

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 quarter ended: September 30, 2001

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: 0-16214



ALBANY INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1373 Broadway, Albany, New York
(Address of principal executive offices)

14-0462060

(IRS Employer Identification No.)

12204
(Zip Code)

518-445-2200

Registrant's telephone number, including area code

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

The registrant had 25,356,596 shares of Class A Common Stock and 5,867,476 shares of Class B Common Stock outstanding as of September 30, 2001.

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Item 1. Financial Statements

ALBANY INTERNATIONAL CORP. CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (unaudited) (in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net sales	\$ 202,651	\$ 201,081	\$ 618,267	\$ 629,822
Cost of goods sold	125,711	121,661	368,308	377,817
Gross profit	76,940	79,420	249,959	252,005
Selling, technical, general and research expenses	58,575	55,932	175,823	172,675
Operating income	18,365	23,488	74,136	79,330
Interest expense, net	6,988	10,645	23,720	31,374
Other (income) expense, net	(3,424)	(909)	(1,001)	923
Income before income taxes	14,801	13,752	51,417	47,033
Income taxes	5,476	4,502	19,024	18,813
Income before associated companies	9,325	9,250	32,393	28,220
Equity in earnings of associated companies	72	93	205	534
Income before cumulative effect of a change in accounting principle	9,397	9,343	32,598	28,754
Cumulative effect of change in accounting principle, net of taxes	-	-	(1,129)	-
Net income	9,397	9,343	31,469	28,754
Retained earnings, beginning of period	336,711	295,965	314,639	276,554

Retained earnings, end of period	\$ 346,108	\$ 305,308	\$ 346,108	\$ 305,308
Earnings per share - basic:				
Income before cumulative effect of a change in accounting principle	\$ 0.30	\$ 0.30	\$ 1.05	\$ 0.94
Cumulative effect of change in accounting principle	\$ 0.00	\$ 0.00	\$ (0.04)	\$ 0.00
Net income	\$ 0.30	\$ 0.30	\$ 1.01	\$ 0.94
Earnings per share - diluted:				
Income before cumulative effect of change in accounting principle	\$ 0.30	\$ 0.30	\$ 1.04	\$ 0.94
Cumulative effect of change in accounting principle	\$ 0.00	\$ 0.00	\$ (0.03)	\$ 0.00
Net income	\$ 0.30	\$ 0.30	\$ 1.01	\$ 0.94
Average number of shares used in basic earnings per share computations	31,189	30,671	31,022	30,592
Average number of shares used in diluted earnings per share computations	31,450	30,671	31,266	30,592

The accompanying notes are an integral part of the financial statements.

ALBANY INTERNATIONAL CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	(unaudited) September 30, 2001	December 31, 2000
ASSETS		
Cash and cash equivalents	\$ 6,993	\$ 5,359
Accounts receivable, net	146,716	236,810
Note receivable	25,482	
Inventories:		
Finished goods	109,570	119,619
Work in process	50,753	54,408
Raw material and supplies	34,736	42,846
	195,059	216,873
Deferred taxes	31,249	27,711
Prepaid expenses	7,704	7,534
Total current assets	413,203	494,287
Property, plant and equipment, net	359,100	387,658
Investments in associated companies	4,066	4,300
Intangibles	149,549	161,709
Deferred taxes	18,577	19,095
Other assets	35,199	45,203
Total assets	\$ 979,694	\$ 1,112,252
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and loans payable	\$ 12,505	\$ 37,760
Accounts payable	33,674	47,005
Accrued liabilities	82,764	80,678
Current maturities of long-term debt	53,284	44,092
Income taxes payable and deferred	13,765	12,499
Total current liabilities	195,992	222,034
Long-term debt	277,094	398,087
Other noncurrent liabilities	145,634	129,741
Deferred taxes and other credits	33,471	37,473
Total liabilities	652,191	787,335
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$5.00 per share; authorized 2,000,000 shares; none issued	-	-
Class A Common Stock, par value \$.001 per share; authorized 100,000,000 shares; issued 27,553,782 in 2001 and 27,138,064 in 2000	28	27
Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 5,867,476 in 2001 and 5,869,457 in 2000	6	6
Additional paid in capital	231,352	223,897
Retained earnings	346,108	314,639
Accumulated items of other comprehensive income:		
Translation adjustments	(187,185)	(165,691)
Derivative valuation adjustment	(14,932)	-
Pension liability adjustment	(2,223)	(2,223)
	373,154	370,655
Less treasury stock (Class A), at cost (2,197,186 shares in 2001 and 2,201,232 in 2000)	45,651	45,738
Total shareholders' equity	327,503	324,917
Total liabilities and shareholders' equity	\$ 979,694	\$ 1,112,252

The accompanying notes are an integral part of the financial statements.

ALBANY INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2001	2000
OPERATING ACTIVITIES		
Net income	\$ 31,469	\$ 28,754
Adjustments to reconcile net cash provided by operating activities:		
Equity in earnings of associated companies	(205)	(534)
Depreciation and amortization	43,662	47,777
Provision for deferred income taxes, other credits and long-term liabilities	(3,212)	(1,088)
Increase in cash surrender value of life insurance, net of premiums paid	(841)	(420)
Unrealized currency transaction (gains)/losses	(5,514)	(2,659)
Loss on disposition of assets	56	1,868
Shares contributed to ESOP	3,876	3,611
Tax benefit of options exercised	407	
Changes in operating assets and liabilities:		
Accounts receivable	29,081	18,766
Sale of accounts receivable	66,527	
Note receivable	(26,232)	
Inventories	21,814	2,418
Prepaid expenses	(171)	(2,438)
Accounts payable	(13,330)	(11,694)

Accrued liabilities	5,664	(1,759)
Income taxes payable	3,552	780
Other, net	1,316	1,723
Net cash provided by operating activities	157,919	85,105
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(18,003)	(26,943)
Purchased software	(820)	(925)
Proceeds from sale of assets	33	8,348
Proceeds from life insurance policies	10,602	
Acquisitions, net of cash acquired	(1,037)	
Premiums paid for life insurance policies	(1,161)	(1,161)
Net cash used in investing activities	(9,349)	(21,718)
FINANCING ACTIVITIES		
Proceeds from borrowings	38,996	19,118
Principal payments on debt	(175,812)	(69,026)
Proceeds from options exercised	3,174	
Net cash used in financing activities	(133,642)	(49,908)
Effect of exchange rate changes on cash flows	(13,294)	(16,763)
Increase (decrease) in cash and cash equivalents	1,634	(3,284)
Cash and cash equivalents at beginning of year	5,359	7,025
Cash and cash equivalents at end of period	\$ 6,993	\$ 3,741

The accompanying notes are an integral part of the financial statements.

ALBANY INTERNATIONAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Management Opinion

In the opinion of management the accompanying unaudited consolidated financial statements contain all adjustments, consisting of only normal, recurring adjustments, necessary for a fair presentation of results for such periods. The results for any interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. These consolidated financial statements should be read in conjunction with financial statements and notes thereto for the year ended December 31, 2000.

2. Accounts and Notes Receivable

On September 28, 2001, the Company entered into a trade accounts receivable securitization program whereby it sells designated accounts receivable, with no recourse. The accounts receivable are sold on an ongoing basis to a subsidiary of the Company which is a qualified special purpose entity and, in accordance with Financial Accounting Standards Board Statement No. 140, is not consolidated into the Company's financial statements. The Company receives fees for collecting accounts receivable and for performing certain other administrative functions. The amount of accounts receivable sold is subject to change based upon certain criteria, and was approximately \$66.5 million as of September 30, 2001. Included in other (income) expense is a charge of \$0.9 million representing the discount applied to the initial sale of accounts receivable and initial transaction costs. The discount factor is based on estimated timing of cash receipts, interest rates and anticipated credit losses.

3. Accounting for Derivatives

The Financial Accounting Standards Board (FASB) issued, then subsequently amended, Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", which the Company adopted effective January 1, 2001. SFAS 133 requires that all derivative instruments (including instruments embedded in other contracts) are recognized on the balance sheet at their fair value and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges in accordance with the Standard. The change in fair value for those derivatives that qualify as hedges are recorded in other comprehensive income.

The Company has a lease for manufacturing facilities that must be recorded under the provisions of SFAS 133 due to the lease payments being denominated in a nonfunctional currency. The Company has also entered into interest rate swap agreements that qualify as cash flow hedges in accordance with the Standard.

At January 1, 2001, the Company's financial statements were adjusted to record a cumulative effect of accounting for the lease described above in accordance with SFAS 133:

(in thousands)	
Adjustments to fair value of derivatives	\$ (1,882)
Income tax benefit	753
Cumulative effect of change in accounting principle	\$ (1,129)

A reconciliation of marking to market of interest rate swap agreements resulted in recording a noncurrent liability with an offset to the separate component of shareholders' equity labeled, "Derivative valuation adjustment", as follows:

(in thousands)	Nine Months Ended September 30, 2001	Three Months Ended September 30, 2001
Transition adjustments as of January 1, 2001	\$ (4,888)	\$ -
Current period (decrease) increase in fair value	(10,044)	(9,401)
Total derivative fair value adjustment	\$ (14,932)	\$ (9,401)

Gains or losses on forward exchange contracts that function as an economic hedge against currency fluctuation effects on future revenue streams are recorded in "Other (income) expense, net".

Gains or losses on forward exchange contracts that are designated a hedge of a foreign operation's net assets and/or long-term intercompany loans are recorded in "Translation adjustments", a separate component of shareholders' equity. These contracts reduce the risk of currency exposure on foreign currency net assets and do not exceed the foreign currency amount being hedged. To the extent the above criteria are not met, or the related assets are sold, extinguished, or terminated, activity associated with such hedges is recorded in "Other (income) expense, net".

All open positions on forward exchange contracts are valued at fair value using the estimated forward rate of a matching contract.

Gains or losses on futures contracts have been recorded in "Other (income) expense, net". Open positions have been valued at fair value using quoted market rates.

4. Other (income) expense, Net

Included in other (income) expense, net for the nine months ended September 30 are: currency transactions, income of \$6.4 million in 2001 and \$2.9 million in 2000; amortization of debt issuance costs and loan origination fees, \$1.7 million in 2001 and \$1.8 million in 2000, \$0.7 million expense in 2001 related to the SFAS 133 lease adjustment, expenses related to the sale of accounts receivable of \$0.9 million in 2001, and \$2.1 million in 2001 and \$2.0 million in 2000 for other miscellaneous expenses, none of which are significant.

Included in other (income) expense, net for the three months ended September 30 are: currency transactions, income of \$5.6 million in 2001 and \$2.8 million in 2000; amortization of debt issuance costs and loan origination fees, \$0.6 million in 2001 and \$0.7 million in 2000, \$0.3 million income in 2001 related to the SFAS 133 lease adjustment, expenses related to the sale of accounts receivable of \$0.9 million in 2001, and \$1.0 million in 2001 and \$1.2 million in 2000 for other miscellaneous expenses, none of which are significant.

5. Earnings Per Share

Net income per share is computed using the weighted average number of shares of Class A and Class B Common Stock outstanding during the period. Diluted net income per share includes the effect of all potentially dilutive securities.

The amounts used in computing earnings per share, including the effect on income and the weighted average number of shares of potentially dilutive securities, are as follows:

**Nine Months Ended
September 30,**

**Three Months Ended
September 30,**

(in thousands)	2001	2000	2001	2000
Income available to common stockholders:				
Income available to common stockholders	\$ 31,469	\$ 28,754	\$ 9,397	\$ 9,343
Weighted average number of shares:				
Weighted average number of shares used in net income per share	31,022	30,592	31,189	30,671
Effect of dilutive securities:				
Stock options	244	-	261	-
Weighted average number of shares used in diluted net income per share	31,266	30,592	31,450	30,671

For all periods ended September 30, 2000, all options were excluded from the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common shares for the period. For the periods ending September 30, 2001, the calculation of diluted earnings per share excluded options to purchase 1,985,700 shares for the nine month period and 1,759,700 shares for the three month period because the options' exercise price was greater than the average market price of the common shares.

6. Comprehensive (Loss)/Income

Total comprehensive (loss) income consists of:

(in thousands)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2001	2000	2001	2000
Net income	\$ 31,469	\$ 28,754	\$ 9,397	\$ 9,343
Other adjustments to comprehensive (loss) income:				
Foreign currency translation adjustments	(21,494)	(55,268)	(10,121)	(25,439)
Income tax related to items of other comprehensive income	-	248	-	-
Swap transition adjustment as of January 1, 2001	(4,888)	-	-	-
Current period (decrease) increase in fair values of swaps	(10,044)	-	(9,401)	-
Total comprehensive (loss) income	\$ (4,957)	\$ (26,266)	\$ (10,125)	\$ (16,096)

7. Operating Segment Data

The following table shows data by operating segment, reconciled to consolidated totals included in the financial statements:

(in thousands)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2001	2000	2001	2000
Net Sales				
Engineered Fabrics	\$ 517,802	\$ 525,472	\$ 169,035	\$ 166,673
High Performance Doors	73,343	71,624	24,117	24,834
All other	27,122	32,726	9,499	9,574
Consolidated Total	\$ 618,267	\$ 629,822	\$ 202,651	\$ 201,081
Operating Income				
Engineered Fabrics	\$ 115,162	\$ 112,305	\$ 32,236	\$ 37,217
High Performance Doors	5,704	4,067	1,898	972
All other	1,085	4,435	(75)	1,774
Research expense	(17,881)	(16,995)	(6,179)	(6,142)
Unallocated expenses	(29,934)	(24,482)	(9,515)	(10,333)
Operating income before reconciling items	74,136	79,330	18,365	23,488
Reconciling items:				
Interest expense, net	(23,720)	(31,374)	(6,988)	(10,645)
Other income (expense), net	1,001	(923)	3,424	909
Consolidated income before income taxes	\$ 51,417	\$ 47,033	\$ 14,801	\$ 13,752

Except for the sale of accounts receivable (Note 2), there has been no material change in the total assets of the reportable segments between December 31, 2000 and September 30, 2001.

8. Income Taxes

The Company's effective tax rate for the first nine months of 2001 and 2000 was 37% and 40%, respectively. During the third quarter of 2000, the Company's estimated tax rate was reduced from 43% to 40%.

9. Contingencies

The Company is a defendant in a number of proceedings for injuries allegedly suffered as a result of exposure to asbestos-containing products formerly manufactured by the Company. It is the position of the Company that any exposure to asbestos from products manufactured by the Company would be insufficient to cause asbestos-related injury to any plaintiff. In 2001, the Company was named as defendant in additional proceedings. The Company believes all asbestos-related claims to be without merit. While there can be no assurance as to their outcome, based upon its current understanding of the policies of insurance available, its recent settlement experience, how settlement amounts have been allocated to such policies, the absence of any judgements against the Company, and the defenses available, the Company believes that the ultimate resolution of the aforementioned proceedings is unlikely to have a material effect on its financial position, results of operations or cash flows.

10. Recent Accounting Pronouncements:

On June 29, 2001, Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations", was approved by the Financial Accounting Standards Board (FASB). SFAS No. 141 requires the purchase method of accounting to be used for all business combinations initiated after June 30, 2001. The Company does not expect the adoption of this Standard to have a material effect on its financial statements.

On June 29, 2001, SFAS No. 142, "Goodwill and Other Intangible Assets" was approved by the FASB. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of this statement. The Company plans to adopt SFAS No. 142 on its effective date of January 1, 2002. Goodwill amortization expense is estimated to be approximately \$7.5 million for 2001. Except for the elimination of goodwill amortization expense, the Company is currently assessing, but has not yet determined the impact of SFAS 142 on its financial statements.

On August 16, 2001, SFAS No. 143, "Accounting for Asset Retirement Obligations" was approved by the FASB. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred beginning for fiscal years beginning after June 15, 2002. The Company is currently assessing, but has not yet determined the impact of SFAS No. 143 on its financial statements.

On October 3, 2001, SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", was approved by the FASB. SFAS No. 144 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell. The Company is required to adopt this Standard on January 1, 2002. The Company is currently assessing, but has not yet determined the impact of SFAS No. 144 on its financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Months Ended September 30, 2001

The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto.

RESULTS OF OPERATIONS:

Net sales increased to \$202.7 million for the three months ended September 30, 2001 as compared to \$201.1 million for the same period in 2000. The effect of the stronger U.S. dollar in 2001 was to decrease net sales by \$4.8 million. Excluding the effect of currency translation, net sales increased by 3.2% as compared to the third quarter of 2000.

Net sales decreased to \$618.3 million for the nine months ended September 30, 2001 as compared to \$629.8 million for the same period in 2000. The effect of the stronger U.S. dollar as compared to the first nine months of 2000 was to decrease net sales by \$26.5 million. Excluding the effect of currency translation, 2001 net sales were up 2.4% as compared to 2000.

Geographically, United States net sales of paper machine clothing and engineered products were up 1.1% in the third quarter, and 0.8% for the first nine months, as compared to the same periods of 2000. In the Canada, Pacific and Latin America regions, combined sales of paper machine clothing and engineered products, excluding currency effects, were up 3.1% in the third quarter, and 5.0% for the first nine months, as compared to the

same periods of 2000. European net sales, in euros, of paper machine clothing and other engineered products were down 2.9% for the third quarter, but were up 2.3% for the first nine months, as compared to the same periods of 2000. For the three months ended September 30, 2001, net sales in the high performance door segment were down 2.9% in U.S. dollars and were up 1.6% in local currencies. For the nine months ended September 30, 2001, net sales in the high performance door segment were up 2.4% in U.S. dollars and were up 9.8% in local currencies.

Gross profit was 38.0% of net sales for the three months ended September 30, 2001 as compared to 39.5% for the same period in 2000 bringing the nine month gross profit to 40.4% for 2001 as compared to 40.0% for 2000. During the three months ended September 30, 2001, the Company slowed production in order to reduce inventory levels. The production slowdown had the effect of reducing gross profit by \$4.8 million. Excluding the effect of the production slowdown, and the additional effect of currency translation, gross profit was 40.3% for the three months ended September 30, 2001. Third quarter variable costs, as a percent of net sales, were 37.7% in 2001 and 36.4% in 2000. Excluding currency translation and production slowdown effects, variable costs were 36.9% of sales for the three months ended September 30, 2001. For the first nine months of 2001, variable costs as a percentage of net sales were 36.1% in 2001 and 35.2% in 2000. The higher variable cost percentage for the first nine months of 2001 is primarily due to a higher percentage of net sales being generated by the high performance door business and the production slowdown.

Selling, technical, general and research expenses, were 4.7% higher in the third quarter of 2001, in comparison to 2000. Excluding the effect of currency rates, these costs were 6.8% higher. For the first nine months of 2001, selling, technical, general and research expenses, excluding the effect of currency rates, were 5.3% higher than 2000. The higher costs in 2001 were due principally to an insurance benefit received in 2000, increases in salaries and benefits, and the unfavorable change in the remeasurement of foreign currency transactions incurred principally in Europe.

Third quarter operating income decreased 21.8% to \$18.4 million, compared to the third quarter of 2000. Excluding the effects of changes in currency translation rates and the production slowdown, operating income increased 1.9% in the third quarter of 2001 as compared to the same period in 2000. For the first nine months of 2001, operating income was down 6.5% in comparison to 2000. Excluding currency translation and production slowdown effects, operating income for the first nine months of 2001 was 5.6% higher than the comparable period of 2000.

Interest expense, net, decreased 34.4% to \$7.0 million in the third quarter of 2001, as compared to the same period in 2000. For the first nine months of 2001, interest expense, net was 24.4% lower than the first nine months of 2000. The decrease in interest expense was due to lower total debt and lower average interest rates.

The tax rate for the three and nine month periods ended September 30, 2001 was 37%. During the third quarter of 2000, the Company reduced its estimated annual tax rate from 43% to 40%, which had the effect of increasing earnings in the third quarter of 2000 by \$0.05 per share.

Net income for the three months ended September 30, 2001 was \$9.4 million, compared to \$9.3 million for the same quarter of 2000. In addition to the factors described above, the third quarter of 2001 was aided by currency transaction income of \$5.6 million compared to \$2.8 million in the same quarter of 2000. Currency transaction income, which is reported in other (income) expense, includes economic hedging that is designed to offset fluctuations in operating income and cash flows that are caused by changes in currency rates. For the first nine months, income before cumulative effect of change in accounting principle rose to \$32.6 million in 2001, compared to \$28.8 million in 2000 as lower operating income was offset by lower interest expense, greater currency transaction income and a lower tax rate.

The Company is taking steps to remove at least \$25 million from its existing cost structure by the end of 2002. The cost reduction will be accomplished by a combination of consolidating product lines and production facilities, reducing sales and administration costs, and reorganizing the high performance door business in Europe. A restructuring charge in the fourth quarter of this year will result from these actions.

Effective January 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company has a lease of manufacturing facilities in Italy that is impacted by this Standard. The cumulative after-tax effect of adopting this standard was a charge to earnings of \$1.1 million. Additionally, the derivative liability associated with this lease increased \$0.7 million during the nine months ended September 30, 2001. This expense is included in other (income) expense, net.

Reasons for the changes in operating results for the three month period ended September 30, 2001 as compared to the corresponding period in 2000 are similar to those which affected the nine month comparisons, except where specifically noted.

LIQUIDITY AND CAPITAL RESOURCES:

On September 28, 2001, the Company entered into a trade accounts receivable securitization program whereby it sells designated accounts receivable, with no recourse. The accounts receivable are sold on an ongoing basis to a subsidiary of the Company which is a qualified special purpose entity and, in accordance with Financial Accounting Standards Board Statement No. 140, is not consolidated into the Company's financial statements. The Company receives fees for collecting accounts receivable and for performing certain other administrative functions. The amount of accounts receivable sold is subject to change based upon certain criteria, and was approximately \$66.5 million as of September 30, 2001. Included in other (income) expense is a charge of \$0.9 million representing the discount applied to the initial sale of accounts receivable and initial transaction costs. The discount factor is based on estimated timing of cash receipts, interest rates and anticipated credit losses.

Excluding the effect of the accounts receivable sale, accounts receivable decreased \$25.0 million since December 31, 2000. Excluding the additional effect of the stronger U.S. dollar, accounts receivable decreased \$17.5 million. Inventories decreased \$15.1 million during the three months ended September 30, 2001. Excluding the effect of currency translation, inventories decreased \$17.8 million. The decrease in inventories is primarily attributable to the production slowdowns. Excluding currency translation, inventory decreased \$16.2 million for the nine months ended September 30, 2001.

During the first nine months of 2001, total debt decreased \$137.1 million. The Company's debt structure provides approximately \$225 million in committed and available unused debt capacity with financial institutions. Management believes that this debt capacity, in combination with informal commitments and expected cash flows, should be sufficient to meet anticipated operating requirements and normal business opportunities that support corporate strategies.

Capital expenditures for the nine months ended September 30, 2001 were \$18.0 million as compared to \$26.9 million for the same period last year. The Company anticipates that capital expenditures, including capitalized leases, will be approximately \$35 million for the full year and the Company will continue to finance these expenditures with cash from operations and existing credit facilities. Adjusted free cash flow (defined as cash provided by operating activities, minus: capital expenditures, cash dividends, and increases in net cash from accounts receivable sold) improved to \$41.4 million for the three months ended September 30, 2001, compared to \$19.6 million for the comparable period of 2000. For the first nine months, adjusted free cash flow improved to \$100.3 million in 2001, compared to \$58.2 million in 2000.

The Company improved its leverage ratio, as defined in its principal credit agreements, to below 2.25, compared to 2.68 at the end of 2000. Reducing the leverage ratio to below 2.25 allows the Company to enjoy a 25 basis-point reduction in interest rates on its principal revolving credit and term loan facilities, beginning in mid-November.

RECENT ACCOUNTING PRONOUNCEMENTS:

On June 29, 2001, Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations", was approved by the Financial Accounting Standards Board (FASB). SFAS No. 141 requires the purchase method of accounting to be used for all business combinations initiated after June 30, 2001. The Company does not expect the adoption of this Standard to have a material effect on its financial statements.

On June 29, 2001, SFAS No. 142, "Goodwill and Other Intangible Assets" was approved by the FASB. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of this statement. The Company plans to adopt SFAS No. 142 on its effective date of January 1, 2002. Goodwill amortization expense is estimated to be approximately \$7.5 million for 2001. Except for the elimination of goodwill amortization expense, the Company is currently assessing, but has not yet determined the impact of SFAS 142 on its financial statements.

On August 16, 2001, SFAS No. 143, "Accounting for Asset Retirement Obligations" was approved by the FASB. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred beginning for fiscal years beginning after June 15, 2002. The Company is currently assessing, but has not yet determined the impact of SFAS No. 143 on its financial statements.

On October 3, 2001, SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", was approved by the FASB. SFAS No. 144 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell. The Company is required to adopt this Standard on January 1, 2002. The Company is currently assessing, but has not yet determined the impact of SFAS No. 144 on its financial statements.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. These statements include statements about such matters as future earnings, pricing, markets, cost reductions, new products, paper industry consolidation and outlook, tax rate, inventory and accounts receivable reduction, capital expenditures, and amortization. Actual future events and circumstances (including future performance, results and trends) could differ materially from those set forth in such statements due to various factors. These factors include even more competitive marketing conditions resulting from customer consolidations, possible softening of customer demand, unanticipated events or circumstances related to recently acquired businesses, the occurrence of unanticipated events or difficulties relating to divestiture, joint venture, operating, capital, global integration and other projects, changes in currency exchange rates, changes in general economic and competitive conditions, technological developments, and other risks and uncertainties, including those detailed in the Company's filings with the Securities and Exchange Commission.

Part II - Other Information

Item 1. Legal Proceedings

The Company is named as a defendant in a number of suits by plaintiffs claiming injury as a result of exposure to asbestos-containing products formerly manufactured by the Company. The Company's subsidiary, Brandon Drying Fabrics, Inc., is named as a defendant in most of these same proceedings.

Albany International Corp.

The Company was named as a defendant in two actions in state court in Louisiana, seeking damages from the Company and approximately fifty other defendants (including primary suppliers of asbestos, asbestos abatement and removal companies, paper machine builders, pump manufacturers, insulation and building materials suppliers, boiler manufacturers and other suppliers of products alleged to have contained asbestos) for injuries allegedly suffered by approximately 2,000 employees at two paper mills in Bogalusa and St. Francisville, Louisiana, due to exposure to asbestos. Liberty Mutual, the underwriter of insurance coverage applicable to these claims, defended these matters on the Company's behalf, subject to a standard reservation of any rights under the applicable policies.

The information identified during the discovery process suggests that the Company's production of asbestos-containing paper machine clothing products was limited to certain dryer fabrics marketed to paper mills during the period from 1967 to 1976. Other companies that manufactured asbestos-containing dryer fabrics prior to or during this period are also named as defendants in most of these proceedings. It is the position of the Company and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury to any plaintiff. Furthermore, asbestos contained in the Company's products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release.

Discovery by both plaintiffs and defendants in the Bogalusa proceeding was essentially completed in late 1998. The first trial commenced in January 1999. (All claims relating to this first trial against the Company were settled prior to that time.) A unanimous jury verdict in favor of the remaining defendants (including two dryer fabric producers) was returned in early March 1999.

All remaining claims against Albany International Corp. pending in each of the Bogalusa and St. Francisville proceedings (approximately 2,000 plaintiffs in the aggregate) were settled during 2000. All settlement amounts were funded by Liberty Mutual.

The Company currently remains a defendant in a number of asbestos proceedings involving an aggregate of 4,664 claimants.

One proceeding, in Jefferson County, Mississippi, accounts for 1,192 claimants. Based upon preliminary work histories provided by counsel, it appears that as many as half of these plaintiffs were never employed in paper mills. Of the remaining cases, a large number do not provide sufficient employment histories to determine whether the claimants would have ever had any contact with any asbestos-containing dryer fabrics sold by the Company.

A second proceeding, in Jones County, Mississippi, accounts for another 2,099 claimants. Based on preliminary histories, it appears that as many as three-quarters of these plaintiffs were never employed in paper mills. Such histories also do not indicate how many of the remaining claimants would have had contact with the Company's products.

Mount Vernon

In some of these proceedings, the Company is named both as a direct defendant and as the "successor in interest" to Mount Vernon Mills. The Company acquired certain assets from Mount Vernon Mills in 1993. These proceedings allege injury caused by asbestos-containing products alleged to have been sold by Mount Vernon Mills many years prior to this acquisition. Mount Vernon Mills, Inc. is contractually obligated to indemnify the Company against any liability arising out of such products. The Company denies any liability for products sold by Mount Vernon Mills prior to the acquisition of the Mount Vernon assets, and has successfully moved for dismissal in several proceedings before the first trial. Similar motions will be filed in other proceedings.

Brandon Drying Fabrics, Inc.

Brandon Drying Fabrics, Inc., a subsidiary of Geschmay Corp., is also a party to most of the above asbestos proceedings (including the Bogalusa and St. Francisville proceedings). The Company acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999.

Brandon Drying Fabrics, Inc. was created in 1978 in connection with the purchase of certain assets from Abney Mills, a South Carolina textile manufacturing entity. Brandon Sales, Inc. was a wholly-owned subsidiary of Abney and its assets were among those purchased from Abney Mills. After the purchase, Brandon Drying Fabrics, Inc. manufactured drying fabrics under its own name, none of which contained asbestos. It is believed that Abney Mills ceased production of asbestos-containing products prior to the 1978 purchase. Affidavits obtained from former Abney Mills employees confirm that belief.

Under the terms of the Assets Purchase Agreement between Brandon Drying Fabrics, Inc. and Abney Mills, Abney Mills agreed to indemnify, defend and hold harmless from any actions or claims on account of products manufactured by Abney Mills and its related corporations prior to the date of the sale whether or not the product was sold subsequent to the date of the sale. While it appears that Abney Mills has since been dissolved, an attorney has been appointed to represent the Abney Mills interests, and demand has been made that it assume the defense of these actions.

Brandon has succeeded in securing dismissals of a number of claims on the basis of the foregoing.

The Company believes all asbestos-related claims against it are without merit. While there can be no assurance as to their outcome, based upon its current understanding of the policies of insurance available, its recent settlement experience, how settlement amounts have been allocated to such policies, the absence of any judgments against Albany or Brandon, and the defenses available, the Company currently does not anticipate any material liability relating to resolution of the aforementioned pending proceedings in excess of existing insurance coverage limits. Consequently, the Company does not believe, based upon currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations, or cash flows of the Company. While the Company anticipates that additional claims may be filed, it cannot control or predict the number or timing of future claims. The Company and Brandon intend vigorously to defend themselves against any such claims.

There are no other material pending legal proceedings, other than ordinary routine litigation incidental to the business.

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 2001.

Credit and Finance Agreement

<u>Exhibit No.</u>	<u>Description</u>
10(j)(I)	Receivables Sale Agreement, dated as of September 28, 2001, among the Registrant, as the Collection Agent, Albany International Receivables Corporation, as the Seller, ABN AMRO Bank N.V., as the Agent, the Committed Purchasers party thereto and Amsterdam Funding Corporation. (11)
10(j)(ii)	Purchase and Sale Agreement, dated as of September 28, 2001, among the Registrant, Geschmay Corp., Albany International Research Co., Albany International Techniweave, Inc., Albany International Canada Inc., M&I Door Systems LTD, as Originators, and Albany International Receivables Corporation as Buyer. (11)

Executive Compensation

<u>Exhibit No.</u>	<u>Description</u>
10(o)(I)	Form of Executive Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001. (11)
10(o)(ii)	Form of Directors' Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001. (11)
10(o)(iii)	Deferred Compensation Plan of Albany International Corp., as amended and restated as of August 8, 2001. (11)
10(o)(iv)	Centennial Deferred Compensation Plan, as amended and restated as of August 8, 2001. (11)

SIGNATURES

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

ALBANY INTERNATIONAL CORP.
(Registrant)

Date: November 9, 2001

By /s/ Michael C. Nahl
Michael C. Nahl
Sr. Vice President and
Chief Financial Officer

RECEIVABLES SALE AGREEMENT

DATED AS OF SEPTEMBER 28, 2001

AMONG

ALBANY INTERNATIONAL RECEIVABLES CORPORATION,
AS THE SELLER,

ALBANY INTERNATIONAL CORP.,
AS THE INITIAL COLLECTION AGENT,

ABN AMRO BANK N.V.,
AS THE AGENT,

THE COMMITTED PURCHASERS
FROM TIME TO TIME PARTY HERETO,

AND

AMSTERDAM FUNDING CORPORATION

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Exhibit D	Addresses and Names of Seller and Originators
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Exhibit F	Form of Lock-Box Letter
Exhibit G	Compliance Certificate
Exhibit H	Credit and Collection Policy
Exhibit I	Exchange Rates
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RECEIVABLES SALE AGREEMENT

RECEIVABLES SALE AGREEMENT, dated as of September 28, 2001, among ALBANY INTERNATIONAL RECEIVABLES CORPORATION, a Cayman Islands company, as Seller (the "Seller"), ALBANY INTERNATIONAL CORP., a Delaware corporation, as initial Collection Agent (the "Initial Collection Agent," and, together with any successor thereto, the "Collection Agent"), ABN AMRO Bank N.V., as agent for the Purchasers (the "Agent"), the committed purchasers party hereto (the "Committed Purchasers") and Amsterdam Funding Corporation ("Amsterdam"). Certain capitalized terms used herein, and certain rules of construction, are defined in Schedule I. The Committed Purchasers and the Commitments of the Committed Purchasers are listed on Schedule II.

The parties hereto agree as follows:

ARTICLE I

PURCHASES FROM SELLER AND SETTLEMENTS

Section 1.1. Sales.

(a) *The Sold Interest.* Subject to the terms and conditions hereof, the Seller may, from time to time before the Liquidity Termination Date, sell to Amsterdam or, only if Amsterdam declines to make the applicable purchase, ratably to the Committed Purchasers (who hereby agree, subject to the terms and conditions hereof, in such event to make such purchase) an undivided percentage ownership interest in the Receivables, the Related Security and all related Collections. Any such purchase (a "Purchase") shall be made by each relevant Purchaser remitting funds to the Seller, through the Agent, pursuant to Section 1.1(c) or by the Collection Agent remitting Collections to the Seller pursuant to Section 1.1(d). The aggregate percentage ownership interest so acquired by a Purchaser in the Receivables, the Related Security and related Collections (its "Purchase Interest") shall equal at any time the sum of the following percentages:

$$\frac{I}{ER} + PRP$$

where:

- I = the outstanding Investment of such Purchaser at such time;
- ER = the Eligible Receivables Balance at such time; and
- PRP = the Purchaser Reserve Percentage at such time.

Except during a Liquidation Period for a Purchaser, such Purchaser's Purchase Interest will change whenever its Investment, its Purchaser Reserve Percentage or the Eligible Receivables Balance changes. During a Liquidation Period for a Purchaser its Purchase Interest shall remain constant at the percentage in effect as of the day immediately preceding the commencement of the relevant Liquidation Period, except for redeterminations to reflect Investment acquired from or transferred to another Purchaser under the Transfer Agreement. The sum of all Purchasers' Purchase Interests at any time is referred to herein as the "Sold Interest", which at any time is the aggregate percentage ownership interest then held by the Purchasers in the Receivables, the Related Security and Collections.

(b) *Amsterdam Purchase Option and Other Purchasers' Commitments.* Subject to Section 1.1(d) concerning Reinvestment Purchases, at no time will Amsterdam have any obligation to make a Purchase. Each purchaser listed on Schedule II hereto (together, the "Committed Purchasers" and each, a "Committed Purchaser") severally hereby agrees, subject to Section 7.2 and the other terms and conditions hereof (including, in the case of an Incremental Purchase (as defined below), that Amsterdam has refused to make a requested Purchase), to make Purchases before the Liquidity Termination Date, based on its Ratable Share of each Purchase, to the extent its Investment would not thereby exceed its Commitment, the Aggregate Investment would not thereby exceed the Purchase Limit, and the Matured Aggregate Investment would not thereby exceed the Aggregate Commitments. Each Purchaser's first Purchase and each additional Purchase by such Purchaser not made from Collections pursuant to Section 1.1(d) is referred to herein as an "Incremental Purchase." Each Purchase made by a Purchaser with the proceeds of Collections in which it has a Purchase Interest, which does not increase the outstanding Investment of such Purchaser, is referred to herein as a "Reinvestment Purchase."

(c) *Incremental Purchases.* In order to request an Incremental Purchase from a Purchaser, the Seller must provide to the Agent an irrevocable written request substantially in the form of Exhibit A, by (i) 10:00 a.m. (Chicago time) two Business Days before the requested date (the "Purchase Date") of such Purchase, in the case of each Purchase by Amsterdam, (ii) 10:00 a.m. (Chicago time) three Business Days before the Purchase Date in the case of each Purchase by the Committed Purchasers that is to accrue Discount at the Eurodollar Rate and (iii) 10:00 a.m. (Chicago time) on the Purchase Date in the case of each Purchase by the Committed Purchasers that is to accrue Discount at the Prime Rate, or, in each of the foregoing cases, such later time or day as Amsterdam shall agree. Each such notice shall specify the requested Purchase Date (which must be a Business Day) and the requested amount (the "Purchase Amount") of such Purchase, which must be in a minimum amount of \$500,000 (or, if less, an amount equal to the Maximum Incremental Purchase Amount). An Incremental Purchase may only be requested from Amsterdam unless Amsterdam, in its sole discretion, determines not to make such Incremental Purchase, in which case the Seller may request such Incremental Purchase from the Committed Purchasers. The Agent shall promptly notify the contents of any such request to each Purchaser from which the Purchase is requested. If Amsterdam determines, in its sole discretion, to make all or any portion of the requested Purchase, Amsterdam shall transfer to the Agent's Account the Purchase Amount (or portion thereof) on the requested Purchase Date. If Amsterdam determines, in its sole discretion, not to make all or any portion of a requested Purchase and the Seller requests the Incremental Purchase from the Committed Purchasers subject to Section 7.2 and the other terms and conditions hereof, each Committed Purchaser shall transfer its Ratable Share of that portion of the requested Purchase Amount not funded by Amsterdam into the Agent's Account by no later than 12:00 noon (Chicago time) on the Purchase Date (which, in the case of a Purchase that is to accrue Discount at the Eurodollar Rate, in no event will be earlier than three Business Days after such request is made to the Committed Purchasers). The Agent shall transfer to the Seller Account the proceeds of any Incremental Purchase delivered into the Agent's Account.

(d) *Reinvestment Purchases.* Unless Amsterdam has provided to the Agent, the Seller, and the Collection Agent a notice (which notice has not been revoked by Amsterdam) that it no longer wishes to make Reinvestment Purchases (in which case Amsterdam's Reinvestment Purchases, but not those of the Committed Purchasers, shall cease), on each day before the Liquidity Termination Date that any Collections are received by the Collection Agent and no Interim Liquidation is in effect, a Purchaser's Purchase Interest in such Collections shall automatically be used to make a Reinvestment Purchase by such Purchaser. Amsterdam may revoke any notice provided under the first sentence of this Section 1.1(d) by notifying the Agent, the Seller, and the Collection Agent that it will make Reinvestment Purchases.

Section 1.2. Interim Liquidations. (a) *Optional.* The Seller may at any time direct that Reinvestment Purchases cease and that an Interim Liquidation commence for all Purchasers by giving the Agent and the Collection Agent at least three Business Days' prior written notice specifying the date on which the Interim Liquidation shall commence and, if desired, when such Interim Liquidation shall cease (identified as a specific date prior to the Liquidity Termination Date or as when the Aggregate Investment is reduced to a specified amount). If the Seller does not so specify the date on which an Interim Liquidation shall cease, it may cause such Interim Liquidation to cease at any time before the Liquidity Termination Date, subject to Section 1.2(b) below, by giving the Agent and the Collection Agent at least three Business Days' prior written notice before the date on which it desires such Interim Liquidation to cease.

(b) *Mandatory.* If at any time before the Liquidity Termination Date any condition in Section 7.2 is not fulfilled, Reinvestment Purchases shall cease and an Interim Liquidation shall commence, which shall cease only upon the Seller confirming to the Agent that the conditions in Section 7.2 are fulfilled.

Section 1.3. Selection of Discount Rates and Tranche Periods. (a) *Amsterdam.* Amsterdam's Investment will accrue Funding Charges for each day on which it is outstanding. On each Settlement Date the Seller shall pay to the Agent (for the benefit of Amsterdam) an aggregate amount equal to all accrued and unpaid Funding Charges in respect of such Investment for the immediately preceding Discount Period. The Agent shall allocate the Investment of Amsterdam to Tranche Periods in its sole discretion.

(b) *Committed Purchasers.* All Investment of the Committed Purchasers shall be allocated to one or more Tranches reflecting the Discount Rates at which such Investment accrues Discount and the Tranche Periods for such Discount Rates apply. In each request for an Incremental Purchase from the Committed Purchasers and three Business Days before the expiration of any Tranche Period applicable to any Committed Purchaser's Investment, the Seller may direct (subject to Section 1.3(c)) the Tranche Period(s) to be applicable to such Investment and the Discount Rate(s) applicable thereto. All Investment of the Committed Purchasers may accrue Discount at either the Eurodollar Rate or the Prime Rate, in all cases as established for each Tranche Period applicable to such Investment. Any Investment of the Committed Purchasers not allocated to a Tranche Period shall be a Prime Tranche. During the pendency of a Termination Event, the Agent may reallocate any outstanding Investment of the Committed Purchasers to a Prime Tranche. All Discount accrued on the Investment of the Committed Purchasers during a Tranche Period shall be payable by the Seller on the last day of such Tranche Period or, for a Eurodollar Tranche with a Tranche Period of more than three months, three months after the commencement, and on the last day, of such Tranche Period. If, by the time required by this Section 1.3(b), the Seller fails to select a Discount Rate or Tranche Period for any Investment of the Committed Purchasers, such amount of Investment shall automatically accrue Discount at the Prime Rate for a three Business Day Tranche Period. Any Investment purchased from Amsterdam pursuant to the Transfer Agreement shall accrue interest at the Prime Rate and have an initial Tranche Period of three Business Days.

(c) If the Agent or any Committed Purchaser reasonably determines (i) that maintenance of any Eurodollar Tranche would violate any applicable law or regulation, (ii) that deposits of a type and maturity appropriate to match fund any of such Purchaser's Eurodollar Tranches are not available or (iii) that the maintenance of any Eurodollar Tranche will not adequately and fairly reflect the cost of such Purchaser of funding Eurodollar Tranches, then the Agent, upon the direction of such Purchaser, shall suspend the availability of future Eurodollar Tranches until such time as the Agent or applicable Committed Purchaser provides notice that the circumstances giving rise to such suspension no longer exist, and, if required by any applicable law or regulation, terminate any outstanding, Eurodollar Tranche so affected. All Investment allocated to any such terminated Eurodollar Tranche shall be reallocated to a Prime Tranche.

Section 1.4. Fees and Other Costs and Expenses. (a) The Seller shall pay to the Agent (i) for the ratable benefit of the Committed Purchasers, such amounts as agreed to with the Committed Purchasers and the Agent in the Fee Letter.

(b) If (i) the amount of Amsterdam's Investment is reduced (other than as a result of a Put) on any date other than the last day of a CP Tranche, (ii) the amount of Investment allocated to any LIBOR Tranche is reduced on any day other than the last day of its Tranche Period or (iii) if a requested Incremental Purchase at the Eurodollar Rate does not take place on its scheduled Purchase Date (other than due to acts or omissions of the applicable Purchaser or Agent), the Seller shall pay the Early Payment Fee to each Purchaser that had its Investment so reduced or scheduled Purchase not made.

(c) Investment, Discount and Funding Charges shall not be recourse obligations of the Seller and shall be payable solely from Collections and from amounts payable under Sections 1.5, 1.7 and 6.1 (to the extent amounts paid under Section 6.1 indemnify against reductions in or non-payment of Receivables). The Seller shall pay, as a full recourse obligation, all other amounts payable hereunder.

Section 1.5. Maintenance of Sold Interest; Deemed Collection. (a) *General.* If at any time before the Liquidity Termination Date the Eligible Receivables Balance is less than the sum of the Aggregate Investment (or, if a Termination Event exists, the Matured Aggregate Investment) plus the Aggregate Reserve, the Seller shall pay to the Agent an amount equal to such deficiency for application to reduce the Investments of the Purchasers ratably in accordance with the principal amount of their respective Investments, applied *first* to Prime Tranches and *second* to the other Tranches with the shortest remaining maturities unless otherwise specified by the Seller. Any amount so applied to reduce Amsterdam's Investment shall be deposited in the Special Transaction Subaccount.

(b) *Deemed Collections.* If on any day the Outstanding Balance of a Receivable is reduced or cancelled as a result of any defective or rejected goods or services, any cash discount or adjustment (including any adjustment resulting from the application of any special refund or other discounts or any reconciliation), any setoff or credit (whether such claim or credit arises out of the same, a related, or an unrelated transaction) or other reason not arising from the financial inability of the Obligor to pay undisputed indebtedness, the Seller shall be deemed to have received on such day a Collection on such Receivable in the amount of such reduction or cancellation. If on any day any representation, warranty, covenant or other agreement of the Seller related to a Receivable set forth in Section 4.1(e) or 4.1(k) hereof is not true or is not satisfied, the Seller shall be deemed to have received on such day a Collection in the amount of the Outstanding Balance of such Receivable. All such Collections deemed received by the Seller under this Section 1.5(b) shall be remitted by the Seller to the Collection Agent in accordance with Section 5.1(i).

(c) *Adjustment to Sold Interest.* At any time before the Liquidity Termination Date that the Seller is deemed to have received any Collection under Section 1.5(b) ("*Deemed Collections*") that derives from a Receivable that is otherwise reported as an Eligible Receivable, so long as no Liquidation Period then exists, the Seller may satisfy its obligation to deliver such amount to the Collection Agent by instead notifying the Agent that the Sold Interest should be recalculated by decreasing the Eligible Receivables Balance by the amount of such Deemed Collections, so long as such adjustment does not cause the Sold Interest to exceed 100%.

(d) *Payment Assumption.* Unless an Obligor otherwise specifies or another application is required by contract or law, any payment received by the Seller from any Obligor shall be applied as a Collection of Receivables of such Obligor (starting with the oldest such Receivable) and remitted to the Collection Agent as such.

Section 1.6. Reduction in Commitments. The Seller may, upon at least five Business Days' notice to the Agent, reduce the Aggregate Commitment in increments of \$1,000,000, so long as the Aggregate Commitment as so reduced is no less than the Matured Aggregate Investment. Each such reduction in the Aggregate Commitment shall reduce the Commitment of each Committed Purchaser in accordance with its Ratable Share and shall reduce the Purchase Limit so that the Aggregate Commitment remains at least 102% of the Purchase Limit and the Purchase Limit is no less than the outstanding Aggregate Investment.

Section 1.7. Optional Repurchases. At any time that the Aggregate Investment is less than 10% of the Aggregate Commitment in effect on the date hereof, the Seller may, upon at least five Business Days' notice to the Agent, repurchase the entire Sold Interest from the Purchasers at a price equal to the outstanding Matured Aggregate Investment and all other amounts then owed hereunder. No Early Payment Fee shall be payable in connection with a repurchase made in accordance with the terms of this Section.

Section 1.8. Security Interest. (a) The Seller hereby grants to the Agent, for its own benefit and for the ratable benefit of the Purchasers, a security interest in all Receivables, Related Security, Collections and Lock-Box Accounts to secure the payment of all amounts other than Investment owing hereunder and (to the extent of the Sold Interest) to secure the repayment of all Investment. The Seller and Collection Agent shall hold in trust for the benefit of the Persons entitled thereto any Collections received pending their application pursuant to Section 1.1(c), Section 2.3 or Article III hereof. After the occurrence of a Termination Event, the Seller and Collection Agent shall not, without the prior written consent of the Instructing Group, distribute any Collections to any Person other than the Agent and the Purchasers (and to the Collection Agent, in payment of the Collection Agent Fee to the extent permitted hereto) (whether as payment on a Note or otherwise) until all amounts owed under the Transaction Documents the Agent and the Purchasers shall have been indefeasibly paid in full.

(b) The Seller hereby assigns and otherwise transfers to the Agent (for the benefit of the Agent, each Purchaser and any other Person to whom any amount is owed hereunder), all of the Seller's right, title and interest in, to and under the Purchase Agreement and the Limited Guaranty as security for fulfillment of Seller's obligations under the Transaction Documents. The Seller shall execute, file and record all financing statements, continuation statements and other documents required to perfect or protect such assignment. This assignment includes (a) all monies due and to become due to the Seller from the Originators or the Parent under or in connection with the Purchase Agreement and the Limited Guaranty (including fees, expenses, costs, indemnities and damages for the breach of any obligation or representation related to such agreement) and (b) all rights, remedies, powers, privileges and claims of the Seller against the Originators or the Parent under or in connection with the Purchase Agreement and the Limited Guaranty. All provisions of the Purchase Agreement and the Limited Guaranty shall inure to the benefit of, and may be relied upon by, the Agent, each Purchaser and each such other Person. At any time that a Termination Event has occurred and is continuing, the Agent shall have the sole right to enforce the Seller's rights and remedies under the Purchase Agreement and the Limited Guaranty to the same extent as the Seller could absent this assignment, but without any obligation on the part of the Agent, any Purchaser or any other such Person to perform any of the obligations of the Seller under the Purchase Agreement (or the promissory note executed thereunder) or the Limited Guaranty. All amounts distributed to the Seller under the Purchase Agreement from Receivables sold to the Seller thereunder shall constitute Collections hereunder and shall be applied in accordance herewith.

(c) This agreement shall be a security agreement for purposes of the UCC. Upon the occurrence of a Termination Event, the Agent shall have all rights and remedies provided under the UCC as in effect in all applicable jurisdictions.

ARTICLE II

SALES TO AND FROM AMSTERDAM; ALLOCATIONS

Section 2.1. Required Purchases from Amsterdam. (a) Amsterdam may, at any time, and on the earlier of the Amsterdam Termination Date and ten Business Days following the Agent and Amsterdam learning of a continuing Termination Event, Amsterdam shall, sell to the Committed Purchasers pursuant to the Transfer Agreement any percentage designated by Amsterdam of Amsterdam's Investment and its related Amsterdam Settlement (each, a "*Put*").

(b) Any portion of Amsterdam's Investment and related Amsterdam Settlement purchased by a Committed Purchaser shall be considered part of such Purchaser's Investment and related Amsterdam Settlement from the date of the relevant Put. Immediately upon any purchase by the Committed Purchasers of any portion of Amsterdam's Investment on or after the occurrence of a Termination Event, the Seller shall pay to the Agent (for the ratable benefit of such Purchasers) an amount equal to the sum of (i) the Assigned Amsterdam Settlement and (ii) all unpaid Discount owed to Amsterdam (whether or not then due) to the end of each applicable Tranche Period to which any Investment being Put has been allocated, (iii) all accrued but unpaid fees (whether or not then due) payable to Amsterdam in connection herewith at the time of such purchase and (iv) all accrued and unpaid costs, expenses and indemnities due to Amsterdam from the Seller in connection herewith.

(c) The proceeds from each Put received by Amsterdam (other than amounts described in clauses (iii) and (iv) of the last sentence of Section 2.1(b)), shall be transferred into the Special Transaction Subaccount and used solely to pay that portion of the outstanding commercial paper of Amsterdam issued to fund or maintain the Investment of Amsterdam so transferred. Until used to pay commercial paper, all proceeds of any Put pursuant to this Section shall be invested in Permitted Investments. All earnings on such Permitted Investments shall be promptly remitted to the Committed Purchasers (ratably, in accordance with their Commitments) unless the Seller shall have paid the amounts described in the second sentence of Section 2.1(b), in which case such amounts shall be remitted to the Seller.

Section 2.2. Purchases by Amsterdam. Amsterdam may at any time deliver to the Agent and each Committed Purchaser a notification of assignment in substantially the form of Exhibit B. If Amsterdam delivers such notice, each Committed Purchaser shall sell to Amsterdam and Amsterdam shall purchase in full from each Committed Purchaser, the Investment of the Committed Purchasers on the last day of the relevant Tranche Periods, at a purchase price equal to such Investment plus accrued and unpaid Discount thereon. Any sale from any Committed Purchaser to Amsterdam pursuant to this Section 2.2 shall be without recourse, representation or warranty except for the representation and warranty that the Investment sold by such Committed Purchaser is free and clear of any Adverse Claim created or granted by such Committed Purchaser and that such Purchaser has not suffered a Bankruptcy Event.

Section 2.3. Allocations and Distributions.

(a) **Amsterdam Termination and Non-Reinvestment Periods.** Before the Liquidity Termination Date (unless an Interim Liquidation is in effect), on each day during a period that Amsterdam has an outstanding Investment and is not making Reinvestment Purchases (as established under Section 1.1(d)) and at all times on and after the Amsterdam Termination Date, the Collection Agent (i) shall set aside and hold in trust solely for the benefit of Amsterdam (or deliver to the Agent, if so instructed pursuant to Section 3.2(a)) Amsterdam's Purchase Interest in all Collections received on such day and (ii) shall distribute on the last day of each CP Tranche Period to the Agent (for the benefit of Amsterdam) the amounts so set aside up to the amount of Amsterdam's Investment allocated to such Tranche Period and, to the extent not already paid in full, all Discount thereon and all other amounts then due from the Seller in connection with such Investment and Tranche Period. If any part of the Sold Interest in any Collections is applied to pay any amounts that are recourse obligations of the Seller pursuant to Section 1.4(c) and after giving effect to such application the Sold Interest is greater than 100%, the Seller shall pay, as a recourse obligation for distribution as part of the Sold Interest in Collections, to the Collection Agent the amount so applied to the extent necessary so that after giving effect to such payment the Sold Interest is no greater than 100%.

(b) **Liquidity Termination Date and Interim Liquidations.** On each day during any Interim Liquidation and on each day on and after the Liquidity Termination Date, the Collection Agent shall set aside and hold in trust solely for the account of the Agent, for the benefit of the Agent and the Purchasers, (or deliver to the Agent, if so instructed pursuant to Section 3.2(a)) the Sold Interest in all Collections received on such day and such Collections shall be allocated as follows:

- (i) *first*, to the Purchasers (ratably, based on the Maturity Value of their respective Investments) until all Investment of, Funding Charges with respect to Amsterdam and Discount with respect to the Committed Purchasers, as applicable, due but not already paid to, Amsterdam and the Committed Purchasers have been paid in full;
- (ii) *second*, to the Purchasers until all other amounts owed to the Purchasers have been paid in full;
- (iii) *third*, to the Agent until all amounts owed to the Agent have been paid in full;
- (iv) *fourth*, to any other Person (other than the Seller, the Collection Agent or an Originator) to whom any amounts are owed under the Transaction Documents until all such amounts have been paid in full; and
- (v) *fifth*, to the Collection Agent until all amounts owed to the Collection Agent under the Agreement have been paid in full; and
- (vi) *sixth*, to the Seller.

On the last day of each Tranche Period (unless otherwise instructed by the Agent pursuant to Section 3.2(a)), the Collection Agent shall deposit into the Agent's Account, from such set aside Collections, all amounts allocated to such Tranche Period and all Tranche Periods that ended before such date that are due in accordance with the priorities in clauses (i)-(ii) above. No distributions shall be made to pay amounts under clauses (iii) - (vi) until sufficient Collections have been set aside to pay all amounts described in clauses (i) and (ii) that may become payable for all outstanding Tranche Periods. All distributions by the Agent shall be made ratably within each priority level in accordance with the respective amounts then due each Person included in such level unless otherwise agreed by the Agent and all Purchasers. If any part of the Sold Interest in any Collections is applied to pay any amounts payable hereunder that are recourse obligations of the Seller pursuant to Section 1.4(c) and after giving effect to such application the Sold Interest is greater than 100%, the Seller shall pay, as a recourse obligation for distribution in respect of each applicable Purchaser's Investment as part of the Sold Interest in Collections, to the Collection Agent the amount so applied to the extent necessary so that after giving effect to such payment the Sold Interest is no greater than 100%.

ARTICLE III

ADMINISTRATION AND COLLECTIONS

Section 3.1. Appointment of Collection Agent. (a) The servicing, administering and collecting of the Receivables shall be conducted exclusively by a Person (the "Collection Agent") designated to so act on behalf of the Purchasers under this Article III. As the Initial Collection Agent, the Parent is hereby designated as, and agrees to perform the duties and obligations of, the Collection Agent. The Initial Collection Agent acknowledges that the Agent and each Purchaser have relied on the Initial Collection Agent's agreement to act as Collection Agent (and the agreement of any of the sub-collection agents to so act) in making the decision to execute and deliver this Agreement and agrees that it will not voluntarily resign as Collection Agent nor permit any sub-collection agent to voluntarily resign as a sub-collection agent. At any time after (and only after) the occurrence of a Collection Agent Replacement Event, the Agent may designate a new Collection Agent to succeed the Parent (or any successor Collection Agent). Any replacement Collection Agent may not be a direct or indirect competitor of any Seller Entity and shall agree to be bound by a confidentiality agreement substantively identical to that set forth in Section 9.10.

(b) The Initial Collection Agent may delegate its duties and obligations as Collection Agent to an Affiliate of the Initial Collection Agent (acting as a sub-collection agent). Notwithstanding such delegation, the Initial Collection Agent shall remain primarily liable for the performance of the duties and obligations so delegated, and the Agent and each Purchaser shall have the right to look solely to the Initial Collection Agent for such performance. The Agent may at any time after (and only after) the occurrence of a Collection Agent Replacement Event remove or replace any sub-collection agent.

(c) If replaced as provided herein, the Collection Agent agrees it will terminate, and will cause each existing sub-collection agent to terminate, its collection activities in a manner reasonably requested by the Agent to facilitate the transition to a new Collection Agent. The Collection Agent shall reasonably cooperate with and assist any new Collection Agent (including providing reasonable access to, and transferring, all Records and allowing (to the extent permitted by applicable law and contract) the new Collection Agent to use all licenses, hardware or software necessary or desirable to collect the Receivables). The Initial Collection Agent irrevocably agrees reasonably to act (if requested to do so) as the data-processing agent for any new Collection Agent in substantially the same manner as the Initial Collection Agent conducted such data-processing functions while it acted as the Collection Agent.

Section 3.2. Duties of Collection Agent. (a) The Collection Agent shall take, or cause to be taken, all action necessary or advisable to collect each Receivable in accordance (in all material respects) with this Agreement, the Credit and Collection Policy and all applicable laws, rules and regulations using the skill and attention the Collection Agent exercises in collecting other receivables or obligations owed solely to it. The Collection Agent shall, in accordance herewith, separately account for all Collections to which a Purchaser is entitled and pay from such Collections all Funding Charges and Discount when due. If so instructed by the Agent, after the occurrence of a Collection Agent Replacement Event, the Collection Agent shall transfer to the Agent the amount of Collections to which the Agent and the Purchasers are entitled by the Business Day following receipt. Each party hereto exclusively hereby appoints the Collection Agent to enforce such Person's rights and interests in the Receivables, but (notwithstanding any other provision in any Transaction Document) the Agent shall at all times after the occurrence of a Collection Agent Replacement Event have the sole right to direct the Collection Agent to commence or settle any legal action to enforce collection of any Receivable.

(b) If no Termination Event exists and the Collection Agent determines that such action is appropriate, the Collection Agent may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable (but no such extension shall be for a period of more than thirty days) or adjust the Outstanding Balance of any Receivable in respect of any defective or rejected goods, any goods not timely delivered, or any good which do not meet design or performance specifications. Any such extension or adjustment shall not alter the status of a Receivable as a Defaulted Receivable or Delinquent Receivable or limit any rights of the Agent or the Purchasers hereunder. If a Termination Event exists, the Collection Agent may make such extensions or adjustments only with the prior consent of the Instructing Group.

(c) The Collection Agent shall turn over to the Seller (i) any percentage of Collections in excess of the Sold Interest, less all reasonable costs and expenses of the Collection Agent for servicing, collecting and administering the Receivables and (ii) subject to Section 1.5(d), the collections and records for any indebtedness owed to the Seller that is not a Receivable. The Collection Agent shall have no obligation to remit any such funds or records to the Seller until the Collection Agent receives evidence (reasonably satisfactory to the Agent) that the Seller is entitled to such items. The Collection Agent has no obligations concerning indebtedness that is not a Receivable other than to deliver the collections and records for such indebtedness to the Seller when required by this Section 3.2(c).

(d) The Collection Agent shall take all actions necessary to maintain the perfection and priority of the security interest of the Agent in the Receivables.

(e) Any replacement Collection Agent may not be a direct or indirect competitor of any Seller Entity and shall agree to be bound by a confidentiality agreement substantively identical to that set forth in Section 9.10.

Section 3.3. Reports. On or before the twentieth day of each month, and, after the occurrence of a Termination Event, at such other times covering such other periods as is requested by the Agent or the Instructing Group, the Collection Agent shall deliver to the Agent a report reflecting information as of the close of business of the Collection Agent for the immediately preceding Settlement Period or such other preceding period as is requested (each a "Periodic Report"), containing the information described on Exhibit C (with such modifications or additional information as reasonably requested by the Agent or the Instructing Group).

Section 3.4. Lock-Box Arrangements. The Agent is hereby authorized to give notice at any time after the occurrence of a Collection Agent Replacement Event to any or all Lock-Box Banks that the Agent is exercising its rights under the Lock-Box Letters and to take all actions permitted under the Lock-Box Letters. The Seller agrees to take any action reasonably requested by the Agent to facilitate the foregoing. After the Agent takes any such action under the Lock-Box Letters, the Seller shall immediately deliver to the Agent any Collections received by the Seller. If the Agent takes control of any Lock-Box Account, the Agent shall distribute Collections it receives in accordance herewith and shall deliver to the Collection Agent, for distribution under Section 3.2, all other amounts it receives from such Lock-Box Account.

Section 3.5. Enforcement Rights. (a) The Agent may at any time after the occurrence of a Collection Agent Replacement Event direct the Obligor and the Lock-Box Banks to make all payments on the Receivables directly to the Agent or its designee. The Agent may, and the Seller shall at the Agent's request, withhold the identity of the Purchasers from the Obligor and Lock-Box Banks. Upon the Agent's request after the occurrence of a Collection Agent Replacement Event, the Seller (at the Seller's expense) shall (i) give notice to each Obligor of the Agent's ownership of the Sold Interest and direct that payments on Receivables be made directly to the Agent or its designee, (ii) assemble for the Agent all Records and collateral security for the Receivables and the Related Security and transfer to the Agent (or its designee), or (to the extent permitted by applicable law and contract) license to the Agent (or its designee) the use of, all software useful to collect the Receivables and (iii) segregate in a manner acceptable to the Agent all Collections the Seller receives and, promptly upon receipt, remit such Collections in the form received, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

(b) Prior to the occurrence of a Termination Event, neither the Agent nor any Purchaser will contact or communicate with any Obligor without the prior written consent of the Seller. After the occurrence of a Collection Agent Replacement Event, the Seller hereby irrevocably appoints the Agent as its attorney-in-fact coupled with an interest, with full power of substitution and with full authority in the place of the Seller, to take any and all steps deemed desirable by the Agent, in the name and on behalf of the Seller to (i) collect any amounts due under any Receivable, including endorsing the name of the Seller on checks and other instruments representing Collections and enforcing such Receivables and the Related Security, and (ii) exercise any and all of the Seller's rights and remedies under the Purchase Agreement. The Agent's powers under this Section 3.5(b) shall not subject the Agent to any liability if any action taken by it proves to be inadequate or invalid, nor shall such powers confer any obligation whatsoever upon the Agent.

(c) Neither the Agent nor any Purchaser shall have any obligation to take or consent to any action to realize upon any Receivable or Related Security or to enforce any rights or remedies related thereto. To the extent that the Agent and the Purchasers elect not to enforce any rights they may have been granted by the Seller with respect to the Receivables and the Related Security, the Seller may exercise such rights in accordance with the terms hereof.

Section 3.6. Collection Agent Fee. On or before the twentieth day of each calendar month, the Seller shall pay to the Collection Agent a fee for the immediately preceding calendar month as compensation for its services (the "Collection Agent Fee") equal to (a) at all times an Affiliate of the Seller is the Collection Agent, such consideration as is acceptable to it, so long as such consideration is upon fair and reasonable terms no less favorable to the Seller than could be obtained in a comparable arm's-length transaction with a Person other than a Seller Entity, the receipt and sufficiency of which is hereby acknowledged, and (b) at all times any other Person is the Collection Agent, a reasonable amount agreed upon by the Agent and the new Collection Agent on an arm's-length basis reflecting rates and terms prevailing in the market at such time. The Collection Agent may apply to payment of the Collection Agent Fee only the portion of the Collections in excess of Collections that fund Reinvestment Purchases and that pay Funding Charges and Discount. The Agent may, with the consent of the Instructing Group, pay the Collection Agent Fee to the Collection Agent from the Sold Interest in Collections. The Seller shall be obligated to reimburse any such payment.

Section 3.7. Responsibilities of the Seller. The Seller shall, or shall cause the Originators to, pay when due all Taxes payable in connection with the Receivables and the Related Security or their creation or satisfaction other than Taxes for which the Seller is not obligated to indemnify the Agent and the Purchasers pursuant to Section 6.1. The Seller shall, and shall cause the Originators to, perform all of its obligations under agreements related to the Receivables and the Related Security to the same extent as if interests in the Receivables and the Related Security had not been transferred hereunder or, in the case of the Originators, under the Purchase Agreement. The Agent's or any Purchaser's exercise of any rights hereunder shall not relieve the Seller or the Originators from such obligations. Neither the Agent nor any Purchaser shall have any obligation to perform any obligation of the Seller or of the Originators or any other obligation or liability in connection with the Receivables or the Related Security.

Section 3.8. Actions by Seller. The Seller shall defend and indemnify the Agent and each Purchaser against all costs, expenses, claims and liabilities for any action taken by the Seller, the Originators or any other Affiliate of the Seller or of the Originators (whether acting as Collection Agent or otherwise) related to any Receivable and the Related Security, or arising out of any alleged failure of compliance of any Receivable or the Related Security with the provisions of any law or regulation, except to the extent such costs, expenses, claims and liabilities are attributable to the gross negligence or willful misconduct of the Person seeking their recovery. If any goods related to a Receivable are repossessed, the Seller agrees to resell, or to have the Originators or another Affiliate resell, such goods in a commercially reasonable manner for the account of the Agent and remit, or have remitted, to the Agent the Purchasers' share in the gross sale proceeds thereof net of any out-of-pocket expenses and any equity of redemption of the Obligor thereon. Any such moneys collected by the Seller or the Originators or other Affiliate of the Seller pursuant to this Section 3.8 shall be segregated and held in trust for the Agent and remitted to the Agent's Account within one Business Day of receipt as part of the Sold Interest in Collections for application as provided herein.

Section 3.9. Indemnities by the Collection Agent. Without limiting any other rights any Person may have hereunder or under applicable law, the Collection Agent hereby indemnifies and holds harmless the Seller, the Agent and each Purchaser and their respective officers, directors, agents and employees (each a "Collection Agent Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including attorneys' fees and court costs) (all of the foregoing collectively, the "Collection Agent Indemnified Losses") at any time imposed on or incurred by any Collection Agent Indemnified Party to the extent arising out of or otherwise relating to:

- (i) any representation or warranty made by the Collection Agent in this Agreement or any Periodic Report or any other information or report delivered by the Collection Agent pursuant hereto, which shall have been false or incorrect in any material respect when made;
- (ii) the failure by the Collection Agent to comply with any applicable law, rule or regulation related to any Receivable or the Related Security;
- (iii) any loss of a perfected security interest (or in the priority of such security interest) as a result of any commingling by the Collection Agent of funds to which the Agent or any Purchaser is entitled hereunder with any other funds;
- (iv) the imposition of any Lien with respect to any Receivable, Related Security or Lock-Box Account as a result of any action taken by the Collection Agent under any Transaction Documents; or
- (v) any failure of the Collection Agent to perform its duties or obligations in accordance with the provisions of this Agreement (including, without limitation, compliance with the Credit and Collection Policy) or any other Transaction Document to which the Collection Agent is a party;

whether arising by reason of the acts to be performed by the Collection Agent hereunder or otherwise, excluding only Collection Agent Indemnified Losses to the extent (a) a final judgment of a court of competent jurisdiction determined that such Collection Agent Indemnified Losses resulted solely from gross negligence or willful misconduct of the Collection Agent Indemnified Party seeking indemnification, (b) solely due to the credit risk of the Obligor and for which reimbursement would constitute recourse to the Collection Agent for uncollectible Receivables, or (c) such Collection Agent Indemnified Losses include Taxes on, or measured by, the overall net income of the Agent or any Purchaser computed in accordance with the Intended Tax Characterization; *provided, however*, that nothing contained in this sentence shall limit the liability of the Collection Agent or limit the recourse of the Agent and each Purchaser to the Collection Agent for any amounts otherwise specifically provided to be paid by the Collection Agent hereunder.

Section 3.10. Currency Conversion. The Collection Agent shall remit all Collections on Receivables that are not denominated in US Dollars in US Dollars converted at the applicable Exchange Rate. Each Exchange Rate notified by the Collection Agent to the Agent in a Periodic Report will be determined by the Collection Agent in good faith.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties. The Seller represents and warrants to the Agent and each Purchaser as of the Closing Date, the date of each Incremental Purchase, and (except for the representations and warranties set forth in Section 4.1(g) and (h)) the date of each Reinvestment Purchase, that:

- (a) **Corporate Existence and Power.** Each of the Seller and each Seller Entity is an exempted company or corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate power and authority and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted, except where failure to obtain such license, authorization, consent or approval would not have a material adverse effect on (i) its ability to perform its obligations under, or the enforceability of, any Transaction Document, (ii) the business or financial condition of the Parent and its Subsidiaries, taken as a whole, (iii) the interests of the Agent or any Purchaser under any Transaction Document or (iv) the enforceability or collectibility of a material portion of the Receivables.
- (b) **Corporate Authorization and No Contravention.** The execution, delivery and performance by each of the Seller and each Seller Entity of each Transaction Document to which it is a party and the creation of all security interests provided for herein and therein (i) are within its powers, (ii) have been duly authorized by all necessary action, (iii) do not contravene or constitute a default under (A) any applicable law, rule or regulation, (B) its or any other Seller Entity's memorandum and articles of association or charter or by-laws or (C) any agreement, order or other instrument to which it or any other Seller Entity is a party or its property is subject and (iv) will not result in any Adverse Claim on any Receivable other than pursuant to the Transaction Documents, the Related Security or Collection or give cause for the acceleration of any indebtedness of the Seller or any other Seller Entity.
- (c) **No Consent Required.** No approval, authorization or other action by, or filings with, any Governmental Authority or other Person is required in connection with the execution, delivery and performance by the Seller or any Seller Entity of any Transaction Document to which it is a party or any transaction contemplated thereby.
- (d) **Binding Effect.** Each Transaction Document to which the Seller or any Seller Entity is a party constitutes the legal, valid and binding obligation of such Person enforceable against that Person in accordance with its terms, except as limited by bankruptcy, insolvency, or other similar laws of general application relating to or affecting the enforcement of creditors' rights generally and subject to general principles of equity.
- (e) **Perfection of Ownership Interest.** The Cayman Islands is not a jurisdiction whose law generally requires information concerning the existence of a non-possessory security interest in the Receivables, Collections or Related Security to be made generally available in a filing, recording or registration system as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect thereto. Immediately preceding its sale of Receivables to the Seller, an Originator was the owner of, had good title to, and effectively sold, such Receivables to the Seller, free and clear of any Adverse Claim. The Seller owns and has good title to the Receivables free of any Adverse Claim other than the interests of the Purchasers (through the Agent) therein that are created hereby, and each Purchaser shall at all times have a valid and continuing undivided percentage ownership interest, which shall be a first priority perfected security interest for purposes of Article 9 of the applicable Uniform Commercial Code enforceable as such against creditors of and purchasers from the Seller, in the Receivables and Collections to the extent of its Purchase Interest then in effect. Other than the ownership or security interest granted to the Agent pursuant to this Agreement, the Seller has not pledged, assigned, sold or granted a security interest in, or otherwise conveyed, the Receivables or the Collections. The Seller has not authorized the filing of and is not aware of any financing statements against the Seller that include a description of collateral covering the Receivables or the Collections other than any financing statement relating to the security interest granted to the Agent hereunder. The Seller has caused or will have caused, within ten days after the date hereof, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under the applicable law in order to perfect the conveyance of Receivables by Seller hereunder.
- (f) **Accuracy of Information.** The information furnished by the Seller, any Seller Entity or any Affiliate of any such Person to the Agent or any Purchaser in connection with any Transaction Document, or any transaction contemplated thereby, taken as a whole, is true and accurate in all material respects (and is not incomplete by omitting any information necessary to prevent such information from being materially misleading), *provided that*, with respect to projected financial information, Seller represents only that such information was prepared in good faith, subject to any express qualifications set forth in such projections, based upon assumptions believed to be reasonable at the time.
- (g) **No Actions, Suits.** Except for such proceedings as are described in the Initial Collection Agent's most recent Quarterly Report on Form 10-Q filed with the Securities Exchange Commission, there are no actions, suits or other proceedings (including matters relating to environmental liability) pending or threatened against or affecting the Seller, any Seller Entity or any Subsidiary, or any of their respective properties, that (i) have a reasonable likelihood of an adverse outcome and, if adversely determined (individually or in the aggregate), can reasonably be expected to have a material adverse effect on the financial

condition of the Seller or the Parent and its Subsidiaries, taken as a whole, or on the collectibility of a material portion of the Receivables or (ii) involve any Transaction Document or any transaction contemplated thereby. None of the Seller, any Seller Entity or any Subsidiary is in default of any contractual obligation or in violation of any order, rule or regulation of any Governmental Authority, which default or violation is reasonably likely to have a material adverse effect upon (i) the financial condition of the Seller, the Seller Entities and the Subsidiaries taken as a whole or (ii) the collectibility of a material portion of the Receivables.

(h) *No Material Adverse Change.* Except as described in the Parent's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2001 and June 30, 2001, there has been no material adverse change since December 31, 2000 in the collectibility of a material portion of the Receivables or the (i) financial condition, business, operations or prospects of the Seller or of the Parent and its Subsidiaries, taken as a whole, or (ii) ability of the Seller or any Seller Entity to perform its obligations under any Transaction Document.

(i) *Accuracy of Exhibits; Lock-Box Arrangements.* All information on Exhibits D-F (listing offices and names of the Seller and the Originators and where they maintain Records; the Subsidiaries; and Lock Boxes) is true and complete in all material respects, subject to any changes permitted by, and notified to the Agent in accordance with, Article V. None of the Seller's or Originators' locations (including without limitation their respective chief executive offices and principal places of business) has changed within the past 12 months (or such shorter period as the Seller has been in existence). During the past 12 months, neither the Seller nor any Originator has used any corporate, fictitious or trade name other than a name set forth of Exhibit D. Exhibit D lists the federal employer identification numbers of the Seller and the Originators. The Seller has delivered a copy of all Lock-Box Agreements (or, with respect to Collections on the Receivables originated by the Canadian Originators, will deliver (or has delivered) such Lock-Box Agreements within 60 days after the date of this Agreement) to the Agent. The Seller has not granted any interest in any Lock-Box or Lock-Box Account to any Person other than the Agent and, upon delivery to a Lock-Box Bank of the related Lock-Box Letter, the Agent will have exclusive ownership and control of the Lock-Box Account at such Lock-Box Bank.

(j) *Sales by the Originators.* Each sale by the Originators to the Seller of an interest in Receivables and their Collections has been made in accordance with the terms of the Purchase Agreement, including the payment by the Seller to the Originators of the purchase price described in the Purchase Agreement. Each such sale has been made for "reasonably equivalent value" (as such term is used in Section 548 of the Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used in Section 547 of the Bankruptcy Code) owed by the Originators to the Seller.

(k) *Eligible Receivables.* Each Receivable listed on the Periodic Report as part of the Eligible Receivables Balance was an Eligible Receivable as of the date of such Periodic Report.

(l) *Location of Receivables.* The contracts relating to any Receivable are not governed by the laws of the Cayman Islands. None of the Receivables are located in the Cayman Islands within the meaning of Cayman Islands law.

ARTICLE V

COVENANTS

Section 5.1. Covenants of the Seller. The Seller hereby covenants and agrees to comply with the following covenants and agreements, unless the Agent (with the consent of the Instructing Group) shall otherwise consent:

(a) *Financial Reporting.* The Seller will maintain a system of accounting established and administered in accordance with GAAP and will furnish to the Agent and each Purchaser:

(i) *Annual Financial Statements.* Within 90 days after each fiscal year of (A) the Parent, a copy of Parent's annual audited financial statements (including a consolidated balance sheet, consolidated statement of income and retained earnings and statement of cash flows, with related footnotes) certified by PriceWaterhouseCoopers or other independent certified public accountants of national standing and prepared on a consolidated basis in conformity with GAAP, and (B) each of the Seller and the Originators (other than the Parent) the balance sheet for such Person (and, additionally for the Seller, an annual profit and loss statement) certified by a Designated Financial Officer thereof, in each case prepared on a consolidated basis in conformity with GAAP as of the close of such fiscal year for the fiscal year then ended;

(ii) *Quarterly Financial Statements.* Within 45 days after each (except the last) fiscal quarter of each fiscal year of (A) the Parent, copies of its unaudited financial statements (including at least a consolidated balance sheet as of the close of such quarter and statements of income, retained earnings and cash flows for the period from the beginning of the fiscal year to the close of such quarter) certified by a Designated Financial Officer and prepared in a manner consistent with the financial statements described in part (A) of clause (i) of this Section 5.1(a) and (B) each of the Seller and the Originators (other than a Parent), the quarterly balance sheet as of the end of such quarter for such Person (and, additionally for the Seller, a profit and loss statement) for the period from the beginning of such fiscal year to the close of such quarter, in each case certified by a Designated Financial Officer thereof and prepared in a manner consistent with part (B) of clause (i) of Section 5.1(a);

(iii) *Officer's Certificate.* Each time financial statements are furnished pursuant to clause (i) or (ii) of this Section 5.1(a), a compliance certificate (in substantially the form of Exhibit G) signed by a Designated Financial Officer, dated the date of such financial statements;

(iv) *Public Reports.* Promptly upon becoming available, a copy of each report or proxy statement filed by the Parent with the Securities Exchange Commission or any securities exchange; and

(v) *Other Information.* With reasonable promptness, such other information (including non-financial information) as may be reasonably requested by the Agent or any Purchaser (with a copy of such request to the Agent).

(b) *Notices.* Promptly upon a Financial Officer (as defined in the Credit Agreement) or other executive officer of Seller or any Seller Entity becoming aware of any of the following the Seller will notify the Agent and provide a description of:

(i) *Potential Termination Events.* The occurrence of any Potential Termination Event;

(ii) *Representations and Warranties.* The failure of any representation or warranty herein to be true (when made or at any time thereafter) in any material respect;

(iii) *Downgrading.* The downgrading, withdrawal or suspension of any rating by any rating agency of any indebtedness of any Seller Entity;

(iv) *Litigation.* The institution of any litigation, arbitration proceeding or governmental proceeding reasonably likely to be material to any Seller Entity or the collectibility or quality of a material portion of the Receivables;

(v) *Judgments.* The entry of any judgment, award or decree against any Seller Entity if the aggregate amount of all unsatisfied and unstayed judgments then outstanding against the Seller, the Seller Entities and the Subsidiaries exceeds \$10,000,000 or the entry of a judgment, award or decree against the Seller that exceeds \$10,775; or

(vi) *Changes in Business.* Any change in the character of any Seller Entity's business that is reasonably expected to impair the collectibility or quality of any material portion of the Receivables.

If the Agent receives such a notice, the Agent shall promptly give notice thereof to each Purchaser.

(c) *Conduct of Business.* The Seller will perform all actions necessary to remain duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and to maintain all requisite authority to conduct its business in each jurisdiction in which it conducts business.

(d) *Compliance with Laws.* The Seller will comply with all laws, regulations, judgments and other directions or orders imposed by any Governmental Authority to which such Person or any Receivable, any Related Security or Collection may be subject, except to the extent non-compliance will have a material adverse effect on (i) the collectibility of the Receivables, or (ii) the financial condition, business or operations of Parent and its Subsidiaries, taken as a whole.

(e) *Furnishing Information and Inspection of Records.* The Seller will furnish to the Agent and the Purchasers such information concerning the Receivables and the Related Security as the Agent or a Purchaser may reasonably request. The Seller will, and will cause the Originators to, permit, at any time during regular business hours, upon reasonable advance notice, the Agent or any Purchaser (or any representatives thereof) (i) to examine and make copies of all Records, (ii) to visit the offices and properties of the Seller and the Originators for the purpose of examining the Records and (iii) to discuss matters relating hereto with any of the Seller's or the Originators' officers, directors, employees or independent public accountants having knowledge of such matters. Once during each calendar year in connection with any proposed extension of the Liquidity Termination Date or at any time after the occurrence and during the continuation of a Termination Event or a Potential Termination Event relating to a Termination Event described in clause (f) of the definition thereof, the Agent may (at the expense of the Seller) have an independent public accounting firm conduct an audit of the Records or make test verifications of the Receivables and Collections (it being understood that the Agent has already conducted such audit for calendar year 2001).

(f) *Keeping Records.* (i) The Seller will, and will cause the Originators to, have and maintain (A) administrative and operating procedures (including an ability to recreate Records if originals are destroyed), (B) adequate facilities, personnel and equipment and (C) all Records and other information necessary or advisable for collecting the Receivables (including Records adequate to permit the immediate identification of each new Receivable and all Collections of, each existing Receivable). The Seller will give the Agent prior notice of any material change in such administrative and operating procedures.

(ii) The Seller will, (A) at all times from and after the date hereof, clearly and conspicuously mark its computer and master data processing books and records with a legend describing the Agent's and the Purchasers' interest in the Receivables and the Collections and (B) upon the request of the Agent after a Termination Event, so mark each contract relating to a Receivable and deliver to the Agent all such contracts (including all multiple originals of such contracts), with any appropriate endorsement or assignment, or segregate (from all other receivables then owned or being serviced by the Seller) the Receivables and all contracts relating to each Receivable and hold in trust and safely keep such contracts so legended in separate filing cabinets or other suitable containers at such locations as the Agent may specify.

(g) *Perfection.* (i) The Seller will, and will cause each Originator to, at its expense, promptly execute and deliver all instruments and documents and take all action necessary or reasonably requested by the Agent (including the execution and filing of financing or continuation statements, amendments thereto or assignments thereof) to enable the Agent to exercise and enforce all its rights hereunder and to vest and maintain vested in the Agent a valid, first priority perfected security interest in the Receivables, the Collections, the Related Security, the Purchase Agreement, the Lock-Box Accounts and proceeds thereof free and clear of any Adverse Claim (other than the Seller's interest therein) (and a perfected ownership interest in the Receivables and Collections to the extent of the Sold Interest). The Agent will be permitted to sign and file any continuation statements, amendments thereto and assignments thereof without the Seller's signature.

(ii) The Seller will, and will cause each Originator to, only change its name, identity structure or relocate its jurisdiction of organization or chief executive office or the Records following thirty (30) days advance written notice to the Agent and the delivery to the Agent of all financing statements, instruments and other documents (including direction letters) reasonably requested by the Agent.

(iii) Each of the Seller and each Originator (other than the Canadian Originators) will at all times maintain its chief executive offices and each Originator will maintain its jurisdiction of organization within a jurisdiction in the USA in which Article 9 of the UCC is in effect. The Canadian Originators will maintain their jurisdictions of organization and chief executive offices in the Province of Canada in which they are currently located. If the Seller or any Originator moves its chief executive office to a location that imposes Taxes, fees or other charges to perfect the Agent's and the Purchasers' interests hereunder or the Seller's interests under the Purchase Agreement, the Seller will pay all such amounts and any other costs and expenses incurred in order to maintain the enforceability of the Transaction Documents, the Sold Interest and the interests of the Agent and the Purchasers in the Receivables, the Related Security, Collections, Purchase Agreement and Lock-Box Accounts.

(h) *Performance of Duties.* The Seller will perform its respective duties or obligations in accordance with the provisions of each of the Transaction Documents. The Seller (at its expense) will (i) fully and timely perform in all material respects all agreements required to be observed by it in connection with each Receivable, (ii) comply in all material respects with the Credit and Collection Policy, and (iii) refrain from any action that may materially impair the rights of the Agent or the Purchasers in the Receivables, the Related Security, Collections, Purchase Agreement or Lock-Box Accounts.

(i) *Payments on Receivables, Accounts.* The Seller will at all times instruct all Obligor to deliver payments on the Receivables (including Deemed Collections) to a Lock-Box or Lock-Box Account. The provisions of the previous sentence shall only apply to payments on Receivables originated by the Canadian Originators on and after the 61st day following the date of this Agreement. If any such payments or other Collections are received by the Seller or any Originator, it shall hold such payments in trust for the benefit of the Agent and the Purchasers and promptly (but in any event within two Business Days after receipt) remit such funds into a Lock-Box Account. The Seller will cause each Lock-Box Bank to comply with the terms of each applicable Lock-Box Letter. The Seller will not permit the funds of any Affiliate to be deposited into any Lock-Box Account. If such funds are nevertheless deposited into any Lock-Box Account, the Seller will promptly identify and separate such funds for segregation. The Seller will not commingle Collections or other funds to which the Agent or any Purchaser is entitled with any other funds. The Seller shall only add, and shall only permit the Originators to add, a Lock-Box Bank, Lock-Box, or Lock-Box Account to those listed on Exhibit E if the Agent has received notice of and has consented to such addition, a copy of any new Lock-Box Agreement and an executed and acknowledged copy of a Lock-Box Letter substantially in the form of Exhibit F (with such changes as are acceptable to the Agent) from any new Lock-Box Bank. The Seller shall only terminate a Lock-Box Bank or Lock-Box, or close a Lock-Box Account, upon 30 days advance notice to the Agent.

(j) *Sales and Adverse Claims Relating to Receivables.* Except as otherwise provided herein, the Seller will not (by operation of law or otherwise) dispose of or otherwise transfer, or create or suffer to exist any Adverse Claim upon, any Receivable or any proceeds thereof.

(k) *Extension or Amendment of Receivables.* Except as otherwise permitted in Section 3.2(b) and then subject to Section 1.5, the Seller will not extend, amend, rescind or cancel any Receivable.

(l) *Change in Business or Credit and Collection Policy.* The Seller will not make any material change in the character of its business and will not make any material adverse change to the Credit and Collection Policy.

(m) *Certain Agreements.* The Seller will not amend, modify, waive, revoke or terminate any Transaction Document to which it is a party or Section 3 of the Seller's memorandum of association or Section 86 or Section 95(b) of the Seller's Articles of Association.

(n) *Other Business.* The Seller will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents, (ii) create, incur or permit to exist any Debt of any kind (or cause or permit to be issued for its account any letters of credit or bankers' acceptances) other than pursuant to this Agreement or the Note, or (iii) form any Subsidiary or make any investments in any other Person; *provided, however,* that the Seller shall be permitted to incur minimal obligations to the extent necessary for the day-to-day operations of the Seller (such as expenses for stationery, audits, maintenance of legal status, etc.).

(o) *Nonconsolidation.* The Seller will operate in such a manner that the separate corporate existence of the Seller and each Seller Entity and Affiliate thereof would not be disregarded in the event of the bankruptcy or insolvency of any Seller Entity and Affiliate thereof and, without limiting the generality of the foregoing:

(i) the Seller will not engage in any activity other than those activities expressly permitted under the Seller's organizational documents and the Transaction Documents, nor will the Seller enter into any agreement other than this Agreement, the other Transaction Documents to which it is a party and, with the prior written consent of the Agent, any other agreement necessary to carry out more effectively the provisions and purposes hereof or thereof;

(ii) the Seller will maintain a business office separate from that of each of the Seller Entities and the Affiliates thereof (which office may be located within the physical premises of the Parent pursuant to an arms' length agreement);

(iii) the Seller will cause the financial statements and books and records of the Seller to reflect the separate corporate existence of the Seller;

(iv) the Seller will not, except as otherwise expressly permitted hereunder, under the other Transaction Documents and under the Seller's organizational documents, authorize any Seller Entity or Affiliate thereof to (A) pay the Seller's expenses, (B) guarantee the Seller's obligations, or (C) advance funds to the Seller for the payment of expenses or otherwise except that Parent may make contributions to the capital of Seller; and

(v) the Seller will not act as agent for any Seller Entity or Affiliate, but instead will present itself to the public as a corporation separate from each such Person and independently engaged in the business of purchasing and financing Receivables.

(p) *Mergers, Consolidations and Acquisitions.* The Seller will not merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or substantially all of the assets of any other Person (whether directly by purchase, lease or other acquisition of all or substantially all of the assets of such Person or indirectly by purchase or other acquisition of all or substantially all of the capital stock of such other Person) other than the acquisition of the Receivables and Related Security pursuant to the Purchase Agreement.

ARTICLE VI

INDEMNIFICATION

Section 6.1. Indemnities by the Seller. Without limiting any other rights any Person may have hereunder or under applicable law, the Seller hereby indemnifies and holds harmless, on an after-Tax basis, the Agent and each Purchaser and their respective officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including attorneys' fees and court costs) (all of the foregoing collectively, the "Indemnified Losses") at any time imposed on or incurred by any Indemnified Party arising out of or otherwise relating to any Transaction Document, the transactions contemplated thereby or any action taken or omitted by any of the Indemnified Parties (including any action taken by the Agent as attorney-in-fact for the Seller pursuant to Section 3.5(b)), whether arising by reason of the acts to be performed by the Seller hereunder or otherwise, excluding only Indemnified Losses to the extent (a) a final judgment of a court of competent jurisdiction holds such Indemnified Losses resulted from gross negligence or willful misconduct of the Indemnified Party seeking indemnification, (b) due to the credit risk of the Obligor and for which reimbursement would constitute recourse to the Seller or the Collection Agent for uncollectible Receivables, (c) such Indemnified Losses include Taxes on, or measured by, the overall net income of the Agent or any Purchaser computed in accordance with the Intended Tax Characterization or (d) such Taxes include Taxes imposed in any jurisdiction other than the United States, Canada or the Cayman Islands by reason of the organization of the Agent or any Purchaser (or any of their Affiliates) in such jurisdiction, the location of assets of the Agent or any Purchaser (or any of their Affiliates) in such jurisdiction, or the conduct of activities by the Agent or any Purchaser (or any of their Affiliates) in such jurisdiction. Without limiting the foregoing indemnification, but subject to the limitations set forth in clauses (a), (b), (c) and (d) of the previous sentence, the Seller shall indemnify each Indemnified Party for Indemnified Losses relating to or resulting from:

(i) any representation or warranty made by the Seller (or any employee or agent of the Seller) under or in connection with this Agreement, any Periodic Report or any other information or report delivered by the Seller, any Seller Entity or the Collection Agent pursuant hereto, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) the failure by the Seller to comply with any applicable law, rule or regulation related to any Receivable, or the nonconformity of any Receivable with any such applicable law, rule or regulation or the failure by the Seller to satisfy any of its obligations under any Transaction Document;

(iii) the failure of the Seller to vest and maintain vested in the Agent, for the benefit of the Purchasers, a perfected ownership or security interest in the Sold Interest and the property conveyed pursuant to Section 1.1 and Section 1.8, free and clear of any Adverse Claim;

(iv) any commingling of funds to which the Agent or any Purchaser is entitled hereunder with any other funds;

(v) any failure of a Lock-Box Bank to comply with the terms of the applicable Lock-Box Letter;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable, or any other claim resulting from the sale or lease of goods or the rendering of services related to such Receivable or the furnishing or failure to furnish any such goods or services or other similar claim or defense not arising from the financial inability of any Obligor to pay undisputed indebtedness;

(vii) any failure of the Seller to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document to which it is a party;

(viii) any action taken by the Agent as attorney-in-fact for the Seller pursuant to Section 3.5(b); or

(ix) any environmental liability claim, products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort, arising out of or in connection with any Receivable or any other suit, claim or action of whatever sort relating to any of the Transaction Documents.

Section 6.2. Increased Cost and Reduced Return. If the adoption after the date hereof of any applicable law, rule or regulation, or any change therein after the date hereof, or any change after the date hereof in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Amsterdam Funding Source, the Agent or any Purchaser (collectively, the "Funding Parties") with any request or directive (whether or not having the force of law) issued after the date hereof of any such Governmental Authority (a "Regulatory Change") (a) subjects any

Funding Party to any additional charge or withholding on or in connection with the Transfer Agreement or this Agreement (collectively, the "Funding Documents") or any Receivable, (b) changes the basis of taxation of payments to any of the Funding Parties of any amounts payable under any of the Funding Documents, other than (i) any Taxes referred to in Section 6.4 or (ii) any Taxes imposed on or measured by the net income of the Funding Party, (c) imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or any credit extended by, any of the Funding Parties, (d) has the effect of reducing the rate of return on such Funding Party's capital to a level below that which such Funding Party could have achieved but for such adoption, change or compliance (taking into consideration such Funding Party's policies concerning capital adequacy) or (e) imposes any other condition, and the result of any of the foregoing is (x) to impose a cost on, or increase the cost to, any Funding Party of its commitment under any Funding Document or of purchasing, maintaining or funding any interest acquired under any Funding Document, (y) to reduce the amount of any sum received or receivable by, or to reduce the rate of return of, any Funding Party under any Funding Document or (z) to require any payment calculated by reference to the amount of interests held or amounts received by it hereunder, then, upon demand by the Agent, the Seller shall pay to the Agent for the account of the Person such additional amounts as will compensate the Agent or such Purchaser (or, in the case of Amsterdam, will enable Amsterdam to compensate any Amsterdam Funding Source) for such increased cost or reduction. Notwithstanding the foregoing, no Person shall be entitled to receive any amount under this Section to the extent that such amount relates to an increased cost or reduction incurred for a date that is more than 180 days prior to the date that the Seller first receives notice thereof, provided, that if such increased cost or reduction is imposed retroactively, such 180-day period shall be extended to include the period of the retroactive effect thereof.

Section 6.3. Other Costs and Expenses. The Seller shall pay to the Agent on demand all reasonable costs and expenses in connection with (a) the preparation, execution, delivery and administration (including amendments of any provision) of the Transaction Documents, (b) the sale of the Sold Interest, (c) the perfection of the Agent's rights in the Receivables and Collections, (d) the enforcement by the Agent or the Purchasers of the obligations of the Seller under the Transaction Documents or of any Obligor under a Receivable and (e) the maintenance by the Agent of the Lock-Boxes and Lock-Box Accounts, including fees, costs and expenses of legal counsel for the Agent relating to any of the foregoing or, after the occurrence of a Termination Event, to advising the Agent and any Purchaser about its rights and remedies under any Transaction Document and all costs and expenses (including counsel fees and expenses) of the Agent and each Purchaser in connection with the enforcement of the Transaction Documents and in connection with the administration of the Transaction Documents following a Termination Event. The Seller shall reimburse the Agent and Amsterdam for the cost of the Agent's or Amsterdam's auditors (which may be employees of such Person) auditing the books, records and procedures of the Seller. Except as limited above, the Seller shall reimburse Amsterdam on demand for all other costs and expenses incurred by Amsterdam to the extent attributable to implementing the Transaction Documents or the transactions contemplated thereby, including the cost of the Rating Agencies confirming that the execution, delivery, and performance of the Transaction Documents will not adversely affect the Ratings.

Section 6.4. Withholding Taxes. (a) All payments made by the Seller hereunder shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient) imposed by the United States, Canada or the Cayman Islands or any political subdivision or taxing authority thereof. If any such withholding is so required, the Seller shall make the withholding, pay the amount withheld to the appropriate authority before penalties attach thereto or interest accrues thereon and pay such additional amount as may be necessary to ensure that the net amount actually received by each Purchaser and the Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount that Purchaser or the Agent (as the case may be) would have received had such withholding not been made; provided, however, that no such additional amounts shall be payable in respect of (i) any Taxes imposed on the net income of the Agent or Purchaser or franchise taxes imposed on the Agent or Purchaser by the jurisdiction under which the laws of which the Agent or Purchaser is organized or has its principal place of business or where it purchased its Purchase Interest or (ii) any Taxes imposed by reason of the Agent's or Purchaser's failure to comply with the provisions of Section 6.4(b). If the Seller pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Purchaser or Agent on whose account such withholding was made (with a copy to the Agent if not the recipient of the original) promptly after the Seller's receipt thereof.

(b) (i) Before the first date on which any amount is payable hereunder for the account of any Purchaser not incorporated under the laws of the USA such Purchaser shall deliver to the Seller and the Agent each two (2) duly executed and completed originals of United States Internal Revenue Service Form W-8BEN or W-8ECI (or successor applicable form) certifying that such Purchaser is entitled to receive payments hereunder without deduction or withholding of any United States federal income taxes. Each such Purchaser shall replace or update such forms when necessary to maintain any applicable exemption and as requested by the Agent or the Seller. Before the first date on which any amount is payable hereunder for the account of any Purchaser incorporated under the laws of the USA such Purchaser shall deliver to the Seller and the Agent each two (2) duly executed and completed originals of United States Internal Revenue Service Form W-9 (or successor applicable form) certifying that such Purchaser is entitled to receive payments hereunder without deduction or withholding of any United States federal income taxes. Each such Purchaser shall replace or update such forms when necessary to maintain any applicable exemption and as requested by the Agent or the Seller.

(ii) The Purchaser agrees to comply, before the first date on which any amount is payable hereunder, with any certification, identification, documentation, reporting or other similar requirement if such compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of, deduction or withholding of any taxes for which the Seller is required to pay additional amounts pursuant to Section 6.4(a) hereof.

Section 6.5. Payments and Allocations. If any Person seeks compensation pursuant to this Article VI, such Person shall deliver to the Seller and the Agent a certificate setting forth the amount due to such Person, a description of the circumstance giving rise thereto and the basis of the calculations of such amount. Absent error, the Seller shall pay to the Agent (for the account of such Person) the amount shown as due on any such certificate within 10 Business Days after receipt of the notice.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1. Conditions to Closing. This Agreement shall become effective on the first date all conditions in this Section 7.1 are satisfied. On or before such date, the Seller shall deliver to the Agent the following documents in form, substance and quantity acceptable to the Agent:

(a) A certificate of the Secretary of each of the Seller and each Seller Entity certifying (i) the resolutions of the Seller's and each Seller Entity's board of directors approving each Transaction Document to which it is a party, (ii) the name, signature, and authority of each officer who executes on the Seller's or any Seller Entity's behalf a Transaction Document (on which certificate the Agent and each Purchaser may conclusively rely until a revised certificate is received), (iii) the Seller's certificate of incorporation, certified by the Registrar of Companies of the Cayman Islands, and each Seller Entity's certificate or articles of incorporation, certified by the Secretary of State of its state of incorporation, (iv) a copy of the Seller's memorandum and articles of association and of each Seller Entity's by-laws and (v) good standing certificates issued by the Secretaries of State of each jurisdiction where the Seller or any Seller Entity has material operations.

(b) All instruments and other documents required, or deemed desirable by the Agent, to perfect the Agent's first priority interest in the Receivables, Collections, the Purchase Agreement and the Lock-Box Accounts in all appropriate jurisdictions.

(c) UCC search reports (and equivalent reports for the Canadian Originators) from all jurisdictions the Agent requests.

(d) Executed copies of (i) all consents and authorizations necessary in connection with the Transaction Documents (ii) all Lock-Box Letters (other than Lock-Box Letters relating to the Receivables of the Canadian Originators, which shall be delivered within 60 days after the date of this Agreement), (iii) a compliance certificate in the form of Exhibit G covering the period ending August 31, 2001, (iv) a Periodic Report covering the Settlement Period ended August 31, 2001 and (v) each Transaction Document.

(e) Favorable opinions of counsel to the Seller and each Seller Entity covering such matters as Amsterdam or the Agent may request.

(f) Such other approvals, opinions or documents as the Agent or Amsterdam may request.

(g) All legal matters related to the Purchase are satisfactory to the Purchasers.

Section 7.2. Conditions to Each Purchase. The obligation of each Committed Purchaser to make any Purchase, and the right of the Seller to request or accept any Purchase, are subject to the conditions (and each Purchase shall evidence the Seller's representation and warranty that clauses (a)-(d) of this Section 7.2 have been satisfied) that on the date of such Purchase before and after giving effect to the Purchase:

(a) no representation or warranty set forth in Article IV hereof (other than, in the case of any Reinvestment Purchase, a representation or warranty set forth in Section 4.1(g) or (h) hereof) shall be incorrect in any material respect;

(b) in the case of an Incremental Purchase, no Potential Termination Event shall then exist or shall occur as a result of the Purchase;

(c) the Liquidity Termination Date has not occurred; and

(d) after giving effect to the application of the proceeds of such Purchase, (x) the outstanding Matured Aggregate Investment would not exceed the Aggregate Commitment and (y) the outstanding Aggregate Investment would not exceed the Purchase Limit.

Nothing in this Section 7.2 limits the obligations of each Committed Purchaser to Amsterdam (including the Transfer Agreement).

ARTICLE VIII

THE AGENT

Section 8.1. Appointment and Authorization. Each Purchaser hereby irrevocably designates and appoints ABN AMRO Bank N.V. as the "Agent" under the Transaction Documents and authorizes the Agent to take such actions and to exercise such powers as are delegated to the Agent thereby and to exercise such other powers as are reasonably incidental thereto. The Agent shall hold, in its name, for the benefit of each Purchaser, the Purchase Interest of the Purchaser. The Agent shall not have any duties other than those expressly set forth in the Transaction Documents or any fiduciary relationship with any Purchaser, and no implied obligations or liabilities shall be read into any Transaction Document, or otherwise exist, against the Agent. The Agent does not assume, nor shall it be deemed to have assumed, any obligation to, or relationship of trust or agency with, the Seller. Notwithstanding any provision of this Agreement or any other Transaction Document, in no event shall the Agent ever be required to take any action which exposes the Agent to personal liability or which is contrary to the provision of any Transaction Document or applicable law.

Section 8.2. Delegation of Duties. The Agent may execute any of its duties through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible to any Purchaser for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 8.3. Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to any Purchaser for any action taken or omitted (i) with the consent or at the direction of the Instructing Group or (ii) in the absence of such Person's gross negligence or willful misconduct. The Agent shall not be responsible to any Purchaser or other Person for (i) any recitals, representations, warranties or other statements made by the Seller, any Seller Entity or any of their Affiliates, (ii) the value, validity, effectiveness, genuineness, enforceability or sufficiency of any Transaction Document, (iii) any failure of the Seller, any Seller Entity or any of their Affiliates to perform any obligation or (iv) the satisfaction of any condition specified in Article VII. The Agent shall not have any obligation to any Purchaser to ascertain or inquire about the observance or performance of any agreement contained in any Transaction Document or to inspect the properties, books or records of the Seller, any Seller Entity or any of their Affiliates.

Section 8.4. Reliance by Agent. As between the Agent and Purchasers, the Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document, other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person and upon advice and statements of legal counsel (including counsel to the Seller), independent accountants and other experts selected by the Agent. As between the Agent and Purchasers, the Agent shall in all cases be fully justified in failing or refusing to take any action under any Transaction Document unless it shall first receive such advice or concurrence of the Purchasers, and assurance of its indemnification, as it deems appropriate.

Section 8.5. Assumed Payments. Unless the Agent shall have received notice from the applicable Purchaser before the date of any Incremental Purchase that such Purchaser will not make available to the Agent the amount it is scheduled to remit as part of such Incremental Purchase, the Agent may assume such Purchaser has made such amount available to the Agent when due (an "Assumed Payment") and, in reliance upon such assumption, the Agent may (but shall have no obligation to) make available such amount to the appropriate Person. If and to the extent that any Purchaser shall not have made its Assumed Payment available to the Agent, such Purchaser and the Seller hereby agrees to pay the Agent forthwith on demand such unpaid portion of such Assumed Payment up to the amount of funds actually paid by the Agent, together with interest thereon for each day from the date of such payment by the Agent until the date the requisite amount is repaid to the Agent, at a rate per annum equal to the Federal Funds Rate plus 2%.

Section 8.6. Notice of Termination Events. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Termination Event unless the Agent has received notice from any Purchaser or the Seller stating that a Potential Termination Event has occurred hereunder and describing such Potential Termination Event. The Agent shall take such action concerning a Potential Termination Event as may be directed by the Instructing Group (or, if required for such action, all of the Purchasers), but until the Agent receives such directions, as between the Agent and Purchasers, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, as the Agent deems advisable and in the best interests of the Purchasers.

Section 8.7. Non-Reliance on Agent and Other Purchasers. Each Purchaser expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of the Seller or any Seller Entity, shall be deemed to constitute any representation or warranty by the Agent. Each Purchaser represents and warrants to the Agent that, independently and without reliance upon the Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, the Seller Entities, and the Receivables and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. The Agent shall deliver each month to any Purchaser that so requests a copy of the Periodic Report(s) received covering the preceding Settlement Period. Except for items specifically required to be delivered hereunder, the Agent shall not have any duty or responsibility to provide any Purchaser with any information concerning the Seller, any Seller Entity or any of their Affiliates that comes into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

Section 8.8. Agent and Affiliates. The Agent and its Affiliates may extend credit to, accept deposits from and generally engage in any kind of business with the Seller, any Seller Entity or any of their Affiliates and, in its role as a Committed Purchaser, ABN AMRO may exercise or refrain from exercising its rights and powers as if it were not the Agent. The parties acknowledge that ABN AMRO acts as agent for Amsterdam and subagent for Amsterdam's management company in various capacities, as well as providing credit facilities and other support for Amsterdam not contained in the Transaction Documents.

Section 8.9. Indemnification. Each Committed Purchaser shall indemnify and hold harmless the Agent and its officers, directors, employees, representatives and agents (to the extent not reimbursed by the Seller or any Seller Entity and without limiting the obligation of the Seller or any Seller Entity to do so), ratably in accordance with its Ratable Share from and against any and all liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses and disbursements of any kind whatsoever (including in connection with any investigative or threatened proceeding, whether or not the Agent or such Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Agent or such Person as a result of, or related to, any of the transactions contemplated by the Transaction Documents or the execution, delivery or performance of the Transaction Documents or any other document furnished in connection therewith (but excluding any such liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses or disbursements resulting solely from the gross negligence or willful misconduct of the Agent or such Person as finally determined by a court of competent jurisdiction).

Section 8.10. Successor Agent. The Agent may, upon at least five (5) days notice to the Seller and each Purchaser, resign as Agent. Such resignation shall not become effective until a successor agent is appointed by an Instructing Group and has accepted such appointment. Upon such acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Transaction Documents. After any retiring Agent's resignation hereunder, the provisions of Article VI and this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent. Prior to the occurrence of a Termination Event, any successor Agent shall be subject to Seller's reasonable approval.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Termination. Amsterdam shall cease to be a party hereto when the Amsterdam Termination Date has occurred, Amsterdam holds no Investment and all amounts payable to it hereunder have been indefeasibly paid in full. This Agreement shall terminate following the Liquidity Termination Date when no Investment is held by a Purchaser and all other amounts payable hereunder have been indefeasibly paid in full, but the rights and remedies of the Agent and each Purchaser under Article VI and Section 8.9 shall survive such termination.

Section 9.2. Notices. Unless otherwise specified, all notices and other communications hereunder shall be in writing (including by teletypewriter or other facsimile communication), given to the appropriate Person at its address or teletype number set forth on the signature pages hereof or at such other address or teletype number as such Person may specify, and effective when received at the address specified by such Person. Each party hereto, however, authorizes the Agent to act on telephone notices of Purchases and Discount Rate and Tranche Period selections from any person the Agent in good faith believes to be acting on behalf of the relevant party and, at the Agent's option, to tape record any such telephone conversation. Each party hereto agrees to deliver promptly a confirmation of each telephone notice given or received by such party (signed by an authorized officer of such party), but the absence of such confirmation shall not affect the validity of the telephone notice. The number of days for any advance notice required hereunder may be waived (orally or in writing) by the Person receiving such notice.

Section 9.3. Payments and Computations. Notwithstanding anything herein to the contrary, any amounts to be paid or transferred by the Seller or the Collection Agent to, or for the benefit of, any Purchaser or any other Person shall be paid or transferred to the Agent (for the benefit of such Purchaser or other Person). The Agent shall promptly (and, if reasonably practicable, on the day it receives such amounts) forward each such amount to the Person entitled thereto and such Person shall apply the amount in accordance herewith. All amounts to be paid or deposited hereunder shall be paid or transferred on the day when due in immediately available Dollars (and, if due from the Seller or Collection Agent, by 11:00 a.m. (Chicago time), with amounts received after such time being deemed paid on the Business Day following such receipt). The Seller hereby authorizes the Agent to debit the Seller Account for application to any amounts owed by the Seller hereunder. The Seller shall, to the extent permitted by law, pay to the Agent upon demand, for the account of the applicable Person, interest on all amounts not paid or transferred by the Seller or the Collection Agent when due hereunder at a rate equal to the Prime Rate plus 2%, calculated from the date any such amount became due until the date paid in full. Any payment or other transfer of funds scheduled to be made on a day that is not a Business Day shall be made on the next Business Day, and any Discount Rate or interest rate accruing on such amount to be paid or transferred shall continue to accrue to such next Business Day. All computations of interest, fees, Discount and Funding Charges shall be calculated for the actual days elapsed based on a 360 day year.

Section 9.4. Sharing of Recoveries. Each Purchaser agrees that if it receives any recovery, through set-off, judicial action or otherwise, on any amount payable or recoverable hereunder in a greater proportion than should have been received hereunder or otherwise inconsistent with the provisions hereof, then the recipient of such recovery shall purchase for cash an interest in amounts owing to the other Purchasers (as return of Investment or otherwise), without representation or warranty except for the representation and warranty that such interest is being sold by each such other Purchaser free and clear of any Adverse Claim created or granted by such other Purchaser, in the amount necessary to create proportional participation by the Purchasers in such recovery (as if such recovery were distributed pursuant to Section 2.3). If all or any portion of such amount is thereafter recovered from the recipient, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 9.5. Right of Setoff. During a Termination Event, each Purchaser is hereby authorized (in addition to any other rights it may have) to setoff, appropriate and apply (without presentment, demand, protest or other notice which are hereby expressly waived) any deposits and any other indebtedness held or owing by such Purchaser (including by any branches or agencies of such Purchaser) to, or for the account of, the Seller against amounts owing by the Seller hereunder (even if contingent or unmatured).

Section 9.6. Amendments. Except as otherwise expressly provided herein, no amendment or waiver hereof shall be effective unless signed by the Seller and the Instructing Group. In addition, no amendment of any Transaction Document shall, without the consent of (a) all the Committed Purchasers, (i) extend the Liquidity Termination Date or the date of any payment or transfer of Collections by the Seller to the Collection Agent or by the Collection Agent to the Agent, (ii) reduce the rate or extend the time of payment of Discount for any Eurodollar Tranche or Prime Tranche, (iii) reduce or extend the time of payment of any fee payable to the Committed Purchasers, (iv) except as provided herein, release, transfer or modify any Committed Purchaser's Purchase Interest or change any Commitment, (v) amend the definition of Required Committed Purchasers, Instructing Group, Termination Event or Section 1.1, 1.2, 1.5, 2.1, 2.2, 2.3, 7.2 or 9.6, Article VI, or any provision of the Limited Guaranty, (vi) consent to the assignment or transfer by the Seller or the Originators of any interest in the Receivables other than transfers under the Transaction Documents or permit any Seller Entity to transfer any of its obligations under any Transaction Document except as expressly contemplated by the terms of the Transaction Documents, or (vii) amend any defined term relevant to the restrictions in clauses (i) through (vi) in a manner which would circumvent the intention of such restrictions or (b) the Agent, amend any provision hereof if the effect thereof is to affect the indemnities to, or the rights or duties of, the Agent or to reduce any fee payable for the Agent's own account. Notwithstanding the foregoing, the amount of any fee or other payment due and payable from the Seller to the Agent (for its own account) or Amsterdam may be changed or otherwise adjusted solely with the consent of the Seller and the party to which such payment is payable. Any amendment hereof shall apply to each Purchaser equally and shall be binding upon the Seller, the Purchasers and the Agent.

Section 9.7. Waivers. No failure or delay of the Agent or any Purchaser in exercising any power, right, privilege or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right, privilege or remedy preclude any other or further exercise thereof or the exercise of any other power, right, privilege or remedy. Any waiver hereof shall be effective only in the specific instance and for the specific purpose for which such waiver was given. After any waiver, the Seller, the Purchasers and the Agent shall be restored to their former position and rights and any Potential Termination Event waived shall be deemed to be cured and not continuing, but no such waiver shall extend to (or impair any right consequent upon) any subsequent or other Potential Termination Event. Any additional Discount that has accrued after a Termination Event before the execution of a waiver thereof, solely as a result of the occurrence of such Termination Event, may be waived by the Agent at the direction of the Purchaser entitled thereto or, in the case of Discount owing to the Committed Purchasers, of the Required Committed Purchasers.

Section 9.8. Successors and Assigns; Participations; Assignments.

(a) **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Except as otherwise provided herein, the Seller may not assign or transfer any of its rights or delegate any of its duties without the prior consent of the Agent and the Purchasers.

(b) *Participations.* Any Purchaser may sell to one or more Persons (each a “Participant”) participating interests in the interests of such Purchaser hereunder and under the Transfer Agreement. Such Purchaser shall remain solely responsible for performing its obligations hereunder, and the Seller and the Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser’s rights and obligations hereunder and under the Transfer Agreement. Each Participant shall be entitled to the benefits of Article VI and shall have the right of setoff through its participation in amounts owing hereunder and under the Transfer Agreement to the same extent as if it were a Purchaser hereunder and under the Transfer Agreement, which right of setoff is subject to such Participant’s obligation to share with the Purchasers as provided in Section 9.4. A Purchaser shall not agree with a Participant to restrict such Purchaser’s right to agree to any amendment hereto or to the Transfer Agreement, except amendments described in clause (a) of Section 9.6. Any Participant may not be a direct or indirect competitor of any Seller Entity and shall agree to be bound by a confidentiality agreement substantively identical to that set forth in Section 9.10.

(c) *Assignments by Committed Purchasers.* Any Committed Purchaser may assign to one or more financial institutions (“Purchasing Committed Purchasers”), acceptable to the Agent in its sole discretion, any portion of its Commitment as a Committed Purchaser hereunder and under the Transfer Agreement and Purchase Interest pursuant to a supplement hereto and to the Transfer Agreement (a “Transfer Supplement”) in form satisfactory to the Agent executed by each such Purchasing Committed Purchaser, such selling Committed Purchaser and the Agent. Prior to the occurrence of a Termination Event, any such assignment shall require the prior written consent of the Seller which shall not be unreasonably withheld. Any such assignment by a Committed Purchaser must be for an amount of at least Five Million Dollars. Each Purchasing Committed Purchaser shall pay a fee of Three Thousand Dollars to the Agent. Any partial assignment shall be an assignment of an identical percentage of such selling Committed Purchaser’s Investment and its Commitment as a Committed Purchaser hereunder and under the Transfer Agreement. Upon the execution and delivery to the Agent of the Transfer Supplement and payment by the Purchasing Committed Purchaser to the selling Committed Purchaser of the agreed purchase price, such selling Committed Purchaser shall be released from its obligations hereunder and under the Transfer Agreement to the extent of such assignment and such Purchasing Committed Purchaser shall for all purposes be a Committed Purchaser party hereto and shall have all the rights and obligations of a Committed Purchaser hereunder to the same extent as if it were an original party hereto and to the Transfer Agreement with a Commitment as a Committed Purchaser, any Investment and any related Assigned Amsterdam Settlement described in the Transfer Supplement.

(d) *Replaceable Committed Purchasers.* If any Committed Purchaser other than ABN AMRO (a “Replaceable Committed Purchaser”) shall (i) petition the Seller for any amounts under Section 6.2 or (ii) have a short-term debt rating lower than the “A-1” by S&P and “P-1” by Moody’s, the Seller or Amsterdam may designate a replacement financial institution (a “Replacement Committed Purchaser”) reasonably acceptable to the Agent and, prior to the occurrence of a Termination Event, consented to by the Seller (which consent shall not be unreasonably withheld, it being deemed reasonable, without limitation, for the Seller not to consent to a proposed Replacement Committed Purchaser that is a direct or indirect competitor of any Seller Entity or that has not agreed to be bound by a confidentiality agreement substantively identical to that set forth in Section 9.10), to which such Replaceable Committed Purchaser shall, subject to its receipt of an amount equal to its Investment, any related Assigned Amsterdam Settlement, and accrued Discount and fees thereon (plus, from the Seller, any Early Payment Fee that would have been payable if such transferred Investment had been paid on such date) and all amounts payable under Section 6.2, promptly assign all of its rights, obligations and Commitment hereunder and under the Transfer Agreement, together with all of its Purchase Interest, and any related Assigned Amsterdam Settlement, to the Replacement Committed Purchaser in accordance with Section 9.8(c).

(e) *Assignment by Amsterdam.* Each party hereto agrees and consents (i) to Amsterdam’s assignment, participation, grant of security interests in or other transfers of any portion of, or any of its beneficial interest in, the Amsterdam Purchase Interest and the Amsterdam Settlement and (ii) to the complete assignment by Amsterdam of all of its rights and obligations hereunder to ABN AMRO or any other Person, and upon such assignment Amsterdam shall be released from all obligations and duties hereunder to the extent accruing thereafter; *provided, however,* that Amsterdam may not, without the prior consent of the Required Committed Purchasers and, prior to the occurrence of a Termination Event, the Seller, which consent of the Seller shall not be unreasonably withheld, transfer any of its rights hereunder or under the Transfer Agreement unless the assignee (i) is a corporation whose principal business is the purchase of assets similar to the Receivables, (ii) has ABN AMRO as its administrative agent and (iii) issues commercial paper with credit ratings substantially identical to the Ratings. Amsterdam shall promptly notify each party hereto of any such assignment. Upon such an assignment of any portion of Amsterdam’s Purchase Interest and the Amsterdam Settlement, the assignee shall have all of the rights of Amsterdam hereunder relate to such Amsterdam Purchase Interest and Amsterdam Settlement. Any such assignee may not be a direct or indirect competitor of any Seller Entity and shall agree to be bound by a confidentiality agreement substantively identical to that set forth in Section 9.10.

(f) *Opinions of Counsel.* If required by the Agent or to maintain the Ratings, each Transfer Supplement must be accompanied by an opinion of counsel of the assignee as to such matters as the Agent may reasonably request. The Seller shall not be responsible for the cost of any such opinion.

Section 9.9. Intended Tax Characterization. It is the intention of the parties hereto that, for the purposes of all Taxes, the transactions contemplated hereby shall be treated as a loan by the Purchasers (through the Agent) to the Seller that is secured by the Receivables (the “Intended Tax Characterization”). The parties hereto agree to report and otherwise to act for the purposes of all Taxes in a manner consistent with the Intended Tax Characterization.

Section 9.10. Confidentiality. The parties hereto agree to hold the Transaction Documents or any other confidential or proprietary information received in connection therewith in confidence and agree not to provide any Person with copies of any Transaction Document or such other confidential or proprietary information other than to (i) any officers, directors, members, managers, employees or outside accountants, auditors or attorneys thereof, (ii) any prospective or actual assignee or participant which is not a direct or indirect competitor of any Seller Entity and which (in each case) has signed a confidentiality agreement containing provisions substantively identical to this Section, (iii) any rating agency, (iv) any surety, guarantor or credit or liquidity enhancer to the Agent or any Purchaser which (in each case) has signed a confidentiality agreement substantively identical in the form of the confidentiality agreement signed by the Agent prior to the date hereof, (v) any entity organized to loan, or make loans secured by, financial assets for which ABN AMRO provides managerial services or acts as an administrative agent which (in each case) has signed a confidentiality agreement substantially in the form of the confidentiality agreement signed by the Agent prior to the date hereof, (vi) Amsterdam’s administrator, management company, referral agents, issuing agents or depositaries or CP Dealers and (vii) Governmental Authorities with appropriate jurisdiction. Notwithstanding the above stated obligations, *provided* that the other parties hereto are given notice of the intended disclosure or use, the parties hereto will not be liable for disclosure or use of such information which such Person can establish by tangible evidence: (i) was required by law, including pursuant to a valid subpoena or other legal process, (ii) was rightfully in such Person’s possession or known to such Person prior to receipt or (iii) is or becomes known to the public through disclosure in a printed publication (without breach of any of such Person’s obligations hereunder).

Section 9.11. Agreement Not to Petition. Each party hereto agrees, for the benefit of the holders of the privately or publicly placed indebtedness for borrowed money for Amsterdam, not, prior to the date which is one (1) year and one (1) day after the payment in full of all such indebtedness, to acquiesce, petition or otherwise, directly or indirectly, invoke, or cause Amsterdam to invoke, the process of any Governmental Authority for the purpose of (a) commencing or sustaining a case against Amsterdam under any federal or state bankruptcy, insolvency or similar law (including the Federal Bankruptcy Code), (b) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for Amsterdam, or any substantial part of its property, or (c) ordering the winding up or liquidation of the affairs of Amsterdam.

Section 9.12. Excess Funds. Other than amounts payable under Section 9.4, Amsterdam shall be required to make payment of the amounts required to be paid pursuant hereto only if Amsterdam has Excess Funds (as defined below). If Amsterdam does not have Excess Funds, the excess of the amount due hereunder (other than pursuant to Section 9.4) over the amount paid shall not constitute a “claim” (as defined in Section 101(5) of the Federal Bankruptcy Code) against Amsterdam until such time as Amsterdam has Excess Funds. If Amsterdam does not have sufficient Excess Funds to make any payment due hereunder (other than pursuant to Section 9.4), then Amsterdam may pay a lesser amount and make additional payments that in the aggregate equal the amount of deficiency as soon as possible thereafter. The term “Excess Funds” means the excess of (a) the aggregate projected value of Amsterdam’s assets and other property (including cash and cash equivalents), over (b) the sum of (i) the sum of all scheduled payments of principal, interest and other amounts payable on publicly or privately placed indebtedness of Amsterdam for borrowed money, plus (ii) the sum of all other liabilities, indebtedness and other obligations of Amsterdam for borrowed money or owed to any credit or liquidity provider, together with all unpaid interest then accrued thereon, plus (iii) all taxes payable by Amsterdam to the Internal Revenue Service, plus (iv) all other indebtedness, liabilities and obligations of Amsterdam then due and payable, but the amount of any liability, indebtedness or obligation of Amsterdam shall not exceed the projected value of the assets to which recourse for such liability, indebtedness or obligation is limited. Excess Funds shall be calculated once each Business Day.

Section 9.13. No Recourse. The obligations of Amsterdam, its management company, its administrator and its referral agents (each a “Program Administrator”) under any Transaction Document or other document (each, a “Program Document”) to which a Program Administrator is a party are solely the corporate obligations of such Program Administrator and no recourse shall be had for such obligations against any Affiliate, director, officer, member, manager, employee, attorney or agent of any Program Administrator.

Section 9.14. Headings; Counterparts. Article and Section Headings in this Agreement are for reference only and shall not affect the construction of this Agreement. This Agreement may be executed by different parties on any number of counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one and the same agreement.

Section 9.15. Cumulative Rights and Severability. All rights and remedies of the Purchasers and Agent hereunder shall be cumulative and non-exclusive of any rights or remedies such Persons have under law or otherwise. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, in such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and without affecting such provision in any other jurisdiction.

Section 9.16. Governing Law; Submission to Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK. THE SELLER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN MANHATTAN FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF, OR RELATING TO, THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY. The Seller hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the venue of any such proceeding and any claim that any such proceeding has been brought in an inconvenient forum. Nothing in this Section 9.16 shall affect the right of the Agent or any Purchaser to bring any action or proceeding against the Seller or its property in the courts of other jurisdictions.

Section 9.17. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, OR IN CONNECTION WITH, ANY TRANSACTION DOCUMENT OR ANY MATTER ARISING THEREUNDER.

Section 9.18. Entire Agreement. The Transaction Documents constitute the entire understanding of the parties thereto concerning the subject matter thereof. Any previous or contemporaneous agreements, whether written or oral, concerning such matters are superseded thereby.

Section 9.19. Appointment for Service of Process. (a) The Seller has (or will within 30 days of the date hereof) irrevocably appointed CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011 as its agent to receive, accept and acknowledge for and on its behalf, service of any and all legal process, summons, notices and documents which may be served in any such proceeding brought in any such court which may be made on such agent and will pay such agent’s fees when due. If for any reason such agent shall cease to be available to act as such, the Seller agrees to designate a new agent in the State of New York on the terms satisfactory to the Agent and will pay such agent’s fees when due.

(b) To the fullest extent it may legally and effectively do so, each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.2 hereof. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 9.20. Payments in Relevant Currency. All payments to be made by the Seller hereunder shall be made in Dollars (the “relevant currency”). To the fullest extent permitted by law, the obligation of the Seller in respect of any amount due in the relevant currency under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the relevant currency that each Purchaser or the Agent may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Purchaser or Agent, as applicable, receives such payment. If the amount in the relevant currency that may be so purchased for any reason falls short of the amount

originally due, the Seller shall pay such additional amounts, in the relevant currency, as may be necessary to compensate for the shortfall. Any obligations of the undersigned not discharged by such payment shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

ABN AMRO BANK N.V., as the Agent

ABN AMRO BANK N.V., as
the Committed Purchaser

By _____
Title _____

By _____
Title _____

By _____
Title _____

By _____
Title _____

Address: _____
Structured Finance,
Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: _____
Amsterdam Purchaser Agent-

Telephone: (312) 904-6263
Telecopy: (312) 904-6376

Address: _____
Structured Finance,
Asset Securitization
135 South LaSalle Str
Chicago, Illinois 6067
Attention: _____
Amsterdam Administrator-

Telephone: (312) 904-6263
Telecopy: (312) 904-6376

AMSTERDAM FUNDING CORPORATION

By _____
Title _____

Address: _____
c/o Global Securitization Services, LLC
114 West 47th Street, Suite 1715
New York, New York 10036
Attention: Andrew Stidd

Telephone: (212) 302-5151
Telecopy: (212) 302-8767

ALBANY INTERNATIONAL RECEIVABLES CORPORATION, as Seller

By _____
Title _____

Address: _____

Attention: _____

Telephone: _____
Telecopy: _____

ALBANY INTERNATIONAL CORP.,
as Initial Collection Agent

By _____
Title _____

Address: _____

Attention: _____

Telephone: _____
Telecopy: _____

SCHEDULE I

DEFINITIONS

The following terms have the meanings set forth, or referred to, below:

“*ABN AMRO*” means ABN AMRO Bank N.V. in its individual capacity and not in its capacity as the Agent.

“*Adjusted Dilution Ratio*” at any time means the 12-month rolling average of the Dilution Ratio for the 12 Settlement Periods then most recently ended.

“*Adverse Claim*” means, for any asset or property of a Person, a lien, security interest, charge, mortgage, pledge, hypothecation, assignment or encumbrance, or any other right or similar claim, in, of or on such asset or property in favor of any other Person, except those created by the Transaction Documents.

“*Affiliate*” means, for any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person. For purposes of this definition, “*control*” means the power, directly or indirectly, to either (i) vote ten percent (10%) or more of the securities having ordinary voting power for the election of directors of a Person or (ii) cause the direction of the management and policies of a Person.

“*Agent*” is defined in the first paragraph hereof.

“*Agent’s Account*” means the account designated to the Seller and the Purchasers by the Agent.

“*Aggregate Commitment*” means \$51,000,000, as such amount may be reduced pursuant to Section 1.6.

“*Aggregate Investment*” means the sum of the Investments of all Purchasers.

“*Aggregate Reserve*” means, at any time at which such amount is calculated, the sum of the Loss Reserve, Dilution Reserve, Discount Reserve and Canadian Currency Reserve.

“*Amsterdam*” is defined in the first paragraph hereof.

“*Amsterdam Funding Source*” means any Committed Purchaser and any provider or program credit enhancement for Amsterdam.

"*Amsterdam Settlement*" means the sum of all claims and rights to payment pursuant to Section 1.5 or 1.7 or any other provision owed to Amsterdam (or owed to the Agent or the Collection Agent for the benefit of Amsterdam) by the Seller that, if paid, would be applied to reduce Amsterdam's Investment.

"*Amsterdam Termination Date*" means the earlier of (a) the Business Day designated by Amsterdam at any time to the Seller and (b) the Liquidity Termination Date.

"*Assigned Amsterdam Settlement*" is defined in the Transfer Agreement.

"*Bankrupt Obligor*" means any of the Obligors listed on Exhibit J.

"*Bankruptcy Event*" means, for any Person, that (a) such Person makes a general assignment for the benefit of creditors or any proceeding is instituted by or against such Person seeking to adjudicate it bankrupt or insolvent, or seeking the liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors and, if instituted against such Person, such proceeding remains undismissed and unstayed for a period of 30 days, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or such Person generally does not pay its debts as such debts become due or admits in writing its inability to pay its debts generally or (b) such Person takes any corporate action to authorize any such action.

"*Business Day*" means any day other than (a) a Saturday, Sunday or other day on which banks in New York City, New York or Chicago, Illinois are authorized or required to close, (b) a holiday on the Federal Reserve calendar and, (c) solely for matters relating to a Eurodollar Tranche, a day on which dealings in Dollars are not carried on in the London interbank market.

"*Canadian Currency Reserve*" means an amount equal to the Canadian Currency Reserve Percentage multiplied by the Outstanding Balance of Eligible Receivables payable in Canadian dollars as shown on the most recent Periodic Report.

"*Canadian Currency Reserve Percentage*" means, at any time, the quotient obtained by dividing (i) the difference between the highest and lowest Exchange Rates for the most recent 12 calendar months, by (ii) the Exchange Rate currently in effect.

"*Canadian Obligor*" means an Obligor that is a resident of, or organized under the laws of, Canada or any province or territory thereof.

"*Canadian Originators*" means M & I Door Systems Ltd. and Albany International Canada Inc.

"*Change in Control*" means (a) the ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) other than Permitted Shareholders, of shares representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Parent at a time when Permitted Shareholders together do not have the unrestricted power directly or indirectly to vote or direct the vote of shares representing more than 50% of such aggregate ordinary voting power, (b) occupation of the majority of the seats (other than vacant seats) on the board of directors of the Parent by Persons who were neither (i) nominated by the board of directors of the Parent nor (ii) appointed by directors so nominated, or (c) the occurrence of any "change of control" or similar event, however denominated, resulting in an obligation on the part of the Parent or any Subsidiary of the Parent to repay, redeem or repurchase, or to offer to repay, redeem or repurchase any indebtedness for borrowed money of the Parent or any Subsidiary of the Parent in an aggregate principal amount in excess of \$10,000,000. Notwithstanding the foregoing, a Change of Control shall be deemed not to occur solely as a result of a restructuring which installs a newly formed holding company as the sole shareholder of Parent (which holding company must also hold, directly or indirectly, 100% of the ownership interests in the Seller Entities), provided that, in the course of such restructuring, the shareholders of Parent (a) receive in exchange for their Parent shares corresponding shares of such new holding company having relative rights and preferences identical to those of the Parent's shares immediately before the restructuring, and (b) receive respective percentage ownership interests in such new holding company which are identical to their respective percentage ownership interests in Parent immediately before the restructuring. After any such restructuring, the name of such new holding company shall be substituted for the name of Parent where it appears in this definition of Change of Control.

"*Charge-Off*" means any Receivable that has or should have been (in accordance with the Credit and Collection Policy) charged off or written off by the Seller.

"*Collection*" means any amount paid, or deemed paid, on a Receivable or by the Seller as a Deemed Collection under Section 1.5(b).

"*Collection Agent*" is defined in Section 3.1(a).

"*Collection Agent Fee*" is defined in Section 3.6.

"*Collection Agent Replacement Event*" shall occur upon the giving of written notice by Agent to Seller after any one or more of the following has occurred (except that such event is automatic if attributable to (c) below):

(a) the Collection Agent fails to turn over Collections or make any payment or transfer of funds in each case for purposes of reducing Aggregate Net Investment when required to do so pursuant to the terms of this Agreement and such failure continues unremedied for two Business Days after notice from the Agent of such failure;

(b) the Collection Agent fails to turn over Collections for a purpose not described in clause (a) above or make any other payment or transfer of funds it is required to make hereunder when due and such failure continues unremedied for a period of five Business Days after notice from the Agent of such failure;

(c) the Collection Agent (or any sub-collection agent) fails to observe or perform (i) any covenant set forth in Section 3.2(d) or 3.3 or (ii) any other material term, covenant or agreement under any Transaction Document and in the case of clause (ii) any, such failure continues for five Business Days after notice from the Agent;

(d) any written representation, warranty, certification or statement made by the Collection Agent in, or pursuant to, any Transaction Document proves to have been incorrect in any material adverse respect when made;

(e) the Collection Agent suffers a Bankruptcy Event; or

(f) for so long as the Collection Agent is an Affiliate of the Seller, a Termination Event.

"*Commitment*" means, for each Committed Purchaser, the amount set forth on Schedule II, as adjusted in accordance with Sections 1.6 and 9.8.

"*Committed Purchasers*" is defined in Section 1.1(b).

"*Control*" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "*Controlling*" and "*Controlled*" have meanings correlative thereto.

"*CP Dealer*" means, at any time, each Person Amsterdam then engages as a placement agent or commercial paper dealer.

"*CP Discount*" means, for any Discount Period, the amount of interest or discount accrued, during such Discount Period on all the outstanding commercial paper, or portion thereof, issued by Amsterdam to fund its Investment, including all dealer commissions and other costs of issuing commercial paper, whether any such commercial paper was issued specifically to fund such Investment or is allocated, in whole or in part, to such funding.

"*CP Rate*" means, for any CP Tranche Period, a rate per annum equal to the weighted average of the rates at which commercial paper notes having a term equal to such CP Tranche Period may be sold by any CP Dealer selected by Amsterdam, as agreed between each such CP Dealer and Amsterdam. If such rate is a discount rate, the CP Rate shall be the rate resulting from Amsterdam's converting such discount rate to an interest-bearing equivalent rate. If Amsterdam determines that it is not able, or that it is impractical, to issue commercial paper notes for any period of time, then the CP Rate shall be the Prime Rate. The CP Rate shall include all costs and expenses to Amsterdam of issuing the related commercial paper notes, including all dealer commissions and note issuance costs in connection therewith.

"*Credit Agreement*" means the Credit Agreement dated as of August 11, 1999, among the Parent, the borrowing subsidiaries and lenders party thereto, The Chase Manhattan Bank, as administrative agent, Chase Manhattan International Limited, as London agent, Citibank, N.A., as syndication agent, Banc One Capital Markets, Inc., as documentation agent, and Chase Securities Inc., as arranger, as amended and supplemented through the date hereof, but without regard to any further amendment, supplement, waiver or termination of any provision thereof unless consented to by ABN AMRO as a lender under the Credit Agreement or consented to by the Instructing Group hereunder.

"*Credit and Collection Policy*" means the Seller's credit and collection policy and practices relating to Receivables attached hereto as Exhibit H.

"*CSP Receivable*" means a Receivable for which no invoice has been issued but revenues from which would be recognized under GAAP and that is required to be payable in full within 365 days after the date of the delivery of the goods which give rise to such Receivable.

"*Deemed Collections*" is defined in Section 1.5(c).

"*Default Ratio*" means, a fraction (expressed as a percentage), for the Settlement Period, the numerator of which is the aggregate outstanding balance as of the end of such Settlement Period of all Defaulted Receivables less than 121 days past the due date plus the aggregate outstanding balance as of the end of such Settlement Period of all Charge-Offs and the denominator of which is the amount of sales generated during the month that ended four months prior to the last day of such Settlement Period.

"*Defaulted Receivable*" means any Receivable (a) on which any amount is unpaid more than 90 days past its original due date or (b) the Obligor on which has suffered a Bankruptcy Event.

“*Delinquency Ratio*” means, the ratio (expressed as a percentage), for any Settlement Period of (a) the aggregate outstanding balance of all Delinquent Receivables as of the end of such Settlement Period to (b) the sum of the aggregate outstanding balance of all Receivables (other than Receivables for which no invoice has been issued) as of the end of such Settlement Period.

“*Delinquent Receivable*” means any Receivable (other than a Charge-Off or Defaulted Receivable) on which any amount is unpaid more than 60 days after the invoice therefor.

“*Designated Financial Officer*” means the Controller, the Assistant Controller, Treasurer, Assistant Treasurer, any Vice President or the President of the Seller or the relevant Seller Entity, as applicable.

“*Dilution*” means, for any Settlement Period, the amount Deemed Collections deemed to be received during such Settlement Period pursuant to Section 1.5(b).

“*Dilution Horizon Ratio*” means, on any Settlement Date, an amount calculated by dividing (a) cumulative sales generated during the two most recent Settlement Periods by (b) the Eligible Receivables Balance as of the end of the most recent Settlement Period.

“*Dilution Ratio*” means, as of any Settlement Date, a percentage equal to a fraction, the numerator of which is the total amount of decreases in Outstanding Balances due to Dilutions during the most recent Settlement Period, and the denominator of which is the amount of sales generated during the Settlement Period one month prior to the most recent Settlement Period.

“*Dilution Reserve*” means, as of any Settlement Date, the amount obtained by multiplying (A) a percentage equal to the product of (x) the sum of (i) 2.0 times the Adjusted Dilution Ratio, plus (ii) the Dilution Volatility Component, multiplied by (y) the Dilution Horizon Ratio by (B) the Eligible Receivables Balance as of the end of the most recent Settlement Period.

“*Dilution Volatility Component*” means, as of any Settlement Date, an amount (expressed as a percentage) equal to the product of (i) the difference between (a) the highest three month average Dilution Ratio for any three consecutive calendar months ending during the preceding 12 Settlement Periods and (b) the Adjusted Dilution Ratio, and (ii) a fraction, the numerator of which is equal to the amount calculated in (i)(a) of this definition and the denominator of which is equal to the amount calculated in (i)(b) of this definition.

“*Discount*” means, for any Tranche Period, (a) the product of (i) the Discount Rate for such Tranche Period, (ii) the total amount of Investment allocated to the Tranche Period, and (iii) the number of days elapsed during such Tranche Period divided by (b) 360 (for Tranches other than Prime Tranches) or 365 or 366 days, as applicable (for Prime Tranches).

“*Discount Period*” means, with respect to any Settlement Date or the Liquidity Termination Date, the period from and including the preceding Settlement Date (or if none, the date that the first Incremental Purchase is made hereunder) to but not including such Settlement Date or Liquidity Termination Date, as applicable.

“*Discount Rate*” means, (i) for any Tranche Period relating to a CP Tranche, the CP Rate applicable thereto, (ii) for any Tranche Period relating to a Eurodollar Tranche, the Eurodollar Rate applicable thereto and (iii) for any Tranche Period relating to a Prime Tranche, the Prime Rate applicable thereto.

“*Discount Reserve*” means, at any time, the product of (a) 1.5, (b) the rate announced by ABN AMRO as its “*Prime Rate*” (which may not be its best or lowest rate) plus 2.00%, (c) Aggregate Investment, (d) a fraction, the numerator of which is the average Turnover Ratio for the most recent three Settlement Periods and the denominator of which is 365.

“*Dollar*” and “*\$*” means lawful currency of the United States of America.

“*Early Payment Fee*” means, if any Investment of a Purchaser allocated (or, in the case of a requested Purchase not made by the Committed Purchasers for any reason other than their improper acts or omissions, scheduled to be allocated) to a Tranche Period for a CP Tranche or Eurodollar Tranche is reduced or terminated before the last day of such Tranche Period with the effect that Discount then ceases to accrue on the amount reduced or terminated (the amount of Investment so reduced or terminated being referred to as the “*Prepaid Amount*”), the cost to the relevant Purchaser of terminating or reducing such Tranche, which (a) for a CP Tranche means any compensation payable in prepaying the related commercial paper or, if not prepaid, any shortfall between the amount that will be available to Amsterdam on the maturity date of the related commercial paper from reinvesting the Prepaid Amount in Permitted Investments and the Face Amount of such commercial paper and (b) for a Eurodollar Tranche will be determined based on the difference between the LIBOR applicable to such Tranche and the LIBOR applicable for a period equal (or as close as possible) to the remaining maturity of the Tranche on the date the Prepaid Amount is received.

“*Eligible Receivable*” means, at any time, any Receivable:

(i) the Obligor of which (a) is a resident of, or organized under the laws of, or with its chief executive office in, the USA or Canada; (b) is not an Affiliate of any of the parties hereto or any other Seller Entity; (c) is not a government or a governmental subdivision or agency; (d) has not suffered a Bankruptcy Event; (e) is a customer of the applicable Originator in good standing; and (f) is not the Obligor of Defaulted Receivables with an Outstanding Balance in excess of 20% of the Outstanding Balance of all Receivables for which it is the Obligor;

(ii) for which an invoice has been issued and which is stated to be due and payable within 90 days after the invoice therefor, except, that up to 35% of the Outstanding Balance of Eligible Receivables may either (a) be due and payable within 365 days after the invoice therefor or (b) be CSP Receivables;

(iii) which is not a Delinquent Receivable, Defaulted Receivable or a Charge-Off;

(iv) which is an “*account*” or “*chattel paper*” within the meaning of Section 9–105 and Section 9–106, respectively of the UCC of all applicable jurisdictions;

(v) which is denominated and payable only in Dollars in the USA, or in Canadian dollars in Canada;

(vi) which arises under a contract, that is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset, counterclaim, defense or other Adverse Claim, and is not an executory contract or unexpired lease within the meaning of Section 365 of the Bankruptcy Code;

(vii) which arises under a contract that (a) contains an obligation to pay a specified sum of money and is subject to no contingencies, (b) does not require the Obligor under such contract to consent to the transfer, sale or assignment of the rights and duties of the applicable Originator under such contract after delivery of the goods in question, (c) does not contain a confidentiality provision that purports to restrict any Purchaser’s exercise of rights under this Agreement, including, without limitation, the right to review such contract and (d) directs that payment be made to a Lock-Box or other collection account (except that such direction need not be made with respect to the Receivables originated by the Canadian Originators until the 61st day following the date of this Agreement);

(viii) which does not, in whole or in part, contravene any law, rule or regulation applicable thereto (including, without limitation, those relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy); and

(ix) which satisfies all applicable requirements of the Credit and Collection Policy and was generated in the ordinary course of the applicable Originator’s business from the sale of goods or provision of services to a related Obligor solely by such Originator.

“*Eligible Receivables Balance*” means, at any time, the aggregate Outstanding Balance of all Eligible Receivables minus the sum of (i) the amount by which the Outstanding Balance of all Eligible Receivables of such Obligor and its Affiliates exceeds the Obligor Concentration Limit for such Obligor, and (ii) to the extent not already included in the amounts described in clause (i) hereof, the amount by which the aggregate Outstanding Balance of all Eligible Receivables owed by Canadian Obligors exceeds 50% of Outstanding Balance of all Eligible Receivables).

“*Eurodollar Rate*” means, for any Tranche Period for a Eurodollar Tranche, the sum of (a) LIBOR for such Tranche Period divided by 1 minus the “*Reserve Requirement*” plus (b) for Investment of a Committed Purchaser, the amount specified in the Fee Letter plus (c) during the pendency of a Termination Event, 2.00% for Investment of a Committed Purchaser; where “*Reserve Requirement*” means, for any Tranche Period for a Eurodollar Tranche, the maximum reserve requirement imposed during such Tranche Period on “*eurocurrency liabilities*” as currently defined in Regulation D of the Board of Governors of the Federal Reserve System.

“*Exchange Rate*” means, as of any date of determination with respect to any foreign currency in which a Receivable is payable, (a) prior to the Liquidity Termination Date, the amount of such currency specified by the Collection Agent in good faith in the most recent periodic Report delivered hereunder as the amount of such currency that would be required to purchase a US Dollar based on the foreign exchange market for such currency, and (b) on and after the Liquidity Termination Date, the “*Exchange Rate*” described in clause (a) above as specified in the most recent Monthly Report delivered prior to the Liquidity Termination Date that demonstrated that the Eligible Receivables Balance exceeded the sum of the Aggregate Net Investment plus the Aggregate Reserve. For purposes of calculating the Canadian Currency Reserve Percentage, the Exchange Rate for months prior to September, 2001 shall be as set forth on Exhibit I hereto.

“*Face Amount*” means the face amount of any Amsterdam commercial paper issued on a discount basis or, if not issued on a discount basis, the principal amount of such note and interest scheduled to accrue thereon to its stated maturity.

“*Federal Funds Rate*” means for any day the greater of (i) the highest rate per annum as determined by ABN AMRO at which overnight Federal funds are offered to ABN AMRO for such day by major banks in the interbank market, and (ii) if ABN AMRO is borrowing overnight funds from a Federal Reserve Bank that day, the highest rate per annum at which such overnight borrowings are made on that day. Each determination of the Federal Funds Rate by ABN AMRO shall be conclusive and binding on the Seller except in the case of manifest error.

“*Fee Letter*” means the letter agreement dated as of the date hereof among the Seller, the Agent, Amsterdam and the Committed Purchasers.

“*Funding Charges*” means, for any day, the product of (i) the per annum rate (inclusive of dealer fees and commissions) paid or payable by Amsterdam in respect of commercial paper notes on such day that are allocated, in whole or in part, to fund or maintain its Investment for such day, as determined by the Agent and other costs reasonably allocated by the Purchaser to fund or maintain its Investment associated with the funding by Amsterdam of small or odd lot amounts that are not funded with commercial paper notes and (ii) Amsterdam’s Investment as of the end of such day and (iii) $1/360$.

“*GAAP*” means generally accepted accounting principles in the USA, applied on a consistent basis.

“*Governmental Authority*” means any (a) Federal, state, municipal or other governmental entity, board, bureau, agency or instrumentality, (b) administrative or regulatory authority (including any central bank or similar authority) or (c) court, judicial authority or arbitrator, in each case, whether foreign or domestic.

"Homer Receivable" means an obligation of an Obligor that would otherwise be a Receivable except that it is generated from the Parent's plant in Homer, New York.

"Incremental Purchase" is defined in Section 1.1(b).

"Initial Collection Agent" is defined in the first paragraph hereof.

"Instructing Group" means the Required Committed Purchasers and, unless the Amsterdam Termination Date has occurred and Amsterdam has no Investment, Amsterdam.

"Intended Tax Characterization" is defined in Section 9.9.

"Interim Liquidation" means any time before the Liquidity Termination Date during which no Reinvestment Purchases are made by any Purchaser, as established pursuant to Section 1.2.

"Investment" means, for each Purchaser, (a) the sum of (i) all Incremental Purchases by such Purchaser and (ii) the aggregate amount of any payments or exchanges made by, or on behalf of, such Purchaser to any other Purchaser to acquire Investment from such other Purchaser minus (b) all Collections, amounts received from other Purchasers and other amounts received or exchanged and, in each case, applied by the Agent or such Purchaser to reduce such Purchaser's Investment. A Purchaser's Investment shall be restored to the extent any amounts so received or exchanged and applied are rescinded or must be returned for any reason.

"LIBOR" means, for any Tranche Period for a Eurodollar Tranche or other time period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in Dollars for a period equal to such Tranche Period or other period, which appears on Page 3750 of the Telerate Service (or any successor page or successor service that displays the British Bankers' Association Interest Settlement Rates for Dollar deposits) as of 11:00 a.m. (London, England time) two Business Days before the commencement of such Tranche Period or other period. If for any Tranche Period for a Eurodollar Tranche no such displayed rate is available (or, for any other period, if such displayed rate is not available), the Agent shall calculate such rate to be the average of the rates ABN AMRO is offered deposits of such duration in the London interbank market at approximately 11:00 a.m. (London, England time) two Business Days prior to the date such rate is determined.

"Limited Guaranty" means the Limited Guaranty, dated the date hereof, by the Parent in favor of the Seller.

"Liquidation Period" means, for Amsterdam only, all times when Amsterdam is not making Reinvestment Purchases pursuant to Section 1.1(d) and, for all Purchasers, all times (x) during an Interim Liquidation and (y) on and after the Liquidity Termination Date.

"Liquidity Termination Date" means the earliest of (a) the date of the occurrence of a Termination Event described in clause (f) of the definition of Termination Event, (b) the date designated by the Agent to the Seller at any time after the occurrence and during the continuation of any other Termination Event, (c) the Business Day designated by the Seller with no less than five (5) Business Days prior notice to the Agent and (d) September 27, 2002.

"Lock-Box" means each post office box or bank box listed on Exhibit E, as revised pursuant to Section 5.1(i).

"Lock-Box Account" means each account maintained by the Collection Agent at a Lock-Box Bank for the purpose of receiving or concentrating Collections (whether or not there is a Lock-Box associated with such account).

"Lock-Box Agreement" means each agreement between the Collection Agent and a Lock-Box Bank concerning a Lock-Box Account.

"Lock-Box Bank" means each bank listed on Exhibit E, as revised pursuant to Section 5.1(i).

"Lock-Box Letter" means a letter in substantially the form of Exhibit F (or otherwise acceptable to the Agent) from the Seller and the Collection Agent to each Lock-Box Bank, acknowledged and accepted by such Lock-Box Bank and the Agent.

"Loss Horizon Ratio" means, at any time, a fraction (expressed as a ratio) the numerator of which is the aggregate Outstanding Balance of Receivables generated by the Originators during the most recent four month period and the denominator of which is the Eligible Receivables Balance as of the last day of such period.

"Loss Reserve" means, at any time, the product of (i) the greater of (a) 20.0% and (b) two times the product of the highest average Default Ratio for any consecutive three month period ended during the previous 12 months multiplied by the Loss Horizon Ratio calculated at the end of such period multiplied by (ii) the Eligible Receivables Balance at such time.

"Loss-to-Liquidation Ratio" means, for any Settlement Period, the ratio (expressed as a percentage) of the outstanding balance of Charge-Offs made during such Settlement Period to the aggregate amount of Collections during such Settlement Period.

"Matured Aggregate Investment" means, at any time, the Matured Value of Amsterdam's Investment plus the total Investments of all other Purchasers then outstanding.

"Matured Value" means, of any Investment, the sum of such Investment and all unpaid Discount scheduled to become due (whether or not then due) on such Investment during all Tranche Periods to which any portion of such Investment has been allocated.

"Maximum Incremental Purchase Amount" means, at any time, the lesser of (a) the difference between the Purchase Limit and the Aggregate Investment then outstanding and (b) the difference between the Aggregate Commitment and the Matured Aggregate Investment then outstanding.

"Moody's" means Moody's Investors Service, Inc.

"Note" means each revolving promissory note issued by the Seller to an Originator under the Purchase Agreement.

"Obligor" means, for any Receivable, each Person obligated to pay such Receivable and each guarantor of such obligation.

"Obligor Concentration Limit" means, at any time, in relation to the aggregate Outstanding Balance of Receivables owed by any single Obligor and its Affiliates (if any), the applicable concentration limit shall be determined as follows for Obligor who have long term unsecured debt ratings currently assigned to them by S&P and Moody's, the applicable concentration limit shall be determined according to the following table:

S&P Rating	Moody's Rating	Allowable % of Eligible Receivables
A- or higher	A3 or higher	20.0%
BBB	Baa2	12.0%
BBB-	Baa3	10.0%
Below BBB- or Not Rated by either S&P or Moody's	Below Baa3 or Not Rated by either S&P or Moody's	5.0%

; provided, however, that (a) if any Obligor has a split rating, the applicable rating will be the lower of the two, (b) if any Obligor is not rated by either S&P or Moody's, the applicable Obligor Concentration Limit shall be the one set forth in the last line of the table above.

"Originators" means the Parent, M & I Door Systems Ltd., Albany International Canada Inc., Albany International Techniweave, Inc., Albany International Research Co. and Geschmay Corp.,

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof. For purposes of calculating the Outstanding Balance of any Receivable that is payable in Canadian dollars, such amount shall be converted into U.S. Dollars using the Exchange Rate in effect at the time of calculation.

"Parent" means Albany International Corp., a Delaware corporation.

"Periodic Report" is defined in Section 3.3.

"Permitted Investments" shall mean (a) evidences of indebtedness, maturing not more than thirty (30) days after the date of purchase thereof, issued by, or the full and timely payment of which is guaranteed by, the full faith and credit of, the federal government of the United States of America, (b) repurchase agreements with banking institutions or broker-dealers that are registered under the Securities Exchange Act of 1934 fully secured by obligations of the kind specified in clause (a) above, (c) money market funds denominated in Dollars rated not lower than A-1 (and without the "r" symbol attached to any such rating) by S&P and P-1 by Moody's or otherwise acceptable to the Rating Agencies or (d) commercial paper denominated in Dollars issued by any corporation incorporated under the laws of the United States or any political subdivision thereof, provided that such commercial paper is rated at least A-1 (and without any "r" symbol attached to any such rating) thereof by S&P and at least Prime-1 thereof by Moody's.

"Permitted Shareholders" means (a) J. Spencer Standish, (b) any of J. Spencer Standish's descendants or legatees, (c) any executor, personal representative or spouse of J. Spencer Standish or any of his descendants, (d) any corporation, trust or other entity holding voting stock of the Parent as to which one or more of the Persons identified in the foregoing clauses (a) through (c) have Control, (e) any trust as to which Persons so identified in clauses (a) through (c) above hold at least 85% of the beneficial interest in the income and principal of the trust disregarding the interests of the contingent remaindermen and (f) any Employee Stock Ownership Plan for the benefit of employees of the Parent.

"Person" means an individual, partnership, corporation, limited liability company, association, joint venture, Governmental Authority or other entity of any kind.

"Potential Termination Event" means any Termination Event or any event or condition that with the lapse of time or giving of notice, or both, would constitute a Termination Event.

“*Prime Rate*” means, for any period, the daily average during such period of (a) the greater of (i) the floating commercial loan rate per annum of ABN AMRO (which rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer by ABN AMRO) announced from time to time as its prime rate or equivalent for Dollar loans in the USA, changing as and when said rate changes and (ii) the Federal Funds Rate plus 0.75% plus (b) during the pendency of a Termination Event, 2.00%.

“*Purchase*” is defined in Section 1.1(a).

“*Purchase Agreement*” means the Purchase and Sale Agreement dated as of the date hereof between the Seller and the Originators.

“*Purchase Amount*” is defined in Section 1.1(c).

“*Purchase Date*” is defined in Section 1.1(c).

“*Purchase Interest*” means, for a Purchaser, the percentage ownership interest in the Receivables and Collections held by such Purchaser, calculated when and as described in Section 1.1(a); *provided, however*, that (except for purposes of computing a Purchase Interest or the Sold Interest in Section 1.5, 1.7 and in the last sentence of both Section 2.3(a) and Section 2.3(b)) at any time the Sold Interest would otherwise exceed 100% each Purchaser then holding any Investment shall have its Purchase Interest reduced by multiplying such Purchase Interest by a fraction equal to 100% divided by the Sold Interest otherwise then in effect, so that the Sold Interest is thereby reduced to 100%.

“*Purchase Limit*” means \$50,000,000.

“*Purchaser Reserve Percentage*” means, for each Purchaser, the Reserve Percentage multiplied by a fraction, the numerator of which is such Purchaser’s outstanding Investment and the denominator of which is the Aggregate Investment.

“*Purchasers*” means the Committed Purchasers and Amsterdam.

“*Put*” is defined in Section 2.1(a).

“*Ratable Share*” is defined in the Transfer Agreement.

“*Rating Agency*” means Moody’s, S&P and any other rating agency Amsterdam chooses to rate its commercial paper notes.

“*Ratings*” means the ratings by the Rating Agencies of the indebtedness for borrowed money of Amsterdam.

“*Receivable*” means each obligation of an Obligor (other than a Bankrupt Obligor) to pay for merchandise sold or services rendered by an Originator (other than a Homer Receivable) and includes such Originator’s rights to payment of any interest or finance charges and all proceeds of the foregoing. During any Interim Liquidation and on and after the Liquidity Termination Date, the term “*Receivable*” shall only include receivables existing on the date such Interim Liquidation commenced or Liquidity Termination Date occurred, as applicable. Deemed Collections shall reduce the outstanding balance of Receivables hereunder, so that any Receivable that has its outstanding balance deemed collected shall cease to be a Receivable hereunder after (x) the Collection Agent receives payment of such Deemed Collections under Section 1.5(b) or (y) if such Deemed Collection is received before the Liquidity Termination Date, an adjustment to the Sold Interest permitted by Section 1.5(c) is made.

“*Records*” means, for any Receivable, all contracts, books, records and other documents or information (including computer programs, tapes, disks, software and related property and rights) relating to such Receivable or the related Obligor.

“*Reinvestment Purchase*” is defined in Section 1.1(b).

“*Related Security*” means all of the applicable Originator’s rights in the merchandise (including returned goods) and under any contracts relating to the Receivables (but only to the extent so relating), all security interests, guaranties and property securing or supporting payment of the Receivables, all Records and all proceeds of the foregoing.

“*Required Committed Purchasers*” is defined in the Transfer Agreement.

“*Reserve Percentage*” means, at any time, the quotient obtained by dividing (a) the Aggregate Reserve by (b) the Eligible Receivables Balance.

“*Seller*” is defined in the first paragraph hereof.

“*Seller Account*” means the Seller’s account designated by the Seller to the Agent in writing.

“*Seller Entity*” means the Parent and the Originators.

“*Settlement Date*” means the 20th day of each calendar month.

“*Settlement Period*” means for each Settlement Date, the calendar month preceding such Settlement Date.

“*Sold Interest*” is defined in Section 1.1(a).

“*Special Transaction Subaccount*” means the special transaction subaccount established for this Agreement pursuant to Amsterdam’s depository agreement.

“*S&P*” means Standard & Poor’s Ratings Services.

“*Subsidiary*” means any Person of which at least a majority of the voting stock (or equivalent equity interests) is owned or controlled by the Seller or any Seller Entity or by one or more other Subsidiaries of the Seller or such Seller Entity. The Subsidiaries of the Parent on the date hereof are listed on Exhibit E.

“*Taxes*” means all taxes, charges, fees, levies or other assessments (including income, gross receipts, profits, withholding, excise, property, sales, use, license, occupation and franchise taxes and including any related interest, penalties or other additions) imposed by any jurisdiction or taxing authority (whether foreign or domestic).

“*Termination Date*” means (a) for Amsterdam, the Amsterdam Termination Date and (b) for the Committed Purchasers, the Liquidity Termination Date.

“*Termination Event*” means the occurrence of any one or more of the following:

- (a) any representation, warranty, certification or statement made by the Seller or any Seller Entity in, or pursuant to, any Transaction Document proves to have been incorrect in any material respect as of the date when made or deemed made (including pursuant to Section 7.2); or
- (b) any Seller Entity or the Seller fails to make any payment or other transfer of funds hereunder or under any other Transaction Document to be applied to reduce Aggregate Net Investment when due (including any payments under Section 1.5(a)) and such failure continues unremedied for a period of two Business Days after notice from the Agent of such failure; or
- (c) any Seller Entity or the Seller fails to make any other payment or other transfer of funds hereunder when due and such failure continues unremedied for a period of five Business Days after notice from the Agent of such failure; or
- (d) the Seller fails to observe or perform any covenant or agreement contained in Sections 5.1(b), 5.1(g), 5.1(i), 5.1(j), 5.1(k) or 5.1(p) of this Agreement, any Originator fails to perform any covenant or agreement in Sections 5.1(h), (i) or (j) of the Purchase Agreement or the Parent fails to perform any covenant or agreement in the Limited Guaranty; or
- (e) the Seller or any Seller Entity fails to observe or perform any other term, covenant or agreement under any Transaction Document, and such failure remains unremedied for thirty days or more after notice from the Agent of such failure; or
- (f) the Seller, any Seller Entity or any Subsidiary suffers a Bankruptcy Event; or
- (g) the average Delinquency Ratio for the three most recent Settlement Periods exceeds 15.0%, the average Default Ratio for the three most recent Settlement Periods exceeds 8.0%, the average Dilution Ratio for the three most recent Settlement Periods exceeds 5.0%, the Loss-to Liquidation Ratio for the most recent Settlement Period exceeds 1.0% or the average Turnover Ratio for the three most recent Settlement Periods exceeds 90 days; or
- (h) (i) the Seller, any Seller Entity or any Affiliate, directly or indirectly, disaffirms or contests the validity or enforceability of any Transaction Document or (ii) any Transaction Document fails to be the enforceable obligation of the Seller or any Affiliate party thereto in any material respect; or
- (i) any Seller Entity or any Subsidiary fails to pay any of its indebtedness (except in aggregate principal amount of less than \$10,000,000) or defaults in the performance of any provision of any agreement under which such indebtedness was created or is governed and such default permits such indebtedness to be declared due and payable or to be required to be prepaid before the scheduled maturity thereof;
- (j) a Change in Control shall occur or the Parent shall fail to own and control, directly or indirectly, 100% of the outstanding voting stock of the Seller and each Originator;

- (k) a Collection Agent Replacement Event has occurred and is continuing with respect to the Initial Collection Agent; or
- (l) the occurrence of an "Event of Default" under and as defined in the Credit Agreement.

Notwithstanding the foregoing, a failure of a representation or warranty or breach of any covenant described in clause (a), (d) or (e) above related to a Receivable shall not constitute a Termination Event if the Seller has been deemed to have collected such Receivable pursuant to Section 1.5(b) or, before the Liquidity Termination Date, has adjusted the Sold Interest as provided in Section 1.5(c) so that such Receivable is no longer considered to be outstanding.

"*Tranche*" means a portion of the Investment allocated to a Tranche Period pursuant to Section 1.3. A Tranche is a (i) CP Tranche, (ii) Eurodollar Tranche or (iii) Prime Tranche depending whether Discount accrues during its Tranche Period based on a (i) CP Rate, (ii) Eurodollar Rate, or (iii) Prime Rate.

"*Tranche Period*" means a period of days ending on a Business Day selected pursuant to Section 1.3, which (i) for a CP Tranche shall not exceed 270 days, (ii) for a Eurodollar Tranche shall not exceed 180 days, and (iii) for a Prime Tranche shall not exceed 30 days.

"*Transaction Documents*" means this Agreement, the Fee Letter, the Limited Guaranty, the Purchase Agreement, the Note(s), the Transfer Agreement, and all other documents, instruments and agreements executed or furnished in connection herewith and therewith.

"*Transfer Agreement*" means the Amsterdam Transfer Agreement dated the date hereof between Amsterdam, ABN AMRO Bank N.V., in its capacity as the Amsterdam Agent, Amsterdam's Letter of Credit Provider and a Committed Purchaser and the Other Persons who become Committed Purchasers thereunder.

"*Transfer Supplement*" is defined in Section 9.8.

"*Turnover Ratio*" means, with respect to any Settlement Period, an amount, expressed in days, obtained by multiplying (a) a fraction, (i) the numerator of which is equal to the aggregate Outstanding Balance of the Receivables on the first day of such Settlement Period and (ii) the denominator of which is equal to Collections on the Receivables during such Settlement Period multiplied by (b) 30.

"*UCC*" means, for any state, the Uniform Commercial Code as in effect in such state.

"*USA*" means the United States of America (including all states and political subdivisions thereof).

"*Unused Aggregate Commitment*" means, at any time, the difference between the Aggregate Commitment then in effect and the outstanding Matured Aggregate Investment.

"*Unused Commitment*" means, for any Committed Purchaser at any time, the difference between its Commitment and its Investment then outstanding.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms used herein shall be interpreted, and all accounting determinations hereunder shall be made, in accordance with GAAP. Amounts to be calculated hereunder shall be continuously recalculated at the time any information relevant to such calculation changes.

SCHEDULE II

COMMITTED PURCHASERS AND COMMITMENTS OF COMMITTED PURCHASERS

NAME OF COMMITTED PURCHASER	COMMITMENT
ABN AMRO Bank N.V.	\$51,000,000

EXHIBIT A

TO

RECEIVABLES SALE AGREEMENT

FORM OF INCREMENTAL PURCHASE REQUEST

_____, 200_

ABN AMRO Bank N.V., as Agent
 Asset Securitization, Structured Finance
 135 South LaSalle Street, Suite 725
 Chicago, Illinois 60674-9135
 Attn: Purchaser Agent-Amsterdam

Re: Receivables Sale Agreement dated as of September 28, 2001 (the "*Sale Agreement*")
 among Albany International Receivables Corporation, as Seller,
 Albany International Corp., as Initial Collection Agent,
 ABN AMRO Bank N.V., as Agent,
 and the Purchasers thereunder

Ladies and Gentlemen:

The undersigned Seller under the above-referenced Sale Agreement hereby confirms its has requested an Incremental Purchase of \$ _____ by Amsterdam under the Sale Agreement. **[In the event Amsterdam is unable or unwilling to make the requested Incremental Purchase, the Seller hereby requests an Incremental Purchase of \$ _____ by the Committed Purchasers under the Sale Agreement at the [Eurodollar Rate with a Tranche Period of _____ months.] [Prime Rate]].**

Attached hereto as Schedule I is information relating to the proposed Incremental Purchase required by the Sale Agreement. If on the date of this Incremental Purchase Request ("*Notice*"), an Interim Liquidation is in effect, this Notice revokes our request for such Interim Liquidation so that Reinvestment Purchases shall immediately commence in accordance with Section 1.1(d) of the Sale Agreement.

The Seller hereby certifies that both before and after giving effect to [each of] the proposed Incremental Purchase[s] contemplated hereby and the use of the proceeds therefrom, all of the requirements of Section 7.2 of the Sale Agreement have been satisfied.

Very truly yours,

ALBANY INTERNATIONAL RECEIVABLES CORPORATION

By

Title _____

SCHEDULE I

TO

INCREMENTAL PURCHASE REQUESTS

SUMMARY OF INFORMATION RELATING TO PROPOSED SALE(S)

1. *Dates, Amounts, Purchaser(s), Proposed Tranche Periods*

A1 Date of Notice

□ 60;

A2	Measurement Date (the last Business Day of the month immediately preceding the month in which the Date of Notice occurs)	_____	_____	_____	_____
A3	Proposed Purchase Dates (each of which is a Business Day)	_____	_____	_____	_____
A4	Respective Proposed Incremental Purchase on each such Purchase Date (each Incremental Purchase must be in a minimum amount of \$1,000,000 and multiples thereof, or, if less, an amount equal to the Maximum Incremental Purchase Amount)	\$ _____ (A4A)	\$ _____ (A4B)	\$ _____ (A4C)	\$ _____ & #160; (A4D)
A5	Proposed Allocation among Purchasers				
	Amsterdam	\$ _____	\$ _____	\$ _____	\$ _____
	Committed Purchasers	\$ _____	\$ _____	\$ _____	\$ _____
A6	For Committed Purchases, Tranche Period(s) and Tranche Rate(s)				
	Starting Date	_____	_____	_____	_____
	Ending Date	_____	_____	_____	_____
	Number of Days	_____	_____	_____	_____
	Prime or Eurodollar	_____	_____	_____	_____

Each proposed Purchase Date must be a Business Day. The choice of Measurement Date is a risk undertaken by the Seller. If a selected Measurement Date is not the applicable Purchase Date, the Seller's choice and disclosure of such date shall not in any manner diminish or waive the obligation of the Seller to assure the Purchasers that, after giving effect to the proposed Purchase, the actual Sold Interest as of the date of such proposed Purchase does not exceed 100%.

**EXHIBIT B
TO
RECEIVABLES SALE AGREEMENT**

**FORM OF NOTIFICATION OF ASSIGNMENT TO AMSTERDAM
FROM THE COMMITTED PURCHASERS**

_____, 200_

Albany International Receivables Corporation
1373 Broadway
Menands, New York 12204

ABN AMRO Bank N.V., as Agent
Asset Securitization, Structured Finance
Suite 725

135 South LaSalle Street
Chicago, Illinois 60674-9135
Attn: Administrator-Amsterdam

**[Insert Name and Address of each
other Committed Purchaser]**

Re: Receivables Sale Agreement dated as of September 28, 2001 (the "*Sale Agreement*")
among Albany International Receivables Corporation, as Seller,
Albany International Corp., as Initial Collection Agent,
ABN AMRO Bank N.V., as Agent,
and the Purchasers thereunder

Ladies and Gentlemen:

The Agent under the above referenced Sale Agreement hereby notifies each of you that Amsterdam has notified the Agent pursuant to Section 2.2 of the Sale Agreement that it will purchase from the Committed Purchasers on _____ (the "*Purchase Date*") that portion of the Committed Purchasers' Investments identified on Schedule I hereto (the "*Assigned Interest*"). As further provided in Section 2.2 of the Sale Agreement, upon payment by Amsterdam to the Agent of the purchase price of such Investments described on Schedule I hereto, effective as of the Purchase Date the assignment by the Committed Purchasers to Amsterdam of the Assigned Interest shall be complete and all payments thereon under the Sale Agreement shall be made to Amsterdam.

In accordance with the Sale Agreement, each Committed Purchaser's acceptance of the portion of the purchase price payable to it described on Schedule I hereto constitutes its representation and warranty that it is the legal and beneficial owner of the portion of the Assigned Interest related to its Purchase Interest identified on Schedule I free and clear of any Adverse Claim created or granted by it and that on the Purchase Date it is not subject to a Bankruptcy Event.

Very truly yours,

ABN AMRO BANK N.V., as Agent

By

Name _____
Title _____

By

Name _____
Title _____

I. Amount of Committed Purchaser Investment Assigned: \$ _____

II. Information for each Committed Purchaser:

PURCHASER

PURCHASE INTEREST

PURCHASE PRICE*

III. Information for Seller:

Aggregate amount of purchase price in excess of amount of Investment assigned: \$ _____.

* Calculated in accordance with Section 2.2.

EXHIBIT C

FORM OF PERIODIC REPORT

EXHIBIT D

ADDRESSES AND NAMES OF SELLER AND ORIGINATORS

1. *Locations.* (a) The chief executive office of the Seller and the Originators are located at the following addresses:

Albany International Receivables Corporation
1373 Broadway
Menands, New York 12204

Albany International Corp.
1373 Broadway
Menands, New York 12204
Taxpayer ID # 14-0462060

Geschmay Corp.
525 Old Piedmont Highway
Greenville, SC 29605-4691
Taxpayer ID # 57-0655559

Albany International Techniweave, Inc.
112 Airport Drive
Rochester, NH 03867
Taxpayer ID # 02-0370219

Albany International Research Co.
777 West Street
Mansfield, MA 02048-9114
Taxpayer ID # 14-1767946

Albany International Canada Inc.
300 Westmount Street
Cowansville, Quebec J2K 1S9 Canada
Business Number: 100109461

M & I Door Systems Ltd.
230 Bay View Drive - U1-7
Barrie, Ontario L4N 5E9 Canada
Business Number: 897599841

No such address was different at any time since September 29, 2000.

(b) The following are all the locations where the Seller and the Originators directly or through its agents maintain any Records:

Same as (a) above

2. *Names.* The following is a list of all names (other than the legal names set forth above) (including trade names or similar appellations) used by the Seller and the Originators or any of its divisions or other business units that generate Receivables:

Albany International Corp. ("AIC")

Nomafa, Nomafa Door Systems

Primaloft

Appleton Wire Works

Mount Vernon Dryer Fabrics

Albany Mount Vernon

Albany Felt

Geschmay Corp.

Wangner Systems Corporation

Wangner Forming Fabrics, Inc.

Geschmay Forming Fabrics, Inc.

Brandon Drying Fabrics, Inc.

Geschmay Wet Felts, Inc.

EXHIBIT E

LOCK BOXES AND LOCK-BOX BANKS

BANK	LOCK-BOX NUMBERS	COLLECTION ACCOUNT
Wachovia Bank, N.A.	752020, 751538 and 75158	1868-085316
Fleet National Bank	3241 and 414034	502-59058
Nova Scotia Bank	Not Established	Not Established

EXHIBIT F

TO RECEIVABLES SALE AGREEMENT

FORM OF LOCK BOX LETTER

[Name of Lock Box Bank]

Ladies and Gentlemen:

Reference is made to the lock-box numbers _____ in _____ and the associated lock-box demand deposit account number _____ maintained with you (such lock-boxes and associated lock-box demand deposit account, collectively, the "Accounts"), each in the name of [Name of Originator] ("____"). [] hereby confirms it has sold all Receivables (as defined below) to Albany International Receivables Corporation (the "Seller").

In connection with the Receivables Sale Agreement, dated as of September 28, 2001 (as amended, supplemented or otherwise modified from time to time, the "Receivables Sale Agreement"), among the Seller, the Initial Collection Agent, Amsterdam Funding Corporation ("Amsterdam"), the financial institutions from time to time party thereto (collectively, the "Committed Purchasers"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Enhancer"), and ABN AMRO Bank N.V., as agent (the "Agent") for Amsterdam, the Committed Purchasers (collectively, the "Purchasers"), the Seller has assigned to the Agent for the benefit of the Purchasers an undivided percentage interest in the accounts, chattel paper, instruments or general intangibles (collectively, the "Receivables") under which payments are or may hereafter be made to the Accounts, and has granted to the Agent for the benefit of the Purchasers a security interest in its retained interest in such Receivables. As is the customary practice in this type of transaction, we hereby request that you execute this letter agreement. All references herein to "we" and "us" refer to [] and the Seller, jointly and severally. Your execution hereof is a condition precedent to our continued maintenance of the Accounts with you.

We hereby transfer exclusive dominion and control of the Accounts to the Agent, subject only to the condition subsequent that the Agent shall have given you notice that a Collection Agent Replacement Event has occurred and is continuing under the Receivables Sale Agreement and of its election to assume such dominion and control, which notice shall be in substantially the form attached hereto as Annex A (the "Agent's Notice").

At all times prior to the receipt of the Agent's Notice described above, all payments to be made by you out of, or in connection with the Accounts, are to be made in accordance with the instructions of the Seller or its agent.

We hereby irrevocably instruct you, at all times from and after the date of your receipt of the Agent's Notice as described above, to make all payments to be made by you out of, or in connection with, the Accounts directly to the Agent, at its address set forth below its signature hereto or as the Agent otherwise notifies you, or otherwise in accordance with the instructions of the Agent.

We also hereby notify you that, at all times from and after the date of your receipt of the Agent's Notice as described above, the Agent shall be irrevocably entitled to exercise in our place and stead any and all rights in connection with the Accounts, including, without limitation, (a) the right to specify when payments are to be made out of, or in connection with, the Accounts and (b) the right to require preparation of duplicate monthly bank statements on the Accounts for the Agent's audit purposes and mailing of such statements directly to an address specified by the Agent. At all times from and after the date of your receipt of the Agent's Notice, neither we nor any of our affiliates shall be given any access to the Accounts.

The Agent's Notice may be personally served or sent by telex, facsimile or U.S. mail, certified return receipt requested, to the address, telex or facsimile number set forth under your signature to this letter agreement (or to such other address, telex or facsimile number as to which you shall notify the Agent in writing). If the Agent's Notice is given by telex or facsimile, it will be deemed to have been received when the Agent's Notice is sent and the answerback is received (in the case of telex) or receipt is confirmed by telephone or other electronic means (in the case of facsimile). All other notices will be deemed to have been received when actually received or, in the case of personal delivery, delivered.

By executing this letter agreement, you acknowledge the existence of the Agent's right to dominion and control of the Accounts and its ownership of and security interest in the amounts from time to time on deposit therein and agree that from the date hereof the Accounts shall be maintained by you for the benefit of, and amounts from time to time therein held by you as agent for, the Agent on the terms provided herein. The Accounts are to be entitled "Albany International Receivables Corporation and ABN AMRO Bank N.V., as Agent for the Purchasers" with the subline "[Name of Originator]". Except as otherwise provided in this letter agreement, payments to the Accounts are to be processed in accordance with the standard procedures currently in effect. All service charges and fees in connection with the Accounts shall continue to be payable by us under the arrangements currently in effect.

By executing this letter agreement, you (a) irrevocably waive and agree not to assert, claim or endeavor to exercise, (b) irrevocably bar and estop yourself from asserting, claiming or exercising and (c) acknowledge that you have not heretofore received a notice, writ, order or other form of legal process from any other party asserting, claiming or exercising, any right of set-off, banker's lien or other purported form of claim with respect to the accounts or any funds from time to time therein. Except for your right to payment of your service charge and fees and to make deductions for returned items, you shall have no rights in the Accounts or funds therein, except deductions for service charges, fees and returned or misplaced items. To the extent you may ever have any additional rights, you hereby expressly subordinate all such rights to all rights of the Agent.

You may terminate this letter agreement by canceling the Accounts maintained with you, which cancellation and termination shall become effective only upon thirty (30) days prior written notice thereof from you to the Agent in the absence of fraud or abuse. Incoming mail addressed to the Accounts (including, without limitation, any direct funds transfer to the Accounts) received after such cancellation shall be forwarded in accordance with the Agent's instructions. This letter agreement may also be terminated upon written notice to you by the Agent stating that the Receivables Sale Agreement is no longer in effect. Except as otherwise provided in this paragraph, this letter agreement may not be terminated without the prior written consent of the Agent.

This letter agreement contains the entire agreement between the parties with respect to the subject matter hereof, and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by you, us and the Agent of a written instrument so providing. The terms and conditions of any agreement between us and you (a "Lock-Box Service Agreement") (whether now existing or executed hereafter) with respect to the lock-box arrangements, to the extent not inconsistent with this letter agreement, will remain in effect between you and us. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of any such Lock-Box Service Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

In the event [] becomes subject to a voluntary or involuntary proceeding under the United States Bankruptcy Code, or if you are otherwise served with legal process which you in good faith believe affects funds in the Account you may suspend disbursements from the Account otherwise required by the terms hereof until such time as you receive an appropriate court order or other assurances satisfactory to you establishing that the funds may continue to be disbursed according to the instructions contained in this Lock-Box Letter.

THIS LETTER AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER WILL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF _____. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

[NAME OF ORIGINATOR]

By _____
Title _____

ALBANY INTERNATIONAL RECEIVABLES CORPORATION

By _____
Title _____

Accepted and confirmed as of
the date first written above:

ABN AMRO BANK N.V., as Agent

By _____
Title _____

By _____
Title _____

Address of notice: ABN AMRO Bank N.V.
Structured Finance, Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674
Attention: Purchaser Agent-Amsterdam
Telephone Number: (312) 904-6263
Telecopy Number: (312) 904-6376

Acknowledged and agreed to as of the date first written above:

[NAME OF BANK]

By _____
Title _____

Address of notice:

ANNEX A TO
LOCK-BOX LETTER

[Name of Bank]

Re: Albany International Receivables Corporation
Lock Box Numbers _____
Lock-Box Account Number _____

Ladies and Gentlemen:

Reference is made to the letter agreement dated _____ (the "Letter Agreement") among [Name of Originator], Albany International Receivables Corporation, the undersigned, as Agent, and you concerning the above-described lock-boxes and lock-box account (collectively, the "Accounts"). We hereby give you notice that a Collection Agent Replacement Event has occurred and is continuing under the Receivables Sale Agreement (as defined in the Letter Agreement) and of our assumption of dominion and control of the Accounts as provided in the Letter Agreement.

We hereby instruct you not to permit any other party to have access to the Accounts and to make all payments to be made by you out of or in connection with the Accounts directly to the undersigned upon our instructions, at our address set forth above.

Very truly yours,

ABN AMRO BANK N.V.

By _____
Title _____

By _____
Title _____

cc: Albany International Receivables Corporation

EXHIBIT G

TO RECEIVABLES SALE AGREEMENT

COMPLIANCE CERTIFICATE

To: ABN AMRO Bank N.V., as Agent, and
each Purchaser

This Compliance Certificate is furnished pursuant to Section 5.1(a)(iii) of the Receivables Sale Agreement, dated as of September 28, 2001 (as amended, supplemented or otherwise modified through the date hereof, the "Sale Agreement"), among Albany International Receivables Corporation (the "Seller"), [Name of Initial Collection Agent] (the "Initial Collection Agent"), the committed purchasers from time to time party thereto (collectively, the "Committed Purchasers") and Amsterdam Funding Corporation ("Amsterdam" and, together with the Committed Purchasers, the "Purchasers") and ABN AMRO Bank N.V. as agent for the Purchasers (in such capacity, the "Agent"). Terms used in this Compliance Certificate and not otherwise defined herein shall have the respective meanings ascribed thereto in the Sale Agreement.

THE UNDERSIGNED HEREBY REPRESENTS, WARRANTS, CERTIFIES AND CONFIRMS THAT:

1. The undersigned is a duly elected Designated Financial Officer of the undersigned.
2. Attached hereto is a copy of the financial statements described in Section 5.1(a)(i) or 5.1(a)(ii) of the Sale Agreement.
3. The undersigned has reviewed the terms of the Transaction Documents and has made, or caused to be made under his/her supervision, a detailed review of the transactions and the conditions of the Seller and the Originators during and at the end of the accounting period covered by the attached financial statements.

4. The examinations described in paragraph 3 hereof did not disclose, and the undersigned has no knowledge of, the existence of any condition or event which constitutes a Potential Termination Event, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below.

5. Based on the examinations described in paragraph 3 hereof, the undersigned confirms that the representations and warranties contained in Article IV of the Sale Agreement (except that in the case of Reinvestment Purchase no certification of the representation, set forth in Section 4.1(g) or (h) of the Sale Agreement) are true and correct as though made on the date hereof, except as set forth below.

Described below are the exceptions, if any, to paragraphs 4 and 5 listing, in detail, the nature of the condition or event, the period during which it has existed and the action the undersigned has taken, is taking or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this ____ day of _____, 200__.

ALBANY INTERNATIONAL CORP.

By
Designated Financial Officer

Exhibit H

Credit and Collection Policy

Exhibit I

Exchange Rates

(CANADIAN DOLLARS/US DOLLARS)

September 2000	0.66860
October 2000	0.65400
November 2000	0.65080
December 2000	0.66140
January 2001	0.66600
February 2001	0.65400
March 2001	0.63940
April 2001	0.64570
May 2001	0.65010
June 2001	0.65920
July 2001	0.65230
August 2001	0.64960

Exhibit J

Bankrupt Obligors

PURCHASE AND SALE AGREEMENT

Dated as of September 28, 2001

among

ALBANY INTERNATIONAL CORP.,
GESCHMAY CORP.,
ALBANY INTERNATIONAL RESEARCH CO.
ALBANY INTERNATIONAL TECHNIWEAVE, INC.,
ALBANY INTERNATIONAL CANADA INC.

and
M&I DOOR SYSTEMS LTD.
as Originators,

and

ALBANY INTERNATIONAL RECEIVABLES CORPORATION,
as Buyer

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[SIGNATURE](#)

Exhibit A Purchase Price

THIS PURCHASE AND SALE AGREEMENT dated as of September 28, 2001 (this "Agreement") is among ALBANY INTERNATIONAL CORP., a Delaware corporation, GESCHMAY CORP., a Delaware corporation, ALBANY INTERNATIONAL RESEARCH CO., a Delaware corporation, ALBANY INTERNATIONAL TECHNIWEAVE, INC., a New Hampshire corporation, ALBANY INTERNATIONAL CANADA INC., a corporation organized under the laws of Canada and M&I DOOR SYSTEMS LTD., a corporation organized under the laws of the province of Ontario (each an "Originator" and collectively, the "Originators"), and ALBANY INTERNATIONAL RECEIVABLES CORPORATION, a Cayman Islands company ("Buyer"). The parties agree as follows:

SECTION 1. DEFINITIONS AND RELATED MATTERS

Section 1.1. Defined Terms. In this Agreement, unless otherwise specified or defined herein: (a) capitalized terms are used as defined in Schedule I to the Receivables Sale Agreement dated as of the date hereof (as amended or modified from time to time, the "Second Tier Agreement") among Buyer, Albany International Corp., as collection agent (the "Initial Collection Agent"), Amsterdam Funding Corporation, the committed purchasers party thereto, and ABN AMRO Bank N.V. as the Agent, as such agreement may be amended or modified from time to time; and (b) terms defined in Article 9 of the UCC and not otherwise defined herein are used as defined in such Article 9 as in effect on the date hereof.

In addition, the following terms will have the meanings specified below:

"Available Funds" is defined in Section 2.3(b) hereof.

"Closing Date" means the date on which this Agreement and the Second Tier Agreement become effective in accordance with their terms.

"Excluded Losses" is defined in Section 7.1 hereof.

"Initial Funding Date" means September 28, 2001.

"Settlement Date" means, with respect to any Settlement Period, the twentieth day of the immediately succeeding calendar month (or, if such day is not a Business Day, the next preceding Business Day).

“*Settlement Period*” means a calendar month (or, in the case of the first Settlement Period, the period from the Initial Funding Date to the end of the next succeeding calendar month following the calendar month in which the Initial Funding Date occurs).

“*Sold Property*” is defined in Section 2.1.

“*United States Originator*” means any Originator that is not a Canadian Originator.

Section 1.2. Other Interpretive Matters. In this Agreement, unless otherwise specified: (a) references to any Section or Annex refer to such Section of, or Annex to, this Agreement, and references in any Section or definition to any subsection or clause refer to such subsection or clause of such Section or definition; (b) “*herein*,” “*hereof*,” “*hereto*,” “*hereunder*” and similar terms refer to this Agreement as a whole and not to any particular provision of this Agreement; (c) “*including*” means including without limitation, and other forms of the verb “*to include*” have correlative meanings; (d) the word “*or*” is not exclusive; and (e) captions are solely for convenience of reference and shall not affect the meaning of this Agreement.

SECTION 2. AGREEMENT TO CONTRIBUTE, PURCHASE AND SELL

Section 2.1. Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, each Originator hereby sells to Buyer, and Buyer hereby purchases from each Originator, all of such Originator’s right, title and interest in, to and under the Receivables originated by such Originator, all Related Security and all proceeds thereof (including all Collections with respect thereto) (the “*Sold Property*”), in each case whether now existing or hereafter arising or acquired.

Section 2.2. Timing of Contribution, Purchases. \$750,000 of the Receivables of Albany International Corp. existing at the opening of Albany International Corp.’s business on the Initial Funding Date are hereby contributed by Albany International Corp. as capital to Buyer on the Initial Funding Date. All of the remaining Receivables and Related Security existing at the opening of the Originators’ business on the Initial Funding Date are hereby sold to Buyer as of the Initial Funding Date. After the Initial Funding Date, each Receivable and Related Security shall be deemed to have been sold to Buyer immediately (and without further action by any Person) upon the creation of such Receivable. The proceeds with respect to each Receivable (including all Collections with respect thereto) shall be sold at the same time as such Receivable, whether such proceeds (or Collections) exist at such time or arise or are acquired thereafter.

Section 2.3. Purchase Price. (a) The aggregate purchase price for the Receivables originated by an Originator sold on the Initial Funding Date shall be such amount as agreed upon prior to the Initial Funding Date between such Originator and Buyer to be the fair market value of such Receivables on such date, which shall equal the excess of the (i) estimated aggregate outstanding balance of such Receivables over (ii) an amount agreed upon by Buyer and such Originator representing the uncertainty of payment and cost of purchase of such Receivables. The purchase price for Receivables subsequently sold during any Settlement Period shall be calculated in accordance with the provisions set forth in Exhibit A hereto.

(b) On the Initial Funding Date, Buyer shall pay each Originator the purchase price for the Receivables originated by it sold on that date. On each Business Day after the Initial Funding Date on which an Originator sells any Receivables originated by it to Buyer pursuant to the terms of Section 2.1, until the termination of the purchase and sale of Receivables under Section 6 hereof, Buyer shall pay to such Originator the purchase price of such Receivables (i) by depositing into such account as such Originator shall specify immediately available funds from monies then held by or on behalf of Buyer solely to the extent that such monies do not constitute Collections that are required to be identified or are deemed to be held by the Collection Agent pursuant to the Second Tier Agreement for the benefit of, or required to be distributed to, the Agent or the Purchasers pursuant to the Second Tier Agreement or required to be paid to the Collection Agent as the Collection Agent Fee, or otherwise necessary to pay current expenses of Buyer (in its reasonable discretion) (such available monies, the “*Available Funds*”) and provided that such Originator has paid all amounts then due by such Originator hereunder or (ii) by increasing the principal amount owed to such Originator under a promissory note (as amended or modified from time to time, each a “*Note*” and collectively the “*Notes*”) executed and delivered by Buyer to the order of such Originator as of the Initial Funding Date. The outstanding principal amount owed to an Originator under the related Notes may be reduced from time to time as provided in Section 3.2 hereof or by payments made by Buyer from Available Funds, provided that such Originator has paid all amounts then due by such Originator hereunder. Each Originator shall make all appropriate record keeping entries with respect to amounts due to such Originator under the related Notes to reflect payments by Buyer thereon and increases of the principal amount thereof, and such Originator’s books and records shall constitute rebuttable presumptive evidence of the principal amount of and accrued interest owed to such Originator under the related Notes.

Section 2.4. No Recourse or Assumption of Obligations. Except as specifically provided in this Agreement, the contribution, purchase and sale of Receivables under this Agreement shall be without recourse to the Originators. Each Originator and Buyer intend the transactions hereunder to constitute true sales of Receivables by such Originator to Buyer, providing Buyer with the full risks and benefits of ownership of the Receivables originated by such Originator (such that the Receivables would not be property of such Originator’s estate in the event of such Originator’s bankruptcy). If, however, with respect to Sold Property conveyed to the Buyer by the Originators, despite the intention of the parties, the conveyances provided for in this Agreement are determined not to be “*true sales*” of such Sold Property from the Originators to Buyer, then this Agreement shall also be deemed to be a “*security agreement*” within the meaning of Article 9 of the UCC and (i) each United States Originator hereby grants to Buyer a “*security interest*” within the meaning of Article 9 of the UCC, (ii) M&I Door Systems Ltd. hereby grants to Buyer a “*security interest*” within the meaning of the Personal Property Act (Ontario), and, (iii) Albany International Canada Inc. hereby grants to Buyer a “*movable hypothec*” within the meaning of the Civil Code of Quebec, in each case in all of such Originator’s right, title and interest in and to the such Sold Property, now existing and thereafter created, to secure a loan in an amount equal to the aggregate purchase prices therefor and each of such Originator’s other payment obligations under this Agreement.

Buyer shall not have any obligation or liability with respect to any Receivable, nor shall Buyer have any obligation or liability to any Obligor or other customer or client of an Originator (including any obligation to perform any of the obligations of such Originator under any Receivable).

SECTION 3. ADMINISTRATION AND COLLECTION.

Section 3.1. Collection Agent. The Initial Collection Agent shall be responsible for the servicing, administration and collection of the Receivables, all on the terms set out in (and subject to any rights to terminate the Initial Collection Agent as Collection Agent pursuant to) the Second Tier Agreement. Pursuant to the terms of the Second Tier Agreement, the Initial Collection Agent has the right to appoint an Affiliate of the Initial Collection Agent to perform certain services set forth in Article III of the Second Tier Agreement.

Section 3.2. Deemed Collections. If on any day the outstanding balance of a Receivable is reduced or cancelled as a result of any defective or rejected goods or services, any cash discount or adjustment (including any adjustment resulting from the application of any special refund or other discounts or any reconciliation), any setoff or credit (whether such claim or credit arises out of the same, a related, or an unrelated transaction) or other reason not arising from the financial inability of the Obligor to pay undisputed indebtedness, (i) the applicable Originator shall be deemed to have received on such day a Collection on such Receivable in the amount of such reduction or cancellation and (ii) such Receivable shall thereupon be, or be deemed to be reconveyed to an Originator. If on any day any representation, warranty, covenant or other agreement of an Originator related to a Receivable set forth in Section 4.2(a) and 4.2(g) is not true or is not satisfied, (i) such Originator shall be deemed to have received on such day a Collection in the amount of the outstanding balance of such Receivable and (ii) such Receivable shall thereupon be, or be deemed to be reconveyed to such Originator. Not later than the first Settlement Date after an Originator is deemed pursuant to this Section 3.2 to have received any Collections, such Originator shall transfer to Buyer, in immediately available funds, the amount of such deemed Collections; provided, however, that if no such application is required under the Second Tier Agreement, Buyer and such Originator may agree to reduce the outstanding principal amount of the Notes in lieu of all or part of such transfer. To the extent that Buyer subsequently collects any payment with respect to any such “*receivable*,” Buyer shall pay the applicable Originator an amount equal to the amount so collected, such amount to be payable not later than the first Settlement Date after Buyer has so collected such amount.

Section 3.3. Application of Collections. Any payment by an Obligor in respect of any indebtedness owed by it to the related Originator shall, except as otherwise specified by such Obligor (including by reference to a particular invoice), or required by the related contracts or law, be applied, *first*, as a Collection of any Receivable or Receivables then outstanding of such Obligor in the order of the age of such Receivables, starting with the oldest of such Receivables, and, *second*, to any other indebtedness of such Obligor to such Originator.

Section 3.4. Responsibilities of Originator. Each Originator shall pay when due all Taxes payable in connection with the Receivables originated by it or their creation or satisfaction. Each Originator shall perform all of its obligations under agreements related to the Receivables originated by it to the same extent as if interests in such Receivables had not been transferred hereunder. The Agent’s or any Purchaser’s exercise of any rights hereunder or under the Second Tier Agreement shall not relieve any Originator from such obligations. Neither the Agent nor any Purchaser shall have any obligation to perform any obligation of any Originator in connection with the Receivables.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

Section 4.1. Mutual Representations and Warranties. Each of the Originators represents and warrants to the Buyer and its assignee as follows:

(a) **Corporate Existence and Power.** It is an exempted company or corporation, duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all power and authority and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted, except where failure to obtain such license, authorization, consent or approval would not have a material adverse effect on (i) its ability to perform its obligations under, or the enforceability of, any Transaction Document, (ii) its business or financial condition, (iii) the interests of Buyer or its assigns under any Transaction Document or (iv) the enforceability or collectibility of a material portion of the Receivables.

(b) **Authorization and No Contravention.** Its execution, delivery and performance of each Transaction Document to which it is a party and the creation of all security interests provided for herein and therein (i) are within its powers, (ii) have been duly authorized by all necessary company action, (iii) do not contravene or constitute a default under: (A) any applicable law, rule or regulation, (B) its articles of incorporation or charter or by-laws or other organizational documents or (C) any agreement, order or other instrument to which it is a party or its property is subject and (iv) will not result in any Adverse Claim on any Receivable other than pursuant to the Transaction Documents, Related Security or Collection or give cause for the acceleration of any of its indebtedness.

(c) **No Consent Required.** No approval, authorization or other action by, or filings with, any Governmental Authority or other Person is required in connection with the execution, delivery and performance by it of any Transaction Document to which it is a party or any transaction contemplated thereby.

(d) **Binding Effect.** Each Transaction Document to which it is a party constitutes the legal, valid and binding obligation of such Person enforceable against that Person in accordance with its terms, except as limited by bankruptcy, insolvency, or other similar laws of general application relating to or affecting the enforcement of creditors’ rights generally and subject to general principles of equity.

Section 4.2. Additional Representations by Each Originator. Each Originator further represents and warrants to Buyer as follows:

(a) **Perfection of Ownership Interest.** Immediately preceding its sale of Receivables to the Buyer, the applicable Originator was the owner of, had good title to, and effectively sold, such Receivables to the Buyer, free and clear of any Adverse Claim. Each Originator owns and has good title to the Receivables free of any Adverse Claim other than the interests of the Buyer therein that are created hereby, and the Buyer shall at all times have a valid and continuing ownership interest, enforceable as such against creditors of and purchasers from each Originator, in the Receivables and Collections. Other than the ownership interest

granted to the Buyer pursuant to this Agreement, no Originator has pledged, assigned, sold or granted a security interest in, or otherwise conveyed, the Receivables or the Collections. Each Originator has authorized the filing of and is not aware of any financing statements against that include a description of collateral covering the Receivables or the Collections other than any financing statement relating to the security interest granted to the Buyer hereunder. Each Originator has caused or will have caused, within ten days after the date hereof, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under the applicable law in order to perfect the conveyance of Receivables by such Originator hereunder.

(b) *Accuracy of Information.* The information furnished by each Originator, in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in all material respects (and is not incomplete by omitting any information necessary to prevent such information from being materially misleading, *provided* that, with respect to projected financial information, each Originator represents only that such information was prepared in good faith, subject to any express qualifications set forth in such projections, based upon assumptions believed to be reasonable at the time).

(c) *No Actions, Suits.* There are no actions, suits or other proceedings (including matters relating to environmental liability) pending or threatened against or affecting any Originator or any of its properties, that (i) have a reasonable likelihood of an adverse outcome and, if adversely determined (individually or in the aggregate), can reasonably be expected to have a material adverse effect on the financial condition of the Parent and its subsidiaries, taken as a whole, or on the collectibility of a material portion of the Receivables or (ii) involve any Transaction Document or any transaction contemplated thereby. No Originator is in default of any contractual obligation or in violation of any order, rule or regulation of any Governmental Authority, which default or violation is reasonably likely to have a material adverse effect upon (i) the financial condition of the Parent and its subsidiaries, taken as a whole or (ii) the collectibility of a material portion of the Receivables.

(d) *No Material Adverse Change.* Except as described in the Parent's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2001 and June 30, 2001, there has been no material adverse change since December 31, 2000 in (i) such Originator's financial condition, business, operations or prospects or (ii) such Originator's ability to perform its obligations under any Transaction Document.

(e) *Accuracy of Exhibits.* All information on Exhibits D and E of the Second Tier Agreement (to the extent describing an Originator) is true and complete in all material respects, subject to any changes permitted by, and notified to the Agent in accordance with the Second Tier Agreement. None of the Originators' locations (including without limitation their respective chief executive offices and principal places of business) has changed within the past 12 months. During the past 12 months, no Originator has used any corporate, fictitious or trade name other than a name set forth of Exhibit D to the Second Tier Agreement. Exhibit D to the Second Tier Agreement lists the federal employer identification numbers of the Originators.

(f) *Sales by United States Originators.* Each sale by a United States Originator to Buyer of an interest in Receivables and their Collections has been made for "reasonably equivalent value" (as such term is used in Section 548 of the Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used in Section 547 of the Bankruptcy Code) owed by such Originator to Buyer.

(g) *Eligible Receivables.* Each Receivable listed on the Periodic Report as part of the Eligible Receivables Balance was an Eligible Receivable as of the date of such Periodic Report.

(h) *Location of Receivables.* The contracts relating to any Receivable are not governed by the laws of the Cayman Islands. None of the Receivables are located in the Cayman Islands within the meaning of Cayman Islands law.

SECTION 5. GENERAL COVENANTS.

Section 5.1. Covenants. Each Originator hereby covenants and agrees to comply with the following covenants and agreements, unless Buyer (with the consent of the Agent) shall otherwise consent:

(a) *Financial Reporting.* Each Originator will maintain a system of accounting established and maintained in accordance with GAAP and will furnish to Buyer:

(i) *Annual Financial Statements.* Within 90 days after each fiscal year of (A) the Parent, a copy of Parent's annual audited financial statements (including a consolidated balance sheet, consolidated statement of income and retained earnings and statement of cash flows, with related footnotes) certified by PriceWaterhouseCoopers or other independent certified public accountants of national standing and prepared on a consolidated basis in conformity with GAAP and (B) each Originator (other than the Parent) the annual balance sheet for such Originator certified by a Designated Financial Officer thereof, in each case prepared on a consolidated basis in conformity with GAAP as of the close of such fiscal year for the fiscal year then ended;

(ii) *Quarterly Financial Statements.* Within 45 days after each (except the last) fiscal quarter of each fiscal year of (A) the Parent, copies of the Parent's unaudited financial statements (including at least a consolidated balance sheet as of the close of such quarter and statements of income, retained earnings and cash flows for the period from the beginning of the fiscal year to the close of such quarter) certified by a Designated Financial Officer and prepared in a manner consistent with the financial statements described in part (A) of clause (i) of this Section 5.1(a) and (B) each of the Originators (other than the Parent), the quarterly balance sheet for such Person for the period from the beginning of such fiscal year to the close of such quarter, in each case certified by a Designated Financial Officer thereof and prepared in a manner consistent with part (B) of clause (i) of Section 5.1(a);

(iii) *Public Reports.* Promptly upon becoming available, a copy of each report or proxy statement filed by the Parent with the Securities and Exchange Commission or any securities exchange; and

(iv) *Other Information.* With reasonable promptness such other information (including non-financial information) as may be reasonably requested by the Buyer or its assignee.

(b) *Notices.* Promptly upon a Financial Officer (as defined in the Credit Agreement) or other executive officer of an Originator becoming aware of any of the following, such Originator will notify Buyer and provide a description of:

(i) *Potential Termination Events.* The occurrence of any Potential Termination Event;

(ii) *Representations and Warranties.* The failure of any representation or warranty herein to be true (when made or at any time thereafter) in any material respect;

(iii) *Litigation.* The institution of any litigation, arbitration proceeding or governmental proceeding reasonably likely to be material to such Originator or the collectibility or quality of a material portion of the Receivables;

(iv) *Judgments.* The entry of any judgment, award or decree against such Originator if the aggregate amount of all unsatisfied and unstayed judgments then outstanding against such Originator, the Seller Entities and the Subsidiaries exceeds \$10,000,000; or

(v) *Changes in Business.* Any change in the character of any Originator's business that is reasonably expected to impair the collectibility or quality of any material portion of the Receivables.

(c) *Conduct of Business.* Each Originator will perform all actions necessary to remain duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and to maintain all requisite authority to conduct its business in each jurisdiction in which it conducts business.

(d) *Compliance with Laws.* Each Originator will comply with all laws, regulations, judgments and other directions or orders imposed by any Governmental Authority to which each Originator or any Receivable, any Related Security or Collection may be subject, except to the extent non-compliance will have a material adverse effect on (i) the collectibility of the Receivables, or (ii) the financial condition, business or operations of Parent and its Subsidiaries, taken as a whole.

(e) *Furnishing Information and Inspection of Records.* Each Originator will furnish to Buyer such information concerning the Receivables originated by it as Buyer may reasonably request. Each Originator will permit, at any time during regular business hours, upon reasonable advance notice, Buyer (or any representatives thereof) (i) to examine and make copies of all Records, (ii) to visit the offices and properties of such Originator or office of any other Person for the purpose of examining the Records and (iii) to discuss matters relating hereto with any of such Originator's officers, directors, employees or independent public accountants having knowledge of such matters. Once during each calendar year in connection with any proposed extension of the Liquidity Termination Date and at any time after the occurrence of a Termination Event or Potential Termination Event relating to clause (f) of the definition of Termination Event, Buyer may (at the expense of the applicable Originator) have an independent public accounting firm conduct an audit of the Records or make test verification of the Receivables and Collections in connection with the audit and test verifications conducted on behalf of the Agent under the Second Tier Agreement (it being understood that such audit has already been conducted for calendar year 2001).

(f) *Keeping Records.* (i) Each Originator will have and maintain (A) administrative and operating procedures (including an ability to recreate Records if originals are destroyed), (B) adequate facilities, personnel and equipment and (C) all Records and other information necessary or advisable for collecting the Receivables originated by it (including Records adequate to permit the immediate identification of each new Receivable originated by it and all Collections of, and adjustments to, each existing Receivable originated by it). Each Originator will give Buyer prior notice of any material change in such administrative operating procedures.

(ii) Each Originator will, (A) at all times from and after the date hereof, clearly and conspicuously mark its computer and master data processing books and records with a legend describing Buyer's interest in the Receivables originated by it and the Collections and (B) upon the request of the Buyer after a Termination Event, so mark each contract relating to a Receivable and deliver to the Buyer all such contracts (including all multiple originals of such contracts), with any appropriate endorsement or assignment, or segregate (from all other receivables then owned or being serviced by such Originator) the Receivables and all contracts relating to each Receivable and hold in trust and safely keep such contracts so legended in separate filing cabinets or other suitable containers at such locations as the Buyer may specify.

(g) *Perfection.* (i) Each Originator will at its expense, promptly execute and deliver all instruments and documents and take all action necessary or requested by the Buyer (including the execution and filing of financing or continuation statements, amendments thereto or assignments thereof) to enable the Buyer to exercise and enforce all its rights hereunder and to vest and maintain vested in the Buyer a valid, first priority perfected security interest in such Receivables, the Collections, the Related Security the Lock-Box Accounts and proceeds thereof free and clear of any Adverse Claim (and a perfected ownership interest in such Receivables and Collections to the extent of the Sold Interest) (and a perfected ownership interest in the Receivables and Collections to the extent of the Sold Interest). The Buyer will be permitted to sign and file any continuation statements, amendments thereto and assignments thereof without the Buyer's signature.

(ii) Each Originator will only change its name, identity or corporate structure or relocate its jurisdiction or chief executive office or the Records following thirty (30) days advance written notice to the Buyer and the delivery to the Buyer of all financing statements, instruments and other documents (including direction letters) requested by the Buyer.

(iii) Each United States Originator will at all times maintain its chief executive office and jurisdiction of organization within a jurisdiction in the USA in which Article 9 of the UCC (as it may be amended from time to time) is in effect. The Canadian Originators will maintain their jurisdictions of organization and chief executive offices in the Province of Canada in which they are currently located. If any Originator moves its chief executive office to a location that imposes Taxes, fees or other charges to perfect the Buyer's interests hereunder, such Originator will pay all such amounts and any other costs and expenses incurred in order to maintain the enforceability of the Transaction Documents, the Sold Interest and the interests of the Buyer in the Receivables, the Related Security and Collections.

(h) *Payments on Receivables, Accounts.* Each Originator will at all times instruct all Obligor to deliver payments on the Receivables (including Deemed Collections) to a Lock-Box or Lock-Box Account. The provisions of the previous sentence shall only apply to payments on Receivables originated by the Canadian Originators on and after the 61st day following the date of the Second Tier Agreement. If any such payments or other Collections are received by an Originator, it shall hold such payments in trust for the benefit of the Buyer and promptly (but in any event within two Business Days after receipt) remit such funds into a Lock-Box Account. Each Originator will cause each Lock-Box Bank to comply with the terms of each applicable Lock-Box Letter. After the occurrence of a Termination Event or the Liquidity Termination Date, such Originator will not, and will not permit any Collection Agent or other Person to, commingle Collections or other funds to which the Buyer is entitled with any other funds. Each Originator shall only add a Lock-Box Bank, Lock-Box, or Lock-Box Account to those listed on Exhibit E of the Second Tier Agreement if the Buyer has received notice of such addition, a copy of any new Lock-Box Agreement and an executed and acknowledged copy of a Lock-Box Letter substantially in the form of Exhibit F of the Second Tier Agreement (with such changes as are acceptable to the Buyer) from any new Lock-Box Bank. Each Originator shall only terminate a Lock-Box Bank or Lock-Box, or close a Lock-Box Account, upon 30 days advance notice to the Buyer.

(i) *Sales and Adverse Claims Relating to Receivables.* Except as otherwise provided herein, no Originator will (by operation of law or otherwise) dispose of or otherwise transfer, or create or suffer to exist any Adverse Claim upon, any Receivable or any proceeds thereof.

(j) *Extension or Amendment of Receivables.* Except as otherwise permitted in Section 3.2(b) of the Second Tier Agreement and then subject to Section 1.5 of the Second Tier Agreement, no Originator will extend, amend, rescind or cancel any Receivable.

(k) *Performance of Duties.* Each Originator will perform its duties or obligations in accordance with the provisions of each of the Transaction Documents. Each Originator (at its expense) will (i) fully and timely perform in all material respects all agreements required to be observed by it in connection with each Receivable, (ii) comply in all material respects with the Credit and Collection Policy, and (iii) refrain from any action that may impair the rights of Buyer in the Receivables, the Related Security, Collections or Lock-Box Accounts.

(l) *Change in Business or Credit and Collection Policy.* No Originator will make any material change in the character of its business and will not make any material adverse change to the Credit and Collection Policy.

(m) *Accounting for Sale.* No Originator will account for, or otherwise treat, the transactions contemplated hereby other than as a sale of Receivables or inconsistent with the Purchasers' ownership interests in the Receivables and Collections.

(n) *Certain Agreements.* Except as otherwise permitted by this Agreement, no Originator will amend, modify, waive, revoke or terminate any Transaction Document to which it is a party.

Section 5.2. Organizational Separateness. Each Originator agrees not to take any action that would cause Buyer to violate its formative documents or the Separateness Agreement, dated as of September 28, 2001, to which Buyer and Albany International Corp. are parties. Buyer agrees to conduct its business in a manner consistent with its formative documents and such Separateness Agreement.

SECTION 6. TERMINATION OF PURCHASES

Section 6.1. Voluntary Termination. The purchase and sale of Receivables pursuant to this Agreement may be terminated by any party, upon at least five Business Days' prior written notice to the other parties.

Section 6.2. Automatic Termination. The purchase and sale of Receivables pursuant to this Agreement shall automatically terminate upon the occurrence of (i) a Bankruptcy Event with respect to any Originator, or (ii) the Liquidity Termination Date.

SECTION 7. INDEMNIFICATION

Section 7.1. Originators' Indemnity. Without limiting any other rights any Person may have hereunder or under applicable law, each Originator, jointly and severally, hereby indemnifies and holds harmless Buyer and its officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including reasonable attorneys' fees and court costs actually incurred) (all of the foregoing collectively, the "Indemnified Losses") at any time imposed on or incurred by any Indemnified Party arising out of or otherwise relating to any Transaction Document, the transactions contemplated thereby, or any action taken or omitted by any of the Indemnified Parties, whether arising by reason of the acts to be performed by such Originator hereunder or otherwise, excluding only Indemnified Losses ("Excluded Losses") to the extent (a) a final judgment of a court of competent jurisdiction holds such Indemnified Losses resulted solely from gross negligence or willful misconduct of the Indemnified Party seeking indemnification, (b) due to the credit risk or financial inability to pay of the Obligor and for which reimbursement would constitute recourse to such Originator or the Collection Agent for uncollected or uncollectible Receivables, (c) such Indemnified Losses include Taxes on, or measured by, the overall net income or gross receipts of the Buyer or any of its assignees (d) such Taxes include Taxes imposed in any jurisdiction other than the United States, Canada or the Cayman Islands by reason of the organization of the Agent or any Purchaser (or any of their Affiliates) in such jurisdiction, the location of assets of the Agent or any Purchaser (or any of their Affiliates) in such jurisdiction, or the conduct of activities by the Agent or any Purchaser (or any of their Affiliates) in such jurisdiction. Without limiting the foregoing indemnification, but subject to the limitations set forth in clauses (a), (b), (c) and (d) of the previous sentence, each Originator, jointly and severally, shall indemnify each Indemnified Party for Indemnified Losses relating to or resulting from:

- (i) any representation or warranty made by or on behalf of an Originator under or in connection with this Agreement, any Periodic Report or any other information or report delivered by an Originator pursuant to the Transaction Documents, which shall have been false or incorrect in any material respect when made or deemed made;
- (ii) the failure by an Originator to comply with any applicable law, rule or regulation related to any Receivable, or the nonconformity of any such Receivable with any such applicable law, rule or regulation;
- (iii) the failure of an Originator to vest and maintain vested in Buyer, a perfected ownership or security interest in the Receivables and the other property conveyed pursuant hereto, free and clear of any Adverse Claim;
- (iv) any commingling of funds to which Buyer is entitled hereunder with any other funds;
- (v) any failure of a Lock-Box Bank to comply with the terms of the applicable Lock-Box Letter;
- (vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor or financial inability of the Obligor to pay) of the Obligor to the payment of any Receivable, or any other claim resulting from the sale or lease of goods or the rendering of services related to such Receivable or the furnishing or failure to furnish any such goods or services or other similar claim or defense not arising from the financial inability of any Obligor to pay undisputed indebtedness;
- (vii) any failure of an Originator to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document to which an Originator is a party; or
- (viii) any environmental liability claim, products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort, arising out of or in connection with any Receivable or any other suit, claim or action of whatever sort relating to any of any Originator's obligations under the Transaction Documents.

Section 7.2. Indemnification Due to Failure to Consummate Purchase. Each Originator will indemnify Buyer on demand and hold it harmless against all costs (including, without limitation, breakage costs) and expenses incurred by Buyer resulting from any failure by such Originator to consummate a purchase after Buyer has requested a transfer of the applicable Receivables to the Purchasers under the terms of the Second Tier Agreement.

SECTION 8. MISCELLANEOUS

Section 8.1. Amendments, Waivers, etc. No amendment of this Agreement or waiver of any provision hereof or consent to any departure by either party therefrom shall be effective without the written consent of the party that is sought to be bound. Any such waiver or consent shall be effective only in the specific instance given. No failure or delay on the part of either party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. Each Originator agrees that the Purchasers may rely upon the terms of this Agreement, and that the terms of this Agreement may not be amended, nor any material waiver of those terms be granted, without the consent of the Agent; provided that such Originator and Buyer may agree to an adjustment of the purchase price for any Receivable originated by such Originator without the consent of the Agent provided that the purchase price paid for such Receivable shall be an amount not less than adequate consideration that represents fair value for such Receivable.

Section 8.2. Assignment of Receivables Purchase Agreement. Each Originator hereby acknowledges that on the date hereof Buyer has collaterally assigned for security purposes all of its right, title and interest in, to and under this Agreement to the Agent for the benefit of the Purchasers pursuant to the Second Tier Agreement and that the Agent and the Purchasers are third party beneficiaries hereof. Each Originator hereby further acknowledges that after the occurrence and during the continuation of a Termination Event all provisions of this Agreement inuring to the benefit of the Buyer shall inure to the benefit of the Agent and the Purchasers, including the enforcement of any provision hereof to the extent set forth in the Second Tier Agreement, but that neither the Agent nor any Purchaser shall have any obligations or duties under this Agreement. No purchases shall take place hereunder at any time that the Agent has exercised its right to enforce Buyer's rights hereunder pursuant to Section 1.8 of the Second Tier Agreement. Each Originator hereby further acknowledges that the execution and performance of this Agreement are conditions precedent for the Agent and the Purchasers to enter into the Second Tier Agreement and that the agreement of the Agent and Purchasers to enter into the Second Tier Agreements will directly or indirectly benefit such Originator and constitutes good and valuable consideration for the rights and remedies of the Agent and each Purchaser with respect hereto.

Section 8.3. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall also, to the extent provided herein, inure to the benefit of the parties to the Second Tier Agreement. Each Originator acknowledges that Buyer's rights under this Agreement are being assigned to the Agent under the Second Tier Agreement and consents to such assignment and to the exercise of those rights directly by the Agent, to the extent permitted by the Second Tier Agreement.

Section 8.4. Survival. The rights and remedies with respect to any breach of any representation and warranty made by an Originator or Buyer pursuant to Section 4 and the indemnification provisions of Section 7 shall survive any termination of this Agreement.

Section 8.5. Costs, Expenses and Taxes. In addition to the obligations of the Originators under Section 7, each party (the Originators being one party and the Buyer the other party) hereto agrees to pay on demand all costs and expenses incurred by the other party and its assigns (other than Excluded Losses) in connection with the enforcement of, or any actual or claimed breach of, this Agreement, including the reasonable fees and expenses of counsel to any of such Persons incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under this Agreement in connection with any of the foregoing. Each Originator, jointly and severally, also agrees to pay on demand all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement.

Section 8.6. Execution in Counterparts; Integration. This Agreement may be executed in any number of counterparts and by the different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

Section 8.7. Governing Law; Submission to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the internal laws (and not the law of conflicts) of the State of New York. Each Originator hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York City for purposes of all legal proceedings arising out of, or relating to, the Transaction Documents or the transactions contemplated thereby. Each Originator hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the venue of any such proceeding and any claim that any such proceeding has been brought in an inconvenient forum. Nothing in this Section 8.7 shall affect the right of Buyer to bring any action or proceeding against an Originator or its property in the courts of other jurisdictions.

Section 8.8. No Proceedings. Each Originator agrees, for the benefit of the parties to the Second Tier Agreement, that it will not institute against Buyer, or join any other Person in instituting against Buyer, any proceeding of a type referred to in the definition of Bankruptcy Event until one year and one day after no investment, loan or commitment is outstanding under the Second Tier Agreement.

Section 8.9. Loans by Buyer to Originators. Buyer may make loans to an Originator from time to time if so agreed between such parties and to the extent that Buyer has funds available for that purpose after satisfying its obligations under this Agreement and the Second Tier Agreement. Any such loan shall be payable upon demand (and may be prepaid with penalty or premium) and shall bear interest at such rate as Buyer and such Originator shall from time to time agree.

Section 8.10. Notices. Unless otherwise specified, all notices and other communications hereunder shall be in writing (including by telecopier or other facsimile communication), given to the appropriate Person at its address or telecopy number set forth in the Second Tier Agreement or at such other address or telecopy number as such Person may specify, and effective when received at the address specified by such Person.

Section 8.11. Entire Agreement. This Agreement constitutes the entire understanding of the parties thereto concerning the subject matter thereof. Any previous or contemporaneous agreements, whether written or oral, concerning such matters are superseded thereby.

Section 8.12. Payments in Relevant Currency. All payments to be made by each Originator hereunder shall be made in Dollars (the "relevant currency"). To the fullest extent permitted by law, the obligation of each Originator in respect of any amount due in the relevant currency under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the relevant currency that the Buyer or its assignee, as applicable, may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Buyer or its assignee, as applicable, receives such payment. If the amount in the relevant currency that may be so purchased for any reason falls short of the amount originally due, each Originator shall pay such additional amounts, in the relevant currency, as may be necessary to compensate for the shortfall. Any obligations of the undersigned not discharged by such payment shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ALBANY INTERNATIONAL CORP., as Originator
and Initial Collection Agent

By

Name: _____
Title: _____

GESCHMAY CORP., as Originator

By

Name: _____
Title: _____

ALBANY INTERNATIONAL RESEARCH CO., as Originator

By

Name: _____
Title: _____

ALBANY INTERNATIONAL TECHNIWEAVE, INC., as Originator

By

Name: _____
Title: _____

ALBANY INTERNATIONAL CANADA INC., as Originator

By

Name: _____
Title: _____

M&I DOOR SYSTEMS LTD., as Originator

By

Name: _____
Title: _____

ALBANY INTERNATIONAL RECEIVABLES
CORPORATION, as Buyer

By

Name: _____
Title: _____

ALBANY INTERNATIONAL CORP.
EXECUTIVE DEFERRED COMPENSATION PLAN*
PLAN AND ELECTION AGREEMENT

* Amended and Restated as of June 15, 2001.
Reflects Amendments dated 2/11/97, 2/10/98, 5/25/01, 6/15/01 and 8/8/01.

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ALBANY INTERNATIONAL CORP.
EXECUTIVE DEFERRED COMPENSATION PLAN

I. PURPOSE

The Albany International Corp. Executive Deferred Compensation Plan (the "Plan") provides designated executives of Albany International Corp. (the "Company") with a tax-favored investment opportunity. By providing a means whereby compensation may be deferred into the future, the Plan will aid in attracting and retaining executives of exceptional ability.

Compensation reductions and transfers of account balances from such other deferred compensation plans maintained by the Company as the Committee may designate (such account balances referred to herein as "Prior Deferrals" and such plans referred to herein as "Prior Deferred Compensation Plans") made pursuant to the Plan will be credited with interest for the benefit of each Participant. The value of a Participant's deferrals, and interest earned on those deferrals, will vary by such factors as the amount and duration of the compensation reductions, the amount of transfers of Prior Deferrals, the Participant's age at the time of reduction or transfer, and the date benefits commence. The intent of the Plan is to credit Participants' compensation reductions and transfers to Prior Deferrals with a specified rate of interest rather than to provide defined benefits. However, to provide additional financial security, and to protect the purpose of the Plan, miscellaneous death and disability benefits are provided to qualifying Participants.

To the extent that compensation reductions made by an executive pursuant to the Plan may reduce retirement benefits provided in the Albany International Corp. Pension Plan For Salaried Employees (the "Pension Plan"), the amount by which benefits are reduced, if any, will be restored to Participants as provided in the Plan.

II. DEFINITIONS AND CERTAIN PROVISIONS

2.1 "Agreement" means the Albany International Corp. Executive Deferred Compensation Election Agreement executed by a Participant and the Company, whereby a Participant agrees to defer a portion of his/her compensation or transfer Prior Deferrals pursuant to the provisions of the Plan, and the Company agrees to make benefit payments in accordance with the provisions of the Plan.

2.2 "Participant" means an executive of the Company who is designated to be eligible pursuant to Section 3.1 hereof and who enters into an Agreement.

2.3 "Normal Benefit Date" means the date of Termination of Service of the Participant on or after the earlier of (i) his/her Normal Retirement Date or the date on which he/she would be eligible for Early Retirement, as defined in the Pension Plan, or (ii) his/her retirement date as determined by the Committee.

2.4 "Compensation" for any Deferral Year means (i) twelve times the Participant's base salary (before reductions are made pursuant to the 401(k) Plan) earned during August, 1985, (or, in the case of a Participant with an Eligibility Date (as defined in Section 3.6) after 1985, during the month including his/her Eligibility Date), plus (ii) the Participant's standard bonus with respect to 1985 (or, in the case of a Participant with an Eligibility Date after 1985, the standard bonus for the Participant with respect to the Deferral Year including his/her Eligibility Date).

2.5 "Adjusted Compensation" means for purposes of the Alternate Disability Benefit, a Participant's base salary in effect on the date the Disability was incurred, adjusted as of January 1 of each year thereafter by the ratio of (a) the composite Consumer Price Index, as published by the Bureau of Labor Statistics (or, if such monthly index is no longer published, a substantially similar one selected by the Committee), for January of such year to (b) such index for the month in which the Disability was incurred.

2.6 "Deferral Year" means any calendar year, 1886 through 1989. For purposes of 1985, the Deferral Year means the Plan Effective Date through December 31, 1985.

2.7 "Termination of Service" means the Participant's ceasing his/her service with the Company, and its successors and assigns, for any reason whatsoever, whether voluntarily or involuntarily, including by reason of death or Disability.

2.8 "Disability" means a condition, as determined by the Company, that totally and continuously prevents the Participant, for at least six consecutive months, from engaging in an "occupation" for compensation or profit. During the first twenty-four (24) months of Disability, "occupation" means the Participant's occupation at the time the disability was incurred. After that period, "occupation" means any occupation for which the Participant is or becomes reasonably fitted by education, training or experience. Notwithstanding the foregoing, a Disability shall not exist for purposes of the Plan if the Participant fails to qualify for disability benefits under the Social Security Act, unless the Company determines, in its sole discretion, that a Disability exists.

2.9 "Beneficiary" means the person or persons so designated by a Participant pursuant to Section 4.12 hereof or, in the absence of such a designation, the person or persons entitled to benefits pursuant to Section 4.12 upon the death of the Participant.

2.10 "Board of Directors" means the Board of Directors of Albany International Corp.

2.11 "Plan" means this Albany International Corp. Executive Deferred Compensation Plan, as amended from time to time.

2.12 "401(k) Plan" means the Albany International Corp. Investment Plan for Salaried Employees, as amended from time to time, intended to be qualified under Section 401(k) of the Internal Revenue Code, as amended, and any successor plan thereto.

2.13 "Account" means the account maintained on the books of the Company for each Participant pursuant to Article III hereof. A Participant's Account shall not constitute or be treated as a trust fund of any kind.

2.14 "Valuation Date" means the last day of each calendar month.

2.15 "Retirement Interest Yield" with respect to any calendar month means a rate of interest equal to one-twelfth (1/12) of the average of the sum of the monthly composite yields on Moody's Seasoned Corporate Bond Yield Index for the immediately preceding calendar year, plus three (3) percentage points, as determined from Moody's Bond Record monthly yields published by Moody's Investors Service, Inc. (or any successor thereto), or, if such monthly yield is no longer published, a substantially similar average selected by the Committee.

2.16 "Committee" means the Plan Committee appointed to administer the Plan pursuant to Article VI.

2.17 "Plan Effective Date" means September 1, 1985.

2.18 "Deposits" means the amount of the Participant's deferral of base salary and/or bonus and the Participant's transfers of Prior Deferrals to the Plan.

III. PARTICIPATION AND COMPENSATION REDUCTION

3.1 Participation. Participation in the Plan shall be limited to executives of the Company, designated to be eligible by the Board of Directors, who elect to participate in the Plan by filing an Agreement with the Company. The election to participate shall be effective upon receipt by the Committee of an Agreement that is properly completed and executed in conformity with the Plan.

3.2 Deposits and Length of Participation. A Participant who elects to participate in the Plan must agree to make Deposits for one or more Deferral Years for a term not to extend beyond December 31, 1989. For calendar year 1985, a Participant may elect to make Deposits in an amount equal to:

- (i) 5, 10, 15 or 20 percent of his/her base salary remaining due between his/her Eligibility Date and December 31, 1985, or
- (ii) 5, 10, 15 or 20 percent of Compensation but not to exceed, however, the amount of his/her base salary remaining due between his/her Eligibility Date and December 31, 1985. For calendar years 1986 through 1989, a Participant may elect to make Deposits in consecutive years commencing with 1986 (or the year of his/her Eligibility Date, if later) in an amount in each of the elected Deferral Years equal to 5, 10, 15 or 20 percent of his/her Compensation.

3.3 Maximum Deposit Limitation.

(a) For each Deferral Year, the Committee shall establish a maximum amount of Deposits (the "Maximum Deposit Limitation") that may be made by Participants in the aggregate. In the event that the aggregate amount of Deposits that Participants have elected to make for a Deferral Year exceeds the Maximum Deposit Limitation for such Deferral Year, the amount of Deposits that may be made by Participants shall be reduced by reducing the Deposits elected to be made by each Participant who has elected to make Deposits in excess of 10% of his/her Compensation in proportion to the amount the respective excess Deposits of each such Participant bear to the aggregate amount of such excess for all Participants.

(b) In the event that the aggregate amount of Deposits to be made by Participants for a Deferral Year is less than the Maximum Deposit Limitation, then the amount of each Participant's Deposit for such Deferral Year shall (subject to the limitation contained in the next sentence) be increased by an amount equal to the amount of Deposits elected to be made by the Participant in his/her Agreement for prior Deferral Years that have not been credited to his/her Account due to the Maximum Deposit Limitation. In the event that the increased aggregate amount to be deposited pursuant to the preceding sentence shall exceed the Maximum Deposit Limitation, the amount by which each Participant's Deposit shall have been increased shall be reduced by whatever percentage the aggregate increase must be reduced so that the aggregate amount of Deposits equals the Maximum Deposit Limitation for such Deferral Year.

3.4 Source of Deferrals.

(a) With respect to Deferral Year 1985, a Participant's Deposits to be derived from compensation reductions shall be made by reducing the remaining base salary due him/her in 1985 in equal amounts per pay period.

(b) With respect to each of Deferral Years 1986 through 1989, a Participant's Deposits to be derived from compensation reductions shall be made:

(i) Entirely from the bonus due the Participant in such Deferral Year. If the actual bonus for such Deferral Year is less than the amount to be deposited for such Deferral Year from such bonus, the balance of such Deposit shall be made by reducing the base salary due the Participant in equal amounts for each pay period remaining in such Deferral Year; or

(ii) By reducing base salary in equal installments for each pay period in such Deferral Year; or

(iii) By reducing base salary in equal installments from base salary for each pay period in such Deferral Year, up to an aggregate amount of one-half (1/2) of the Deposits to be made for such Deferral Year, with the remainder of the Deposits for such Deferral Year to be made by reducing the bonus due the Participant in such Deferral Year. In the event that the bonus for such Deferral Year is less than that portion of the Deposit to be made from the bonus for such Deferral Year, the balance of such deposit shall be made by reducing the base salary due the Participant in equal amounts for each pay period remaining in such Deferral Year.

(c) A Participant who has not made Deposits from compensation reductions may elect to make Deposits by transferring Prior Deferrals to the Plan. In the event of such an election, the Participant may not make any Deposits derived from compensation reductions until his/her account balances under the Prior Deferred Compensation Plans are exhausted. The remainder of the Deposits in respect of a Deferral Year (i.e., the Deposits elected for the Deferral Year in excess of the amount of Prior Deferrals transferred to the Plan for such Deferral Year) shall be made by reducing base salary or bonus in respect of such Deferral Year, as the case may be, in accordance with Section 3.4(a) and (b), as applicable. All transfers of Prior Deferrals shall be made on the later of the Participant's Eligibility Date or the first day of the Deferral Year with respect to which the Deposit is to be made.

3.5 Timing of Deposit Credits. The amount of a Participant's Deposits derived from compensation reductions shall cause an equivalent reduction in his/her base salary and/or bonus, as the case may be, and shall be credited to the Participant's Account throughout each Deferral Year as the Participant is paid, or would have been paid but for the Deposit, the portion of base salary and/or bonus deferred for such Deferral Year. The amount a Participant elects to transfer from Prior Deferrals in the Agreement shall cause an equivalent reduction in the balance of his/her account under the Prior Deferred Compensation Plan from which the transfer was made, and shall be credited to the Participant's Account on the date as of which such transfer is made.

3.6 Eligibility Date. A Participant's "Eligibility Date" shall be: (a) the Plan Effective Date in respect of executives who are notified of their eligibility to participate prior to such date provided, however, that the executive files his/her Agreement with the Committee on or prior to the Plan Effective Date or (b) with respect to executives who become eligible to participate in the Plan after the Plan Effective Date, the date specified in a notice to the executive from the Committee, provided, however, that the executive files his/her Agreement with the Committee on or prior to such specified date.

3.7 Reduction of Deposits. A Participant's election to make Deposits is irrevocable, except that the Participant may file a written request with the Committee at least seventy-five (75) days prior to the first day of a Deferral Year for permission to reduce the amount of Deposits to be made on his/her behalf for such Deferral Year and all future Deferral Years. Such request shall state the reason underlying such request. The Committee shall grant or deny such request and shall inform the Participant of its decision within sixty (60) days after the date the request is filed with the Committee.

3.8 Company Matching Credit. The Participant in his/her Agreement shall designate the Plan or the 401(k) Plan as the primary plan to which a Company matching contribution is to be credited or made.

(a) If the Participant designates the Plan as the primary plan, then the Company shall credit a Participant's Account with the amount (the "Matching Credit") of "Pre-Tax AI Contributions" (as defined in the 401(k) Plan) that would have been made by the Company on behalf of the Participant to the 401(k) Plan had the Participant made additional "Participant Contributions" to the 401(k) Plan in a Deferral Year in an amount equal to his/her deferrals, as distinct from transfers, made in such Deferral Year. If a Participant elects to have such amount credited to his/her Account, the Company shall deduct such amount from the Participant Contribution that would otherwise have been made by the Company to the 401(k) Plan on behalf of such Participant with respect to such Deferral Year.

(b) If the Participant designates the 401(k) Plan as primary, the Company shall credit a Participant's Account with a Matching Credit equal to the excess, if any of (i) the "Pre-Tax AI Contributions" that the Company would have made to the Plan if the Participant made additional "Pre-Tax Contributions" to the 401(k) Plan in a Deferral Year in an amount equal to his/her deferrals made in such Deferral Year over (ii) the "Pre-Tax Contributions" that the Company actually made to the 401(k) Plan on behalf of the Participant in such Deferral Year.

(c) The Participant's Account shall be credited with the Matching Credit at the same time that the deferrals associated therewith are credited to the Participant's Account.

(d) Any Matching Credit made pursuant to this Section shall be subject to the Company receiving a determination letter from the Internal Revenue Service to the effect that an amendment to the 401(k) Plan providing for such reduction of the Pre-Tax AI Contribution will not adversely affect the status of the 401(k) Plan as a qualified Plan and as a Plan described in Section 401(k) of the Internal Revenue Code.

3.9 Valuation of Account. The value of each Participant's Account as of a Valuation Date shall consist of

(i) the balance of such Account as of the immediately preceding Valuation date, plus (ii) the Participant's Deposits and the Company's Matching Credits made since the immediately preceding Valuation Date, less (iii) the amount of all distributions, if any, made from such Account since the preceding Valuation Date, plus (iv) interest credited on the balance of such Account on the immediately preceding Valuation Date at the Retirement Interest Yield. Notwithstanding the preceding sentence, if (a) benefits are payable pursuant to Section 4.3 (Termination Benefit), the Participant's Account may be revalued from inception with interest credited at a rate equal to the Retirement Interest Yield, applicable from time to time, reduced by three (3) percentage points, if and to the extent provided in Section 4.3, and (b) benefits are payable in installments pursuant to Section 4.8(b) as a result of the death of a Participant before his/her Normal Benefit Date, the Participant's Account shall be credited with interest on or after the date of the Participant's death at a rate equal to the Retirement Interest Yield, as applicable from time to time, reduced by three (3) percentage points.

IV. BENEFITS

4.1 Return of Deposits. At the time a Participant executes his/her Agreement, he/she may elect that an amount equal to his/her Deposits and the Matching Credit pursuant to Section 3.8 hereof be paid to him/her in a lump sum, at the end of the seventh (7th) calendar year following the calendar year in which the Deposit or Matching Credit was credited to his/her Account. At least one year prior to the date on which such Deposit and Matching Credit is to be paid pursuant to any such election, the Participant may, with the consent of the Committee, elect to further defer such payment until Termination of Service.

4.2 Retirement Benefit. Upon a Participant's Normal Benefit Date, the Participant shall immediately cease to be eligible for any benefit provided under the Plan (other than the Retirement Benefit provided for in this Section and the benefit provided for in Section 8.10 hereof) and the Company shall make payments from the Participant's Account pursuant to Section 4.8(a).

4.3 Termination Benefit.

(a) Within sixty (60) days following a Participant's Termination of Service before his/her Normal Benefit Date for reasons other than his/her death or Disability, the Company shall pay to the Participant in a lump sum an amount equal to the amount of Deposits and Matching Credits credited to his/her Account, less the amount of such Deposits and Matching Credits previously paid to him/her.

(b) (i) The Participant shall be entitled to an additional benefit, the amount of which depends upon whether the Participant has engaged in a Competing Activity (as defined in Section 4.3(b)(iii) below) during the one year period following his/her Termination of Service. If the Participant does engage in a Competing Activity (as defined in Section 4.3(b)(iii) below) during the one year period following his/her Termination of Service, the value of his/her Account shall be determined as though at all times the interest to be credited pursuant to Section 3.9 hereof was and thereafter will be the Retirement Interest Yield reduced by three (3) percentage points. If the Participant does not engage in a Competing Activity (as defined in Section 4.3(b)(iii) below) during the one year period following his/her Termination of Service, interest shall continue to be credited to his/her Account at the Retirement Interest Yield. The determination as to whether a Participant has engaged in a Competing Activity shall be made by the Committee.

(ii) The Committee, in its sole discretion, shall direct the Company to pay the Participant either:

(A) The Value (using an interest rate equal to the Retirement Interest Yield or the Retirement Interest Yield reduced by three (3) percentage points, as the case may be) of the Participant's Account in a lump sum determined on the Valuation Date coincident with or next following the first anniversary of the Participant's Termination of Service; or

(B) Annual installments, over a period not to exceed ten (10) years, commencing on the Valuation Date coincident with or next following the first anniversary of the Participant's Termination of Service, with each installment equal to the value of such Account on the date such installment is to be paid multiplied by a fraction whose numerator is one and whose denominator is the number of installments remaining to be paid.

(iii) A Participant is engaging in a "Competing Activity" if he/she is:

(A) A director of a corporation, or a member of a partnership, or a trustee of a business trust, or an officer, employee, representative or agent of, or a consultant to, a corporation, partnership, business trust or other entity or organization engaged in a Competing Business (as defined in Subparagraph (C) hereof); or

(B) A direct or indirect investor in a Competing Business and the investment (whether made by loan, advance, contribution to capital, purchase of stock or otherwise) constitutes more than 10% of (1) the total capital of such business, (2) the equity capital of such business, or (3) the voting power for the election of the Board of Directors or other governing body of such business.

(C) A business is a "Competing Business" at any time if at such time it is engaging in a business activity which was conducted by the Company, or by a subsidiary of the Company, or a company controlled by the Company or a subsidiary or subsidiaries of the Company, while the Participant was employed by the Company and in or for the conduct of which the Participant was involved or bore responsibility.

(c) In the event that a Participant dies prior to receiving the benefits due to him/her under this Section, his/her benefits shall be paid to his/her Beneficiary using the same interest rate to determine the value of his/her Account and at the same time and in the same manner that the Account would have been paid had the Participant lived.

(d) Upon Termination of Service described in this Section, the Participant shall immediately cease to be eligible for any benefit under the Plan (other than the Termination Benefit provided for in this Section and the benefits provided for in Section 8.10 hereof).

4.4 Death Benefit.

(a) Death Prior to Termination of Service of During Alternate Disability Period. Upon the Termination of Service of a Participant as a result of his/her death or upon the death of a Participant who is receiving an Alternate Disability Benefit pursuant to Section 4.6 hereof, the Beneficiary of the deceased Participant shall be paid a Death Benefit in an amount equal to the greater of: (i) the value, if any, of the Participant's Account, determined pursuant to Section 3.9 hereof, as of the Valuation Date coincident with or next following the date of the Participant's death, or (ii) the Participant's Total Expected Deferral set forth in Paragraph 4 of the Agreement, or subsequent amendments thereto, and multiplied by a factor based on the Participant's age at his/her Eligibility Date as indicated below less any amounts paid to him/her pursuant to Section 4.1 hereof:

<u>Age at Eligibility Date</u>	<u>Multiplier</u>
50 and under	5.0
51	4.8
52	4.6
53	4.4
54	4.2
55	4.0
56	3.8
57	3.6
58	3.4
59	3.2
60	3.0
61	2.8
62	2.6
63	2.4
64	2.2
65 and above	2.0

The death benefit shall be paid in accordance with Section 4.8(b) hereof. The death benefit provided for in this Section 4.4(a) shall be in lieu of all other benefits under the Plan (other than the benefits provided for under Section 8.10 hereof).

(b) Death During Standard Disability Period. Upon the death of a Participant who is receiving a Disability Benefit under Section 4.5 hereof (the Standard Disability Benefit), the Beneficiary of the deceased Participant shall be paid a Death Benefit in an amount equal to the value, if any, of the Participant's Account as of the Valuation Date coincident with or next following the date of the Participant's death. The Death Benefit shall be paid in accordance with Section 4.8(b) hereof. The Death Benefit provided for in this Section 4.4(b) shall be in lieu of all other benefits under the Plan (other than the benefits provided for under Section 8.10 hereof).

4.5 Standard Disability Benefit. In the event of a Disability prior to a Participant's Termination of Service which first manifests itself after the Participant's Eligibility Date and prior to his/her sixty-fifth (65th) birthday, the Company shall pay the Participant a benefit equal to the remaining balance, if any, of the Participant's Account determined under Section 3.9 hereof. Such benefit shall be payable as provided in Section 4.8(a)(i) hereof as if he/she had reached his/her Normal Benefit Date at such time. During the period of Disability the Participant's Account shall be maintained in accordance with Section 3.9 hereof. Such benefit shall be paid until the earliest of the following events: (i) there is no longer any balance in the Participant's Account; (ii) the Participant no longer has a Disability and resumes employment with the Company; (iii) the Participant no longer has a Disability and does not resume employment with the Company (in which case the Participant shall be entitled to the benefits provided in either Section 4.2 hereof if the Participant has attained his/her Normal Benefit Date or Section 4.3 hereof if the Participant has not attained his/her Normal Benefit Date, as the case may be); or (iv) the Participant dies (in which case the Participant's Beneficiary or Beneficiaries shall be entitled to the Death Benefit provided for under Section 4.4(b) hereof). Disability Benefits paid pursuant to this Section shall be treated as distributions from the Participant's Account. If Disability occurs during the Deferral Period elected in Paragraph 4 of his/her Agreement, further deferrals shall be waived by the Company during the period of Disability.

4.6 Alternate Disability Benefit. In the event a Participant is given notice by the Committee of his/her qualification for an Alternate Disability Benefit, he/she shall be eligible for the Alternate Disability Benefit, he/she shall be eligible for the Alternate Disability Benefit set forth below. In the event of the Disability of the Participant prior to the Participant's Termination of Service, which first manifests itself after the Participant's Eligibility Date and prior to his/her sixty-fifth (65th) birthday, the Participant shall receive the monthly benefit stated in such notice. The Alternate Disability Benefit shall be in lieu of the Disability Benefit provided for in Section 4.5 hereof. During the period an Alternative Benefit remains payable, the Participant's Account shall be maintained in accordance with Section 3.9 hereof. Such benefit shall be paid until the earliest of the following events: (i) the Participant no longer has a Disability and resumes employment with the Company; (ii) the Participant no longer has a Disability and does not resume employment with the Company (in which case the Participant shall be entitled to the benefit provided for in either Section 4.2 hereof if the Participant has attained his/her Normal Benefit Date or Section 4.3 hereof if the Participant has not attained his/her Normal Benefit Date, as the case may be); (iii) the Participant attains age sixty-five (65) (in which case the Participant shall then be entitled to the Retirement Benefit provided for under Section 4.2 hereof); or (iv) the Participant dies (in which case the Participant's Beneficiary shall be entitled to the Death Benefit provided for under Section 4.4(a) hereof).

In no event shall the Alternate Disability Benefit in any year exceed the lesser of (i) the maximum stated in the notice referred to in the first sentence of this Section, or (ii) the amount that when added to the Participant's Group Long-Term Disability Benefits and his/her Primary Social Security Benefits equals eighty (80) percent of the Participant's Adjusted Compensation. Alternate Disability Benefits paid pursuant to this Section shall not be treated as distributions from the Participant's Account. If Disability occurs during the Deferral Period elected in Paragraph 4 of the Agreement, further deferrals shall be waived by the Company during the period of Disability.

4.7 Failure to Continue Participation.

(a) In the event a Participant is given approval pursuant to Section 3.7 hereof to cease or decrease participation in the Plan, the Committee may in its discretion treat the Participant as having terminated participation in the Plan at the end of the first calendar year in which the amount stated in his/her Agreement has not been deposited, the effect of which would be to render him/her ineligible for any benefit described in Section 4.4, 4.5 or 4.6 hereof, provided, however, that if the Participant's failure to continue participation in the Plan is due to the fact that he/she ceased to be a member of the class of employees eligible to

participate in the Plan or because the Participant's compensation has been materially reduced, as determined by the Committee, the Participant shall not be treated as having terminated participation in the Plan pursuant to this Section, provided, however, that the Participant's Agreement shall be deemed to have been amended as of such date to reflect the reduction in his/her Total Expected Referral.

(b) At such time that a Participant is transferred outside of the United States and is removed from the United States payroll of the Company, the Participant's remaining Deposit Commitment, if any, shall be terminated and his/her Agreement shall be deemed to have been amended as of such date to reflect the reduction in his/her Deposit Commitment. In such event, the Participant shall not be considered as having terminated participation in the Plan and shall remain eligible for the benefits provided for in the Plan.

4.8 Form of Benefit Payment.

(a) Retirement Benefit. Upon a Participant's Normal Benefit Date, the Company shall make payments as the Retirement Benefit provided in Section 4.2 hereof from the Participant's Account in one of the following forms, as elected by the Participant:

(i) In annual or monthly installments commencing on the Valuation Date coincident with or next following the Participant's Normal Benefit Date and payable over a period not to exceed 30 years, as elected by the Participant; the amount of each installment to be calculated by the Company using such reasonable annuity payment calculation methods as the Company shall determine from time to time;

(ii) In a single lump sum equal to the value of the Participant's Account on the Valuation Date coincident with or next following the date of payment specified in his/her Agreement (which date shall be before the fifteenth (15th) anniversary of the Participant's Normal Benefit Date);

(iii) (A) in a single lump sum equal to a percentage, elected by the Participant, of the value of the Participant's Account on the Valuation Date coincident with or next following the Participant's Normal Benefit Date, followed by (B) annual or monthly installments commencing on the next succeeding Valuation Date and payable over a period not to exceed thirty (30) years, as elected by the Participant; the amount of each installment to be calculated by the Company using such reasonable annuity payment calculation methods as the Company shall determine from time to time; or

(iv) (A) annual or monthly installments commencing on the Valuation Date coincident with or next following the Participant's Normal Benefit Date and payable over a period not to exceed twenty-eight (28) years, as elected by the Participant, followed by (B) a single lump sum equal to a percentage, elected by the Participant, of the value of the Participant's Account on the Valuation Date coincident with or next following the Participant's Normal Benefit Date; the amount of each installment to be calculated by the Company using such reasonable annuity payment calculation methods as the Company shall determine from time to time.

In the event that the Participant dies prior to the payment of all amounts credited to his/her Account, the remainder of the Account shall be paid to his/her Beneficiary either (1) at the same time and in the same manner as the Account would have been paid to the Participant had he/she lived, or (2) if elected by the Participant in a written instrument filed with the Committee prior to the Participant's death or in such Participant's will, in a lump sum on the Valuation Date coincident with or next following the date of the Participant's death. A Participant may at any time elect to change his/her election to any other election permitted under this clause (a). Such request shall be made in a written instrument filed with the Committee. Not more than three such changes of election may be made by any Participant. Unless the Committee, in its sole and absolute discretion, shall determine otherwise, no such change of election shall be effective if the Termination of Service that constitutes the triggering event for distribution to such Participant has already occurred, or occurs within one (1) year of the date of such change of election; unless the Termination of Service is the result of the death or disability of a Participant who, at the time such election was made, did not in good faith expect to die or become disabled within the next year.

(b) Death Benefit. The amount of any Death Benefit determined pursuant to Section 4.4 hereof shall be paid to the Participant's Beneficiary in the same manner as elected by the Participant pursuant to clause (a) of this Section 4.8 with respect to Account balances. In such an event, the value of the Participant's Account as of the Valuation Date coincident with or next following the date of the Participant's death shall be equal to the amount of the Death Benefit as determined pursuant to Section 4.4. Until such Account is paid to the Beneficiary, the Account shall be maintained pursuant to Section 3.9 and shall be credited with interest at the Retirement Interest Yield as in effect from time to time; provided that the Account of a Participant who dies before his Normal Benefit Date shall be credited with interest at the Retirement Interest Yield as in effect from time to time, reduced by three (3) percentage points.

4.9 Withholding, Employment Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold any taxes required to be withheld by the federal or any state or local government from payments made hereunder.

4.10 Commencement of Payments. All benefit payments shall be made as soon as practicable after the Valuation Date as of which the amount thereof is determined. Neither the Company nor the Committee shall be liable for the payment or crediting of interest with respect to the period between the Valuation Date as of which a benefit is determined and the date such benefit is paid.

4.11 (Intentionally Omitted.)

4.12 Recipients of Payments; Designation of Beneficiary. All payments to be made by the Company under the Plan shall be made to the Participant during his/her lifetime, provided that if the Participant dies prior to the completion of such payments or a payment is due as a result of his/her death, then all subsequent payments under the Plan shall be made by the Company to the Beneficiary or Beneficiaries determined in accordance with this Section 4.12. Unless the Participant files a written notice of a different Beneficiary designation with the Committee, the Participant's Beneficiary shall be the beneficiary or beneficiaries designated in the Company's Basic Life Insurance Plan. The Participant may designate a Beneficiary by filing a written notice of such designation with the Committee may include contingent beneficiaries. The Participant may from time to time change the designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. (If a Participant interests hereunder would be subject to community property laws, the spouse of a Participant shall join in any designation of a Beneficiary or Beneficiaries other than the spouse.) If no designation shall be in effect at the time when any benefits payable under the Plan shall become due, the Beneficiary shall be the legal representatives of the Participant's estate.

V. CLAIMS FOR BENEFITS PROCEDURE

5.1 Claim for Benefits. Any claim for benefits under the Plan shall be made in writing to any member of the Committee. If such claim for benefits is wholly or partially denied by the Committee, the Committee shall, within a reasonable period of time, but not later than sixty (60) days after receipt of the claim, notify the claimant of the denial of the claim. Such notice of denial shall be in writing and shall contain:

- (a) The specific reason or reasons for denial of the claim;
- (b) A reference to the relevant Plan provisions upon which the denial is based;
- (c) A description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and
- (d) An explanation of the Plan's claim review procedure.

If no such notice is provided, the claim shall be deemed granted.

5.2 Request for Review of a Denial of a Claim for Benefits. Upon the receipt by the claimant of written notice of denial of the claim, the claimant may within ninety (90) days file a written request to the full Committee, requesting a review of the denial of the claim, which review shall include a hearing if deemed necessary by the Committee. In connection with the claimant's appeal of the denial of his/her claim, he/she may review relevant documents and may submit issues and comments in writing.

5.3 Decision Upon Review of Denial of Claim for Benefits. The Committee shall promptly render a decision on the claim review within sixty (60) days after the receipt of the claimant's request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time, in which case the sixty (60) day period shall be extended to one hundred twenty (120) days. Such decision shall:

- (a) Include specific reasons for the decision;
- (b) Be written in a manner calculated to be understood by the claimant; and
- (c) Contain specific references to the relevant Plan provisions upon which the decision is based.

VI. ADMINISTRATION

6.1 Plan Committee. The Plan shall be administrated by the Committee appointed by the Board of Directors. Members of the Committee or agents of the Committee may be Participants under the Plan.

6.2 General Rights, Powers, and Duties of the Committee. The Committee shall be the fiduciary responsible for the management, operation, and administration of the Plan. In addition to any powers, rights and duties set forth elsewhere in the Plan, it shall have the following powers and duties:

- (a) To adopt such rules and regulations consistent with the provisions of the Plan as it deems necessary for the proper and efficient administration of the Plan;
- (b) To administer the Plan in accordance with its terms and any rules and regulations it establishes;

- (c) To maintain records concerning the Plan sufficient to prepare reports, returns and other information required by the Plan or by law;
- (d) To construe and interpret the Plan and to resolve all questions arising under the Plan;
- (e) To direct the Company to pay benefits under the Plan, and to give such other directions and instructions as may be necessary for the proper administration of the Plan;
- (f) To employ or retain agents, attorneys, actuaries, accountants or other persons, who may also be Participants in the Plan or be employed by or represent the Company; and
- (g) To be responsible for the preparation, filing and disclosure on behalf of the Plan of such documents and reports as are required by any applicable Federal or State law.

6.3 **Information to Be Furnished to Committee.** The Company shall furnish the Committee such data and information as it may require. The records of the Company shall be determinative of each Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment, years of service, personal data, and compensation or bonus reductions. Participants and their Beneficiaries shall furnish to the Committee such evidence, data, or information, and execute such documents as the Committee requests.

6.4 **Responsibility.** No member of the Committee or of the Board of Directors shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his/her own fraud or willful misconduct; nor shall the Company be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director, officer or employee of the Company.

VII. AMENDMENT AND TERMINATION

7.1 **Amendment.** The Plan may be amended in whole or in part by the Committee at any time. Notice of any such amendment shall be given in writing to each Participant and each Beneficiary of a deceased Participant. No amendment shall decrease the amount of a Participant's Account.

7.2 **Company's Right to Terminate.** The Company reserves the right to terminate the Plan and/or the Agreement pertaining to any or all Participants at any time. In the event of any such termination, (i) any Participant who is not then receiving benefits under Section 4.2, 4.3, 4.4, 4.5 or 4.6 hereof shall be entitled to a "Termination Benefit" under Section 4.3 hereof determined as though he/she had incurred a Termination of Service for reasons other than death or Disability on the date of Plan termination and (ii) any Participant (or Beneficiary) who is then receiving benefits under Section 4.2, 4.3, 4.4, 4.5 or 4.6 hereof shall in the sole discretion of the Committee, exercised on a Participant by Participant basis (or a Beneficiary by Beneficiary basis), be entitled to either (A) continue receiving benefits as if the Plan had not terminated or (B) receive a lump sum benefit equal to the value of the Participant's Account determined as of the First Valuation Date coincident with or next following the date of such termination. The benefits provided in this Section 7.2 shall be in lieu of all other benefits under the Plan (other than the benefits provided for under Section 8.10 hereof).

7.3 Early Withdrawal.

(a) Upon the request of any Participant, including a Participant no longer serving as an employee of the Albany Group or as a director of the Company, or any Beneficiary of a deceased Participant designated pursuant to Section 4.8 hereof, a distribution of all or a portion of the value of the Participant's Account shall be made at any time or times prior to the time at which he/she would have been entitled to receive such amount in accordance with an election pursuant to clause (a) of Section 4.8; provided that there shall be withheld from each such distribution an amount equal to ten percent (10%) of the amount requested to be distributed. Such Participant or Beneficiary shall forever forfeit, relinquish and waive any right to receive any such withheld amounts, or any interest thereon.

(b) Upon the request of any Participant who at the time is serving as an employee of the Albany Group or a director of the Company, a distribution of all or a portion of the value of the Participant's Account shall be made at any time or times prior to the time at which he/she would have been entitled to receive such amount in accordance with an election pursuant to clause (a) of Section 4.8; provided that (i) there shall be withheld from any such distribution an amount equal to five percent (5%) of the amount requested to be distributed, and (ii) such Participant thereafter shall be precluded from deferring any subsequent compensation under any deferred compensation plan of the Company during the period of three years following the date of each such distribution. In the event that such Participant's service as an employee of the Albany Group or as a director of the Company is terminated by the Albany Group for cause, as determined by the Committee in its sole discretion, or voluntarily by such Participant, in either case during any such three year period, the Participant shall forever forfeit, relinquish and waive any right to receive the amount withheld from the withdrawal that triggered such period and any earnings thereon. Any amount so withheld shall otherwise be distributed to such Participant upon termination of his/her service during such period for any other reason, or upon expiration of such three year period. Interest on any such withheld amount shall continue to accrue in the manner described in Section 3.9 at the Retirement Interest Yield, as applicable from time to time, reduced by three (3) percentage points, until expiration of such three year period or until it is forfeited.

VIII. MISCELLANEOUS

8.1 **No Implied Rights; Rights on Termination of Service.** Neither the establishment of the Plan nor any amendment thereof shall be construed as giving any Participant, Beneficiary, or any other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by specific action of the Company in accordance with the terms and provisions of the Plan. Except as expressly provided in the Plan, the Company shall not be required or be liable to make any payment under the Plan.

8.2 **No Right to Company Assets.** Neither the Participant nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of the Company whatsoever including, without limiting the generality of the foregoing, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability hereunder. No trust of any kind shall be created in connection with or by the execution or adoption of the Plan, and any benefits which become payable hereunder shall be paid from the general assets of the Company. The Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Company. Nothing contained in the Plan constitutes a guarantee by the Company that the assets of the Company shall be sufficient to pay any benefit to any person.

8.3 **No Employment Rights.** Nothing herein shall constitute a contract of employment or of continuing service or in any manner obligate the Company to continue the services of a Participant, or obligate the Participant to continue in the service of the Company, or as a limitation of the right of the Company to discharge any of its employees, with or without cause. Nothing herein shall be construed as fixing or regulating the compensation payable to the Participant.

8.4 **Offset.** If, at the time payments or installments of payments are to be made hereunder, the Participant or the Beneficiary or both are indebted or obligated to the Company, then the payments remaining to be made to the Participant or the Beneficiary or both may, at the discretion of the Company, be reduced by the amount of such indebtedness or obligation, provided, however, that an election by the Company not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligation.

8.5 **Protective Provisions.** In the event of a Participant's suicide during the first two (2) years of his/her participation or if the Participant makes any material misstatement or fails to make a material disclosure of information, then no benefits will be payable to the Participant under the Plan, or in the Company's sole discretion, benefits may be payable in a reduced amount.

8.6 **Non-assignability.** Neither a Participant nor any other person shall have any voluntary or involuntary right to commute, sell, assign, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall be, prior to actual payment, subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, or be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.7 **Gender and Number.** Wherever appropriate herein, the masculine may mean the feminine and the singular may mean the plural or vice versa.

8.8 **Notice.** Any notice required or permitted to be given under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, and if given to the Company, delivered to the principal office of the Company, directed to the attention of the Committee. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

8.9 **Governing Laws.** The Plan shall be construed and administered according to the internal laws of the State of New York.

8.10 **Participants Covered by Pension Plan.** If the benefits payable to or in respect of a Participant under the Pension Plan are reduced by reason of Deposits made hereunder derived from compensation reductions, then upon such Participant's Termination of Service the Committee shall determine the excess of the actuarial present value of the benefit that would have been payable under the Pension Plan but for the fact that the Participant made such Deposits over the actuarial present value of the benefits actually payable under the Pension Plan. In determining such actuarial present values the Committee shall use the actuarial assumptions set forth in the Pension Plan or, in the absence of any such assumptions specifically applicable to the computations, using such actuarial assumptions as the Committee may deem appropriate. Upon the Participant's Termination of Service, an amount equal to such excess shall be credited to the Participant's Account (in the case of a Participant who dies and whose Beneficiary is entitled to a death benefit pursuant to Section 4.4(a), after the Account is increased to reflect the death benefit payable in Section 4.4(a)) to be maintained pursuant to Section 3.9 hereof and paid as part of his/her Account in the manner provided hereunder.

IN WITNESS WHEREOF, the Company has adopted the ALBANY INTERNATIONAL CORP. EXECUTIVE DEFERRED COMPENSATION PLAN as of September 1, 1985.

ALBANY INTERNATIONAL CORP.

By

(Title: _____)

DIRECTORS' DEFERRED COMPENSATION PLAN*

PLAN AND ELECTION AGREEMENT

* Amended and Restated as of June 15, 2001.

Reflects Amendments dated 2/11/97, 2/10/98, 5/25/01, 6/15/01 and 8/8/01.

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ALBANY INTERNATIONAL CORP.
DIRECTORS' DEFERRED COMPENSATION PLAN

I. PURPOSE

The Albany International Corp. Directors' Deferred Compensation Plan (the "Plan") provides directors of Albany International Corp. (the "Company") with a tax-favored investment opportunity. By providing to Directors a means whereby fees may be deferred into the future, the Plan will encourage productive efforts of the Board.

Compensation reductions and transfers of account balances from other deferred compensation plans maintained by the Company (such account balances are referred to herein as "Prior Deferrals" and such plans are referred to herein as "Prior Deferred Compensation Plans") made pursuant to the Plan will be credited with interest for the benefit of each Participant. The value of a Participant's deferrals, and interest earned on those deferrals, will vary by such factors as the amount and duration of the compensation reductions, the amount of transfers of Prior Deferrals, the Participant's age at the time of reduction or transfer, and the date benefits commence. The intent of the Plan is to credit Participants' compensation reductions and transfers of Prior Deferrals with a specified rate of interest, rather than to provide defined benefits. However, to provide additional financial security, and to protect the purpose of the Plan, death benefits are provided to qualifying Participants.

II. DEFINITIONS AND CERTAIN PROVISIONS

2.1 "Agreement" means the Albany International Corp. Directors' Deferred Compensation Election Agreement executed by a Participant and the Company, whereby a Participant agrees to defer his/her compensation or transfer Prior Deferrals pursuant to the provisions of the Plan, and the Company agrees to make benefit payments in accordance with the provisions of the Plan.

2.2 "Participant" means a director of the Company, under age 70, who enters into an Agreement.

2.3 "Normal Benefit Date" means the date a Participant ceases to be a director of the Company, other than as a result of the death of such Participant.

2.4 "Compensation" means any fees paid to a Participant during a calendar year and considered to be "wages" for purposes of federal income tax withholding, but before reductions are made pursuant to the Plan.

2.5 "Deferral Year" means any calendar year, 1986 through 1989. For purposes of 1985, the Deferral Year means the Plan Effective Date through December 31, 1985.

2.6 "Beneficiary" means the person or persons so designated by a Participant pursuant to Section 4.8 hereof.

2.7 "Age" means the Participant's chronological age on the relevant date.

2.8 "Board of Directors" means the Board of Directors of Albany International Corp.

2.9 "Plan" means this Albany International Corp. Directors' Deferred Compensation Plan as amended from time to time.

2.10 "Account" means the account maintained on the books of the Company for each Participant pursuant to Article III hereof. A Participant's Account shall not constitute or be treated as a trust fund of any kind.

2.11 "Valuation Date" means the last day of each calendar month.

2.12 "Retirement Interest Yield" with respect to any calendar month means a rate of interest equal to one-twelfth (1/12) of the average of the sum of the monthly composite yields on Moody's Seasoned Corporate Bond Yield Index for the immediately preceding calendar year plus three (3) percentage points, as determined from Moody's Bond Record monthly yields published by Moody's Investors Service, Inc. (or any successor thereto), or, if such monthly yield is no longer published, a substantially similar average selected by the Committee.

2.13 "Committee" means the Plan Committee appointed to administer the Plan pursuant to Article VI.

2.14 "Plan Effective Date" means September 1, 1985.

2.15 "Deposits" means the amount of the Participant's deferrals of Compensation and the Participant's transfers of Prior Deferrals to the Plan.

III. PARTICIPATION AND COMPENSATION REDUCTION

3.1 Participation. Participation in the Plan shall be limited to directors of the Company, under age 70, who elect to participate in the Plan by filing an Agreement with the Company. The election to participate shall be effective upon receipt by the Committee of the Agreement that is properly completed and executed in conformity with the Plan.

3.2 Initial Contribution. Upon execution of the Agreement, the Participant's total Prior Deferrals in all Prior Deferred Compensation Plans shall be treated as the initial contribution to the Participant's Account.

3.3 Minimum and Maximum Deposit and Length of Participation. A Participant who first elects to participate in the Plan must agree to continue to participate and to deposit one hundred percent (100%) of Compensation for one or more consecutive Deferral Years for a term not to extend beyond December 31, 1989. A Participant's election to defer future Compensation is irrevocable upon the filing of an Agreement. For purposes of a Participant's initial year of participation, the Deposit shall be total Compensation remaining to be paid to the Participant from his/her Eligibility Date through December 31 of such year. A Participant eligible to participate prior to January 1, 1986 may elect to commence Deposits in Deferral Year 1986.

3.4 Timing of Deposit Credits. The amount of a Participant's Deposits derived from compensation reductions shall cause an equivalent reduction in his/her Compensation and shall be credited to the Participant's Account throughout each Deferral Year as the Participant is paid, or would have been paid but for the Deposit, his/her compensation for such Deferral Year. The amount of a Participant's Prior Deferrals shall eliminate the balances in his/her accounts under Prior Deferred Compensation Plans and shall be credited to the Participant's Account on the date as of which such transfers are made.

3.5 Eligibility Date. A Participant's "Eligibility Date" shall be: (a) the Plan Effective Date in respect of directors who are eligible to participate prior to such date provided, however, that the director files his/her Agreement with the Committee on or prior to the Plan Effective Date or (b) with respect to directors who become eligible to participate in the Plan after the Plan Effective Date, the date specified in a notice to the director from the Committee, provided, however, that the director files his/her Agreement with the Committee on or prior to such specified date.

3.6 Valuation of Account. Each Participant's Account as of a Valuation Date shall consist of (i) the balance of the Participant's Account as of the immediately preceding Valuation Date, plus (ii) the Participant's Deposits made since the immediately preceding Valuation Date, less (iii) the amount of all distributions, if any, made from such Account since the preceding Valuation Date, plus (iv) interest credited on the balance of such Account on the immediately preceding Valuation Date at the Retirement Interest Yield.

3.7 Reduction of Deposits. A Participant's election to make Deposits is irrevocable, except that the Participant may file a written request with the Committee at least seventy-five (75) days prior to the first day of a Deferral Year for permission to reduce the amount of Deposits to be made on his/her behalf for such Deferral Year and all future Deferral Years. Such request shall state the reason underlying such request. The Committee shall grant or deny such request and shall inform the Participant of its decision within sixty (60) days after the date the request is filed with the Committee.

IV. BENEFITS

4.1 Retirement Benefit. Upon a Participant's Normal Benefit Date, the Participant shall immediately cease to be eligible for any benefit provided under the Plan (other than the Retirement Benefit provided for in this Section) and the Company shall make payments from the Participant's Account pursuant to Section 4.4(a).

4.2 Death Benefit. Upon the death of a Participant prior to his/her Normal Benefit Date, the Beneficiary of the deceased Participant shall be paid a Death Benefit equal to the greater of: (i) the value, if any, of the Participant's Account determined pursuant to Section 3.6 hereof, as of the Valuation Date coincident with or next following the date of the Participant's death, or (ii) the Participant's Total Expected Deferral set forth in Paragraph 4 of the Agreement, or subsequent amendments thereof, and multiplied by a factor based on the Participant's age at his/her Eligibility Date as indicated below:

<u>Age at Eligibility Date</u>	<u>Multiplier</u>
50 and under	5.0
51	4.8
52	4.6
53	4.4
54	4.2
55	4.0
56	3.8
57	3.6
58	3.4
59	3.2
60	3.0
61	2.8
62	2.6
63	2.4
64	2.2
65 and above	2.0

The Death Benefit shall be paid in accordance with Section 4.4(b) hereof. The Death Benefit provided for in this Section 4.2 shall be in lieu of all other benefits under the Plan.

4.3 Failure to Continue Participation. In the event a Participant is given approval pursuant to Section 3.7 hereof to cease or decrease participation in the Plan, the Committee may in its discretion treat the Participant as having terminated participation in the Plan at the end of the first calendar year in which the amount stated in this Agreement has not been deposited, the effect of which would be to render him/her ineligible for any benefit described in Section 4.2 hereof.

4.4 Form of Benefit Payment. (a) Retirement Benefit. Upon a Participant's Normal Benefit Date, the Company shall make payments as the Retirement Benefit provided in Section 4.1 hereof from the Participant's Account in one of the following forms, as elected by the Participant:

- (i) in annual or monthly installments commencing on the Valuation Date coincident with or next following the Participant's Normal Benefit Date and payable over a period not to exceed 30 years, as elected by the Participant; the amount of each installment to be calculated using such reasonable annuity payment calculation methods as the Company shall determine from time to time;
- (ii) in a single lump sum equal to the value of the Participant's Account on the Valuation Date coincident with or next following the date of payment specified in his/her Agreement (which date shall be before the fifteenth (15th) anniversary of the Participant's Normal Benefit Date);
- (iii) (A) in a single lump sum equal to a percentage, elected by the Participant, of the value of the Participant's Account on the Valuation Date coincident with or next following the Participant's Normal Benefit Date, followed by (B) annual or monthly installments commencing on the next succeeding Valuation Date and payable over a period not to exceed thirty (30) years, as elected by the Participant; the amount of each installment to be calculated by the Company using such reasonable annuity payment calculation methods as the Company shall determine from time to time; or
- (iv) (A) annual or monthly installments commencing on the Valuation Date coincident with or next following the Participant's Normal Benefit Date and payable over a period not to exceed twenty-eight (28) years, as elected by the Participant, followed by (B) a single lump sum equal to a percentage, elected by the Participant, of the value of the Participant's Account on the Valuation Date coincident with or next following the Participant's Normal Benefit Date; the amount of each installment to be calculated by the Company using such reasonable annuity payment calculation methods as the Company shall determine from time to time.

In the event that the Participant dies prior to the payment of all amounts credited to his/her Account, the remainder of the Account shall be paid to his/her Beneficiary either (1) at the same time and in the same manner as the Account would have been paid to the Participant had he/she lived, or (2) if elected by the Participant in a written instrument filed with the Committee prior to the Participant's death or in such Participant's will, in a lump sum on the Valuation Date coincident with or next following the date of the Participant's death. A Participant may at any time elect to change his/her election to any other election permitted under this clause (a). Such request shall be made in a written instrument filed with the Committee. Not more than three (3) such changes of election may be made by any Participant. Unless the Committee, in its sole and absolute discretion, shall determine otherwise, no such change of election shall be effective if the triggering event for distribution to such Participant under this Plan has already occurred, or occurs within one (1) year of the date of such change of election; unless the triggering event is the result of the death or disability of a Participant who, at the time such election was made, did not in good faith expect to die or become disabled within the next year.

(b) Death Benefit. The amount of any Death Benefit determined pursuant to Section 4.2 hereof shall be paid to the Participant's Beneficiary in the same manner as elected by the Participant pursuant to clause (a) of this Section 4.4 with respect to Account balances. In such an event, the value of the Participant's Account as of the Valuation Date coincident with or next following the date of the Participant's death shall be equal to the amount of the Death Benefit as determined pursuant to Section 4.2. Until such account is paid to the Beneficiary, the Account shall be maintained pursuant to Section 3.6 and shall be credited with interest at the Retirement Interest Yield as in effect from time to time; provided that the Account of a Participant who dies before his/her Normal Benefit Date shall be credited with interest at the Retirement Interest Yield as in effect from time to time, reduced by three (3) percentage points.

4.5 Withholding; Employment Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold any taxes required to be withheld by the federal or any state or local government from payments made hereunder.

4.6 Commencement of Payments. All benefit payments shall be made as soon as practicable after the Valuation Date as of which the amount thereof is determined. Neither the Company nor the Committee shall be liable for the payment or crediting of interest with respect to the period between the Valuation Date as of which a benefit is determined and the date such benefit is paid.

4.7 (Intentionally Omitted.)

4.8 Recipients of Payments; Designation of Beneficiary. All payments to be made by the Company under the Plan shall be made to the Participant during his/her lifetime, provided that if the Participant dies prior to the completion of such payments or a payment is due as a result of his/her death, then all subsequent payments under the Plan shall be made by the Company to the Beneficiary or Beneficiaries determined in accordance with this Section 4.8. Unless the Participant files a written notice of a different Beneficiary designation with the Committee, the Participant's Beneficiary shall be the beneficiary or beneficiaries designated in the Company's Basic Life Insurance Plan. The Participant may designate a Beneficiary by filing a written notice of such designation with the Committee in such form as the Company requires and may include contingent beneficiaries. The Participant may from time to time change the designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. (If a Participant's interests hereunder would be subject to community property laws, the spouse of a Participant shall join in any designation of a Beneficiary or Beneficiaries other than the spouse.) If no designation shall be in effect at the time when any benefits payable under the Plan shall become due, the Beneficiary shall be the legal representatives of the Participant's estate.

V. CLAIMS FOR BENEFITS PROCEDURE

5.1 Claim for Benefits. Any claim for benefits under the Plan shall be made in writing to any member of the Committee. If such claim for benefits is wholly or partially denied by the Committee, the Committee shall, within a reasonable period of time, but not later than sixty (60) days after receipt of the claim, notify the claimant of the denial of the claim. Such notice of denial shall be in writing and shall contain:

- (a) The specific reason or reasons for denial of the claim;
- (b) A reference to the relevant Plan provisions upon which the denial is based;
- (c) A description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and
- (d) An explanation of the Plan's claim review procedure.

If no such notice is provided, the claim shall be deemed granted.

5.2 Request for Review of a Denial of a Claim for Benefits. Upon the receipt by the claimant of written notice of denial of the claim, the claimant may within ninety (90) days file a written request to the full Committee, requesting a review of the denial of the claim, which review shall include a hearing if deemed necessary by the Committee. In connection with the claimant's appeal of the denial of his/her claim, he/she may review relevant documents and may submit issues and comments in writing.

5.3 Decision Upon Review of Denial of Claim for Benefits. The Committee shall promptly render a decision on the claim review within sixty (60) days after the receipt of the claimant's request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time, in which case the sixty (60) day period shall be extended to one hundred twenty (120) days. Such decision shall:

- (a) Include specific reasons for the decision;
- (b) Be written in a manner calculated to be understood by the claimant; and
- (c) Contain specific references to the relevant Plan provisions upon which the decision is based.

VI. ADMINISTRATION

6.1 Plan Committee. The Plan shall be administrated by the Committee appointed by the Board of Directors. Members of the Committee or agents of the Committee may be Participants under the Plan.

6.2 General Rights, Powers, and Duties of the Committee. The Committee shall be the fiduciary responsible for the management, operation, and administration of the Plan. In addition to any powers, rights and duties set forth elsewhere in the Plan, it shall have the following powers and duties:

- (a) To adopt such rules and regulations consistent with the provisions of the Plan as it deems necessary for the proper and efficient administration of the Plan;
- (b) To administer the Plan in accordance with its terms and any rules and regulations it establishes;
- (c) To maintain records concerning the Plan sufficient to prepare reports, returns and other information required by the Plan or by law;
- (d) To construe and interpret the Plan and to resolve all questions arising under the Plan;
- (e) To direct the Company to pay benefits under the Plan, and to give such other directions and instructions as may be necessary for the proper administration of the Plan;
- (f) To employ or retain agents, attorneys, actuaries, accountants or other persons, who may also be Participants in the Plan or be employed by or represent the Company; and
- (g) To be responsible for the preparation, filing and disclosure on behalf of the Plan of such documents and reports as are required by any applicable federal or state law.

6.3 Information to Be Furnished to Committee. The Company shall furnish the Committee such data and information as it may require. The records of the Company shall be determinative of each Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment, years of service, personal data, and compensation or bonus reductions. Participants and their Beneficiaries shall furnish to the Committee such evidence, data, or information, and execute such documents as the Committee requests.

6.4 Responsibility. No member of the Committee or of the Board of Directors shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his/her own fraud or willful misconduct; nor shall the Company be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director, officer or employee of the Company.

VII. AMENDMENT AND TERMINATION

7.1 Amendment. The Plan may be amended in whole or in part by the Committee at any time. Notice of any such amendment shall be given in writing to each Participant and each Beneficiary of a deceased Participant. No amendment shall decrease the amount of a Participant's Account.

7.2 Company's Right to Terminate. The Company reserves the right to terminate the Plan and/or the Agreement pertaining to any or all Participants at any time. In the event of any such termination, (i) any Participant who is not then receiving benefits under Sections 4.1 or 4.2 hereof shall be entitled to a "Retirement Benefit" under Section 4.1 hereof determined as though he/she had attained his/her Normal Benefit Date on the date of Plan termination and (ii) any Participant (or Beneficiary) who is then receiving benefits under Section 4.1 or 4.2 hereof shall in the sole discretion of the Committee, exercised on a Participant by Participant basis (or a Beneficiary by Beneficiary basis), be entitled to either (A) continue receiving benefits as if the Plan had not terminated or (B) receive a lump sum benefit equal to the value of the Participant's Account determined as of the First Valuation Date coincident with or next following the date of such termination. The benefits provided in this Section 7.2 shall be in lieu of all other benefits under the Plan.

7.3 Early Withdrawal. (a) Upon the request of any Participant, including a Participant no longer serving as a director of the Company, or any Beneficiary of a deceased Participant designated pursuant to Section 4.8 hereof, a distribution of all or a portion of the value of the Participant's Account may be made at any time prior to the time at which he/she would have been entitled to receive such amount in accordance with an election pursuant to clause (a) of Section 4.4; provided that there is withheld from any such distribution an amount equal to ten percent (10%) of the amount requested to be distributed. Such Participant or Beneficiary shall forever forfeit, relinquish and waive any right to receive any such withheld amounts, or any interest thereon.

(b) Upon the request of any Participant who at the time is serving as a director of the Company and has not made known to the Company any present intention to terminate such service during the three years following such request, a distribution of all or a portion of the value of the Participant's Account may be made at any time prior to the time at which he/she would have been entitled to receive such amount in accordance with an election pursuant to clause (a) of Section 4.4; provided that (i) there is withheld from any such distribution an amount equal to five percent (5%) of the amount requested to be distributed, and (ii) such Participant is thereafter precluded from deferring any subsequent compensation (including compensation payable after such distribution that would have been deferred pursuant to a deferred election made prior to the distribution) under any deferred compensation plan of the Company for a period of three years from the date of distribution. In the event that such Participant's service as a director of the Company is terminated for cause, as determined by the Committee in its sole discretion, or voluntarily by such Participant, in either case during such three year period, the Participant shall forever forfeit, relinquish and waive any right to receive any such withheld amounts, or any earnings thereon. Such withheld amount shall otherwise be distributed to such Participant upon termination of his/her service during such period for any other reason, or upon expiration of such three year period. Interest on any such withheld amount shall continue to accrue in the manner described in Section 3.6 at the Retirement Interest Yield, as applicable from time to time, reduced by three (3) percentage points, until expiration of such three year period or until it is forfeited.

VIII. MISCELLANEOUS

8.1 No Implied Rights; Rights on Termination of Service. Neither the establishment of the Plan nor any amendment thereof shall be construed as giving any Participant, Beneficiary, or any other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by specific action of the Company in accordance with the terms and provisions of the Plan. Except as expressly provided in the Plan, the Company shall not be required or be liable to make any payment under the Plan.

8.2 No Right to Company Assets. Neither the Participant nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of the Company whatsoever including, without limiting the generality of the foregoing, any specific funds, assets, or any other property which the Company, in its sole discretion, may set aside in anticipation of a liability hereunder. No trust of any kind shall be created in connection with or by the execution or adoption of the Plan, and any benefits which become payable hereunder shall be paid from the general assets of the Company. The Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Company. Nothing contained in the Plan constitutes a guarantee by the Company that the assets of the Company shall be sufficient to pay any benefit to any person.

8.3 No Employment Rights. Nothing herein shall constitute a contract of employment or of continuing service or in any manner obligate the Company to continue the services of a Participant, or obligate the Participant to continue in the service of the Company, or as a limitation of the right of the Company to discharge any of its employees, with or without cause. Nothing herein shall be construed as fixing or regulating the compensation payable to the Participant.

8.4 Offset. If, at the time payment or installments of payments are to be made hereunder, the Participant or the Beneficiary or both are indebted or obligated to the Company, then the payments remaining to be made to the Participant or the Beneficiary or both may, at the discretion of the Company, be reduced by the amount of such indebtedness or obligation, provided, however, that an election by the Company not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligation.

8.5 Protective Provisions. In the event of a Participant's suicide during the first two (2) years of his/her participation or if the Participant makes any material misstatement or fails to make a material disclosure of information, then no benefits will be payable to the Participant under the Plan, or in the Company's sole discretion, benefits may be payable in a reduced amount.

8.6 Non-assignability. Neither a Participant nor any other person shall have any voluntary or involuntary right to commute, sell, assign, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall be, prior to actual payment, subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, or be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.7 Gender and Number. Wherever appropriate herein, the masculine may mean the feminine and the singular may mean the plural or vice versa.

8.8 Notice. Any notice required or permitted to be given under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, and if given to the Company, delivered to the principal office of the Company, directed to the attention of the Committee. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

8.9 Governing Laws. The Plan shall be construed and administered according to the internal laws of the State of New York.

IN WITNESS WHEREOF, the Company has adopted the ALBANY INTERNATIONAL CORP. DIRECTORS' DEFERRED COMPENSATION PLAN as of September 1, 1985.

ALBANY INTERNATIONAL CORP.

By _____
(Title: _____)

DEFERRED COMPENSATION PLAN OF
ALBANY INTERNATIONAL CORP.

1. Purpose

The purpose of this Plan ("Plan") is to enable directors and certain employees of Albany International Corp. (the "Company") to defer the receipt of compensation that they otherwise would have received currently in cash, and to receive the deferred amount, plus interest thereon, at a time which they choose when they make the original deferral election or subsequently as permitted by the Plan. The Plan is intended to be an unfunded plan maintained by the Company primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and shall be interpreted in a manner consistent with such intent. As used herein, the term "Albany Group" shall mean the Company and all corporations which are, at the time, subsidiaries of the Company.

2. Effective Date

The Plan shall be effective from and after January 1, 1990, until terminated as provided herein.

3. Eligibility

All directors and all employees of the Company who are in the management incentive compensation group and other employees, who with respect to any year are approved for participation by the Compensation and Stock Option Committee (the "Committee") of the Board of Directors of the Company ("eligible employees") will be eligible to participate in the Plan.

4. Compensation Covered by the Plan

The compensation covered by the Plan ("covered compensation") will be any regular or bonus compensation payable to a director or an eligible employee by the Company.

* Reflects amendments dated November 7, 1997, May 25, 2001, June 15, 2001 and August 8, 2001.

5. Election to Defer

Each director and eligible employee may, in lieu of receiving current covered compensation, elect to defer:

- (a) any designated percentage of his/her covered compensation; or
- (b) any designated dollar amount of his/her covered compensation.

Notwithstanding any other provisions of this Plan, no director or eligible employee may elect to defer any covered compensation under this Plan which, if not deferred, would be received by such director or eligible employee after December 31, 1995.

6. Investment of Deferred Covered Compensation

- (a) As used herein, the term "Moody's Rate" for any calendar month shall mean a rate equal to one-twelfth (1/12) of the average of the monthly composite yields on Moody's Seasoned Corporate Bond Yield Index for the immediately preceding calendar year, as published by Moody's Investors Service, Inc. in Moody's Bond Record (or any successor thereto), or, if such monthly yield is no longer published, a substantially similar average selected by the Committee in its sole discretion. As used herein, the term "Additional Rate" shall mean such additional monthly rate as the Committee, in its sole discretion, shall from time to time determine. The Additional Rate as of January 1, 1990 shall be zero (0.0) percentage points and, effective from and after January 1, 1996 and until changed by the Committee, shall be one-quarter of one (0.25) percentage point. The Committee, in its sole discretion, may change the Additional Rate at any time; provided that at no time shall the Additional Rate be less than zero (0.0) percentage points.
- (b) The Company will establish a bookkeeping account (each, an "Account") for each director and eligible employee who has elected to defer the receipt of covered compensation under Section 5 (each, a "participant"). As of the last day of each month, the Company shall credit such participant's Account with the amount of covered compensation that, but for such election, would have been paid to him or her during that month. As of the last day of each month, each Account of each participant will be credited with interest on the balance credited to such Account at the beginning of that month, calculated at a rate equal to the Moody's Rate for such month plus the Additional Rate, except as otherwise provided in Sections 6(c), 6(d), 6(e) and 6(f) below. The undistributed balance of the Account of a participant shall, from and after the date such participant is to commence to receive distributions thereof, bear interest for each month at a rate equal to the Moody's Rate for such month plus the Additional Rate applicable to such Account, except as otherwise provided in Section 6(e) below.
- (c) The balance credited to the Account of a participant who initially elects to receive such balance pursuant to an election under Section 7(a)(1)(A) shall earn interest at the Moody's Rate, except as otherwise provided in Section 6(d) below.
- (d) (1) If a participant elects pursuant to Section 7(c) to redefer receipt of the balance credited to his/her Account to a later date certain pursuant to Section 7(a)(1)(A), interest on such balance shall continue to accrue at the Moody's Rate.
(2) If a participant elects pursuant to Section 7(c) to change his/her election from a date certain under Section 7(a)(1)(A) to a time permitted under Section 7(a)(1)(B), interest on the balance of such Account shall accrue interest from the date certain specified in the participant's original deferral election until the date such participant receives such balance at a rate equal to the Moody's Rate from time to time plus the Additional Rate in effect at the time the request becomes effective (subject to Sections 6(e) and 6(f) below). Until such date certain specified in the participant's original deferral election, such participant's Account shall continue to accrue interest at the Moody's Rate.
- (e) (1) If a participant's service as an employee of the Albany Group or as a director of the Company is terminated either (A) by the Albany Group for cause, as determined by the Committee in its sole discretion, or (B) voluntarily by such employee or director prior to the earlier to occur of (i) his/her attainment of age 55 with at least ten (10) years of service with the Albany Group or (ii) attainment of age 60, then such participant's Account shall be deemed to have earned interest for the five (5) years immediately preceding the date on which all, or the first installment, of the balance of such Account is received by such participant at the Moody's Rate, and such Account shall be recalculated to take into account such interest accrual at the Moody's Rate. In addition, after such date any undistributed balance in such participant's Account shall also bear interest at the Moody's Rate.
(2) The service of a participant who has elected to receive the balance credited to his/her Account upon the later of his/her termination of service as a director of the Company or his/her termination of service as an employee of the Albany Group shall not be deemed "terminated" pursuant to Section 6(e)(1)(B) above if such participant continues to serve as either a director of the Company or an employee of the Albany Group.
- (f) In the case of an early distribution pursuant to Section 8(b), the portion of the participant's Account so distributed shall be deemed to have earned interest at the Moody's Rate from the date of the initial deferral until the time of such early distribution, and such Account shall be recalculated to take into account such interest accrual at the Moody's Rate.

7. Distribution of Deferred Compensation

- (a) At the time a participant makes his/her first election to defer pursuant to Section 5, he/she shall also make an election pursuant to this Section 7, as to the time and manner in which the balance credited to his/her Account shall be distributed. Such election shall be irrevocable, except as provided in this Section 7 or in Section 8 hereof.

(1) A participant shall be entitled to elect to receive, or to commence receiving, the balance credited to his/her Account:

- (A) on a date certain set by him/her; or
- (B) on the occurrence of his/her termination of service as an employee of the Albany Group or as a director of the Company.

Notwithstanding such election, a participant shall have the balance credited to his/her Account automatically distributed to him/her (or his/her designated beneficiary or beneficiaries), in the manner provided pursuant to Section 7(a)(2) but subject to the further provisions of this Section 7, upon the occurrence of his/her death or disability (as defined in the Company's Pension Plus Plan, as amended from time to time).

(2) A participant shall be entitled to elect to receive such balances in one of the following ways:

- (A) in a single lump sum in an amount equal to his/her Account balance;
- (B) in approximately equal monthly installments over a period of not more than thirty (30) years elected by the participant;

- (C) in a single lump sum equal to a percentage, elected by the participant, of the aggregate amount of the participant's Account balance on the date payments are to commence, followed by (ii) payment of approximately equal monthly installments over a period of not more than thirty (30) years elected by the participant; or
- (D) (i) in approximately equal monthly installments over a period of not more than (28) years elected by the participant, followed, within thirty (30) days of the final installment, by (ii) payment of a single lump sum equal to a percentage, elected by the participant, of the amount of the participant's Account balance on the date payments are to commence.

Calculation of monthly installments pursuant to clauses (B), (C) and (D) above shall be made by the Company using such reasonable annuity payment calculation methods as the Company shall determine from time to time.

- (b) A participant may at any time elect to change his/her election under Section 7(a)(2) to any other election permitted under Section 7(a)(2). Such an election shall be made in a written instrument filed with the Committee, and no more than three such changes of election may be made by any participant. Unless the Committee, in its sole and absolute discretion, shall determine otherwise, no such change of election shall be effective if the termination of service that constitutes the triggering event for distribution to such participant has already occurred, or occurs within one (1) year of the date of such change of election; unless the termination of service is the result of the death or disability of a participant who, at the time such election was made, did not in good faith expect to die or become disabled within the next year.
- (c) A participant who has elected to receive the balances credited to his/her Accounts pursuant to Section 7(a)(1)(A) may, at any time prior to two years before the date certain specified in such election, change such date certain to a later date certain or to an event specified in Section 7(a)(1)(B). Such a change shall be made in a written instrument filed with the Committee. Not more than one such change shall be made by any participant.
- (d) Subject to the provisions contained in this Section 7 and in Section 8, all distributions of the balance credited to a participant's Account shall be made, or shall commence, either on the date certain elected by the participant for such distribution or within thirty (30) days after any other triggering event under Section 7(a). The Company may, in its sole and absolute discretion, delay, for a period of up to one (1) year, any payment to the extent that such payment would result in compensation to the participant that is not deductible for federal income tax purposes (whether by reason of Section 162(m) of the Internal Revenue Code of 1986 or otherwise). Interest shall accrue on such delayed distributions at the same respective interest rates as were being applied to the balance in the participant's Account immediately prior to the Company's decision to delay such payment.
- (e) A participant may at any time designate a beneficiary or beneficiaries who shall receive, following the death of the participant, payments of the balances credited to his/her Account. Such designation may be made in the initial election filed pursuant to Section 7(a), and may also be made or changed by the participant, at any time, by a written instrument filed with the Committee or by the participant's will. The beneficiary or beneficiaries so named shall receive payment of such balances either (i) in the manner last elected by the participant pursuant to this Section 7, or (ii) if elected by the participant in such instrument or will, a lump sum.

8. Early Distributions

- (a) In the event of hardship, a participant, or a beneficiary of a deceased participant designated in accordance with clause (e) of Section 7, may, by a written instrument filed with the Committee, request an immediate distribution of all or a portion of the balances credited to the participant's Account. For purposes of this Section 8(a), a distribution is on account of hardship only if the distribution is made:
 - (1) on account of an immediate and heavy financial need of such participant or beneficiary, occasioned by an unanticipated emergency caused by events beyond his/her control that would result in severe financial hardship if the distribution were not permitted;
 - (2) in an amount required to satisfy such financial need; and
 - (3) in circumstances in which the need cannot be satisfied from other resources that are reasonably available to the participant or beneficiary, such as through reimbursement or compensation by insurance or otherwise, by reasonable liquidation of his/her assets (to the extent such liquidation would not itself cause an immediate and heavy financial need), by cessation of further deferrals under the Plan, or by other permitted distributions or nontaxable (at the time of the loan) loans from other plans maintained by the Albany Group, or by borrowing from commercial sources on reasonable commercial terms.

The Committee shall determine whether the requested distribution satisfies the requirements of this Section 8(a) on the basis of all relevant facts and circumstances. Any distribution of less than 100% of the balance credited to the Account of a participant pursuant to this Section 8(a) shall be deemed to be a distribution of the earliest compensation which would have been paid had it not been deferred.
- (b) The Committee may, upon the written request of any participant, or any beneficiary of a deceased participant designated in accordance with clause (e) of Section 7, distribute to such participant or beneficiary all or a portion of the balances credited to his/her Account prior to the time when he/she would otherwise have been entitled to such distribution if the Committee determines, in its sole and absolute discretion, that such earlier distribution is warranted for good reasons and as a result of extraordinary circumstances. Any distribution of less than 100% of the balance credited to the Account of a participant pursuant to this Section 8(b) shall be deemed to be a distribution of the earliest compensation which would have been paid had it not been deferred.
- (c)
 - (1) Upon the request of any participant, including a participant no longer serving as an employee of the Albany Group or as a director of the Company, or any beneficiary of a deceased participant designated in accordance with clause (e) of Section 7, a distribution of a portion or the entire balance credited to the Account of a participant shall be made at any time or times prior to the time at which he or she would have been entitled to receive, or to commence receiving, such balance in accordance with an election pursuant to Section 7 hereof; provided that there shall be withheld from each such distribution an amount equal to ten percent (10%) of the amount requested to be distributed. Such participant or beneficiary shall forever forfeit, relinquish and waive any right to receive any such withheld amounts, or any earnings thereon.
 - (2) Upon the request of any participant who at the time is serving as an employee of the Albany Group or a director of the Company and has not made known to the Company any present intention to terminate such service during the three years following such request, a distribution of a portion or the entire balance credited to the Account of a participant shall be made at any time or times prior to the time at which he or she would have been entitled to receive such amount in accordance with an election pursuant to Section 7 hereof; provided that (i) there shall be withheld from each such distribution an amount equal to five percent (5%) of the amount requested to be distributed, and (ii) such participant thereafter shall be precluded from deferring any subsequent compensation (including any compensation payable after such distribution that would have been deferred pursuant to a deferral election made prior to the distribution) under this Plan or any other deferred compensation plan of the Company during the period of three years following the date of each such distribution. In the event that such participant's service as an employee of the Albany Group or as a director of the Company is terminated by the Albany Group for cause, as determined by the Committee in its sole discretion, or voluntarily by such participant, in either case during any such three year period, the participant shall forever forfeit, relinquish and waive any right to receive the amount withheld from the withdrawal that triggered such period and any earnings thereon. Any amount so withheld shall otherwise be distributed to such participant upon termination of his or her service during such period for any other reason, or upon expiration of such three-year period.
 - (3) Any distribution of less than 100% of the balances credited to the Account of a participant pursuant to this Section 8(c) shall be deemed to be a distribution of the earliest compensation which would have been paid had it not been deferred.

9. Manner of Election

Prior to January 1 of each year, beginning with 1990, each director and eligible employee shall be entitled to file an instrument with the Committee exercising his/her election under Section 5 of the Plan. Such election shall be irrevocable with respect to the year following its date of filing. If a director or eligible employee does not file such an instrument under the plan, his/her covered compensation shall be paid to him or her in cash on a non-deferred basis. An election once filed shall continue in effect with respect to subsequent years unless revoked or amended by an instrument in writing filed with the Committee by the director or eligible employee. Any such revocation or amendment shall be effective as of January 1 of the year next following the filing thereof. Notwithstanding any other provisions of this Plan, no director or eligible employee may elect to defer any covered compensation under this Plan which, if not deferred, would be received by such director or eligible employee after December 31, 1995.

10. Administration of Plan

The Plan shall be administered by the Compensation and Stock Option Committee of the Board of Directors of the Company. The Committee shall interpret the Plan and make all decisions with respect to the rights of directors and eligible employees hereunder; provided, however, that no member of the Committee shall act on any matter in which such member has a particular or special interest. The forms to be used for making elections pursuant to Section 5 as well as initial elections under Section 7(a) are attached hereto as Exhibits A and B, respectively.

11. Funding

This Plan shall be unfunded. Amounts payable hereunder shall be paid from the general assets of the Company. The Company may establish a trust pursuant to a trust agreement and make contributions thereto for the purpose of assisting the Company in meeting its obligations in respect of benefits payable under the Plan. Any such trust agreement shall contain procedures to the following effect:

- (a) In the event of the insolvency of the Company, the trust fund will be available to pay the claims of any creditor of the Company to whom a distribution may be made in accordance with state and federal bankruptcy laws. The Company shall be deemed to be "insolvent" if the Company is subject to a pending proceeding as a debtor under the federal Bankruptcy Code (or any successor federal statute) or any state bankruptcy code. In the event the Company becomes insolvent, the Board of Directors and chief executive officer of the Company shall notify the trustee of that event as soon as practicable. Upon receipt of such notice, or if the trustee receives other written allegation of the Company's insolvency, the trustee shall cease making payments of benefits from the trust fund, shall hold the trust fund for the benefit of the Company's creditors, and shall take such steps as are necessary to determine within thirty (30) days whether the Company is insolvent. In the case of the trustee's actual knowledge of or other determination of the Company's insolvency, the trustee will deliver assets of the trust fund to satisfy claims of the Company's creditors as directed by a court of competent jurisdiction;
- (b) The trustee shall resume payment of benefits under the trust agreement only after the trustee has determined that the Company is not insolvent (or is no longer insolvent, if the trustee had previously determined the Company to be insolvent) or upon receipt of an order of a court of competent jurisdiction requiring such payment. If the trustee discontinues payment of benefits pursuant to paragraph (a) of this Section 11 and subsequently resumes such payment, the first payment on account of a participant following such discontinuance shall include an aggregate amount equal to the difference between the payments which would have been made on account of such participant under the trust agreement and the aggregate payments actually made on account of such participant by the Company during any such period of discontinuance, plus interest on such amount at a rate equivalent to the net rate of return earned by the trust fund during the period of such discontinuance.

12. Reports to Participants

The Committee shall provide to each participant a report twice a year, as of each June 30 and December 31, detailing the status of that participant's Account.

13. Amendment or Termination

This Plan may be amended or terminated at any time by the Board of Directors of the Company or by the Committee. Upon termination of the Plan, the Committee may distribute to each participant the balance credited to his/her Account at the time of such termination in the form of a lump sum or otherwise as it determines in its sole discretion. The Company shall notify each participant and each beneficiary currently entitled to benefits under the Plan of termination of the Plan within ninety (90) days after such termination; provided that the failure to give such notice shall not affect the Company's rights hereunder.

14. Non-Assignability

Interests in covered compensation deferred or in a participant's Account shall not be assignable or transferable or subject to attachment, garnishment, levy, execution or other legal or equitable process, except by will or the laws of descent and distribution.

15. Plan Not a Contract of Employment

This Plan is not a contract of employment, and the terms of employment of any employee of the Albany Group shall not be affected in any way by the Plan or related instruments except as specifically provided in the Plan or such related instruments. The establishment of the Plan shall not be construed as conferring any legal rights upon any employee for a continuation of employment, nor shall it interfere with the right of the Albany Group to discharge any employee and to treat him or her without regard to the effect which such treatment might have upon him or her as a participant. Each participant and all persons who may have or claim any right by reason of his/her participation shall be bound by the terms of the Plan and all agreements entered into pursuant thereto.

16. Construction

- (a) The Plan is intended to qualify as an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as referred to in Section 201(2) of ERISA, and its terms shall be interpreted accordingly. Otherwise, the laws of the State of New York shall control the interpretation and performance of the terms of the Plan.
- (b) If any provision of the Plan, or the application of any such provision to any person or circumstances, shall be invalid under any federal or state law, neither the application of such provision to persons or circumstances other than those as to which such provision is invalid nor any other provisions of the Plan shall be affected thereby.

Exhibit A

DEFERRED COMPENSATION PLAN OF

ALBANY INTERNATIONAL CORP.

Election as to Amount of Compensation to be Deferred

The undersigned, [a director] [an eligible employee] under the Deferred Compensation Plan of Albany International Corp., hereby elects as follows pursuant to Section 5 of such Plan:

Please withhold from my current covered compensation the following:

(check one only)

- a. ___% of my regular compensation and ___% of my bonus compensation.
- b. ___% of my covered compensation.

The foregoing shall be effective for the calendar year commencing January 1, ___ and shall remain in effect until revoked or amended by me, which revocation or amendment shall be effective on the January 1 thereafter.

Executed this ___ day of _____, ___.

Signature

Exhibit B

DEFERRED COMPENSATION PLAN OF

ALBANY INTERNATIONAL CORP.

Election as to Time and Manner in which Deferred Compensation shall be Distributed

The undersigned, [a director] [an eligible employee] under the Deferred Compensation Plan of Albany International Corp., hereby elects as follows, pursuant to Section 7 of such Plan:

1. Time of Distribution

The value of my deferred compensation shall be distributed to me, or such distribution shall commence:

(check one only)

- a. ___ on ___/___/___
Month Day Year
- b. ___ upon my termination of service as an employee of the Albany Group (whether or not I am then a director of the Company).
- c. ___ upon the later of my termination of service as a director of the Company or as an employee of the Albany Group.

My Deferred Compensation Account will be distributed in the event of death, disability or termination.

2. Manner of Distribution

Distribution shall be made as follows:

(check one only)

- a. ___ in a lump sum
- b. ___ in approximately equal monthly installments over ___ years (not to exceed 30)
- c. ___ in a lump sum equal to ___% of my Account balance on the date distribution commences, followed by approximately equal monthly installments over ___ years (not to exceed 30)
- d. ___ in approximately equal installments over ___ years (not to exceed 28), followed by a lump sum equal to ___% of my Account balance on the date distribution commences.

3. Designation of Beneficiary

Upon my death, the following person(s) shall be entitled to receive the value of deferred compensation owing to me:

Name

Address

Relationship

This deferred compensation shall be paid to these persons
_____ in the manner otherwise payable to me
_____ in a lump sum

I understand that the foregoing elections under paragraphs 1 and 3 above are irrevocable, except as provided in Sections 7 or Section 8 of the Plan.

Executed this _____ day of _____, _____.

Signature

ALBANY INTERNATIONAL CORP.
CENTENNIAL DEFERRED COMPENSATION PLAN

1. Purpose

The purpose of this Plan ("Plan") is to enable directors and certain employees of Albany International Corp. (the "Company") and its subsidiaries to defer the receipt of compensation that they otherwise would have received currently in cash, and to receive the deferred amount, plus interest thereon, at a time which they choose when they make the original deferral election or subsequently as permitted by the Plan. The Plan is intended to be an unfunded plan maintained by the Company primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and shall be interpreted in a manner consistent with such intent. As used herein, the term "Albany Group" shall mean the Company and all corporations which are, at the time, subsidiaries of the Company.

2. Effective Date

The Plan shall be effective from and after July 1, 1995, until terminated as provided herein.

3. Eligibility

The persons eligible to participate in the Plan are (a) all employees of the Company who are in the top management incentive compensation group and any other employees of the Company or any other member of the Albany Group who, with respect to any year, are approved for participation by the Compensation and Stock Option Committee (the "Committee") of the Board of Directors of the Company (collectively, the "eligible employees") and (b) all directors of the Company.

4. Compensation Covered by the Plan

The compensation covered by the Plan ("covered compensation") will be (a) any base salary, bonus or other cash compensation payable to an eligible employee by the Company or any other member of the Albany Group and (b) any directors' fees payable in cash to a director by the Company.

* Reflects amendments dated November 7, 1997, May 25, 2001, June 15, 2001 and August 8, 2001.

5. Election to Defer

Each director and eligible employee may, in lieu of receiving current covered compensation, elect to defer:

- (a) any designated percentage of his/her covered compensation; or
- (b) any designated dollar amount of his/her covered compensation.

6. Investment of Deferred Covered Compensation

- (a) As used herein, the term "Moody's Rate" for any calendar month shall mean a rate equal to one-twelfth (1/12) of the average of the monthly composite yields on Moody's Seasoned Corporate Bond Yield Index for the immediately preceding calendar year, as published by Moody's Investors Service, Inc. in Moody's Bond Record (or any successor thereto), or, if such monthly yield is no longer published, a substantially similar average selected by the Committee in its sole discretion. As used herein, the term "Additional Rate" shall mean such additional monthly rate as the Committee, in its sole discretion, shall from time to time determine. The Additional Rate at the effective date of the Plan and until changed by the Committee shall be one-quarter of one (0.25) percentage point. The Committee, in its sole discretion, may change the Additional Rate at any time; provided that at no time shall the Additional Rate be less than zero (0.0) percentage points. Such new Additional Rate shall apply to amounts deferred pursuant to an election received by the Company on or after the date on which the change is adopted and announced by the Committee. The amount in each existing Account (as described below) of a participant on the effective date of such change, and any amounts credited thereafter pursuant to an election received prior to the date on which such change is adopted and announced by the Committee, shall continue to earn interest at the Moody's Rate in effect from time to time plus the Additional Rate in effect at the time the election relating to such Account was made.
- (b) The Company will establish a bookkeeping account or accounts (each, an "Account") for each director and eligible employee who has elected to defer the receipt of covered compensation under Section 5 (each, a "participant"). Each participant shall have a separate Account for each calendar year (or, in the case of 1995, the remainder thereof) for which such participant shall have filed an election to defer covered compensation. As of the last day of each month in any year, the Company, with respect to each participant who has properly elected to defer covered compensation for that year, shall credit such participant's Account for that year with the amount of covered compensation that, but for such election, would have been paid to him/her during that month. As of the last day of each month, each Account of each participant will be credited with interest on the balance credited to such Account at the beginning of that month, calculated at a rate equal to the Moody's Rate for such month plus the Additional Rate applicable to such Account, except as otherwise provided in Sections 6(c), 6(d), 6(e) and 6(f) below. The undistributed balance of each Account of a participant shall, from and after the date such participant is to commence to receive distributions thereof, bear interest for each month at a rate equal to the Moody's Rate for such month plus the Additional Rate applicable to such Account, except as otherwise provided in Section 6(e) below. All distributions of the balances credited to a participant's Accounts made in the form of installment payments pursuant to Section 7(a)(3) shall be deemed to be made pro rata from each of the participant's Accounts.
- (c) The balance credited to all Accounts of a participant who initially elects to receive such balance pursuant to an election under Section 7(a)(1)(A) shall earn interest at the Moody's Rate, except as otherwise provided in Section 6(d) below.
- (d)
 - (1) If a participant elects pursuant to Section 7(c) to redefer receipt of the balances credited to his/her Accounts to a later date certain pursuant to Section 7(a)(1)(A), interest on such balances shall continue to accrue at the Moody's Rate.
 - (2) If a participant elects pursuant to Section 7(c) to change his/her election from a date certain under Section 7(a)(1)(A) to a time permitted by Section 7(a)(1)(B) or 7(a)(1)(C), interest on the balance of each Account established prior to the date certain specified in the participant's original deferral election shall accrue interest from such date certain until the date such participant receives such balance at a rate equal to the Moody's Rate from time to time plus the Additional Rate in effect at the time the request becomes effective (subject to Sections 6(e) and 6(f) below). Until such date certain specified in the participant's original deferral election, such participant's Accounts shall continue to accrue interest at the Moody's Rate. Each Account of a participant established after the date certain specified in the participant's original deferral election shall accrue interest at a rate equal to the Moody's Rate from time to time plus the Additional Rate in effect at the time the election relating to such Account is made (subject to Sections 6(e) and 6(f) below).
- (e)
 - (1) If a participant's service as an employee of the Albany Group or as a director of the Company is terminated either (A) by the Albany Group for cause, as determined by the Committee in its sole discretion, or (B) voluntarily by such employee or director prior to the earlier to occur of (i) attainment of age 55 with at least ten (10) years of service with the Albany Group or (ii) attainment of age 60, then all of such participant's Accounts shall be deemed to have earned interest for the five (5) years immediately preceding the date on which all, or the first installment, of the balances of such Accounts (treating all Accounts of the participant as a single Account for this purpose) is received by such participant at the Moody's Rate, and such Accounts shall be recalculated to take into account such interest accrual at the Moody's Rate. In addition, after such date any undistributed balances in such participant's Accounts shall also bear interest at the Moody's Rate.
 - (2) The service of a participant who has elected to receive the balances credited to his/her Accounts at the time set forth in Section 7(a)(1)(C) below shall not be deemed "terminated" pursuant to Section 6(e)(1)(B) above if such participant continues to serve as either a director of the Company or an employee of the Albany Group.
- (f) In the case of an early distribution pursuant to Section 8(b), the portion of any participant Account so distributed shall be deemed to have earned interest at the Moody's Rate from the date of the initial deferral until the time of such early distribution, and such Account shall be recalculated to take into account such interest accrual at the Moody's Rate.

7. Distribution of Deferred Compensation

- (a) At the time a participant makes his/her first election to defer pursuant to Section 5, he/she shall also make an election, pursuant to this Section 7, as to the time and manner in which the balances credited to all of his/her Accounts (including those established for subsequent years) shall be distributed. Such election shall be irrevocable, except as provided in this Section 7 or in Section 8 hereof.
 - (1) A participant shall be entitled to elect to receive, or to commence receiving, the balances credited to his/her Accounts:
 - (A) upon the earlier of (i) a date certain specified by him/her at the time he/she makes an election to defer or (ii) the later of his/her termination of service as a director of the Company or as an employee of the Albany Group;
 - (B) upon his/her termination of service as an employee of the Albany Group (whether or not such participant is then a director of the Company); or
 - (C) upon the later of his/her termination of service as a director of the Company or his/her termination of service as an employee of the Albany Group.

For purposes of this Section 7(a)(1), "termination of service" shall include any termination resulting from "death" or "disability" of the participant, as such terms are defined in the Company's Pension Plus Plan, as amended from time to time.

- (2) A participant who has elected to receive the balances credited to his/her Accounts as set forth in Section 7(a)(1)(A) above shall receive such balances in the form of a single lump sum.
- (3) A participant who has elected to receive, or to commence receiving, the balances credited to his/her Accounts at the time set forth in Section 7(a)(1)(B) or 7(a)(1)(C) shall be entitled to elect to receive such balances in one of the following ways:
- (A) in a single lump sum in an amount equal to the aggregate amount of all of the participant's Account balances;
 - (B) in approximately equal monthly installments over a period of not more than thirty (30) years elected by the participant;
 - (C) (i) in a single lump sum equal to a percentage, elected by the participant, of the aggregate amount of all of the participant's Account balances on the date payments are to commence, followed by (ii) payment of approximately equal monthly installments over a period of not more than thirty (30) years elected by the participant; or
 - (D) (i) in approximately equal monthly installments over a period of not more than (28) years elected by the participant, followed, within thirty (30) days of the final installment, by (ii) payment of a single lump sum equal to a percentage, elected by the participant, of the aggregate amount of all of the participant's Account balances on the date payments are to commence.

Calculation of monthly installments pursuant to clauses (B), (C) and (D) above shall be made by the Company using such reasonable annuity payment calculation methods as the Company shall determine from time to time.

- (b) A participant who has elected to receive the balances credited to his/her Accounts pursuant to clause (B) or clause (C) of Section 7(a)(1) may at any time elect to change his/her election under Section 7(a)(3) to any other election permitted under Section 7(a)(3). Such election shall be made in a written instrument filed with the Committee. Not more than three such changes of election may be made by any participant. Unless the Committee, in its sole and absolute discretion, shall determine otherwise, no such change of election shall be effective if the termination of service that constitutes the triggering event for distribution to such participant has already occurred, or occurs within one (1) year of the date of such change of election; unless the termination of service is the result of the death or disability of a participant who, at the time such election was made, did not in good faith expect to die or become disabled within the next year.
- (c) A participant who has elected to receive the balances credited to his/her Accounts pursuant to Section 7(a)(1)(A) may, at any time prior to two years before the date certain specified in such election, change such date certain to a later date certain or to an event permitted by Section 7(a)(1)(B) or 7(a)(1)(C). Such a change shall be made in a written instrument filed with the Committee. Not more than one such change shall be made by any participant.
- (d) Subject to the provisions contained in this Section 7(d) and in Sections 7(c) and 8, all distributions of the balances credited to a participant's Accounts shall be made, or shall commence, either on the date certain elected by the participant for such distribution or within thirty (30) days after any other triggering event under Section 7(a). The Company may, in its sole and absolute discretion, delay, for a period of up to one (1) year, any payment to the extent that such payment would result in compensation to the participant that is not deductible for federal income tax purposes (whether by reason of Section 162(m) of the Internal Revenue Code of 1986 or otherwise). Interest shall accrue on such delayed distributions at the same respective interest rates as were being applied to the balances in the participant's Accounts immediately prior to the Company's decision to delay such payment.
- (e) A participant may at any time designate a beneficiary or beneficiaries who shall receive, following the death of the participant, payments of the balances credited to his/her Accounts. Such designation may be made in the initial election filed pursuant to Section 7(a), and may also be made or changed by the participant, at any time, by a written instrument filed with the Committee or by the participant's will. The beneficiary or beneficiaries so named shall be entitled to receive payment of such balances either (i) in the manner last elected by the participant pursuant to this Section 7, or (ii) if elected by the participant in such an instrument or will, in a lump sum.

8. Early Distributions

- (a) In the event of hardship, any participant, or any beneficiary of a deceased participant designated in accordance with clause (e) of Section 7, may, by a written instrument filed with the Committee, request an immediate distribution of all or a portion of the balances credited to the participant's Accounts. For purposes of this Section 8(a), a distribution is on account of hardship only if the distribution is made:
 - (1) on account of an immediate and heavy financial need of such participant or beneficiary, occasioned by an unanticipated emergency caused by events beyond his/her control that would result in severe financial hardship if the distribution were not permitted;
 - (2) in an amount required to satisfy such financial need; and
 - (3) in circumstances in which the need cannot be satisfied from other resources that are reasonably available to the participant or beneficiary, such as through reimbursement or compensation by insurance or otherwise, by reasonable liquidation of his/her assets (to the extent such liquidation would not itself cause an immediate and heavy financial need), by cessation of further deferrals under the Plan, or by other permitted distributions or nontaxable (at the time of the loan) loans from other plans maintained by the Albany Group, or by borrowing from commercial sources on reasonable commercial terms.

The Committee shall determine whether the requested distribution satisfies the requirements of this Section 8(a) on the basis of all relevant facts and circumstances. Any distribution of less than 100% of the balances credited to all existing Accounts of a participant pursuant to this Section 8(a) shall be deemed to be a distribution of the earliest compensation which would have been paid had it not been deferred.

- (b) The Committee may, upon the written request of any participant, or any beneficiary of a deceased participant designated in accordance with clause (e) of Section 7, distribute to such participant or beneficiary all or a portion of the balances credited to his/her Accounts prior to the time when he/she would otherwise have been entitled to such distribution if the Committee determines, in its sole and absolute discretion, that such earlier distribution is warranted for good reasons and as a result of extraordinary circumstances. Any distribution of less than 100% of the balances credited to all existing Accounts of a participant pursuant to this Section 8(b) shall be deemed to be a distribution of the earliest compensation which would have been paid had it not been deferred.
- (c) (1) Upon the request of any participant, including a participant no longer serving as an employee of the Albany Group or as a director of the Company, or any beneficiary of a deceased participant designated in accordance with clause (e) of Section 7, a distribution of a portion or the entire balance credited to any Account of a participant shall be made at any time or times prior to the time at which he/she would have been entitled to receive such amount in accordance with an election pursuant to Section 7 hereof; provided that there shall be withheld from each such distribution an amount equal to ten percent (10%) of the amount requested to be distributed. Such participant or beneficiary shall forever forfeit, relinquish and waive any right to receive any such withheld amounts, or any interest thereon.
- (2) Upon the request of any participant who at the time is serving as an employee of the Albany Group or a director of the Company and has not made known to the Company any present intention to terminate such service during the three years following such request, a distribution of a portion or the entire balance credited to any Account of a participant shall be made at any time or times prior to the time at which he/she would have been entitled to receive such amount in accordance with an election pursuant to Section 7 hereof; provided that (i) there shall be withheld from each such distribution an amount equal to five percent (5%) of the amount requested to be distributed, and (ii) such participant thereafter shall be precluded from deferring any subsequent covered compensation (including any compensation payable after such distribution that would have been deferred pursuant to a deferral election made prior to the distribution) under this Plan or any other deferred compensation plan of the Company during the period of three years following the date of each such distribution. In the event that such participant's service as an employee of the Albany Group or as a director of the Company is terminated by the Albany Group for cause, as determined by the Committee in its sole discretion, or voluntarily by such participant, in either case during any such three year period, the participant shall forever forfeit, relinquish and waive any right to receive the amount withheld from the withdrawal that triggered such period and any earnings thereon. Any amount so withheld shall otherwise be distributed to such participant upon termination of his or her service during such period for any other reason, or upon expiration of such three-year period. Interest on any such withheld amount shall continue to accrue in the manner described in Section 6 above until expiration of such three-year period or until it is forfeited.
- (3) Any distribution of less than 100% of the balances credited to all existing Accounts of a participant pursuant to this Section 8(c) shall be deemed to be a distribution of the earliest compensation which would have been paid had it not been deferred.

9. Manner of Election

No earlier than November 1 and no later than December 15 of the year immediately prior to the year in which such covered compensation would otherwise be earned and paid, each director and eligible employee shall be entitled to file instruments with the Committee exercising his/her elections under Section 5 and, in the case of the director's or eligible employee's initial election under the Plan, Section 7(a) of the Plan. Each election under Section 5 shall be applicable only to covered compensation earned and otherwise payable in the immediately subsequent year. Notwithstanding the foregoing, (a) in the year in which the Plan is first implemented, directors and eligible employees shall be entitled to file such instruments to defer covered compensation for services to be performed during such year and subsequent to such elections not later than thirty (30) days after the date the Plan becomes effective and (b) in the first year in which a director or eligible employee becomes eligible to participate in the Plan, such director or eligible employee shall be entitled to file such instruments to defer covered compensation for services to be performed during such year and subsequent to such elections within thirty (30) days after the date he/she first becomes eligible. Each election under Section 5 shall be irrevocable; provided that a participant may revoke an election at any time with respect to any covered compensation payable subsequent to the last day of the calendar month during which such revocation is made.

10. Administration of Plan

The Plan shall be administered by the Compensation and Stock Option Committee of the Board of Directors of the Company. The Committee shall interpret the Plan and make all decisions with respect to the rights of directors and eligible employees hereunder; provided, however, that no member of the Committee shall act on any matter in which such member has a particular or special interest. The forms to be used for making elections pursuant to Section 5 as well as initial elections pursuant to Section 7 are attached hereto as Exhibits A and B, respectively.

11. Funding

This Plan shall be unfunded. Amounts payable hereunder shall be paid from the general assets of the Company. The Company may establish a trust pursuant to a trust agreement and make contributions thereto for the purpose of assisting the Company in meeting its obligations in respect of benefits payable under the Plan. Any such trust agreement shall contain procedures to the following effect:

- (a) In the event of the insolvency of the Company, the trust fund will be available to pay the claims of any creditor of the Company to whom a distribution may be made in accordance with state and federal bankruptcy laws. The Company shall be deemed to be "insolvent" if the Company is subject to a pending proceeding as a debtor under the federal Bankruptcy Code (or any successor federal statute) or any state bankruptcy code. In the event the Company becomes insolvent, the Board of Directors and chief executive officer of the Company shall notify the trustee of that event as soon as practicable. Upon receipt of such notice, or if the trustee receives other written allegation of the Company's insolvency, the trustee shall cease making payments of benefits from the trust fund, shall hold the trust fund for the benefit of the Company's creditors, and shall take such steps as are necessary to determine within thirty (30) days whether the Company is insolvent. In the case of the trustee's actual knowledge of or other determination of the Company's insolvency, the trustee will deliver assets of the trust fund to satisfy claims of the Company's creditors as directed by a court of competent jurisdiction;
- (b) The trustee shall resume payment of benefits under the trust agreement only after the trustee has determined that the Company is not insolvent (or is no longer insolvent, if the trustee had previously determined the Company to be insolvent) or upon receipt of an order of a court of competent jurisdiction requiring such payment. If the trustee discontinues payment of benefits pursuant to paragraph (a) of this Section 11 and subsequently resumes such payment, the first payment on account of a participant following such discontinuance shall include an aggregate amount equal to the difference between the payments which would have been made on account of such participant under the trust agreement and the aggregate payments actually made on account of such participant by the Company during any such period of discontinuance, plus interest on such amount at a rate equivalent to the net rate of return earned by the trust fund during the period of such discontinuance.

12. Reports to Participants

The Committee shall provide to each participant a report twice a year, as of each June 30 and December 31, detailing the status of that participant's Accounts.

13. Amendment or Termination

This Plan may be amended or terminated at any time by the Board of Directors of the Company or by the Committee; provided, however, that no amendment may reduce the interest rate on any covered compensation deferred pursuant to an election made prior to the date on which such amendment is adopted and announced by the Committee, whether or not credited to a participant's Account prior to the effective date of such amendment. Upon termination of the Plan, the Committee may distribute to each participant the balances credited to his/her Accounts at the time of such termination in the form of a lump sum or otherwise as it determines in its sole discretion. The Company shall notify each participant and each beneficiary currently entitled to benefits under the Plan of termination of the Plan within ninety (90) days after such termination; provided that the failure to give such notice shall not affect the Company's rights hereunder.

14. Non-Assignability

Interests in covered compensation deferred or in a participant's Accounts shall not be assignable or transferable or subject to attachment, garnishment, levy, execution or other legal or equitable process, except by will or the laws of descent and distribution.

15. Plan Not a Contract of Employment

This Plan is not a contract of employment, and the terms of employment of any employee of the Albany Group shall not be affected in any way by the Plan or related instruments except as specifically provided in the Plan or such related instruments. The establishment of the Plan shall not be construed as conferring any legal rights upon any employee for a continuation of employment, nor shall it interfere with the right of the Albany Group to discharge any employee and to treat him/her without regard to the effect which such treatment might have upon him/her as a participant. Each participant and all persons who may have or claim any right by reason of his/her participation shall be bound by the terms of the Plan and all agreements entered into pursuant thereto.

16. Construction

- (a) The Plan is intended to qualify as an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as referred to in Section 201(2) of ERISA, and its terms shall be interpreted accordingly. Otherwise, the laws of the State of New York shall control the interpretation and performance of the terms of the Plan.
- (b) If any provision of the Plan, or the application of any such provision to any person or circumstances, shall be invalid under any federal or state law, neither the application of such provision to persons or circumstances other than those as to which such provision is invalid nor any other provisions of the Plan shall be affected thereby.

Exhibit A

ALBANY INTERNATIONAL CORP.

CENTENNIAL DEFERRED COMPENSATION PLAN

Election as to Amount of Covered Compensation to be Deferred

The undersigned, [a director] [and] [an eligible employee] under the Centennial Deferred Compensation Plan (the "Plan") of Albany International Corp. (the "Company"), hereby elects as follows pursuant to Section 5 of such Plan:

Please withhold from my covered compensation payable in _____ the following:
(YEAR)

(check one only)

(a) ___% of my base salary per month, ___% of my annual bonus compensation and ___% of any other cash compensation.

(b) \$ ___ per month out of my base salary, \$ ___ out of my annual bonus compensation and \$ ___ out of any other cash compensation.

(check one only)

(a) ___% of my directors' fees.

(b) \$ ___ out of my directors' fees.

The foregoing election shall be effective for the calendar year commencing January 1, ___ and ending December 31 of such year. The foregoing election is subject to the terms and conditions of the Plan, which are incorporated herein by reference.

By executing this election, I acknowledge that:

- (a) I have received (i) a copy of the Plan, (ii) the most recent Annual Report of the Company containing the Company's audited financial statements for the most recently ended fiscal year of the Company and (iii) such other financial information regarding the Company as I deem necessary in connection with my execution of this election and my participation in the Plan; and
- (b) I understand that my rights under the Plan are as a general creditor of the Company and that no funds of the Company will be set aside, in a trust or otherwise, for the payment of benefits owing to me under the Plan.

I understand that any covered compensation which I defer pursuant to this election will not be included as "Compensation" for purposes of determining the percentage of my Compensation that I may have elected to contribute or to have contributed to my account in the Company's Prosperity Plus 401(k) Plan, and that such non-inclusion may reduce the contributions to such account and may reduce the amount of matching contributions and profit-sharing contributions (if any) for which I may be eligible under the Company's Prosperity Plus 401(k) Plan and Prosperity Plus Employee Stock Ownership Plan.

I also understand that, with respect to any retirements occurring after November 15, 2000, salary and bonus compensation that has been deferred by an employee will no longer be excluded for purposes of determining such employee's benefits under the Company's Pension Plus and Supplemental Executive Retirement plans. My decision to defer will not, therefore, have any adverse effect on my benefits under those plans.

I further understand that any covered compensation which I defer pursuant to this election may nevertheless be subject to certain employment taxes on a current basis, such as taxes under the Federal Insurance Contributions (Social Security) Act.

Executed this ___ day of _____, ____.

Signature

Employees of the Albany Group who work outside the United States should consult with their personal tax adviser regarding the effect of participation in the Plan on their particular circumstances

ALBANY INTERNATIONAL CORP.

CENTENNIAL DEFERRED COMPENSATION PLAN

Election as to Time and Manner in which Deferred Compensation shall be Distributed

The undersigned, [a director] [and][an eligible employee] under the Centennial Deferred Compensation Plan (the "Plan") of Albany International Corp. (the "Company"), hereby elects as follows, pursuant to Section 7(a) of such Plan:

1. Time of Distribution

The balances credited to my Accounts (as defined in the Plan) shall be distributed to me, or such distribution shall commence:

(check one only)

- (a) on the earlier of [Month/Day/Year] or my termination of service as a director of the Company or as an employee of the Company and its subsidiaries (collectively, the "Albany Group").
(b) upon my termination of service as an employee of the Albany Group (whether or not I am then a director of the Company).
(c) upon the later of my termination of service as a director of the Company or as an employee of the Albany Group.

"Termination of service" shall include any termination of service resulting from my death or disability (as defined in the Company's Pension Plus Plan, as amended from time to time).

2. Manner of Distribution

Distribution shall be made as follows (if option (a) is checked in paragraph 1 above, only option (a) may be checked below):

(check one only)

- (a) in a lump sum
(b) in approximately equal monthly installments over ___ years (not to exceed 30)
(c) in a lump sum equal to ___% of my aggregate Account balances on the date distribution commences, followed by approximately equal monthly installments over ___ years (not to exceed 30).
(d) in approximately equal monthly installments over ___ years (not to exceed 28), followed by a lump sum equal to ___% of my aggregate Account balances on the date distribution commences.

3. Designation of Beneficiaries

Upon my death, the following person(s) shall be entitled to receive the balances credited to my Accounts:

Table with 3 columns: Name, Address, Relationship. Multiple rows for beneficiary information.

I understand that the foregoing elections under paragraphs 1 and 2 above are irrevocable, except as provided in Sections 7 and 8 of the Plan, and apply to all covered compensation the receipt of which I may elect to defer in the future pursuant to the Plan. The foregoing elections are subject to the terms and conditions of the Plan, which are incorporated herein by reference.

Executed this ___ day of _____, ____.

Signature