrary in this Article 21.7 contained, except to the extent prohibited by applicable law, any statutory notice and grace periods provided to Tenant by law are hereby expressly waived by Tenant.

22. END OF TERM - ABANDONED PROPERTY

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(a) Upon the expiration or other termination of the term of this Lease, Tenant shall peaceably quit and surrender to Landlord the premises and, subject to Article 11, all alterations and additions thereto, in the condition in which Tenant is required to repair and maintain the Premises pursuant to Article 14. Subject to Article 12, Tenant shall remove all of its property and, to the extent specified by Landlord, all alterations and additions made by Tenant and all partitions wholly within the premises, and shall repair any damages to the premises or the Building caused by their installation or by such removal. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease.

(b) Tenant will remove any personal property from the Building and the premises upon or prior to the expiration or termination of this Lease and, subject to Article 13(b), any such property which shall remain in the Building

or the premises thereafter shall be conclusively deemed to have been abandoned, and may either be retained by Landlord as its property or sold or otherwise disposed of in such manner as Landlord may see fit. If any part thereof shall be sold, then Landlord may receive and retain the proceeds of such sale and apply the same, at its option, against the expenses of the sale, the cost of moving and storage, any arrears of Yearly Rent, additional or other charges payable hereunder by Tenant to Landlord and any damages to which Landlord may be entitled under Article 21 hereof or pursuant to law.

(c) If Tenant or anyone claiming under Tenant shall remain in possession of the premises or any part thereof after the expiration or prior termination of the term of this Lease without any agreement in writing between Landlord and Tenant with respect thereto, then, prior to the acceptance of any payments for rent or use and occupancy by Landlord, the person remaining in possession shall be deemed a tenant-at-sufferance. Whereas the parties hereby acknowledge that Landlord may need the premises after the expiration or prior termination of the term of the Lease for other tenants and that the damages which Landlord may suffer as the result of Tenant's holding-over cannot be determined as of the Execution Date hereof, in the event that Tenant so holds over, Tenant shall pay to Landlord in addition to all rental and other charges due and accrued under the Lease prior to the date of termination, charges (based upon fair market rental value of the premises) for use and occupation of the premises thereafter and, in addition to such sums and any and all other rights and remedies which Landlord may have at law or in equity, an additional use and occupancy charge in the amount of fifty percent (50%) of either the Yearly Rent and other charges calculated (on a daily basis) at the highest rate payable under the terms of this Lease, but measured from the day on which Tenant's hold-over commenced and terminating on the day on which Tenant vacates the premises or the fair market rental value of the premises for such period, whichever is greater. In addition, if such holdover continues for ten (10) days or more following the date Tenant receives written notice ("New Lease Notice") from Landlord that it has entered, or is negotiating to enter, into a lease or leases with new tenants for the premises or any portion thereof to commence at any time following such 10-day period, Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, cost or damages (including, without limitation reasonable attorneys' fees) which Landlord may actually suffer under, as a result of or in connection with, the lease or proposed lease

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described in the New Lease Notice on account of Tenant's holdover. Landlord agrees that it shall not give Tenant a New Lease Notice on or before the date six (6) months prior to the expiration, or prior termination, of the term of the Lease.

23. SUBORDINATION

(a) Subject to the terms of this Article 23 and subject to any mortgagee's or ground lessor's election, as hereinafter provided for, this Lease is subject and subordinate in all respects to all matters of record (including, without limitation, deeds and land disposition agreements), ground leases and/or underlying leases, and all mortgages, any of which may now or hereafter be placed on or affect such leases and/or the real property of which the premises are a part, or any part of such real property, and/or Landlord's interest or estate therein, and to each advance made and/or hereafter to be made under any such mortgages, and to all renewals, modifications, consolidations, replacements and extensions thereof and all substitutions therefor. This Article 23 shall be self-operative and no further instrument or subordination shall be required. In confirmation of such subordination, Tenant shall execute, acknowledge and deliver promptly any certificate or instrument that Landlord and/or any mortgagee and/or lessor under any ground or underlying lease and/or their respective successors in interest may reasonably request, subject to Landlord's, mortgagee's and ground lessor's right to do so for, on behalf and in the name of Tenant under certain circumstances, as hereinafter provided. Notwithstanding anything to the contrary in this Article 23 contained, as to any future mortgages, ground leases, and/or underlying lease or deeds of trust, the herein provided subordination and attornment shall be effective only if the mortgagee, ground lessor or trustee therein, as the case may be, agrees, by a written instrument in recordable form and in the customary form of such mortgagee, ground lessor, or trustee, with such commercially reasonable modifications Tenant may request ("Nondisturbance Agreement") that, (i) as long as Tenant shall not be in terminable default of the obligations on its part to be kept and performed under the terms of this Lease, this Lease will not be affected and

Tenant's possession hereunder will not be disturbed by any default in, termination, and/or foreclosure of, such mortgage, ground lease, and/or underlying lease or deed of trust, as the case may be, and (ii) such mortgagee, ground lessor or trustee agrees that in no event shall either Landlord or such mortgagee, ground lessor or trustee have any interest in the proceeds of insurance relating to either Tenant Work (other than Landlord's Portion of Tenant's Insurance, if any, as provided in Article 15.4), or any of Tenant's Trade Fixtures.

(b) Any such mortgagee or ground lessor may from time to time subordinate or revoke any such subordination of the mortgage or ground lease held by it to this Lease. Such subordination or revocation, as the case may be, shall be effected by written notice to Tenant and by recording an instrument of subordination or of such revocation, as the case may be, with the appropriate registry of deeds or land records and to be effective without any further act or deed on the part of Tenant. In confirmation of such subordination or of such revocation, as the case may be, Tenant shall execute, acknowledge and promptly deliver any certificate or instrument that Landlord, any mortgagee or ground lessor may request, subject to Landlord's, mortgagee's and ground

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lessor's right to do so for, on behalf and in the name of Tenant under certain circumstances, as hereinafter provided.

(c) Without limitation of any of the provisions of this Lease, if any ground lessor or mortgagee shall succeed to the interest of Landlord by reason of the exercise of its rights under such ground lease or mortgage (or the acceptance of voluntary conveyance in lieu thereof) or any third party (including, without limitation, any foreclosure purchaser or mortgage receiver) shall succeed to such interest by reason of any such exercise or the expiration or sooner termination of such ground lease, however caused, then such successor shall succeed to the interest of Landlord under, and be bound by the terms of, this Lease, provided, however, that such successor shall not: (i) be liable for any previous act or omission of Landlord under this Lease; provided however, that nothing herein shall be deemed to be a waiver of Tenant's rights or remedies in the event such act or omission is of a continuing nature, such as for example, Landlord's failure to fulfill a repair obligation and such default is not cured by such successor after such successor acquires the Property (however, no ground lessor, mortgagee, or successor shall be liable for any tort claims which Tenant may have against Landlord); (ii) be subject to any offset, defense, or counterclaim which shall theretofore have accrued to Tenant against Landlord, except for any offset expressly permitted pursuant to the provisions of the Lease; (iii) have any obligation with respect to any security deposit unless it shall have been paid over or physically delivered to such successor; or (iv) be bound by any previous modification of this Lease in any material respect, or by any previous payment of Yearly Rent for a period greater than one (1) month, made without such ground lessor's or mortgagee's consent where such consent is required by applicable ground lease or mortgage documents. In the event of such succession to the interest of the Landlord -- and notwithstanding that any such mortgage or ground lease may antedate this Lease -- the Tenant shall, subject to receipt of a Nondisturbance Agreement as aforesaid, attorn to such successor and shall ipso facto be and become bound directly to such successor in interest to Landlord to perform and observe all the Tenant's obligations under this Lease without the necessity of the execution of any further instrument. Nevertheless, Tenant agrees at any time and from time to time during the term hereof to execute a suitable instrument in confirmation of Tenant's agreement to attorn, as aforesaid, subject to Landlord's, mortgagee's and ground lessor's right to do so for, on behalf and in the name of Tenant under certain circumstances, as hereinafter provided.

(d) The term "mortgage(s)" as used in this Lease shall include any mortgage or deed of trust. The term "mortgagee(s)" as used in this Lease shall include any mortgagee or any trustee and beneficiary under a deed of trust or receiver appointed under a mortgage or deed of trust. The term "mortgagor(s)" as used in this Lease shall include any mortgagor or any grantor under a deed of trust.

(e) Tenant hereby irrevocably constitutes and appoints Landlord or any such mortgagee or ground lessor, and their respective successors in interest, acting singly, Tenant's attorney-in-fact to execute and deliver any such certificate or instrument for, on behalf and in the name of Tenant, in the following circumstances:

(i) Landlord, such mortgagee, or ground lessor ("Requesting Party") shall have given Tenant a written request ("First Request") therefore, stating that if Tenant does not timely execute and deliver such certificate or instrument, the Requesting Party may act as Tenant's attorney-in-fact in accordance with this Article 23(e), together with a Nondisturbance Agreement, as defined in Article 23, executed on behalf of the mortgagee, ground lessor, or trustee in question;

(ii) Tenant shall fail to execute and deliver such certificate or instrument within ten (10) days of the First Request;

(iii) The Requesting Party shall, after the expiration of such ten (10) day period, have given Tenant another request ("Second Request") therefor, stating that Tenant has failed timely to respond to the First Request for such certificate or instrument and that if Tenant does not execute and deliver such certificate or instrument within ten (10) days of the Second Request, the Requesting Party may act as Tenant's attorney-in-fact in accordance with this Article 23(e); and

(iv) Tenant shall fail to execute and deliver such certificate or instrument within ten (10) days of the Second Request.

(f) Notwithstanding anything to the contrary contained in this Article 23, if all or part of Landlord's estate and interest in the real property of which the premises are a part shall be a leasehold estate held under a ground lease, then: (i) the foregoing subordination provisions of this Article 23 shall not apply to any mortgages of the fee interest in said real property to which Landlord's leasehold estate is not otherwise subject and subordinate; and (ii) the provisions of this Article 23 shall in no way waive, abrogate or otherwise affect any agreement by any ground lessor (x) not to terminate this Lease incident to any termination of such ground lease prior to its term expiring or (y) not to name or join Tenant in any action or proceeding by such ground lessor to recover possession of such real property or for any other relief.

(g) In the event of any failure by Landlord to perform, fulfill or observe any agreement by Landlord herein, in no event will the Landlord be deemed to be in default under this Lease permitting Tenant to exercise any or all rights or remedies under this Lease until the Tenant shall have given written notice of such failure to any mortgagee (ground lessor and/or trustee) of which Tenant shall have been advised and until a reasonable period of time shall have elapsed following the giving of such notice, during which such mortgagee (ground lessor and/or trustee) shall have the right, but shall not be obligated, to remedy such failure.

(h) Landlord covenants and agrees not to consent to any rights, easements, or restrictions or reservations with respect to the Complex that are inconsistent with any of Tenant's rights under this Lease, including, without limitation, Tenant's Parking Rights.

24. QUIET ENJOYMENT

Landlord covenants that if, and so long as, Tenant keeps and performs each and every covenant, agreement, term, provision and condition herein contained on the part and on behalf of Tenant to be kept and performed, Tenant shall quietly enjoy the premises from and against the claims of all persons claiming by, through or under Landlord subject, nevertheless, to the covenants, agreements, terms, provisions and conditions of this Lease and to the mortgages, ground leases and/or underlying leases to which this Lease is subject and subordinate, as hereinabove set forth.

Landlord warrants that: (a) Landlord holds the fee interest in the Complex, (b) Landlord has the authority to enter into this Lease with Tenant; and (c) the execution of this Lease does not conflict with any agreements to which Landlord is a party, or, to the best of Landlord's knowledge, to which Landlord is subject.

Without incurring any liability to Tenant, Landlord may permit access

to the premises and open the same, whether or not Tenant shall be present, upon any demand of any receiver, trustee, assignee for the benefit of creditors, sheriff, marshal or court officer entitled to, or reasonably purporting to be entitled to, such access for the purpose of taking possession of, or removing, Tenant's property or for any other lawful purpose (but this provision and any action by Landlord hereunder shall not be deemed a recognition by Landlord that the person or official making such demand has any right or interest in or to this Lease, or in or to the premises), or upon demand of any representative of the fire, police, building, sanitation or other department of the city, state or federal governments. Upon any such demand, Landlord shall notify Tenant and shall make reasonable efforts to afford Tenant an opportunity to make a representative of Tenant available at the Premises.

25. ENTIRE AGREEMENT -- WAIVER -- SURRENDER

25.1 ENTIRE AGREEMENT. This Lease and the Exhibits and Rider made a part hereof contain the entire and only agreement between the parties and any and all statements and representations, written and oral, including previous correspondence and agreements between the parties hereto, are merged herein. Tenant acknowledges that all representations and statements upon which it relied in executing this Lease are contained herein and that the Tenant in no way relied upon any other statements or representations, written or oral. Any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of this Lease in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

25.2 WAIVER BY LANDLORD. The failure of Landlord to seek redress for violation, or to insist upon the strict performance, of any covenant or condition of this Lease, or any of the Rules and Regulations promulgated hereunder, shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of rent with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach. The failure of Landlord to enforce any of such Rules and Regulations against Tenant

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and/or any other tenant in the Building shall not be deemed a waiver of any such Rules and Regulations. No provisions of this Lease shall be deemed to have been waived by Landlord unless such waiver be in writing signed by Landlord. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.

25.3 SURRENDER. No act or thing done by Landlord during the term hereby demised shall be deemed an acceptance of a surrender of the premises, and no agreement to accept such surrender shall be valid, unless in writing signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys of the premises prior to the termination of this Lease. The delivery of keys to any employee of Landlord or of Landlord's agents shall not operate as a termination of the Lease or a surrender of the premises. In the event that Tenant at any time desires to have Landlord underlet the premises for Tenant's account, Landlord or Landlord's agents are authorized to receive the keys for such purposes without releasing Tenant from any of the obligations under this Lease, and Tenant hereby relieves Landlord of any liability for loss of or damage to any of Tenant's effects in connection with such underletting.

26. INABILITY TO PERFORM - EXCULPATORY CLAUSE

(a) Except as expressly provided in this Lease, this Lease and the obligations of Tenant to pay rent hereunder and perform all the other covenants, agreements, terms, provisions and conditions hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this Lease or is unable to supply or is delayed in supplying any service expressly or impliedly to be supplied or is unable to make or is delayed in making any repairs, replacements, additions, alterations, improvements or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or

delayed from so doing by reason of strikes or labor troubles or any other similar or dissimilar cause whatsoever beyond Landlord's reasonable control, including but not limited to, governmental preemption in connection with a national emergency or by reason of any rule, order or regulation of any department or subdivision thereof of any governmental agency or by reason of the conditions of supply and demand which have been or are affected by war, hostilities or other similar or dissimilar emergency. Financial inability shall not be considered a cause beyond Landlord's reasonable control excusing Landlord's performance hereunder. In each such instance of inability of Landlord to perform, Landlord shall exercise reasonable diligence to eliminate the cause of such inability to perform.

(b) Tenant shall neither assert nor seek to enforce any claim against Landlord, or Landlord's agents or employees, or the assets of Landlord or of Landlord's agents or employees, for breach of this Lease or otherwise, other than against Landlord's interest in

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the Building of which the premises are a part and in the uncollected rents, issues and profits thereof, and Tenant agrees to look solely to such interest for the satisfaction of any liability of Landlord under this Lease, it being specifically agreed that in no event shall Landlord or Landlord's agents or employees (or any of the officers, trustees, directors, partners, beneficiaries, joint venturers, members, stockholders or other principals or representatives, and the like, disclosed or undisclosed, thereof) ever be personally liable for any such liability. This paragraph shall not limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or to take any other action which shall not involve the personal liability of Landlord to respond in monetary damages from Landlord's assets other than the Landlord's interest in said real estate, as aforesaid.

(c) In no event shall Landlord or Landlord's agents or employees (or any of the officers, trustees, directors, partners, beneficiaries, joint venturers, members, stockholders or other principals or representatives and the like, disclosed or undisclosed, thereof) ever be liable for consequential or incidental damages. Without limiting the foregoing, in no event shall Landlord or Landlord's agents or employees (or any of the officers, trustees, directors, partners, beneficiaries, joint venturers, members, stockholders or other principals or representatives and the like, disclosed or undisclosed, thereof) ever be liable for lost profits of Tenant.

(d) Except as set forth in this Article 26(d), Tenant shall not be liable to Landlord for indirect or consequential damages. Notwithstanding the foregoing, in the event that Tenant is required to indemnify Landlord against the claim of a third party pursuant to Article 15.3, and if such third party recovers a judgment against Landlord for indirect or consequential damages based upon the negligence or willful misconduct of Tenant, its contractors, agents or employees, Tenant shall be liable for such indirect or consequential damages suffered by such third party. The foregoing shall not limit Landlord's right to recover damages in accordance with Article 21.3 (x) or (y) or to recover damages in accordance with the last paragraph of Article 22 as the result of a holdover by Tenant in the premises beyond the term of the Lease.

(e) If by reason of Landlord's failure to timely to complete Landlord's Work, Tenant's sole and exclusive remedy shall be as set forth in Article 4.4.

27. BILLS AND NOTICES

Any notice, consent, request, bill, demand or statement hereunder by either party to the other party shall be in writing and, if received at Landlord's or Tenant's address, shall be deemed to have been duly given when either (i) delivered or served personally, (ii) sent by recognized overnight courier service, or mailed in a postpaid envelope deposited in the United States mail addressed to Landlord at its address as stated in Exhibit 1 and to Tenant at the premises (or at Tenant's address as stated in Exhibit 1, if mailed prior to Tenant's occupancy of the premises), or if any address for notices shall have been duly changed as hereinafter provided, if mailed as aforesaid to the party at such changed address, or (iii) by facsimile transmission by machine providing

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confirmation of delivery provided that the writing is also transmitted on the same day by the method specified in (ii) above; provided, however, that in the case of (i) and (ii), where a time period hereunder commences upon the giving of notice, such notice shall be deemed given when postal records indicate delivery was either made or first attempted. Either party may at any time change the address or specify an additional address for such notices, consents, requests, bills, demands or statements by delivering or mailing, as aforesaid, to the other party a notice stating the change and setting forth the changed or additional address, provided such changed or additional address is within the United States.

If Tenant is a partnership, Tenant, for itself, and on behalf of all of its partners, hereby appoints Tenant's Service Partner, as identified on Exhibit 1, to accept service of any notice, consent, request, bill, demand or statement hereunder by Landlord and any service of process in any judicial proceeding with respect to this Lease on behalf of Tenant and as agent and attorney-in-fact for each partner of Tenant.

All bills and statements for reimbursement or other payments or charges due from Tenant to Landlord hereunder shall be due and payable in full thirty (30) days, unless herein otherwise provided, after submission thereof by Landlord to Tenant. Tenant's failure to make timely payment of any amounts indicated by such bills and statements, whether for work done by Landlord at Tenant's request, reimbursement provided for by this Lease or for any other sums properly owing by Tenant to Landlord, shall be treated as a default in the payment of rent, in which event Landlord shall have all rights and remedies provided in this Lease for the nonpayment of rent.

28. PARTIES BOUND -- SEIZING OF TITLE

The covenants, agreements, terms, provisions and conditions of this Lease shall bind and benefit the successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party hereto is named or referred to, except that no violation of the provisions of Article 16 hereof shall operate to vest any rights in any successor or assignee of Tenant and that the provisions of this Article 28 shall not be construed as modifying the conditions of limitation contained in Article 21 hereof

If, in connection with or as a consequence of the sale, transfer or other disposition of the real estate (land and/or Building, either or both, as the case may be) of which the premises are a part, Landlord ceases to be the owner of the reversionary interest in the premises, Landlord shall be entirely freed and relieved from the performance and observance thereafter of all covenants and obligations hereunder on the part of Landlord thereafter to be performed and observed, it being understood and agreed in such event (and it shall be deemed and construed as a covenant running with the land) that the person succeeding to Landlord's ownership of said reversionary interest shall thereupon and thereafter assume, and perform and observe, any and all of such covenants and obligations of Landlord.

29. MISCELLANEOUS

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29.1 SEPARABILITY. If any Provision of this Lease or portion of such provision or the application thereof to any person or circumstance is for any reason held invalid or unenforceable, the remainder of the Lease (or the remainder of such provision) and the application thereof to other persons or circumstances shall not be affected thereby.

29.2 CAPTIONS, ETC. The captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Lease nor the intent of any provisions thereof. References to "State" shall mean, where appropriate, the District of Columbia and other Federal territories, possessions, as well as a state of the United States.

29.3 BROKER

(a) Tenant represents and warrants that it has not directly or indirectly dealt, with respect to the leasing of space in the Building or the Complex (called "Building, etc." in this Article 29.3) with any broker or had its attention called to the Premises or other space to let in the Building, etc. by anyone other than the brokers, persons, or firms designated in Exhibit 1.

Tenant agrees to defend, exonerate and save harmless and indemnify Landlord and anyone claiming by, through or under Landlord against any claims for a commission arising in breach of the representation and warranty set forth in the immediately preceding sentence.

(b) Landlord shall be solely responsible for the payment of brokerage commissions to the broker, person or firm, if any, designated in Exhibit 1. Landlord represents and warrants that, in connection with the execution and delivery of the Lease, it has not directly or indirectly dealt with any broker other than the brokers designated on Exhibit 1. Landlord agrees to defend, exonerate, save harmless, and indemnify Tenant and anyone claiming by, through, or under Tenant against any claims arising in breach of the representation and warranty set forth in the immediately preceding sentence.

29.4 MODIFICATIONS. If in connection with obtaining financing for the Building, a bank, insurance company, pension trust or other institutional lender shall request reasonable modifications in this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or condition its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder or materially adversely affect the leasehold interest hereby created or Tenant's rights and interests hereunder.

29.5 ARBITRATION. Any disputes relating to provisions or obligations in this Lease as to which a specific provision for a reference to arbitration is made herein shall be submitted to arbitration in accordance with the provisions of applicable state law (as identified on Exhibit 1), as from time to time amended. Arbitration proceedings, including the selection of an arbitrator, shall be conducted pursuant to the rules, regulations and procedures from time to time in effect as promulgated by the American Arbitration Association. Prior written notice of application by either party for arbitration shall be given to the other at least ten (10) days before submission of the application to

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the said Association's office in the City wherein the Building is situated (or the nearest other city having an Association office). The arbitrator shall hear the parties and their evidence. The decision of the arbitrator shall be binding and conclusive, and judgment upon the award or decision of the arbitrator may be entered in the appropriate court of law (as identified on Exhibit 1); and the parties consent to the jurisdiction of such court and further agree that any process or notice of motion or other application to the Court or a Judge thereof may be served outside the State wherein the Building is situated by registered mail or by personal service, provided a reasonable time for appearance is allowed. The costs and expenses of each arbitration hereunder and their apportionment between the parties shall be determined by the arbitrator in his award or decision. No arbitrable dispute shall be deemed to have arisen under this Lease prior to (i) the expiration of the period of twenty (20) days after the date of the giving of written notice by the party asserting the existence of the dispute together with a description thereof sufficient for an understanding thereof; and (ii) where a Tenant payment (e.g., Tax Excess or Operating Expense Excess under Article 9 hereof) is in issue, the amount billed by Landlord having been paid by Tenant.

29.6 GOVERNING LAW. This Lease is made pursuant to, and shall be governed by, and construed in accordance with, the laws of the State wherein the Building is situated and any application local municipal rules, regulations, by-laws, ordinances and the like.

29.7 ASSIGNMENT OF RENTS. With reference to any assignment by Landlord of its interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to or held by a bank, trust company, insurance company or other institutional lender holding a mortgage or ground lease on the Building, Tenant agrees:

(a) that the execution thereof by Landlord and the acceptance thereof by such mortgagee and/or ground lessor shall never be deemed an assumption by such mortgagee and/or ground lessor of any of the obligations of the Landlord thereunder, unless such mortgagee and/or ground lessor shall, by written notice sent to the Tenant, specifically otherwise elect; and

(b) that, except as aforesaid, such mortgagee and/or ground lessor shall be treated as having assumed the landlord's obligations thereunder only upon foreclosure of such mortgagee's mortgage or deed of trust or termination of

such ground lessor's ground lease or the taking of possession of the demised premises by such mortgagee or ground lessor.

29.8 REPRESENTATION OF AUTHORITY. By his execution hereof each of the signatories on behalf of the respective parties hereby warrants and represents to the other that he is duly authorized to execute this Lease on behalf of such party. If Tenant is a corporation, Tenant hereby appoints the signatory whose name appears below on behalf of Tenant as Tenant's attorney-in-fact for the purpose of executing this Lease for and on behalf of Tenant.

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29.9 EXPENSES INCURRED BY LANDLORD UPON TENANT REQUESTS. Tenant shall, upon demand, reimburse Landlord for all reasonable expenses, including, without limitation, legal fees, incurred by Landlord in connection with all requests by Tenant for consents, approvals or execution of collateral documentation related to this Lease, including, without limitation, costs incurred by Landlord in the review and approval of Tenant's plans and specifications in connection with proposed alterations to be made by Tenant to the premises, requests by Tenant to sublet the premises or assign its interest in the lease, the execution by Landlord of estoppel certificates requested by Tenant, and requests by Tenant for Landlord to execute waivers of Landlord's interest in Tenant's property in connection with third party financing by Tenant. Such costs shall be deemed to be additional rent under the Lease.

29.10 SURVIVAL. Without limiting any other obligation of the Tenant which may survive the expiration or prior termination of the term of the Lease, all obligations on the part of Tenant to indemnify, defend, or hold Landlord harmless, as set forth in this Lease (including, without limitation, Tenant's obligations under Articles 13(d), 15.3, and 29.3) shall survive the expiration or prior termination of the term of the Lease.

29.11 TENANT'S RIGHT TO CONTEST. Notwithstanding any term of provision herein to the contrary, in any instance that Tenant is required hereunder to comply with any law, by-law, ordinance, code, rule, regulation, order or other lawful requirement of any governmental body having jurisdiction, Tenant shall have the right to defer such compliance while contesting the same in good faith, provided that such contest is made in a lawful manner, with sufficient security provided, in Landlord's reasonable opinion, to avoid any damage or loss which Landlord may suffer.

29.12 RECORDATION. Tenant shall not record this Lease. Either Landlord or Tenant may require that a notice of lease, in form and substance as may be required by law and otherwise reasonably acceptable to Landlord and Tenant, be executed, acknowledged, and delivered by both parties and recorded. The party requesting or requiring such recording shall pay all recording fees in connection therewith.

29.13 EXHIBITS. The Exhibits and Rider to Lease attached hereto are incorporated by reference herein and are a part hereof.

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IN WITNESS WHEREOF the parties hereto have executed this Indenture of Lease in multiple copies, each to be considered an original hereof, as a sealed instrument on the day and year noted in Exhibit 1 as the Execution Date.

LANDLORD:	TENANT:
LINCOLN-FRANKLIN, LLC	SMTC MANUFACTURING
	CORPORATION OF
	MASSACHUSETTS

By: Lincoln Investors Group 2, Inc.
Its: Managing Member

By: /s/ WILLIAM M. HICKEY	By: /s/ THOMAS HARRINGTON
-----	-----
Name: William M. Hickey	Name: Thomas Harrington
Its: Vice President	Its: President
Hereunto Duly Authorized	Hereunto Duly Authorized

IF TENANT IS A CORPORATION, A SECRETARY'S OR CLERK'S CERTIFICATE OF THE AUTHORITY AND THE INCUMBENCY OF THE PERSON SIGNING ON BEHALF OF TENANT

SHOULD BE ATTACHED.

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COMMONWEALTH, DISTRICT OR
STATE OF MASSACHUSETTS

COUNTY OF MIDDLESEX

On the Execution Date stated in Exhibit 1, the person above signing this Lease for and on behalf of the Tenant, to me personally known, did sign and execute this Lease and, being by me duly sworn, did depose and say that he is the officer of the above named Tenant, as noted, and that he signed his name hereto by order of the Board of Directors of said Tenant.

/s/ [SIGNATURE APPEARS HERE]

Notary Public
My Commission Expires: May 31, 2007

COMMONWEALTH OF VIRGINIA

COUNTY OF ARLINGTON

On the Execution Date stated in Exhibit 1, the person above signing this Lease for and on behalf of Landlord to me personally known, did sign and execute this Lease and, being by me duly sworn, did depose and say that he is the duly authorized representative of Landlord.

/s/ LISA J. BELLE

Notary Public
My Commission Expires: July 31, 2001

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SMTC CORPORATION'S CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN THE COMPANY'S FORM 10-Q FOR THE QUARTER ENDED OCTOBER 1, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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