

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001
COMMISSION FILE NUMBER 1-1043

BRUNSWICK CORPORATION
(Exact name of registrant in its charter)

<Table>

<S>	DELAWARE	<C>	36-0848180
	(State of incorporation)		(I.R.S. Employer Identification No.)

1 N. FIELD CT., LAKE FOREST, ILLINOIS	60045-4811
(Address of principal executive offices)	(Zip Code)

</Table>

(847) 735-4700
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<Table>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
-----	-----
<S> Common Stock (\$0.75 par value)	<C> New York, Chicago, Pacific and London Stock Exchanges

</Table>

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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

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

As of MARCH 1, 2002, the aggregate market value of the voting stock of the registrant held by non-affiliates was \$2,372,937,249. Such number excludes stock beneficially owned by officers and directors. This does not constitute an admission that they are affiliates.

The number of shares of Common Stock (\$0.75 par value) of the registrant outstanding as of MARCH 1, 2002, was 88,841,124.

DOCUMENTS INCORPORATED BY REFERENCE

PART III OF THIS REPORT ON FORM 10-K INCORPORATES BY REFERENCE CERTAIN

FORM 10-K REPORT

TABLE OF CONTENTS

<Table>
<Caption>

	PAGE
<S>	<C>
PART I	
Item 1. Business.....	1
Item 2. Properties.....	8
Item 3. Legal Proceedings.....	8
Item 4. Submission of Matters to a Vote of Security Holders.....	11
PART II	
Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	14
Item 6. Selected Financial Data.....	14
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	15
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.....	28
Item 8. Financial Statements and Supplementary Data.....	29
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	29
PART III	
Item 10. Directors and Executive Officers of the Registrant.....	30
Item 11. Executive Compensation.....	30
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	30
Item 13. Certain Relationships and Related Transactions.....	30
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	30

</Table>

PART I

ITEM 1. BUSINESS

Brunswick Corporation (the Company) is a manufacturer and marketer of leading consumer brands including Mercury and Mariner outboard engines; Mercury MerCruiser sterndrive and inboard engines; marine parts and accessories under the Mercury Precision Parts and Quicksilver brands; Sea Ray, Bayliner, Maxum and Sealine pleasure boats; Hatteras luxury sportfishing convertibles and motoryachts; Baja high-performance boats; Boston Whaler and Trophy offshore fishing boats; Princecraft fishing, deck and pontoon boats; Life Fitness, Hammer Strength and ParaBody fitness equipment; Brunswick bowling equipment and consumer products; and Brunswick billiards tables and accessories. The Company also owns and operates Brunswick family bowling centers across the United States and internationally, as well as a chain of specialty fitness retail stores concentrated in the Northeast and Pacific Northwest regions of the United States.

The Company's strategy is to achieve growth by developing innovative products, identifying and deploying leading-edge technologies, pursuing aggressive marketing and brand-building activities, pursuing international opportunities and leveraging core competencies. Further, the Company focuses on enhancing its operating margins through effective cost management and investments in technology. The Company's objective is to enhance shareholder value by achieving returns on investments that exceed its cost of capital.

During 2001, the Company substantially completed the divestiture of its former outdoor recreation segment, including its cooler, hunting sports accessories and North American fishing businesses. The Company completed the

sale of its bicycle and camping businesses in 2000 and its European fishing business in early 2002. The Company's reportable segments following these divestitures are: Marine Engine, Boat, and Recreation. Prior-year numbers have been restated to conform with the discontinued operations and new segment presentations. See NOTE 3, SEGMENT INFORMATION, in the Notes to Consolidated Financial Statements for financial information about these segments.

MARINE ENGINE SEGMENT

The Marine Engine segment consists of the Mercury Marine Group. The Company believes its Marine Engine segment has the largest dollar sales volume of recreational marine engines in the world.

Mercury Marine manufactures and markets a full range of outboard engines, sterndrive engines, inboard engines and propless water-jet propulsion systems under the familiar Mercury, Mariner, Mercury MerCruiser, Mercury Racing, Mercury SportJet and Mercury Jet Drive brand names. A portion of Mercury Marine's outboards and parts and accessories, including marine electronics and controls integration systems, steering systems, instruments, controls, propellers, service aids and marine lubricants, are sold to end-users through marine dealers and specialty marine retailers. The remaining outboard engines and virtually all of the sterndrives, inboard engines and water-jet propulsion systems are sold either to independent boatbuilders or to the Company's own boat companies that comprise the Brunswick Boat Group (Boat Group).

Mercury Marine has five two-stroke OptiMax outboard engines ranging from 135 to 250 horsepower, all of which feature Mercury's direct fuel injection (DFI) technology. DFI is part of Mercury's plan to reduce outboard engine emissions 75 percent by 2006 to comply with U.S. Environmental Protection Agency (EPA) requirements. Mercury's product line of low-emission engines includes 13 four-stroke outboards ranging from 4 to 115 horsepower. These OptiMax and four-stroke outboards already achieve the EPA's mandated 2006 emission levels. The California Air Resources Board (CARB) mandated that EPA's 2006 emission levels be met by 2001 with further emission reductions scheduled for 2004 and 2008. CARB has instituted a rating system for emissions reduction that establishes ratings of either one star (75 percent reduction), two stars (82 percent reduction) or three stars (91 percent reduction). Mercury believes that its 135-horsepower OptiMax is the only two-stroke engine in the world with a three-star rating from CARB. All Mercury four-stroke outboards from 25 to 115 horsepower are also three-star rated.

On February 14, 2002, Mercury Marine announced the formation of a joint venture with Cummins Marine, a division of Cummins Inc., to supply integrated diesel propulsion systems to the worldwide

1

recreational and commercial marine markets. The Company and Cummins will each own 50 percent of the joint venture, Cummins MerCruiser Diesel Marine LLC, effective April 1, 2002. Through the joint venture, Mercury will extend its product offerings to include diesel-fueled propulsion packages in a displacement range of 1.7 to 15 liters for pleasure, sailing, military and commercial applications.

Mercury also announced in February 2002 that it had acquired Teignbridge Propellers, Ltd., and formed a manufacturing alliance with All Star Engine Company. Teignbridge, located in Newton Abbot, United Kingdom, is a manufacturer of custom and standard propellers and underwater stern gear for inboard-powered vessels. The acquisition of Teignbridge will allow Mercury to extend its product offerings to a full line of propellers and related equipment in markets and applications not previously served. In connection with the All Star alliance, Mercury will produce All Star's 708 engine, an aluminum block, fuel-injected V-8 which will be offered by Mercury's Racing division to the high-performance marine market as well as to commercial marine and non-marine applications.

Mercury's SmartCraft system, a total marine electronics and controls integration system, links power, controls, and internal and external sensors, to provide synchronized data and control over all essential boat functions. SmartCraft systems leverage Mercury's advanced engine capability and allow Mercury and its customers to take advantage of advances in communications, entertainment and navigation electronics by providing a platform to integrate these technologies and enhance the overall boating experience. SmartCraft was introduced on a number of Mercury engine offerings beginning in 2000 and 2001,

and will be offered on a broader range of products beginning in 2002, including Cummins MerCruiser diesel engines, the All Star 708 V-8, and numerous Mercury and MerCruiser engines.

Mercury Marine's product offerings in international markets include the sale and distribution of a range of aluminum, fiberglass and inflatable boats produced either by, or for, Mercury in Australia, France, Norway, Poland, Portugal and Sweden. These boats are marketed under the brand names Armor, Arvor, Askaladden, Bermuda, Mercury, Ornvik, Quicksilver, Savage, Uttern and Valiant.

In response to unfavorable market conditions, during 2001 Mercury Marine undertook both permanent and temporary workforce reductions. Production workforces were reduced through layoffs and through temporary plant shutdowns in weekly increments to match production output with customer demand, while full-time salaried employee costs were reduced through permanent reductions and a one-week furlough. Approximately 325 positions were affected by permanent workforce reductions.

Domestic retail demand for the Marine Engine segment's products is seasonal, with sales generally highest in the second quarter. A number of factors can influence demand for the Marine Engine segment's products, including, but not limited to:

- Economic conditions and consumer confidence in the United States and certain international regions;
- Adverse weather in key geographic areas, including excessive rain, prolonged below-average temperatures and severe heat or drought, particularly during the key selling season;
- The level of inventories maintained by the segment's dealers, independent boatbuilders and the Company's Boat Group;
- The segment's ability to make technological advancements to meet customer demands;
- The segment's ability to provide competitive products;
- Consumer demand for the Company's boat offerings and those of other major domestic boatbuilders;
- Fuel costs;
- Prevailing interest rates; and
- Consumer interest in recreational boating.

BOAT SEGMENT

The Boat segment consists of the Brunswick Boat Group, which manufactures and markets fiberglass pleasure boats, high-performance boats, offshore fishing boats, and aluminum fishing, deck and pontoon boats. The Company believes its Boat Group has the largest dollar sales volume of pleasure boats in the world.

2

The Boat Group was formed in October 2000 to leverage the Company's core competencies in the marine industry by combining all of its boat brands within one operating unit. Through its Sea Ray, US Marine, Hatteras, Sealine and Princecraft divisions, the Boat Group manufactures and markets Hatteras luxury sportfishing convertibles and motoryachts; Sea Ray, Bayliner, Maxum and Sealine motoryachts, cruisers and runabouts; Boston Whaler and Trophy offshore fishing boats; Baja high-performance boats; Princecraft aluminum fishing, deck and pontoon boats; and Escort boat trailers. The Boat Group procures outboard engines, gasoline sterndrives and gasoline inboard engines from the Mercury Marine Group.

During 2001, the Boat Group made several important acquisitions, including Hatteras Yachts, Inc., a manufacturer of luxury sportfishing convertibles and motoryachts from 50 to 100 feet in length with manufacturing facilities in New Bern, North Carolina; Princecraft Boats, a manufacturer of an extensive line of aluminum pontoon, deck and fishing boats with manufacturing facilities in Princeville, Quebec, Canada; and Sealine International, a manufacturer of luxury sport cruisers and motoryachts from 23 to 51 feet in length with manufacturing facilities in Kidderminster, United Kingdom.

The Company closed six of its boat manufacturing plants during 2001. The closed plants were located in Phoenix, Arizona; Tallahassee, Florida; two plants in Valdosta, Georgia; Miami, Oklahoma; and Spokane, Washington. The affected plants manufactured Bayliner, Maxum and Sea Ray boats. The closures were made to

capitalize on improved operating efficiencies at the remaining boat plants and to facilitate reduction of pipeline inventories through reduced production volumes. The Company also chose to delay the opening of a plant it has constructed in Cape Canaveral, Florida. Also in 2001, the Company completed workforce reductions at several manufacturing plants and implemented production suspensions. In all, approximately 2,750 hourly and salaried positions were eliminated in connection with these plant closures and workforce reductions. Following completion of the closures, and the acquisitions of Hatteras, Princecraft and Sealine, the Boat Group has 15 boat plants throughout the United States, one boat plant in Canada and one in the United Kingdom, and component plants in the United States and United Kingdom.

The Boat Group's products are sold to end users through dealers. Sales to the Boat Group's largest dealer, with multiple locations, comprised approximately 19 percent of Boat segment sales in 2001. Domestic retail demand for pleasure boats is seasonal with sales generally highest in the second quarter. A number of factors can influence demand for the Boat segment's products, including, but not limited to:

- Economic conditions and consumer confidence in the United States and certain international regions;
- Adverse weather in key geographic areas, including excessive rain, prolonged below average temperatures and severe heat or drought, particularly during the key selling season;
- The level of inventories maintained by the segment's dealers;
- The segment's ability to provide competitive products;
- Availability of effective distribution;
- Fuel costs;
- Prevailing interest rates; and
- Consumer interest in recreational boating.

RECREATION SEGMENT

The Recreation segment includes the Life Fitness exercise equipment business and the Brunswick Bowling and Billiards (BB&B) business.

The Company believes Life Fitness has the largest dollar sales volume of commercial fitness equipment in the world. Life Fitness designs, markets and manufactures a full line of reliable, high-quality cardiovascular fitness equipment (including treadmills, total-body cross-trainers, and stationary bikes) and strength-training fitness equipment under the Life Fitness, Hammer Strength and ParaBody brands. Life Fitness serves the commercial (health clubs, gyms, professional sports teams, military, government, hospitality, corporate and educational facilities) and high-end consumer markets.

In 2001, Life Fitness acquired all of the remaining interest in Omni Fitness Equipment, Inc., and its affiliated companies (Omni Fitness). The Company had previously accounted for its interest in Omni Fitness

3

under the equity method of accounting. Omni Fitness is a chain of 63 specialty fitness retail stores that sell high-end fitness equipment directly to consumers. Omni Fitness stores are concentrated in the Northeast and Pacific Northwest regions of the United States.

BB&B is the leading manufacturer and designer of bowling products, including bowling balls, after-market products and parts, and capital equipment, which includes bowling lanes, automatic pinsetters, ball returns and furniture units. BB&B also sells computerized bowling-scoring equipment, which is manufactured to BB&B's specifications.

BB&B operates 121 family bowling centers in the United States, Canada and Europe, and its joint ventures operate 24 additional centers in Asia. Family bowling centers offer bowling and, depending on size and location, the following activities and services: billiards, video games, pro shops, children's playrooms, conference rooms for private meetings and birthday parties, restaurants and cocktail lounges with entertainment. All of the centers offer Cosmic Bowling, a glow-in-the-dark feature that enhances the bowling experience. Twenty-one of the Company's North American centers have been converted to Brunswick Zones, which are branded, state-of-the-art facilities featuring enhanced recreational elements and media. Approximately 50 percent of the recreation center facilities are owned by the Company.

BB&B has a 50 percent ownership interest in Nippon Brunswick K. K., which sells bowling equipment and operates bowling centers in Japan. In addition, BB&B has a 50 percent ownership interest in Vulcan-Brunswick Bowling Pin Company, which manufactures bowling pins in Antigo, Wisconsin. BB&B also has a minority ownership interest in a joint venture in Thailand that owns and operates bowling centers.

BB&B designs and markets billiards tables, billiards balls, cues and related accessories under the Brunswick brand. BB&B serves the domestic and international commercial and consumer billiards markets. The Company believes it has the largest dollar sales volume of billiards tables in the world.

The Company's recreational products and services are sold through a variety of channels, including mass merchandisers, distributors, dealers, bowling centers and retailers, and directly to customers. High-end consumer fitness equipment is sold through specialty retailers, including the Company's Omni Fitness retail chain and other chains in which the Company has ownership interests. Recreation segment products are distributed worldwide from regional warehouses, sales offices and factory stocks of merchandise. Demand for the Recreation segment's products is seasonal, with sales generally highest in the first and fourth quarters, and is influenced by a number of factors, including, but not limited to:

- Economic conditions and consumer confidence in the United States and certain international regions;
- Product innovation;
- Availability of effective product distribution;
- Consumer participation in fitness activities, bowling and billiards;
- Demand from owners and operators of fitness and recreation centers for new equipment from the segment;
- Availability of financing to the segments' dealers, retailers and commercial customers;
- Competition from alternative forms of recreation; and
- Product and facility quality, pricing, and customer service.

The following table sets forth the net sales of the Fitness and BB&B businesses of the Recreation segment for 2001, 2000 and 1999:

<Table>
<Caption>

	2001	2000	1999
	-----	-----	-----
	(IN MILLIONS)		
	<C>	<C>	<C>
Fitness.....	\$397.7	\$348.3	\$290.5
BB&B.....	368.1	422.4	442.9
	-----	-----	-----
	\$765.8	\$770.7	\$733.4
	=====	=====	=====

</Table>

DISCONTINUED OPERATIONS

During 2001 and early 2002, the Company substantially completed the divestiture of its outdoor recreation segment, announced in June of 2000, with the sale of its fishing, hunting sports accessories, and cooler businesses. See NOTE 11, DISCONTINUED OPERATIONS, in the Notes to Consolidated Financial Statements, for a description of the Company's discontinued operations.

INTERNATIONAL OPERATIONS

The Company's sales to customers in international markets were \$859.2 million (25.5 percent of net sales) and \$838.4 million (22.0 percent of net sales) in 2001 and 2000, respectively. The Company's sales into international markets are primarily denominated in local currencies, while costs of products manufactured or sourced are typically denominated in U.S. dollars. The Company's international sales are set forth in NOTE 3, SEGMENT INFORMATION, in the Notes to Consolidated Financial Statements, and are also included in the table below, which details the Company's international sales by region for 2001, 2000 and 1999:

<Table>
<Caption>

	2001	2000	1999

	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Europe.....	\$448.0	\$432.1	\$406.1
Pacific Rim.....	171.4	166.4	151.4
Canada.....	146.0	149.9	138.2
Latin America.....	64.1	59.6	60.0
Other.....	29.7	30.4	29.9

	\$859.2	\$838.4	\$785.6
	=====		

</Table>

Mercury Marine has a product customization plant and distribution center in Belgium; sales and distribution centers in Australia, Brazil, Canada, China, Japan, Malaysia, Mexico, New Zealand and Singapore; and sales offices in Australia, Belgium, Brazil, Denmark, France, Germany, Indonesia, Italy, the Netherlands, Norway, Russia, Sweden and Switzerland. Mercury Marine has boat assembly plants in Australia, France, Mexico and Sweden. Mercury Marine also operates a marina and club in China. Mercury Marine sales comprised approximately 54 percent of the Company's total international sales in 2001.

The Boat Group's boats are manufactured predominately in the United States and are sold worldwide through dealers. Manufacturing locations in Princeville, Quebec, Canada and Kidderminster, United Kingdom were acquired in connection with the acquisitions of Princecraft Boats and Sealine International, respectively, during 2001. In addition, kits for certain runabout boat models are sold to approved manufacturers outside the United States who then manufacture boats to specification and sell the boats under certain Boat Group brand names. The Boat Group has sales offices in England, France, the Netherlands and Spain, and product display locations in Australia, Brazil and France. The Boat Group's sales comprised approximately 18 percent of the Company's total international sales in 2001.

Life Fitness sells its products worldwide and has sales and distribution centers in Brazil, Germany, Hong Kong, Japan, the Netherlands, Spain and the United Kingdom, as well as sales offices in Austria and Italy.

BB&B sells its products worldwide, has sales offices in various countries, and a plant that manufactures pinsetters in Hungary. BB&B operates bowling centers in Austria, Canada and Germany, has a 50 percent interest in an entity that sells bowling equipment and operates bowling centers in Japan, and a minority interest in a joint venture in Thailand that operates bowling centers.

Recreation segment sales comprised approximately 28 percent of the Company's total international sales in 2001.

5

RAW MATERIALS

Raw materials are purchased from various sources. At present, the Company is not experiencing any critical raw material shortages, nor are any anticipated. General Motors Corporation is the sole supplier of engine blocks used to manufacture the Company's gasoline sterndrive engines.

PATENTS, TRADEMARKS AND LICENSES

The Company has, and continues to obtain, patent rights, consisting of patents and patent licenses, covering certain features of the Company's products and processes. The Company's patent rights, by law, have limited lives and expire periodically.

In the Marine Engine segment, patent rights principally relate to features of outboard engines and inboard-outboard drives, including die-cast powerheads, cooling and exhaust systems, drive train, clutch and gearshift mechanisms, boat/engine mountings, shock-absorbing tilt mechanisms, ignition systems, propellers, spark plugs and fuel- and oil-injection systems. Other significant patents relate to marine vessel control systems.

In the Recreation segment, patent rights principally relate to computerized bowling scorers and business information systems, bowling lanes and related equipment, bowling balls, fitness equipment and billiards table designs and components.

While the Company believes that marine engine and fitness equipment patents are important to its competitive position in these businesses, the Company also believes that future success in all of its businesses is mainly dependent upon its engineering, manufacturing and marketing capabilities.

The following are among the Company's primary trademarks or registered trademarks: Air-Hockey, Anvilane Pro Lane, Baja, Ball Wall, Bayliner, Boston Whaler, Brunswick, Brunswick Billiards, Brunswick Zone, Capri, CenterMaster, Ciera, Control Max, Cosmic Bowling, DBA Products, Engine Guardian, Framework, Fuze, Gold Crown, Hammer Strength, Hatteras, Jet Drive, Lifecycle, Life Fitness, Lightworx, Mariner, Master Dealer, Maxum, MercNet, MerCruiser, Mercury, MercuryCare, Mercury Marine, Mercury Parts Express, Mercury Precision Parts, Mercury Propellers, Mercury Racing, Monster, MotoTron, OptiMax, ParaBody, Precision Piloting, Princecraft, ProMax, Q Care, QuickFit, Quicksilver, Sealine, SeaPro, Sea Ray, SmartCraft, SportJet, Teignbridge Propellers, Throbot, Trophy, True Technologies, Typhoon, U.S. Play by Brunswick, Viz-A-Ball, WaterMouse and Zone. These trademarks have indefinite lives. Many of these trademarks are well known to the public and are considered valuable assets of the Company.

COMPETITIVE CONDITIONS AND POSITION

The Company believes that it has a reputation for quality in its highly competitive lines of business. The Company competes in its various markets by utilizing efficient production techniques, innovative technological advancements and effective marketing, advertising and sales efforts, and by providing high-quality products at competitive prices.

Strong competition exists with respect to each of the Company's product groups, but no single manufacturer competes with the Company in all product groups. In each product area, competitors range in size from large, highly diversified companies to small, single-product businesses. The following summarizes the Company's position in each segment.

Marine Engine. The Company believes it has the largest dollar sales volume of recreational marine engines in the world. The marine engine market is highly competitive among several major international companies and many smaller ones. There are also many competitors in the marine accessories business. Competitive advantage in the marine engine and accessories markets is a function of product features, technological leadership, quality, service, performance and durability, along with effective promotion, distribution and pricing.

In December 2000, Mercury Marine's largest U.S.-based competitor, Outboard Marine Corporation (OMC), filed for bankruptcy protection. Most of OMC's assets were acquired by other marine companies in

6

connection with a bankruptcy auction of the assets conducted in February 2001. OMC's bankruptcy increased demand for Mercury's products and resulted in market share gains for Mercury during 2001. Although some of the former OMC engine brands have re-emerged under different ownership, the future of the OMC assets and their impact on Mercury's business remain unclear.

Boat. The Company believes it has the largest dollar sales volume of pleasure boats in the world. There are hundreds of manufacturers of pleasure and offshore fishing boats. Consequently, this business is highly competitive. The Company competes on the basis of product features, technology, quality, dealer service, performance, value, durability and styling, along with effective promotion, distribution and pricing.

Recreation. The Company believes it is the world's largest manufacturer of bowling capital equipment, billiards tables and commercial fitness equipment, and one of the largest manufacturers of consumer fitness equipment. Certain bowling products, such as automatic scorers and computerized management systems, many billiards table designs and many fitness equipment products represent innovative features and developments in the market. See ITEM 3, LEGAL PROCEEDINGS for a description of certain litigation involving fitness equipment patents. Competitive emphasis also is placed on product quality, marketing

activities, pricing and service. The Company believes it has the largest fitness equipment service network in the United States. The Company operates 121 family bowling centers in the United States, Canada and Europe, and its joint ventures operate 24 additional centers in Asia, where emphasis is placed on maintaining quality facilities and providing excellent customer service. The Company also operates Omni Fitness, a chain of 63 specialty retail stores, where emphasis is placed on providing excellent customer service and offering competitive products.

RESEARCH AND DEVELOPMENT

The Company's research and development investments, relating to new products or to the improvement of existing products, are shown below:

	2001	2000	1999
(IN MILLIONS)			
Marine Engine.....	\$58.2	\$ 60.8	\$53.3
Boat.....	19.7	22.5	17.7
Recreation.....	18.0	18.9	18.7
	\$95.9	\$102.2	\$89.7

</Table>

NUMBER OF EMPLOYEES

The approximate number of employees as of December 31, 2001, is shown below by segment:

Marine Engine.....	6,240
Boat.....	7,300
Recreation.....	7,000
Corporate.....	160
	20,700

</Table>

There are approximately 2,200 employees in the Marine Engine segment, 200 employees in the Boat segment, and 350 employees in the Recreation segment represented by labor unions. The Company believes that it has good relations with these labor unions.

ENVIRONMENTAL REQUIREMENTS

See ITEM 3, LEGAL PROCEEDINGS, for a description of certain environmental proceedings in which the Company is involved.

ITEM 2. PROPERTIES

The Company's headquarters are located in Lake Forest, Illinois. The Company has numerous manufacturing plants, distribution warehouses, sales offices and test sites located throughout the world. Research and development facilities are decentralized within the Company's operating segments and most are located at individual manufacturing sites.

THE COMPANY'S PRIMARY FACILITIES ARE IN THE FOLLOWING LOCATIONS:

MARINE ENGINE

Saint Cloud, Florida; Stillwater, Oklahoma; Fond du Lac, Milwaukee and Oshkosh, Wisconsin; Melbourne, Australia; Petit Rechain, Belgium; Saint Cast, France; Juarez, Mexico; Skellefhamn, Sweden; and Newton Abbot, United Kingdom.

BOAT

Edgewater, Merritt Island and Palm Coast, Florida; Cumberland and Salisbury, Maryland; Pipestone, Minnesota; New Bern, North Carolina; Bucyrus, Ohio; Roseburg, Oregon; Knoxville and Vonore, Tennessee; Arlington, Washington; Princeville, Quebec, Canada; and Kidderminster, United Kingdom.

RECREATION

Paso Robles, California; Franklin Park, Illinois; Falmouth, Kentucky; Muskegon, Michigan; Ramsey, Minnesota; Bristol, Wisconsin; Szekesfehervar, Hungary; 121 family bowling centers in the United States, Canada and Europe; 24 family bowling centers operated by the Company's joint ventures in Asia; and 63 specialty fitness retail stores in the United States.

The Company believes its plants are suitable and adequate for its current needs. The Company believes that all of its properties are well maintained and in good operating condition. Most plants and warehouses are of modern, single-story construction, providing efficient manufacturing and distribution operations. During 2001, the Company's plants were operated at approximately 68 percent of capacity. The Company's headquarters and most of its principal plants are owned by the Company.

Two plants where Mercury Marine boats are manufactured, in Saint Cast, France, and Skellefhamn, Sweden, are leased.

The principal warehouse for the Life Fitness Division in Franklin Park, Illinois, is leased through 2011. A Life Fitness plant in Paso Robles, California, is leased until 2005.

Approximately 50 percent of BB&B's family bowling centers are leased.

ITEM 3. LEGAL PROCEEDINGS

On January 22, 2002, the United States Supreme Court granted discretionary review of the case *Sprietsma vs. Mercury Marine*, a "propeller guard" case on appeal from the Illinois Supreme Court. At issue in *Sprietsma* is whether federal law preempts tort claims alleging that marine engines should be equipped with devices designed to protect against propeller injuries. Nine federal courts and many state courts, including the Illinois Supreme Court in *Sprietsma*, have previously found such claims to be preempted by the United States Coast Guard's 1990 decision, pursuant to the Federal Boat Safety Act, not to require propeller guards. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

On September 6, 2001, the Federal Trade Commission (FTC) informed the Company that it had closed an investigation concerning the Company's bidding for certain assets of Outboard Marine Corporation (OMC) as a part of OMC's bankruptcy. On October 5, 2001, the FTC also informed the Company that it had closed a separate investigation commenced in 1997 concerning certain of the Company's marketing practices related to the sale of sterndrive marine engines to boatbuilders and dealers.

8

On October 26, 2000, the Company became one of 109 defendants in a suit filed in federal court in Arizona by the Lemelson Foundation for allegedly violating several of the Foundation's patents. The patents at issue involve machine-vision and bar-coding technology, and the Foundation has asserted a number of similar actions against other companies alleged to have used these technologies in their distribution or manufacturing activities. This lawsuit has been stayed by the Arizona court pending the outcome of a lawsuit filed against the Foundation in Nevada. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

On October 27, 1999, the United States Tax Court upheld an Internal Revenue Service (IRS) determination that resulted in the disallowance of capital losses and other expenses from two partnership investments for 1990 and 1991. The Company appealed the Tax Court ruling to the United States Court of Appeals for the District of Columbia and posted a \$79.8 million surety bond to secure payment of tax deficiencies plus accrued interest related to the appeal. On December 21, 2001, the Court of Appeals rendered a decision vacating the Tax

Court's opinion and remanded the case to the Tax Court for reconsideration in light of an earlier Court of Appeals decision. If, on remand to the Tax Court, the Company does not prevail, the net amount of taxes due, plus interest, net of tax, would be approximately \$135 million. The Company has settled all other issues with the IRS on open tax years 1989 through 1994 and anticipates favorable adjustments that would decrease the total net amount to approximately \$53 million, which would likely be payable in 2003. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

In 1994, one of Life Fitness' competitors, Precor, Incorporated, filed a complaint in federal court in Seattle, Washington, involving one of Life Fitness' treadmills. The lawsuit claimed that Life Fitness had engaged in unfair competitive practices in violation of the Washington State Consumer Protection Act and that certain of its treadmills infringed a design patent held by Precor. Life Fitness then filed an infringement claim against Precor, in connection with Life Fitness' '207 patent for its flexible treadmill deck. On October 26, 1999, the jury awarded Precor, now a subsidiary of Illinois Tool Works, Inc., approximately \$5.2 million in connection with Precor's design infringement claim against the Company, as successor in interest to the predecessor entities of its Life Fitness division. The jury also rejected Life Fitness' '207 patent claim. Precor was awarded up to \$5.3 million in attorneys' fees and prejudgment interest on the damage award. The Company appealed the verdict and the award of attorneys' fees to the United States Court of Appeals for the Federal Circuit. On June 27, 2001, the Court of Appeals issued its decision upholding the lower court's finding that Life Fitness' '207 patent claim was invalid, and reversing the lower court's finding that Life Fitness infringed Precor's design patent. The Court of Appeals remanded the award of attorneys' fees to the lower court for a redetermination based on the reversal of the willful infringement finding. On January 10, 2002, the federal court ruled that Precor is entitled only to those attorneys' fees directly attributable to the unfair competition claims under the Washington State Consumer Protection Act. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

In January 2000, Precor filed suit against Life Fitness in federal court in Washington alleging that certain of Life Fitness' cross-trainer exercise machines infringed Precor's Miller '829 patent. In 1999, before Precor filed its lawsuit, the Miller '829 patent was re-examined by the U.S. Patent & Trademark Office (PTO) and was rejected. The lawsuit was stayed while Precor sought a reissuance of the Miller patent by the PTO. The PTO issued a modified patent on March 5, 2002. Precor has announced that it would petition the court to lift the stay and continue its lawsuit against Life Fitness. The Company does not believe that its machines infringe the patent, as modified, but is unable to predict the outcome of the second Precor case.

Vapor Corporation, a former subsidiary that the Company divested in 1990, has been named in a number of asbestos-related lawsuits, the first of which was filed in 1988. The Company retained certain liabilities of Vapor, requiring it to respond to these suits. The suits, most of which involve numerous other defendants, allege that steam generators manufactured by Vapor prior to the Company's ownership contained small amounts of asbestos. The generators were used to heat railroad cars and the primary means of potential exposure appears to have been to railroad workers performing inspections or repairs to the generators. Neither the Company nor Vapor is alleged to have manufactured asbestos. Early in the litigation, the Company's

9

insurers settled a number of claims for nominal amounts, while a number of other claims have been dismissed. No suit has yet gone to trial. The Company does not believe that the resolution of these lawsuits will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company learned on February 27, 2001, that the Florida Department of Environmental Protection had initiated an investigation into the alleged improper disposal of hazardous materials at one of the Boat Group's facilities in Merritt Island, Florida. The Company has cooperated with the officials conducting the investigation, and on March 4, 2002, signed a civil consent order effectively resolving the matter.

The Company is involved in certain legal and administrative proceedings under the Comprehensive Environmental Response, Compensation and Liability Act

of 1980 and other federal and state legislation governing the generation and disposition of certain hazardous wastes. These proceedings, which involve both on- and off-site waste disposal or other contamination, in many instances seek compensation or remedial action from the Company as a waste generator under Superfund legislation, which authorizes action regardless of fault, legality of original disposition or ownership of a disposal site. The Company has established reserves based on a range of current cost estimates for all known claims.

In its Marine Engine segment, the Company will continue to develop engine technologies to reduce engine emissions to comply with present and future restrictive requirements, including those imposed by the United States Environmental Protection Agency and the California Air Resources Board. The Boat segment continues to pursue fiberglass boat manufacturing technologies and techniques to reduce air emissions at its boat manufacturing facilities.

The Company believes that compliance with federal, state and local environmental laws will not have a material adverse effect on the Company's consolidated financial condition, results of operations or competitive position. See NOTE 7, COMMITMENTS AND CONTINGENCIES, in the Notes to Consolidated Financial Statements, for disclosure of the potential cash requirements of environmental proceedings.

10

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

None.

EXECUTIVE OFFICERS OF THE COMPANY

The Company's executive officers are listed in the following table:

OFFICER	PRESENT POSITION	AGE
George W. Buckley*.....	Chairman and Chief Executive Officer	55
Peter B. Hamilton*.....	Vice Chairman and President--Brunswick Bowling & Billiards	55
Victoria J. Reich*.....	Senior Vice President and Chief Financial Officer	44
William J. Barrington*..	Vice President and President--US Marine Division	51
Kathryn J. Chieger.....	Vice President--Corporate and Investor Relations	53
Tzau J. Chung*.....	Vice President--Strategic Planning and President--Brunswick New Technologies	38
William J. Gress*.....	Vice President--Supply Chain Management	47
Kevin S. Grodzki*.....	Vice President and President--Life Fitness Division	46
Peter G. Leemputte*.....	Vice President and Controller	44
B. Russell Lockridge*...	Vice President and Chief Human Resources Officer	52
Patrick C. Mackey*.....	Vice President and President--Mercury Marine Group	55
Dustan E. McCoy*.....	Vice President and President--Brunswick Boat Group	52
William L. Metzger.....	Vice President and Treasurer	41
William E. Seeley*.....	Vice President--Corporate Accounts and Distribution	54
Clifford M. Sladnick....	Vice President--Acquisitions	45
Marschall I. Smith *....	Vice President, General Counsel and Secretary	56
Cynthia M. Trudell *....	Vice President and President--Sea Ray Division	48
Judith P. Zelisko.....	Vice President--Tax	51

*Members of the Operating Committee

There are no family relationships among these officers. The term of office of all elected officers expires May 1, 2002. The Group and Division Presidents are appointed from time to time at the discretion of the Chief Executive Officer.

George W. Buckley has been Chairman and Chief Executive Officer of the Company since 2000. From May to June 2000 he was President and Chief Operating Officer of the Company. He was President of the Mercury Marine Group from 1997 to 2000, and during that period was also an officer of the Company, holding the following positions: Executive Vice President, February to May 2000; Senior Vice President, 1998 to 2000; and Vice President, 1997 to 1998. Prior to joining the

Company, he was President of the U.S. Electrical Motors Division of Emerson Electric Co., a manufacturer of electrical, electronic and electromagnetic products, from 1996 to 1997.

Peter B. Hamilton has been Vice Chairman of the Company and President of Brunswick Bowling & Billiards since 2000. He was Executive Vice President and Chief Financial Officer of the Company from 1998 to 2000. He was Senior Vice President and Chief Financial Officer of the Company from 1995 to 1998.

Victoria J. Reich has been Senior Vice President and Chief Financial Officer of the Company since 2000. She was Vice President and Controller of the Company from 1996 to 2000.

William J. Barrington has been Vice President of the Company since 1998. He was named President--US Marine Division in March 2001, having previously served as President--Sea Ray Division from 1989 to 2001.

11

Kathryn J. Chieger has been Vice President--Corporate and Investor Relations of the Company since 1996.

Tzau J. Chung has been Vice President--Strategic Planning of the Company since 2000 and President--Brunswick New Technologies since February 2002. He was Senior Vice President--Strategy and IT for the Company's Mercury Marine Group from 1997 to 2000. From 1994 to 1997 he was employed by Emerson Electric Co., a manufacturer of electrical, electronic and electromagnetic products, as Director--International for the U.S. Electrical Motors Division.

William J. Gress was elected Vice President--Supply Chain Management of the Company in February 2001. From February 2000 to January 2001, he was Executive Vice President of the Company's Igloo business. Prior to that he was employed by Mercury Marine, where he was Vice President of its MerCruiser Diesel business from 1999 to 2000, Vice President of Business Development from 1998 to 1999, Senior Director of Strategic Sourcing during 1997, and Director of Materials Management from 1993 to 1997. From November 1997 to August 1998, he was Vice President of Supplier Relations for Goss Graphics, Inc., a printing equipment manufacturer.

Kevin S. Grodzki has been Vice President of the Company and President of its Life Fitness Division since 2000. Prior to joining the Company, he was Vice President of Witco Corporation, a specialty chemical company, from 1997 to 2000. From 1977 to 1997, he was employed in a variety of capacities by E.I. DuPont DeNemours & Co., Inc., a global chemical company, where he was Vice President and Chairman of DuPont Fuji Electronic Imaging, Ltd., a DuPont joint venture involved in the development and manufacture of electronic imaging equipment, from 1995 to 1997.

Peter G. Leemputte was elected Vice President and Controller of the Company in February 2001. From 1998 to 2000, he was Executive Vice President, Chief Financial and Administrative Officer for Chicago Title Corporation, a national title insurance and real estate related products company. He was Vice President and a partner of Mercer Management Consulting, an international management consulting firm, from 1996 to 1998.

B. Russell Lockridge has been Vice President and Chief Human Resources Officer of the Company since 1999. From 1996 to 1999, he was Senior Vice President--Human Resources of IMC Global, Inc., a company that produces crop nutrients, animal feed ingredients and salt.

Patrick C. Mackey has been Vice President of the Company and President of its Mercury Marine Division since 2000. Prior to joining the Company, he was Executive Vice President of Witco Corporation, a specialty chemical company, from 1998 to 1999. From 1993 to 1997, he was employed by E.I. DuPont DeNemours & Co., Inc., as Director--Global Nylon Industrial Business, Director--Integrated Operations and Human Resources for Nylon Europe, and Director of DuPont (UK) Limited.

Dustan E. McCoy has been Vice President of the Company and President--Brunswick Boat Group since 2000. From 1999 to 2000, he was Vice President, General Counsel and Secretary of the Company. He was previously an officer of Witco Corporation, a specialty chemical company, where he was Executive Vice President in 1999; Senior Vice President from 1998 to 1999; and

Senior Vice President, General Counsel and Corporate Secretary from 1996 to 1998.

William L. Metzger was elected Vice President and Treasurer of the Company in May 2001. From 2000 to 2001, he was Assistant Vice President--Corporate Finance. From 1996 to 2000, he was Director--Corporate Accounting.

William E. Seeley was elected Vice President--Corporate Accounts and Distribution in February 2002. He previously was employed by Mercury Marine, where he was President of its Dealer and Retail Division from 2000 to 2002, President of its Parts and Accessories Division from 1999 to 2000, and Senior Vice President of Sales, Marketing and Service, and Senior Vice President of Mercury's Canadian Business, from 1996 to 1999.

Clifford M. Sladnick was elected Vice President--Acquisitions of the Company in February 2001. He joined the Company in February 2000 as Assistant General Counsel. From 1990 to 1999, he was Senior Vice President, General Counsel and Corporate Secretary of St. Paul Bancorp, Inc.

12

Marschall I. Smith was elected Vice President, General Counsel and Secretary in July 2001. Prior to joining Brunswick, he was Executive Vice President, Corporate Development and General Counsel of Digitas, Inc., a leading e-commerce integrator, from 1999 to 2001. He was a principal in Hamilton Holmes Associates, a financial and legal services consultancy, from 1998 to 1999. He held the position of Senior Vice President and General Counsel of IMC Global, Inc., a worldwide mining and chemical manufacturer, from 1993 to 1998.

Cynthia M. Trudell was elected Vice President and President--Sea Ray Division in April 2001. Prior to joining Brunswick, she held a number of positions with various divisions of General Motors, including Chairman and President--Saturn Corporation from 1999 to 2001, President--IBC Vehicles from 1996 to 1999, and plant manager, 1995-1996.

Judith P. Zelisko has been Vice President--Tax of the Company since 1998. She was Staff Vice President--Tax from 1996 to 1998.

13

PART II

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

The Company's common stock is traded on the New York, Chicago, Pacific and London Stock Exchanges. Quarterly information with respect to the high and low prices for the common stock and the dividends declared on the common stock is set forth in NOTE 19, QUARTERLY DATA, in the Notes to Consolidated Financial Statements. As of December 31, 2001, there were approximately 13,200 shareholders of record of the Company's common stock.

The Company announced in 2001 that it would begin paying dividends annually rather than quarterly, beginning in 2002, in order to reduce administrative costs. Future dividends, as declared at the discretion of the Board of Directors, will be paid in December.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data presented below as of and for the years ended December 31, 2001, 2000 and 1999, have been derived from, and should be read in conjunction with, the historical consolidated financial statements of the Company, including the notes thereto, and ITEM 7, MANAGEMENT'S DISCUSSION AND ANALYSIS, including the MATTERS AFFECTING COMPARABILITY section, contained elsewhere within this Annual Report on Form 10-K. The selected historical financial data presented below as of and for the years ended December 31, 1998, 1997 and 1996, have been derived from the consolidated financial statements of the Company that are not included herein. The financial data presented below have been restated to present the discontinued operations in accordance with Accounting Principles Board Opinion No. 30.

<Table>

<Caption>

	2001	2000	1999	1998	1997	1996
(DOLLARS AND SHARES IN MILLIONS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
RESULTS OF OPERATIONS DATA						
Net sales.....	\$3,370.8	\$3,811.9	\$3,541.3	\$3,234.9	\$2,993.6	\$2,792.5
Unusual charges.....	\$ --	\$ 55.1	\$ 116.0	\$ 50.8	\$ 79.5	\$ --
Operating earnings.....	\$ 191.1	\$ 397.1	\$ 274.6	\$ 301.8	\$ 208.1	\$ 265.8
Earnings before income taxes.....	\$ 132.2	\$ 323.3	\$ 219.3	\$ 245.3	\$ 173.8	\$ 250.9
Earnings from continuing operations.....	\$ 84.7	\$ 202.2	\$ 143.1	\$ 154.4	\$ 111.3	\$ 160.6
Cumulative effect of change in accounting principles.....	(2.9)	--	--	(0.7)	--	--
Discontinued operations:						
Earnings (loss) from discontinued operations.....	--	(68.4)	(105.2)	31.9	39.9	25.2
Loss from disposal of discontinued operations.....	--	(229.6)	--	--	--	--
Net earnings (loss).....	\$ 81.8	\$ (95.8)	\$ 37.9	\$ 186.3	\$ 150.5	\$ 185.8
BASIC EARNINGS (LOSS) PER COMMON SHARE:						
Earnings from continuing operations.....	\$ 0.96	\$ 2.28	\$ 1.56	\$ 1.57	\$ 1.12	\$ 1.63
Cumulative effect of change in accounting principles.....	(0.03)	--	--	(0.01)	--	--
Discontinued operations:						
Earnings (loss) from discontinued operations.....	--	(0.77)	(1.14)	0.32	0.40	0.26
Loss from disposal of discontinued operations.....	--	(2.59)	--	--	--	--
Net earnings (loss).....	\$ 0.93	\$ (1.08)	\$ 0.41	\$ 1.90	\$ 1.52	\$ 1.89
Average shares used for computation of basic earnings per share.....						
	87.8	88.7	92.0	98.3	99.2	98.3
DILUTED EARNINGS (LOSS) PER COMMON SHARE:						
Earnings from continuing operations.....	\$ 0.96	\$ 2.28	\$ 1.55	\$ 1.56	\$ 1.11	\$ 1.63
Cumulative effect of change in accounting principles.....	(0.03)	--	--	(0.01)	--	--
Discontinued operations:						
Earnings (loss) from discontinued operations.....	--	(0.77)	(1.14)	0.32	0.40	0.26
Loss from disposal of discontinued operations.....	--	(2.59)	--	--	--	--
Net earnings (loss).....	\$ 0.93	\$ (1.08)	\$ 0.41	\$ 1.88	\$ 1.50	\$ 1.88
Average shares used for computation of diluted earnings per share.....						
	88.1	88.7	92.6	99.0	100.3	98.8

14

<Table>
<Caption>

	2001	2000	1999	1998	1997	1996
(DOLLARS AND SHARES IN MILLIONS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA						
Assets of continuing operations.....	\$3,157.5	\$ 3094.3	\$2,685.3	\$2,501.2	\$2,445.8	\$2,281.6
Debt						
Short-term.....	\$ 40.0	\$ 172.7	\$ 107.7	\$ 170.1	\$ 109.3	\$ 112.6
Long-term.....	600.2	601.8	622.5	635.4	645.5	455.4
Total debt.....	640.2	774.5	730.2	805.5	754.8	568.0
Common shareholders' equity.....	1,110.9	1,067.1	1,300.2	1,311.3	1,315.0	1,197.7
Total capitalization.....	\$1,751.1	\$1,841.6	\$2,030.4	\$2,116.8	\$2,069.8	\$1,765.7

CASH FLOW DATA

Net cash provided by operating activities of

continuing operations.....	\$ 299.3	\$ 251.0	\$ 250.4	\$ 387.4	\$ 84.8	\$ 140.7
Depreciation and amortization.....	160.4	148.8	141.4	135.6	132.6	119.1
Capital expenditures.....	111.4	156.0	166.8	164.6	167.3	159.8
Acquisitions of businesses.....	134.4	--	4.2	32.8	331.1	39.6
Stock repurchases.....	--	87.1	18.3	159.9	8.4	--
Cash dividends paid.....	43.8	44.3	45.9	49.0	49.6	49.3

OTHER DATA

Dividends declared per share.....	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Book value per share.....	12.61	12.22	14.16	14.27	13.22	12.16
Return on beginning shareholders' equity.....	7.7%	(7.4)%	2.9%	14.2%	12.6%	17.8%
Effective tax rate.....	36.0%	37.5%	34.7%	37.1%	36.0%	36.0%
Debt-to-capitalization rate.....	36.6%	42.1%	36.0%	38.1%	36.5%	32.2%
Number of employees.....	20,700	23,200	23,100	21,800	21,100	20,000
Number of shareholders of record.....	13,200	13,800	14,500	15,600	16,200	18,400

COMMON STOCK PRICE (NYSE SYMBOL: BC)

High.....	\$ 25.01	\$ 22.13	\$ 30.00	\$ 35.69	\$ 36.50	\$ 25.75
Low.....	14.03	14.75	18.06	12.00	23.63	18.13
Close (last trading day).....	21.76	16.44	22.25	24.75	30.31	24.00

</Table>

The Notes to Consolidated Financial Statements should be read in conjunction with the above summary.

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

Certain statements in Management's Discussion and Analysis are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations that are subject to risks and uncertainties. Actual results may differ materially from expectations as of the date of this filing because of factors discussed below under the FORWARD-LOOKING STATEMENTS section.

OVERVIEW

GENERAL

Brunswick Corporation (the Company) is a manufacturer and marketer of leading consumer brands including Mercury and Mariner outboard engines; Mercury MerCruiser sterndrive and inboard engines; marine parts and accessories under the Mercury Precision Parts and Quicksilver brands; Sea Ray, Bayliner, Maxum, and Sealine pleasure boats; Hatteras luxury sportfishing convertibles and motoryachts; Baja high-performance boats; Boston Whaler and Trophy offshore fishing boats; Princecraft fishing, deck and pontoon boats; Life Fitness, Hammer Strength and ParaBody fitness equipment; Brunswick bowling equipment and consumer products; and Brunswick billiards tables and accessories. The Company also owns and operates Brunswick family bowling centers across the United States and internationally, as well as a chain of specialty fitness retail stores concentrated in the Northeast and Pacific Northwest regions of the United States.

The Company's strategy is to achieve growth by developing innovative products, identifying and deploying leading-edge technologies, pursuing aggressive marketing and brand-building activities, pursuing international opportunities and leveraging core competencies. Further, the Company focuses on enhancing its

operating margins through effective cost management and investment in technology. The Company's objective is to enhance shareholder value by achieving returns on investments that exceed its cost of capital.

Sales in 2001 decreased 11.6 percent to \$3,370.8 million on reduced sales from the marine engine, boat and bowling capital equipment businesses due to a generally weakened U.S. economy. Operating earnings decreased 51.9 percent to \$191.1 million, primarily attributable to the decline in product sales and the impact of lower production of finished goods across the Company's businesses. See the MATTERS AFFECTING COMPARABILITY section below.

The U.S. economic recession contributed to a reduction in domestic demand for marine products during 2001, which adversely affected the results of the Company's Boat and Marine Engine segments. The Company took actions during 2001 to stimulate retail demand and to reduce inventories by decreasing production levels. The Company has taken, and will continue to take, additional actions, as necessary, to keep inventories at desirable levels. The net effect of these actions, along with the reduction in demand caused by general economic factors, had an adverse impact on the Company's results for 2001, when compared with the results of the prior year.

While the effects of the recession were most pronounced on the Company's Marine Engine and Boat segments, the Recreation segment was also adversely affected. The most evident impact was the reduction in sales of bowling capital equipment. Also affected was the growth rate at Life Fitness, which declined from double-digit revenue gains in 1999 and 2000 to a single-digit gain in 2001. If weak economic conditions continue, these effects could continue to have an adverse impact on the Company's financial performance. Conversely, if economic conditions improve, the Company believes that the measures it has implemented to respond to the recession, including reductions in fixed costs and inventories, will allow the Company to improve its financial performance relative to prior reporting periods.

MATTERS AFFECTING COMPARABILITY

The Company's operating results for 2001 include the operating results of Omni Fitness Equipment, Inc. (Omni Fitness), a domestic retailer of fitness equipment; Princecraft Boats Inc. (Princecraft), a manufacturer of aluminum fishing, deck and pontoon boats; Sealine International (Sealine), a manufacturer of luxury sports cruisers and motoryachts; and Hatteras Yachts, Inc. (Hatteras), a manufacturer of luxury sportfishing convertibles and motoryachts. The operating results of Omni Fitness, Princecraft, Sealine and Hatteras are included from their respective acquisition dates of February 28, 2001, March 7, 2001, July 3, 2001, and November 30, 2001. The effect of these acquisitions was not material to the Company's financial results.

Net earnings per diluted share totaled \$0.93 in 2001 versus a net loss per diluted share of \$1.08 in 2000 and net earnings per diluted share of \$0.41 in 1999. Comparisons of net earnings per diluted share are affected by several unusual charges, as well as a change in accounting principle, which are listed below and are discussed in detail in later sections. The effect of these items on diluted earnings per share is as follows:

	2001	2000	1999	
	----	-----	-----	
	<C>	<C>	<C>	
Net earnings (loss) per diluted share -- as reported.....	\$0.93	\$(1.08)	\$0.41	
Unusual charges.....		-- 0.45	0.77	
Cumulative effect of change in accounting principle.....		0.03	-- --	
Loss from discontinued operations.....		-- 0.77	1.14	
Loss from disposal of discontinued operations.....		-- 2.59	--	
	----	-----	-----	
Net earnings per diluted share from continuing operations -- as adjusted.....	\$0.96	\$ 2.73	\$2.32	
	=====	=====	=====	

There are a number of matters that affect the comparability of results between 2001, 2000 and 1999. These matters include:

- Unusual Charges: In 2000, the Company recorded a \$55.1 million charge to operating earnings (\$40.0 million after tax or \$0.45 per diluted share) to increase environmental reserves related to the cleanup of contamination from a former manufacturing facility and to account for the write-down of

investments in certain Internet-related businesses. In 1999, the Company recorded charges to operating earnings totaling \$116.0 million (\$71.4 million after tax or \$0.77 per diluted share) relating to litigation settlements.

- Change in Accounting Principle: Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) Nos. 133/138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." Under SFAS Nos. 133/138, all derivative instruments are recognized on the balance sheet at their fair values. As a result of the adoption of this standard in 2001, the Company recorded a \$4.7 million loss (\$2.9 million after tax or \$0.03 per diluted share) as a cumulative effect of a change in accounting principle, primarily resulting from interest rate swaps.
- Discontinued Operations: During 2000, the Company announced its intention to divest the businesses that comprised the former outdoor recreation segment. In 2000, losses from the disposition of the businesses, which were based on estimates, totaled \$229.6 million after tax, or \$2.59 per diluted share. The discontinued operations generated after-tax losses of \$68.4 million and \$105.2 million in 2000 and 1999, respectively. Diluted loss per share from discontinued operations totaled \$0.77 in 2000 and \$1.14 in 1999. See the DISCONTINUED OPERATIONS section for a more detailed discussion of the operations that were discontinued in 2000.

RESULTS OF OPERATIONS

CONSOLIDATED

The following table sets forth certain ratios and relationships calculated from the consolidated statements of income:

<Table>

<Caption>

	2001	2000	1999
	-----	-----	-----
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>	<C>
Net sales.....	\$3,370.8	\$3,811.9	\$3,541.3
Percentage increase (decrease).....		(11.6)%	7.6%
Operating earnings.....	\$ 191.1	\$ 397.1	\$ 274.6
Earnings from continuing operations.....	\$ 84.7	\$ 202.2	\$ 143.1
Cumulative effect of change in accounting principle, net of tax.....	(2.9)	--	--
Loss from discontinued operations, net of tax.....	--	(68.4)	(105.2)
Loss from disposal of discontinued operations, net of tax.....	--	(229.6)	--
	-----	-----	-----
Net earnings (loss).....	\$ 81.8	\$ (95.8)	\$ 37.9
	=====	=====	=====
Diluted earnings per share from continuing operations.....	\$ 0.96	\$ 2.28	\$ 1.55
Cumulative effect from change in accounting principle.....	(0.03)	--	--
Diluted loss per share from discontinued operations.....	--	(0.77)	(1.14)
Diluted loss per share from disposal of discontinued operations.....	--	(2.59)	--
	-----	-----	-----
Diluted earnings (loss) per share.....	\$ 0.93	\$ (1.08)	\$ 0.41
	=====	=====	=====
EXPRESSED AS A PERCENTAGE OF NET SALES:			
Gross margin.....	23.2%	28.6%	28.6%
Selling, general and administrative expense.....	14.7%	14.0%	15.1%
Operating margin.....	5.7%	10.4%	7.8%

</Table>

Results for 2000 include a \$55.1 million pre-tax unusual charge to operating earnings (\$40.0 million after tax or \$0.45 per diluted share) to increase environmental reserves related to the cleanup of contamination from a former manufacturing facility and to account for the write-down of investments in certain Internet-related businesses. Results for 1999 included a \$116.0 million pre-tax charge to operating earnings

(\$71.4 million after tax or \$0.77 per diluted share) related to litigation settlements. Excluding these items, the amounts are as follows:

<Table>
<Caption>

	2001	2000	1999
	-----	-----	-----
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)		
	<C>	<C>	<C>
Operating earnings.....	\$191.1	\$452.2	\$390.6
Operating margin.....	5.7%	11.9%	11.0%
Earnings from continuing operations.....	\$ 84.7	\$242.2	\$214.5
Diluted earnings per share from continuing operations.....	\$ 0.96	\$ 2.73	\$ 2.32

In 2001, net sales of \$3,370.8 million declined \$441.1 million from 2000. Excluding acquisitions completed in 2001, sales decreased 14.1 percent for the year-over-year comparisons. The reduction in sales was experienced across all three reportable segments, but was mainly attributable to lower sales in the Boat and Marine Engine segments. Throughout 2001, weakened market conditions adversely affected domestic marine sales, particularly small boats and engines. Recreation segment sales benefited from growth in the fitness equipment business internationally, but lower sales of consumer and commercial fitness equipment in the United States, as well as reduced sales of bowling capital equipment and products, more than offset the gain.

International sales increased \$20.8 million to \$859.2 million compared with \$838.4 million in 2000. Sales in Europe increased \$15.9 million, or 3.7 percent, to \$448.0 million in 2001, reflecting stronger sales of marine engine products and fitness equipment, which were partially offset by reduced sales of boats and bowling capital equipment. Unfavorable currency trends also adversely affected international revenue comparisons. Marine engine product sales comprised the largest share of international sales in 2001.

In 2000, net sales of \$3,811.9 million improved \$270.6 million over 1999. The 7.6 percent increase was primarily due to growth in the marine engine, boat and fitness equipment businesses. Marine engine sales benefited primarily from double-digit growth in international operations and good demand for low-emission outboard engines. Boat revenues rose from increased sales of larger, higher-margin boats, while increases in fitness equipment revenues resulted from double-digit sales gains in domestic and international commercial and consumer product markets.

The Company's international sales in 2000 increased 6.7 percent to \$838.4 million, a \$52.8 million increase over the prior year. Sales in Europe of \$432.1 million in 2000 increased \$26.0 million, or 6.4 percent, over 1999. Stronger sales of marine engine products and on-going growth in fitness equipment revenues offset declines in boat sales. Sales in the Pacific Rim grew \$15.0 million in 2000 to \$166.4 million, with the 9.9 percent increase resulting from additional sales of marine engine products, boats and fitness equipment. Sales in both of these regions were adversely affected by unfavorable currency fluctuations between periods. Marine engine product sales comprised the largest share of international sales in 2000.

Gross margin percentages decreased to 23.2 percent in 2001 from 28.6 percent in 2000. The 540 basis point decline in gross margin was principally due to the impact of lower production rates, plant closures and extended shutdowns. Production rates were cut to bring production in line with demand and reduce the Company's inventory levels. Gross margins also declined as a result of a shift in sales mix in the marine businesses toward international markets and lower margin products.

The Company's gross margin percentage held constant at 28.6 percent in 2000 and 1999, as benefits were achieved from cost reductions, an improved sales mix and increased production volumes. These benefits helped to mitigate the unfavorable currency effects resulting from the sale of products that are manufactured in the United States and sold into certain foreign markets, primarily Europe and Australia.

Selling, general and administrative (SG&A) expenses, as a percentage of net sales, increased 70 basis points to 14.7 percent in 2001 as compared to 14.0

percent in 2000. Excluding acquisitions, SG&A expenses as a percentage of net sales were 13.7 percent or 30 basis points lower than in the prior year. SG&A reductions have resulted from cost-containment efforts such as workforce reductions, hiring and wage freezes, discretion-

18

ary spending controls, and reductions in performance-based compensation, as well as gains recognized on the sale of a testing facility and two boat plants.

In 2000, the Company's SG&A expenses were 14.0 percent of net sales versus 15.1 percent in 1999. The significant improvement resulted from overall sales growth, as well as successful cost-containment efforts, especially in the Boat and Marine Engine segments and the bowling business. Also contributing to this improvement was better pension plan performance and decreased legal expenses in 2000, as well as spending on Year 2000 activities incurred in 1999, but not repeated in 2000.

Operating earnings in 2001 totaled \$191.1 million versus \$397.1 million in 2000 and \$274.6 million in 1999. Operating earnings included the previously mentioned \$55.1 million pretax unusual charge in 2000 and the \$116.0 million pretax litigation charges in 1999. Excluding these charges for each year, 2000 operating earnings increased 15.8 percent to \$452.2 million and 1999 operating earnings increased 10.8 percent to \$390.6 million. Operating margins, excluding unusual charges, were 5.7 percent in 2001, 11.9 percent in 2000 and 11.0 percent in 1999. The decline in operating earnings between 2000 and 2001 was mainly due to the decline in product sales and the reduction in gross margin, partly offset by lower SG&A expenses.

Interest expense was \$52.9 million in 2001, \$67.6 million in 2000 and \$61.0 million in 1999. The decrease in 2001 was primarily attributable to a decline in the average outstanding debt levels and a lower weighted-average interest rate on short-term borrowings of 4.76 percent compared with 6.58 percent in 2000. Contributing to the increase in interest expense in 2000 versus 1999 was a higher average outstanding debt balance due to increased commercial paper borrowings to fund working capital requirements, capital expenditures and stock repurchases, and a higher weighted-average interest rate on commercial paper.

Other expense totaled \$6.0 million in 2001 and \$6.2 million in 2000 versus other income of \$5.7 million in 1999. Contributing to the other expenses in 2001 were joint venture losses and unfavorable currency adjustments. Start-up costs incurred in 2000 in connection with an equity investment, the divestiture of a joint venture in 1999 and unfavorable currency adjustments adversely affected other income/expense comparisons between 2000 and 1999.

The Company's effective tax rate was 36.0 percent in 2001, 37.5 percent in 2000 and 34.7 percent in 1999. Excluding the unusual charges, the effective tax rate was 36.0 percent in all three years.

Average common shares outstanding used to calculate diluted earnings per share were 88.1 million, 88.7 million and 92.6 million in 2001, 2000 and 1999, respectively. The decrease in average shares outstanding in 2001 and 2000 was due primarily to the share repurchase program that was principally completed in the first half of 2000. See the CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES section below for additional discussion of share repurchase program activity.

MARINE ENGINE SEGMENT

The following table sets forth Marine Engine segment results:

	2001	2000	1999
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
Net sales.....	\$1,561.6	\$1,759.9	\$1,614.8
Percentage increase (decrease).....		(11.3)%	9.0%
Operating earnings.....	\$ 173.0	\$ 276.0	\$ 242.5
Percentage increase (decrease).....		(37.3)%	13.8%
Operating margin.....	11.1%	15.7%	15.0%
Capital expenditures.....	\$ 48.8	\$ 63.8	\$ 77.1

Marine Engine segment sales declined 11.3 percent to \$1,561.6 million in 2001 compared with 2000, primarily due to weak U.S. market conditions, especially for small boats. Domestic sales of sterndrive engines and outboard engines declined compared with the prior year. On-going efforts by dealers and boatbuilders to reduce inventory levels also contributed to the decline in sales. International sales were up 13.3 percent for the

year, despite adverse currency fluctuations, reflecting more favorable economic conditions than in the domestic market and increased market share, due in part to the bankruptcy of a competitor.

Operating earnings for the segment decreased to \$173.0 million from \$276.0 million, and operating margins fell 460 basis points to 11.1 percent. Lower absorption of fixed costs from reduced production rates and extended plant shutdowns primarily accounted for the decline in operating margins for 2001 compared with 2000. An unfavorable shift in sales mix from higher-margin sterndrive engines to lower-margin outboard engines, along with an increase in international sales, also accounted for some of the margin pressure. Benefits from cost-containment efforts and a reduction in salaried headcount partially mitigated these factors.

Net sales in the Marine Engine segment of \$1,759.9 million increased 9.0 percent in 2000 versus \$1,614.8 million in 1999. The increase resulted from 12.9 percent growth in international operations, despite adverse effects of unfavorable currency exchange rates. Additionally, good demand for low-emission outboard engines generated an increase in domestic outboard sales. Demand for larger sterndrive engines and expanded distribution channels for parts and accessories also contributed to the segment's sales growth in 2000.

Operating earnings in the segment increased 13.8 percent to \$276.0 million in 2000 from \$242.5 million in 1999. Operating margins for 2000 improved to 15.7 percent, 70 basis points higher than 1999. These comparisons were favorably affected by leveraging the previously mentioned increases in sales, along with benefits from increased production volumes and continued improvements in productivity. Spending for legal matters declined in 2000 versus 1999. These factors helped to mitigate the adverse effect of a stronger dollar against key currencies and the unfavorable margin differential between low-emission and traditional outboard engine offerings due to higher initial production costs.

BOAT SEGMENT

The following table sets forth Boat segment results:

	2001	2000	1999
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
Net sales.....	\$1,251.3	\$1,574.3	\$1,476.6
Percentage increase (decrease).....		(20.5)%	6.6%
Operating earnings.....	\$ 18.1	\$ 148.2	\$ 120.7
Percentage increase (decrease).....		(87.8)%	22.8%
Operating margin.....	1.4%	9.4%	8.2%
Capital expenditures.....	\$ 35.5	\$ 57.4	\$ 46.6

In 2001, the Boat segment sales totaled \$1,251.3 million, a decrease of 20.5 percent from 2000. Excluding the acquisitions of Princecraft, Sealine and Hatteras, sales declined 24.3 percent. Weak market demand for small boats was a leading cause for the decline, although demand for larger boats also weakened in the second half of the year.

Boat segment operating earnings totaled \$18.1 million in 2001, declining \$130.1 million from the prior year. Operating margins also declined, falling 800 basis points to 1.4 percent for the year. The decline in operating margins was primarily attributable to the reduced absorption of fixed costs due to lower throughput, as well as temporary shutdowns at the boat plants. These actions were taken to balance supply with demand and to reduce inventories. The costs associated with the plant closures and an unfavorable shift in product mix towards smaller boats, which carry a lower gross margin, also contributed to the decline in operating margins. A portion of the decline was offset through efforts to enhance operating effectiveness, as well as reduced costs and decreased headcount.

The Boat segment generated \$1,574.3 million in sales in 2000, an increase of 6.6 percent over 1999 sales results. The \$97.7 million improvement in net sales resulted primarily from a 10 percent increase in sales of larger, higher-margin boats. Sales of smaller boats increased slightly for the year as improvements in the first half of 2000, driven by an improved mix, were partially offset by weakening demand experienced in the last

20

half of the year. During the second half of 2000, both dealer and Company inventories of certain boat categories increased as retail demand slowed.

In 2000, operating earnings in the Boat segment totaled \$148.2 million, a 22.8 percent increase over 1999. Operating margins improved 120 basis points to 9.4 percent in 2000, up from 8.2 percent in 1999. Operating margins in 2000 benefited from a more favorable product mix resulting from increased sales of larger, higher-margin boats and improved pricing.

RECREATION SEGMENT

The following table sets forth Recreation segment results:

<Table>
<Caption>

	2001	2000	1999
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
	<C>	<C>	<C>
Net sales.....	\$765.8	\$770.7	\$733.4
Percentage increase (decrease).....		(0.6)%	5.1%
Operating earnings.....	\$ 35.7	\$ 73.1	\$ 73.9
Percentage decrease.....		(51.2)%	(1.1)%
Operating margin.....	4.7%	9.5%	10.1%
Capital expenditures.....	\$ 25.7	\$ 31.8	\$ 41.9

In 2001, the Recreation segment reported sales of \$765.8 million, down 0.6 percent from \$770.7 million in 2000. Excluding the acquisition of Omni Fitness, a specialty retailer, sales for the segment declined 5.3 percent. Sales of fitness equipment increased 15.5 percent compared with the prior year, including the effects of Omni Fitness. Sales gains in international fitness markets were partially offset by reduced consumer product sales, as well as lower domestic sales of commercial products, as health club chains delayed expansion and upgrade projects due to the weakening economy. Retail bowling center sales were up slightly on an "equivalent center" basis. Bowling equipment sales, including capital equipment, balls, supplies and other accessories, declined due to weakness in domestic and international markets, along with efforts to reduce wholesale inventories.

The Recreation segment reported operating earnings of \$35.7 million in 2001 compared with \$73.1 million in 2000. Operating margins declined 480 basis points to 4.7 percent for the year-to-date period. The Recreation segment operating margin reductions compared with 2000 primarily reflect the lower absorption of fixed costs due to temporary plant shutdowns and production rate reductions, partially offset by cost-containment efforts.

In 2000, the Recreation segment reported sales of \$770.7 million, up 5.1 percent from \$733.4 million in 1999. The segment's sales growth was driven by a strong performance from the fitness equipment business, which reported a 20 percent increase in sales resulting from double-digit gains in both commercial and consumer products. Revenues from commercial fitness equipment products improved primarily due to increased sales to health clubs and the military in the United States as well as in international markets. New product introductions and increased distribution drove the growth in consumer exercise equipment sales. Bowling and billiards sales were down 5 percent for the year principally due to a reduction in sales of bowling products. Revenues from retail bowling centers also declined; however, the decrease was due to a reduction of six bowling centers versus the prior year. Revenues from renovated bowling centers (Brunswick Zones) were up 10 percent over the prior year.

The Recreation segment's operating earnings totaled \$73.1 million in 2000 versus \$73.9 million in 1999, and operating margins fell 60 basis points to 9.5

percent in 2000. The decline in operating margins was attributable to the unfavorable impact of a stronger dollar on the European operations in the fitness equipment business, along with continued investment spending on new products and market development. These factors were partially offset by cost-containment efforts in the bowling and billiards businesses.

DISCONTINUED OPERATIONS

During 2000, the Company announced its intention to divest the following businesses that comprised its former outdoor recreation segment: fishing, camping, bicycle, cooler, marine accessories and hunting sports accessories. These businesses have been accounted for as discontinued operations and the consolidated financial statements for all periods have been restated to present these businesses as discontinued operations in accordance with APB Opinion No. 30.

The Company substantially completed the disposal of its discontinued operations as of December 31, 2001. The sale of the hunting sports accessories, cooler and North American fishing businesses were completed in 2001, and the sale of the bicycle and camping businesses were completed in 2000. Cash generated from these dispositions, including cash proceeds, net of costs to sell, cash required to fund operations through disposition and related tax benefits realized in connection with the divestitures, was approximately \$275 million after tax.

Discontinued operations experienced losses of \$68.4 million in 2000 and \$105.2 million in 1999. Losses from discontinued operations included the results of operations from the hunting sports accessories, marine accessories and cooler businesses through September 30, 2000, and from the fishing, camping and bicycle businesses through June 30, 2000. Losses relating to these businesses subsequent to these dates were estimated and provided for in the loss on the disposition of these businesses.

The 2000 loss from discontinued operations of \$68.4 million included the write-off of goodwill and other long-term assets related to the camping business (\$76.0 million pre-tax, \$50.0 million after tax) that was recorded in the second quarter of 2000. The write-off was necessary as the Company determined that additional actions would not improve operating performance to levels sufficient to recover its investment in these assets. Also included were asset write-downs and restructuring costs, consisting primarily of severance in the fishing and camping businesses, necessitated by a change in business conditions and the decision to outsource the manufacture of fishing reels that were previously produced in-house.

The loss from disposal recorded in 2000 totaled \$305.3 million pre-tax and \$229.6 million after tax. The losses associated with the disposition of these businesses were based on an estimate of cash proceeds, net of costs to sell, along with an estimate of results of operations for these businesses from the date the decision was made to dispose of the businesses through the actual disposition date. The tax benefits associated with the disposal reflect the non-deductibility of losses on the sale of the cooler business.

Losses from discontinued operations of \$105.2 million for 1999 included a \$178.0 million pre-tax strategic charge (\$114.0 million after tax). Despite the Company's successful initiatives to expand distribution and reduce costs in its bicycle business, the profitability of the business eroded as competition from Asian imports substantially reduced market pricing for bicycles. While the price competition affected virtually all bicycles, the effects were extremely pronounced at the opening price points where the Company's bicycle offerings were concentrated. Consequently, in the fourth quarter of 1999, the Company determined that the goodwill associated with this business was impaired. Additionally, to further reduce costs, the Company committed to plans to exit manufacturing, reduce warehouse capacity and administrative expenses and rationalize product offerings. As a result of these actions, the Company recorded \$178.0 million of charges in the bicycle business. These charges included the write-off of goodwill of \$133.6 million, inventory write-downs of \$27.0 million, fixed asset write-downs of \$10.5 million and other incremental costs of \$6.9 million. Additional costs of \$7.0 million for severance and other incremental costs related to the 1999 charge were recorded in the first quarter of 2000 and are part of the \$68.4 million after-tax loss reported from discontinued operations in 2000.

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth an analysis of cash flow for the years ended December 31, 2001, 2000 and 1999 (in millions):

<Table>
<Caption>

	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
EBITDA*.....	\$345.5	\$ 594.8	\$ 537.7
Changes in working capital.....	(10.9)	(163.2)	(53.5)
Interest expense.....	(52.9)	(67.6)	(61.0)
Tax receipts (payments).....	26.6	(55.2)	(115.9)
Other.....	(9.0)	(57.8)	(56.9)
	-----	-----	-----
Cash provided by operating activities of continuing operations.....	299.3	251.0	250.4
Cash used for investing activities of continuing operations**.....	(85.9)	(188.1)	(176.1)
	-----	-----	-----
Free cash flow ***.....	\$213.4	\$ 62.9	\$ 74.3
	=====	=====	=====
Cash flow from discontinued operations (pre-tax).....		\$107.4	\$ 45.3
	=====	=====	=====

</Table>

* EBITDA is defined as net earnings, adjusted for unusual charges and discontinued operations (as previously described), before interest, taxes, depreciation and amortization. EBITDA is presented to assist in the analysis of cash from operations. However, it is not intended as an alternative measure of operating results or cash flow from operations, as determined in accordance with generally accepted accounting principles.

** Comprised principally of capital expenditures and excludes acquisition and disposition activities.

*** Free cash flow is defined as cash flow from operating and investing activities of continuing operations, excluding acquisition, disposition and financing activities.

Cash generated from operating activities, available cash balances and selected borrowings are the Company's major sources of funds for investments and dividend payments.

Net cash provided by operating activities of continuing operations totaled \$299.3 million in 2001, compared with \$251.0 million in 2000 and \$250.4 million in 1999. Cash provided from operating activities included changes in working capital that resulted in a use of \$10.9 million, \$163.2 million and \$53.5 million in 2001, 2000 and 1999, respectively. Inventories were \$557.4 million at December 31, 2001, versus \$510.7 million at December 31, 2000. Inventory, excluding acquired inventory balances, decreased \$39.4 million in 2001 compared to an increase of \$104.3 million in 2000. Accounts and notes receivable totaled \$361.9 million at December 31, 2001, compared with \$419.9 million at December 31, 2000. The \$58.0 million decrease in net receivables versus the prior year was due primarily to lower sales activity and weaker business conditions in 2001.

Tax receipts in 2001 reflect the realization of tax benefits associated with the divestitures. Tax payments in 2000 reflect benefits realized from antitrust settlement payments made in 2000 and 1999. Tax payments in 1999 reflect benefits realized on losses associated with strategic charges recorded in 1998 and 1997. Other operating cash flow activities included payments made by the Company for litigation settlements totaling \$6.6 million in 2001, \$49.4 million in 2000 and \$57.6 million in 1999.

The Company invested \$111.4 million, \$156.0 million and \$166.8 million in capital expenditures in 2001, 2000 and 1999, respectively. The largest portion of these expenditures was made for on-going investments to introduce new products, expand product lines and achieve improved production efficiencies and

product quality.

Cash paid for acquisitions, net of debt and cash acquired, totaled \$134.4 million for 2001, comprised primarily of consideration paid for Hatteras Yachts, a leading manufacturer of sportfishing convertibles and motoryachts; Sealine, a leading manufacturer of luxury sports cruisers and motoryachts; and Princecraft, a manufacturer of aluminum fishing, deck and pontoon boats. Investments totaling \$38.1 million and \$13.6 mil-

23

lion for 2000 and 1999, respectively, were primarily comprised of amounts invested in Internet-related businesses and fitness equipment distribution alliances. In addition, in 1999 the Company invested \$4.2 million to acquire two international boat companies.

The Company anticipates spending approximately \$135 million for capital expenditures in 2002. About one-half of the capital spending is expected to be for new and upgraded products, about one-third for necessary maintenance spending and the balance targeted toward cost reductions and investments in information technology. The Company will continue to evaluate acquisitions and other investment opportunities as they arise.

Cash and cash equivalents totaled \$108.5 million at the end of 2001, compared with \$125.2 million in 2000. Total debt at year-end 2001 was \$640.2 million versus \$774.5 million at the end of 2000. The decrease in total debt outstanding is due principally to decreases in short-term commercial paper borrowings. Debt-to-capitalization ratios were 36.6 percent at December 31, 2001, and 42.1 percent at December 31, 2000. The Company has a \$400.0 million long-term credit agreement with a group of banks described in NOTE 10, DEBT, in the Notes to Consolidated Financial Statements, that serves as support for commercial paper borrowings. There were no borrowings under the credit agreement at December 31, 2001. Under the terms of the long-term credit agreement, the Company has multiple borrowing options, and, if utilized, the borrowing rate, as calculated in accordance with those terms, would have been 2.07 percent at December 31, 2001. The Company also has \$600.0 million available under a universal shelf registration statement filed in 2001 with the Securities and Exchange Commission for the issuance of equity and/or debt securities.

The Company announced in 2001 that it would begin paying dividends annually rather than quarterly, beginning in 2002, in order to reduce administrative costs. Future dividends, as declared at the discretion of the Board of Directors, will be paid in December.

No stock repurchases occurred during 2001. For the years ended December 31, 2000 and 1999, the Company spent \$87.1 million and \$18.3 million, respectively, to repurchase stock under two repurchase programs. On February 8, 2000, the Company announced a program to repurchase \$100 million of its common stock from time to time in the open market or through privately negotiated transactions. During the first half of 2000, the Company repurchased 4.6 million shares of its common stock for \$84.7 million in open market transactions under this program. The Company also has a program, which was initiated in 1997, to systematically repurchase up to five million shares of its common stock to offset shares the Company expects to issue under its stock option and other compensation plans. Under this program, the Company repurchased 0.1 million and 0.8 million shares for \$2.4 million and \$18.3 million in 2000 and 1999, respectively. A total of 2.7 million additional shares may be repurchased under this program. Future repurchases of the Company's common stock under existing repurchase programs will be considered; however, in the short-term the Company intends to use excess cash to reduce debt.

The Company's financial flexibility and access to capital markets is supported by its balance sheet position, investment-grade credit ratings and ability to generate significant cash from operating activities. Management believes that there are adequate sources of liquidity to meet the Company's short-term and long-term needs.

LEGAL PROCEEDINGS

On January 22, 2002, the United States Supreme Court granted discretionary review of the case *Sprietsma vs. Mercury Marine*, a "propeller guard" case on appeal from the Illinois Supreme Court. At issue in *Sprietsma* is whether federal law preempts tort claims alleging that marine engines should be equipped with

devices designed to protect against propeller injuries. Nine federal courts and many state courts, including the Illinois Supreme Court in *Sprietsma*, have previously found such claims to be preempted by the United States Coast Guard's 1990 decision, pursuant to the Federal Boat Safety Act, not to require propeller guards. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

24

On September 6, 2001, the Federal Trade Commission (FTC) informed the Company that it had closed an investigation concerning the Company's bidding for certain assets of Outboard Marine Corporation (OMC) as a part of OMC's bankruptcy. On October 5, 2001, the FTC also informed the Company that it had closed a separate investigation commenced in 1997 concerning certain of the Company's marketing practices related to the sale of sterndrive marine engines to boatbuilders and dealers.

On October 27, 1999, the United States Tax Court upheld an Internal Revenue Service (IRS) determination that resulted in the disallowance of capital losses and other expenses from two partnership investments for 1990 and 1991. The Company appealed the Tax Court ruling to the United States Court of Appeals for the District of Columbia and posted a \$79.8 million surety bond to secure payment of tax deficiencies plus accrued interest related to the appeal. On December 21, 2001, the Court of Appeals rendered a decision vacating the Tax Court's opinion and remanded the case to the Tax Court for reconsideration in light of an earlier Court of Appeals decision. If, on remand to the Tax Court, the Company does not prevail, the net amount of taxes due, plus interest, net of tax, would be approximately \$135 million. The Company has settled all other issues with the IRS on open tax years 1989 through 1994 and anticipates favorable adjustments that would decrease the total net amount to approximately \$53 million, which would likely be payable in 2003. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

In 1994, one of Life Fitness' competitors, Precor, Incorporated, filed a complaint in federal court in Seattle, Washington, involving one of Life Fitness' treadmills. The lawsuit claimed that Life Fitness had engaged in unfair competitive practices in violation of the Washington State Consumer Protection Act and that certain of its treadmills infringed a design patent held by Precor. Life Fitness then filed an infringement claim against Precor, in connection with Life Fitness' '207 patent for its flexible treadmill deck. On October 26, 1999, the jury awarded Precor, now a subsidiary of Illinois Tool Works, Inc., approximately \$5.2 million in connection with Precor's design infringement claim against the Company, as successor in interest to the predecessor entities of its Life Fitness division. The jury also rejected Life Fitness' '207 patent claim. Precor was awarded up to \$5.3 million in attorneys' fees and prejudgment interest on the damage award. The Company appealed the verdict and the award of attorneys' fees to the United States Court of Appeals for the Federal Circuit. On June 27, 2001, the Court of Appeals issued its decision upholding the lower court's finding that Life Fitness' '207 patent claim was invalid, and reversing the lower court's finding that Life Fitness infringed Precor's design patent. The Court of Appeals remanded the award of attorneys' fees to the lower court for a redetermination based on the reversal of the willful infringement finding. On January 10, 2002, the federal court ruled that Precor is entitled only to those attorneys' fees directly attributable to the unfair competition claims under the Washington State Consumer Protection Act. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

In January 2000, Precor filed suit against Life Fitness in federal court in Washington alleging that certain of Life Fitness' cross-trainer exercise machines infringed Precor's Miller '829 patent. In 1999, before Precor filed its lawsuit, the Miller '829 patent was re-examined by the U.S. Patent & Trademark Office (PTO) and was rejected. The lawsuit was stayed while Precor sought a reissuance of the Miller patent by the PTO. The PTO issued a modified patent on March 5, 2002. Precor has announced that it would petition the court to lift the stay and continue its lawsuit against Life Fitness. The Company does not believe that its machines infringe the patent, as modified, but is unable to predict the outcome of the second Precor case.

Vapor Corporation, a former subsidiary that the Company divested in 1990, has been named in a number of asbestos-related lawsuits, the first of which was

filed in 1988. The Company retained certain liabilities of Vapor, requiring it to respond to these suits. The suits, most of which involve numerous other defendants, allege that steam generators manufactured by Vapor prior to the Company's ownership contained small amounts of asbestos. The generators were used to heat railroad cars and the primary means of potential exposure appears to have been to railroad workers performing inspections or repairs to the generators. Neither the Company nor Vapor is alleged to have manufactured asbestos. Early in the litigation, the Company's insurers settled a number of claims for nominal amounts, while a number of other claims have been dismissed.

25

No suit has yet gone to trial. The Company does not believe that the resolution of these lawsuits will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is also involved in certain legal and administrative proceedings under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other federal and state legislation governing the generation and disposition of certain hazardous wastes. These proceedings, involving both on-and off-site waste disposal or other contamination, in many instances seek compensation or remedial action from the Company as a waste generator under Superfund legislation, which authorizes action regardless of fault, legality of original disposition or ownership of a disposal site. The Company is also involved in a number of voluntary environmental remediation actions addressing contamination resulting from historic activities on its present and former plant properties. The Company has established reserves based on a range of current cost estimates for all known claims. Refer to NOTE 7, COMMITMENTS AND CONTINGENCIES, in the Notes to Consolidated Financial Statements for disclosure of the potential cash requirements of environmental proceedings.

ENGINE EMISSION REGULATIONS

U.S. Environmental Protection Agency (EPA) regulations finalized in 1996 require that certain exhaust emissions from gasoline marine outboard engines be reduced by 8.3 percent per year for nine years beginning with the 1998 model year. The Company has implemented a plan that meets the EPA compliance schedule. It includes both modifying automotive two-stroke direct fuel injection technology for marine use and substituting certain two-stroke engines with four-stroke engines. Both of these technologies yield emission reductions of 80 percent or better. More recently, the California Air Resources Board (CARB) voted to adopt regulations more stringent than the EPA regulations. These regulations accelerated the applicability of the EPA targeted emissions reductions from 2006 to 2001. This affected new engines sold in California beginning with the model year 2001, with further emission reductions scheduled in 2004 and 2008. The Company met the 2001 requirements and believes that its current implementation plan designed to meet the EPA exhaust emissions regulations will allow the Company to comply with the more stringent regulations as currently proposed by CARB. The Company expects the amount of low-emission engine sales as a percentage of total Marine Engine segment sales to continue to increase and anticipates that it will continue to invest in development of low-emission engine technologies.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001, be accounted for under the purchase method. SFAS No. 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized to earnings, but instead reviewed annually for impairment. The amortization of existing goodwill and indefinite-lived intangible assets at June 30, 2001, will be ceased at January 1, 2002. Goodwill on acquisitions completed subsequent to June 30, 2001, is not amortized, but instead will be reviewed annually for impairment. The Company is currently assessing SFAS No. 142 and has not yet made a determination of the impact that adoption will have on the consolidated financial statements. Amortization expense arising from goodwill and other intangible assets that will no longer be amortized under the provisions of the new rules was approximately \$17.2 million and \$15.3 million in 2001 and 2000, respectively.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes both SFAS

No. 121 and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS No. 121. SFAS No. 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to

26

include a component of an entity (rather than a segment of a business). Unlike SFAS 121, an impairment assessment under SFAS No. 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under SFAS No. 142. SFAS No. 144 is required to be adopted no later than the fiscal year beginning after December 15, 2001. The adoption of SFAS No. 144 is not expected to have a material impact on the financial statements because the impairment assessment under SFAS No. 144 is largely unchanged from SFAS No. 121.

EURO CONVERSION

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies (legacy currencies) and one new common currency - the Euro. The transition period for the introduction of the Euro extends through 2002. Beginning in January 2002, new Euro-denominated bills and coins will be issued. The Company has evaluated, and will continue to evaluate, the effects on its operations of the conversion to the Euro. The costs to prepare for this conversion, including the costs to adapt information systems, have not been and are not expected to be material to the Company's results of operations, financial position or cash flows. The Company does not currently expect the introduction and use of the Euro to have a material effect on its foreign exchange and hedging activities, or on its use of derivative financial instruments. While the Company does not expect the Euro conversion to have a material effect on its operations, some uncertainty exists as to the effect that the conversion to the Euro will have on the markets for the Company's products. Accordingly, the effect on the Company's operations cannot be predicted with certainty.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this Annual Report may include words such as "expect," "anticipate," "believe," "may," "should," "could," or "estimate." These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this filing. These risks include, but are not limited to:

- - General economic conditions and consumer confidence, and resultant demand for the Company's products, particularly in the United States and Europe:
Like many companies, the Company's revenues were adversely affected by the U.S. recession. The Company's future results may continue to suffer if general economic conditions do not improve.
- - The effect of interest rates and fuel prices on demand for marine products:
The Company's marine products particularly boats are often financed, and higher interest rates can retard demand for these products. The Company's marine businesses are somewhat fuel-cost-sensitive, and higher fuel costs can also hurt demand.
- - Adverse weather conditions retarding sales of marine products:
Sales of the Company's marine products are generally more robust just before and during spring and summer, and favorable weather during these months tends to have a positive effect on consumer demand. Conversely, poor weather conditions during these periods can retard demand.
- - The market impact of the liquidation of a bankrupt marine competitor's inventory and the acquisition of that competitor's marine engine assets by other marine companies:
The Company's Marine Engine segment has gained market share as a result of the bankruptcy of a key competitor. The acquisition of the assets of

that competitor, however, may erode those market share gains.

-- Shifts in currency exchange rates:

The Company manufactures its products predominately in the United States, though international manufacturing is increasing. A strong U.S. dollar can make the Company's products less price-competitive relative to locally produced products in international markets where currencies are

27

weaker. The Company is focusing on international manufacturing and global sourcing in part to offset this risk.

-- Competitive pricing pressures:

Across all of the Company's product lines, introduction of lower-cost alternatives can hurt the Company's competitive position. The Company's efforts at cost-containment, commitment to quality products, and excellence in operational effectiveness and customer service are designed in part to offset this risk.

-- Inventory adjustments by the Company, its major dealers, retailers and independent boatbuilders:

The Company's inventory reduction efforts have focused on reducing production, which results in lower rates of absorption of fixed costs and thus lower margins. In addition, as the Company's dealers and retailers, as well as independent boatbuilders who purchase the Company's marine engine products, adjust inventories downward, wholesale demand for the Company's products diminishes. This hurts the Company's short-term results and could hurt the Company's ability to meet increased demand when the U.S. economy recovers and demand increases.

-- Financial difficulties experienced by dealers and independent boatbuilders:

The U.S. economic downturn has adversely affected many of the Company's dealers. As the main channel for the Company's products, dealer health is critical to the Company's continued success. In addition, a substantial portion of the Company's engine sales are made to independent boatbuilders. As a result, the Company's financial results can be influenced by the financial well-being of these independent boatbuilders.

-- The ability to maintain effective distribution:

The Company sells the majority of its products through third parties such as dealers, retailers and distributors. Maintaining good relationships with existing distribution partners, and establishing new distribution channels where appropriate, is critical to the Company's continued success.

-- The Company's ability to complete environmental remediation efforts at the cost estimated:

As discussed in PART I, ITEM 3 above, the Company is subject to several environmental proceedings, some of which involve costly remediation efforts over extended periods of time. The Company believes that it is adequately reserved for these environmental obligations, but significant increases in the costs of these programs could hurt the Company's results of operations in the period or periods in which additional reserves or outlays are deemed necessary.

-- The Company's ability to develop product technologies which comply with regulatory requirements:

As discussed in PART I, ITEM 3 above, the Company's Marine Engine Segment is subject to emissions standards that require ongoing efforts to bring the Company's engine products in line with regulatory requirements. The Company believes that these efforts are on track and will be successful, but unforeseen delays in these efforts could have an adverse effect on the Company's results of operations.

-- The success of marketing and cost-management programs and the Company's ability to develop and produce new products and technologies:

The Company is constantly subject to competitive pressures. The Company's continuing ability to respond to these pressures, particularly through cost-containment initiatives, marketing strategies, and the introduction of new products and technologies, are critical to the

Company's continued success.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates and commodity prices. The Company enters into various hedging transactions to mitigate these risks in accordance with guidelines established by the Company's management. The Company does not use financial instruments for trading or speculative purposes.

28

The Company uses foreign currency forward and option contracts to manage foreign exchange exposure related to transactions, assets and liabilities that are subject to risk from foreign currency rate changes. The Company's principal currency exposures relate to the Euro, Canadian dollar, Japanese yen, British pound and Australian dollar. Hedging of anticipated transactions is accomplished with financial instruments as the maturity date of the instrument, along with the realized gain or loss, occurs on or near the execution of the anticipated transaction. Hedging of an asset or liability is accomplished through the use of financial instruments as the gain or loss on the hedging instrument offsets the gain or loss on the asset or liability.

The Company uses interest rate swap agreements to mitigate the effect of changes in interest rates on the Company's borrowings. The Company's net exposure to interest rate risk primarily consists of fixed-rate instruments. Interest rate risk management is accomplished through the use of interest rate swaps and floating-rate instruments that are benchmarked to U.S. and European short-term money market interest rates.

Raw materials used by the Company are exposed to the effect of changing commodity prices. Accordingly, the Company uses commodity swap agreements to manage fluctuations in prices of anticipated purchases of certain raw materials.

The Company uses a value-at-risk (VAR) computation to estimate the maximum one-day reduction in pre-tax earnings related to its foreign currency, interest rate and commodity price-sensitive derivative financial instruments. The VAR computation includes the Company's debt, foreign currency forwards, interest rate swap agreements and commodity swap agreements.

The amounts shown below represent the estimated reduction in fair market value that the Company could incur on its derivative financial instruments from adverse changes in foreign exchange rates, interest rates or commodity prices using the VAR estimation model. The VAR model uses the variance-covariance statistical modeling technique and uses historical foreign exchange rates, interest rates and commodity prices to estimate the volatility and correlation of these rates and prices in future periods. It estimates a loss in fair market value using statistical modeling techniques and includes substantially all market risk exposures. The estimated potential losses shown in the table below have no effect on the Company's results of operations or financial condition.

RISK CATEGORY	AMOUNT			CONFIDENCE LEVEL
	IN	TIME	PERIOD	
	MILLIONS			
Foreign exchange.....	\$0.3	1 day	95%	
Interest rates.....	\$5.8	1 day	95%	
Commodity prices.....	\$0.6	1 day	95%	

The 95 percent confidence level signifies the Company's degree of confidence that actual losses would not exceed the estimated losses shown above. The amounts shown disregard the possibility that foreign currency exchange rates, interest rates and commodity prices could move in the Company's favor. The VAR model assumes that all movements in rates and commodity prices will be adverse. Actual experience has shown that gains and losses tend to offset each other over time, and it is highly unlikely that the Company could experience losses such as these over an extended period of time. These amounts should not be considered projections of future losses, since actual results may differ significantly depending upon activity in global financial markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Refer to the Index to Financial Statements and Financial Statement Schedule for the required information.

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

None

29

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to the directors of the Company and Section 16(a) Beneficial Ownership Reporting Compliance will be set forth in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 1, 2002 (the Proxy Statement). All of the foregoing information is hereby incorporated by reference. The Company's executive officers are listed herein on pages 11 to 13.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation will be set forth in the Proxy Statement and is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to the securities of the Company owned by the directors and certain officers of the Company, by the directors and officers of the Company as a group and by the only persons known to the Company to own beneficially more than 5 percent of the outstanding voting securities of the Company will be set forth in the Proxy Statement, and such information is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to certain relationships and related transactions will be set forth in the Proxy Statement and is hereby incorporated by reference.

PART IV

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

- (a) 1. The financial statements listed in the accompanying Index to Financial Statements and Financial Statement Schedule are filed as part of this report on pages 32 to 65.
2. The financial statement schedule listed in the accompanying Index to Financial Statements and Financial Statement Schedule is filed as part of this report on page 65.
3. The exhibits listed in the accompanying Index to Exhibits are filed as part of the 10-K unless noted otherwise.

(b) Reports on Form 8-K

None

(c) Exhibits

See Exhibit Index on pages 66 to 68.

(d) Financial Statement Schedule

See Index to Financial Statements and Financial Statement Schedule on page 32.

30

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

<Table>
<S>

<C>
BRUNSWICK CORPORATION

By: /s/ VICTORIA J. REICH By: /s/ PETER G. LEEMPUTTE

Victoria J. Reich Peter G. Leemputte
Senior Vice President and Chief Financial Vice President and Controller
Officer
</Table>

March 8, 2002

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATE INDICATED.

<Table>
<Caption>

SIGNATURE TITLE

<S>

<C>

GEORGE W. BUCKLEY Chairman and Chief Executive Officer
(Principal Executive Officer) and Director

VICTORIA J. REICH Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

PETER G. LEEMPUTTE Vice President and Controller (Principal Accounting
Officer)

NOLAN D. ARCHIBALD Director

DORRIT J. BERN Director

JEFFREY L. BLEUSTEIN Director

MICHAEL J. CALLAHAN Director

MANUEL A. FERNANDEZ Director

PETER B. HAMILTON Vice Chairman and President--
Brunswick Bowling & Billiards and Director

PETER HARF Director

JAY W. LORSCH Director

BETTYE MARTIN MUSHAM Director

GRAHAM H. PHILLIPS Director

ROBERT L. RYAN Director

ROGER W. SCHIPKE Director
</Table>

Peter G. Leemputte, as Principal Accounting Officer and pursuant to a Power of Attorney (executed by each of the other officers and directors listed above and filed with the Securities and Exchange Commission, Washington, D.C.), by signing his name hereto does hereby sign and execute this report of Brunswick Corporation on behalf of each of the officers and directors named above in the capacities in which the names of each appear above.

By: /s/ PETER G. LEEMPUTTE

Peter G. Leemputte
Vice President and Controller

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

BRUNSWICK CORPORATION

<Table>
<Caption>

PAGE

<S> <C>

FINANCIAL STATEMENTS:

Report of Management..... 33

Report of Independent Public Accountants..... 34

Consolidated Statements of Income for the Years Ended
December 31, 2001, 2000 and 1999..... 35

Consolidated Balance Sheets at December 31, 2001 and 2000... 36

Consolidated Statements of Cash Flows for the Years Ended
December 31, 2001, 2000 and 1999..... 38

Consolidated Statements of Shareholders' Equity for the
Years Ended December 31, 2001, 2000 and 1999..... 39

Notes to Consolidated Financial Statements..... 40

FINANCIAL STATEMENT SCHEDULE:

Consent of Independent Public Accountants..... 64

Schedule II - Valuation and Qualifying Accounts..... 65

</Table>

BRUNSWICK CORPORATION
REPORT OF MANAGEMENT

The Company's management is responsible for the preparation, integrity and objectivity of the financial statements and other financial information presented in this report. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect the effects of certain estimates and judgments made by management.

The Company's management maintains a system of internal controls that is designed to provide reasonable assurance, at reasonable cost, that assets are safeguarded and that transactions and events are recorded properly. The Company's internal audit program includes periodic reviews of these systems and controls and compliance therewith.

The Audit and Finance Committee of the Board of Directors, comprised entirely of outside directors, meets regularly with the independent public accountants, management and internal auditors to review accounting, reporting, internal control and other financial matters. The Committee regularly meets with both the internal and external auditors without members of management present.

<Table>

<S>	<C>	
/s/ GEORGE W. BUCKLEY		/s/ VICTORIA J. REICH
George W. Buckley	Victoria J. Reich	
Chairman and Chief Executive Officer	Senior Vice President and Chief Financial Officer	

</Table>

BRUNSWICK CORPORATION
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Brunswick Corporation:

We have audited the accompanying consolidated balance sheets of Brunswick Corporation (a Delaware Corporation) and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

As explained in Note 1 to the financial statements, effective January 1, 2001, the Company changed its method of accounting for certain derivatives instruments and certain hedging activities to conform with Statement of Financial Accounting Standards Nos. 133/138. As a result of the adoption, the Company recorded a \$2.9 million (after tax) loss as a cumulative effect of a change in accounting principle.

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

/s/ARTHUR ANDERSEN LLP

CHICAGO, ILLINOIS
JANUARY 28, 2002

BRUNSWICK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

<Table>
<Caption>

FOR THE YEARS ENDED DECEMBER 31

2001 2000 1999

(IN MILLIONS, EXCEPT PER SHARE DATA)

	<C>	<C>	<C>	<C>
NET SALES.....	\$3,370.8	\$3,811.9	\$3,541.3	
Cost of sales.....	2,587.4	2,723.3	2,527.3	
Selling, general and administrative expense.....	496.4	534.2	533.7	
Research and development expense.....	95.9	102.2	89.7	
Unusual charges.....	--	55.1	116.0	
	-----	-----	-----	
OPERATING EARNINGS.....	191.1	397.1	274.6	

Interest expense.....	(52.9)	(67.6)	(61.0)
Other income (expense).....	(6.0)	(6.2)	5.7

EARNINGS BEFORE INCOME TAXES.....	132.2	323.3	219.3
Income tax provision.....	47.5	121.1	76.2

EARNINGS FROM CONTINUING OPERATIONS.....	84.7	202.2	143.1
Cumulative effect of change in accounting principle, net of tax.....	(2.9)	--	--
Loss from discontinued operations, net of tax...	--	(68.4)	(105.2)
Loss from disposal of discontinued operations, net of tax.....	--	(229.6)	--

NET EARNINGS (LOSS).....	\$ 81.8	\$ (95.8)	\$ 37.9
=====			
BASIC EARNINGS (LOSS) PER COMMON SHARE:			
Earnings from continuing operations.....	\$ 0.96	\$ 2.28	\$ 1.56
Cumulative effect of change in accounting principle.....	(0.03)	--	--
Loss from discontinued operations.....	--	(0.77)	(1.14)
Loss from disposal of discontinued operations...	--	(2.59)	--

Net earnings (loss).....	\$ 0.93	\$ (1.08)	\$ 0.41
=====			
DILUTED EARNINGS (LOSS) PER COMMON SHARE:			
Earnings from continuing operations.....	\$ 0.96	\$ 2.28	\$ 1.55
Cumulative effect of change in accounting principle.....	(0.03)	--	--
Loss from discontinued operations.....	--	(0.77)	(1.14)
Loss from disposal of discontinued operations...	--	(2.59)	--

Net earnings (loss).....	\$ 0.93	\$ (1.08)	\$ 0.41
=====			
AVERAGE SHARES USED FOR COMPUTATION OF:			
Basic earnings per share.....	87.8	88.7	92.0
Diluted earnings per share.....	88.1	88.7	92.6

CASH DIVIDENDS DECLARED PER COMMON SHARE.....	\$ 0.50	\$ 0.50	\$ 0.50

</Table>

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

35

BRUNSWICK CORPORATION
CONSOLIDATED BALANCE SHEETS

<Table>
<Caption>

AS OF DECEMBER 31

2001 2000

(DOLLARS IN MILLIONS,
EXCEPT PER SHARE DATA)
<C> <C>

<S>

ASSETS

CURRENT ASSETS

Cash and cash equivalents, at cost, which approximates market.....	\$ 108.5	\$ 125.2
Accounts and notes receivable, less allowances of \$26.1 and \$21.2.....	361.9	419.9
Inventories		
Finished goods.....	317.2	288.1
Work-in-process.....	180.9	153.6
Raw materials.....	59.3	69.0

Net inventories.....	557.4	510.7

Prepaid income taxes.....	307.5	367.8
Prepaid expenses.....	38.9	48.6
Income tax refunds receivable.....	26.7	57.4

Net assets of discontinued operations offered for sale....	--	107.4
	-----	-----
CURRENT ASSETS.....	1,400.9	1,637.0
	-----	-----
PROPERTY		
Land.....	68.4	64.6
Buildings.....	426.3	408.6
Equipment.....	998.5	967.7
	-----	-----
Total land, buildings and equipment.....	1,493.2	1,440.9
Accumulated depreciation.....	(803.8)	(756.8)
	-----	-----
Net land, buildings and equipment.....	689.4	684.1
Unamortized product tooling costs.....	116.2	119.1
	-----	-----
NET PROPERTY.....	805.6	803.2
	-----	-----
OTHER ASSETS		
Goodwill.....	474.4	391.8
Other intangibles.....	128.9	116.1
Investments.....	80.4	73.0
Other long-term assets.....	267.3	180.6
	-----	-----
OTHER ASSETS.....	951.0	761.5
	-----	-----
TOTAL ASSETS.....	\$3,157.5	\$3,201.7
	=====	=====

</Table>

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

36

BRUNSWICK CORPORATION
CONSOLIDATED BALANCE SHEETS

<Table>

<Caption>

AS OF DECEMBER 31

2001 2000

(DOLLARS IN MILLIONS,
EXCEPT PER SHARE DATA)
<C> <C>

<S>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Short-term debt, including current maturities of long-term debt.....	\$ 40.0	\$ 172.7
Accounts payable.....	214.5	238.6
Accrued expenses.....	648.2	641.8
	-----	-----
CURRENT LIABILITIES.....	902.7	1,053.1
	-----	-----

LONG-TERM DEBT

Notes, mortgages and debentures.....	600.2	601.8
	-----	-----

DEFERRED ITEMS

Income taxes.....	185.2	215.4
Postretirement and postemployment benefits.....	216.1	196.5
Compensation and other.....	142.4	67.8
	-----	-----
DEFERRED ITEMS.....	543.7	479.7
	-----	-----

COMMON SHAREHOLDERS' EQUITY

Common stock; authorized: 200,000,000 shares, \$0.75 par value; issued: 102,538,000 shares.....	76.9	76.9
Additional paid-in capital.....	316.2	314.5
Retained earnings.....	1,079.4	1,041.4
Treasury stock, at cost:		
14,739,000 and 15,194,000 shares.....	(289.8)	(296.4)

Unamortized ESOP expense and other.....	(27.1)	(41.9)	
Accumulated other comprehensive income (loss).....	(44.7)	(27.4)	
	-----	-----	
COMMON SHAREHOLDERS' EQUITY.....	1,110.9	1,067.1	
	-----	-----	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$3,157.5	\$3,201.7	
	=====	=====	

</Table>

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

37

BRUNSWICK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

2001 2000 1999

(IN MILLIONS)

CASH FLOWS FROM OPERATING ACTIVITIES

Net earnings (loss).....	\$ 81.8	\$ (95.8)	\$ 37.9
Depreciation and amortization.....	160.4	148.8	141.4
Changes in noncash current assets and current liabilities			
Change in accounts and notes receivable.....	51.1	(69.4)	(77.2)
Change in inventory.....	39.4	(104.3)	(39.8)
Change in prepaid expenses.....	10.7	2.6	(4.4)
Change in accounts payable.....	(47.5)	(10.4)	34.3
Change in accrued expense.....	(64.6)	18.3	33.6
Income taxes.....	72.4	65.9	(39.7)
Antitrust litigation settlement payments....	(6.6)	(49.4)	(57.6)
Unusual charge.....	--	55.1	116.0
Loss from discontinued operations.....	--	298.0	105.2
Other, net.....	2.2	(8.4)	0.7

NET CASH PROVIDED BY CONTINUING

OPERATIONS..... 299.3 251.0 250.4

NET CASH PROVIDED BY DISCONTINUED

OPERATIONS..... 31.5 5.8 48.8

NET CASH PROVIDED BY OPERATING

ACTIVITIES..... 330.8 256.8 299.2

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures.....	(111.4)	(156.0)	(166.8)
Investments.....	--	(38.1)	(13.6)
Acquisitions of businesses, net of debt and cash acquired.....	(134.4)	--	(4.2)
Proceeds on the sale of property, plant and equipment.....	26.8	10.5	13.1
Other, net.....	(1.3)	(4.5)	17.3

NET CASH USED FOR CONTINUING OPERATIONS.. (220.3) (188.1) (154.2)

NET CASH PROVIDED BY (USED FOR)

DISCONTINUED OPERATIONS..... 75.9 39.5 (39.9)

NET CASH USED FOR INVESTING ACTIVITIES... (144.4) (148.6) (194.1)

CASH FLOWS FROM FINANCING ACTIVITIES

Net issuances (repayments) of commercial paper and other short-term debt.....	(144.4)	57.5	(59.7)
Payments of long-term debt including current maturities.....	(24.7)	(13.1)	(15.6)
Cash dividends paid.....	(43.8)	(44.3)	(45.9)
Stock repurchases.....	--	(87.1)	(18.3)
Stock options exercised.....	9.8	3.2	9.1

NET CASH USED FOR FINANCING ACTIVITIES... (203.1) (83.8) (130.4)

Net increase (decrease) in cash and cash equivalents.....	(16.7)	24.4	(25.3)	
Cash and cash equivalents at January 1.....	125.2	100.8	126.1	
CASH AND CASH EQUIVALENTS AT DECEMBER 31.....	\$ 108.5	\$ 125.2	\$ 100.8	

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Interest paid.....	\$ 52.6	\$ 71.3	\$ 57.7
Income taxes paid (received), net.....	\$ (26.6)	\$ 55.2	\$ 115.9
Treasury stock issued for compensation plans and other.....	\$ 12.8	\$ 3.7	\$ 18.1

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<Table>
<Caption>

	ADDITIONAL COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED UNAMORTIZED TREASURY STOCK	OTHER ESOP AND EXPENSE AND OTHER INCOME (LOSS)	COMPREHENSIVE INCOME (LOSS)	TOTAL
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)							
BALANCE, DECEMBER 31, 1998...	\$76.9	\$311.5	\$1,189.5	\$(204.7)	\$(56.1)	\$(5.8)	\$1,311.3
COMPREHENSIVE INCOME							
Net earnings.....	--	--	37.9	--	--	37.9	
Currency translation adjustments.....	--	--	--	--	(5.7)	(5.7)	
Other comprehensive income.....	--	--	--	--	2.3	2.3	
Total comprehensive income --							
1999.....	--	--	37.9	--	(3.4)	34.5	
Stock repurchased.....	--	--	--	(18.3)	--	(18.3)	
Dividends (\$0.50 per common share).....	--	--	(45.9)	--	--	(45.9)	
Compensation plans and other.....	--	2.8	--	9.0	6.8	18.6	
BALANCE, DECEMBER 31, 1999...	\$76.9	\$314.3	\$1,181.5	\$(214.0)	\$(49.3)	\$(9.2)	\$1,300.2
COMPREHENSIVE INCOME							
Net loss.....	--	--	(95.8)	--	--	(95.8)	
Currency translation adjustments.....	--	--	--	--	(8.3)	(8.3)	
Other comprehensive income (loss).....	--	--	--	--	(9.9)	(9.9)	
Total comprehensive income --							
2000.....	--	--	(95.8)	--	(18.2)	(114.0)	
Stock repurchased.....	--	--	--	(87.1)	--	(87.1)	
Dividends (\$0.50 per common share).....	--	--	(44.3)	--	--	(44.3)	
Compensation plans and other.....	--	0.2	--	4.7	7.4	12.3	
BALANCE, DECEMBER 31, 2000...	\$76.9	\$314.5	\$1,041.4	\$(296.4)	\$(41.9)	\$(27.4)	\$1,067.1
COMPREHENSIVE INCOME							
Net earnings.....	--	--	81.8	--	--	81.8	
Currency translation adjustments.....	--	--	--	--	(5.0)	(5.0)	
Other comprehensive income (loss).....	--	--	--	--	(12.3)	(12.3)	

Total comprehensive income --								
2001.....	--	--	81.8	--	--	(17.3)	64.5	
Dividends (\$0.50 per common share).....	--	--	(43.8)	--	--	--	(43.8)	
Compensation plans and other.....	--	1.7	--	6.6	14.8	--	23.1	
	----	----	-----	-----	-----	-----	-----	
BALANCE, DECEMBER 31, 2001...	\$76.9	\$316.2	\$1,079.4	\$(289.8)	\$(27.1)	\$(44.7)	\$1,110.9	

</Table>

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

39

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation. The consolidated financial statements of Brunswick Corporation (the Company) include the accounts of all consolidated domestic and foreign subsidiaries, after eliminating transactions between the Company and such subsidiaries.

Reclassifications. Certain previously reported amounts have been reclassified to conform with current-year reporting.

Use of estimates. The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates. Actual results could differ materially from those estimates. These estimates affect:

- The reported amounts of assets and liabilities,
- The disclosure of contingent assets and liabilities at the date of the financial statements, and
- The reported amounts of revenues and expenses during the reporting periods.

Estimates in these consolidated financial statements include, but are not limited to:

- The loss on the disposal of the discontinued operations;
- Losses on litigation and other contingencies;
- Warranty, income tax, insurance, inventory valuation and environmental reserves;
- Allowances for doubtful accounts (both long and short term);
- Reserves for dealer allowances;
- Reserves related to restructuring activities;
- Determination of the discount rate and other actuarial assumptions for pension and postretirement liabilities; and
- The valuation of investments.

Cash and cash equivalents. The Company considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories. Approximately 63 percent of the Company's inventories are valued at the lower of first-in, first-out (FIFO) cost or market (replacement cost or net realizable value). Inventories valued at last-in, first-out (LIFO) cost were \$83.6 million and \$81.0 million lower than the FIFO cost of inventories at December 31, 2001 and 2000, respectively. Inventory cost includes material, labor and manufacturing overhead.

Property. Property, including major improvements and product tooling costs, is recorded at cost. Maintenance and repair costs are charged against results of operations as incurred. Depreciation is charged against results of operations over the estimated service lives of the related assets, principally using the straight-line method. Buildings and improvements are depreciated over a useful life of five to forty years. Equipment is depreciated over a useful life of two to fifteen years and product tooling is depreciated over a useful life of three to eight years.

Software development costs. The Company expenses all software development and implementation costs incurred until the Company has determined that the software will result in probable future economic benefit and management has committed to funding the project. Once this is determined, external direct costs of material and services, payroll-related costs of employees working on the project and related interest costs incurred during the application development stage are capitalized. These capitalized costs are amortized over their estimated useful lives, beginning when the system is placed in service. Training costs and costs to re-engineer business processes are expensed as incurred.

Goodwill and Other Intangibles. The excess of cost over net assets of businesses acquired is recorded as goodwill and amortized using the straight-line method over its estimated useful life, principally 40 years.

40

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Accumulated goodwill amortization was \$98.8 million and \$83.9 million at December 31, 2001 and 2000, respectively. The costs of other intangible assets are amortized over their expected useful lives using the straight-line method. Accumulated amortization of other intangible assets was \$174.7 million and \$161.7 million at December 31, 2001 and 2000, respectively. At December 31, 2001 and 2000, other intangible assets included \$36.1 million and \$43.3 million, respectively, which represents unamortized prior service costs, recorded as part of the additional minimum pension liability adjustment. Acquisitions after June 30, 2001 were accounted for under Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets;" therefore, goodwill and indefinite-lived intangible assets associated with the acquisitions will not be amortized.

Investments. The Company accounts for its long-term investments that represent less than 20 percent ownership using SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company has investments in certain equity securities that have readily determinable market values and are being accounted for as Available-for-Sale equity investments in accordance with SFAS No. 115. Therefore, these investments are recorded at market value with changes reflected in other comprehensive income, a component of shareholders' equity, on an after-tax basis.

Other investments for which the Company does not have the ability to exercise significant influence and for which there is not a readily determinable market value are accounted for under the cost method of accounting. The Company periodically evaluates the carrying value of its investments and, at December 31, 2001 and 2000, such investments were recorded at the lower of cost or fair value.

For investments in which the Company owns or controls from 20 percent to 50 percent of the voting shares, the equity method of accounting is used. The Company's share of net income or losses of equity method investments is included in the Consolidated Statements of Income and was not material in any period presented. See NOTE 17, INVESTMENTS, in the Notes to Consolidated Financial Statements.

Long-lived assets. In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of its intangible and other long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable.

Other long-term assets. Other long-term assets include pension assets and long-term notes receivable. Long-term notes receivable include cash advances made to customers, principally boatbuilders and fitness equipment retailers, or their owners, in connection with long-term supply arrangements. These transactions have occurred in the normal course of business and are backed by secured or unsecured notes receivable that are reduced as purchases of qualifying products are made. Amounts outstanding related to these arrangements as of December 31, 2001 and 2000, totaled \$53.9 million and \$65.1 million, respectively. One boatbuilder customer and its owner comprised 69 percent and 61

percent of these amounts as of December 31, 2001 and 2000, respectively. Certain agreements provide for the assignment of lease and other long-term receivables originated by the Company to third parties. The assignment is not treated as a sale of the associated receivables, but as a secured obligation under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The associated receivables and related obligations are included in Consolidated Balance Sheets under other long-term assets and deferred items - compensation and other, respectively.

Advertising costs. Advertising and promotion costs are expensed in the year in which the advertising first takes place. Advertising and promotion costs were \$67.7 million, \$86.0 million and \$86.3 million for the years ended December 31, 2001, 2000 and 1999, respectively.

41

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenue recognition. In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company is in compliance with SAB 101.

The Company's revenue is derived primarily from product sales. Revenue is recognized in accordance with the terms of the sale, specifically when delivery has occurred, the sales price is fixed and determined and collectibility is reasonably assured. Provisions for discounts and rebates to customers, warranties, returns and other adjustments are provided for in the same period the related sales are recorded.

Comprehensive income. Accumulated other comprehensive income includes currency translation adjustments, unrealized derivative and investment gains and losses, and minimum pension liability adjustments. The tax effect included in these items was \$28.6 million, \$14.3 million, and \$4.3 million for the years ended December 31, 2001, 2000, and 1999, respectively.

Stock-based Compensation. Employee stock options are accounted for under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). APB No. 25 requires the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at date of grant over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net earnings and earnings per share as if the fair-value-based method of accounting had been applied as required by SFAS No. 123, "Accounting for Stock-Based Compensation."

Derivatives. The Company uses derivative financial instruments to manage its risk associated with movements in foreign currency exchange rates, interest rates and commodity prices. These instruments are used in accordance with guidelines established by the Company's management and are not used for trading or speculative purposes. See NOTE 8, FINANCIAL INSTRUMENTS, in the Notes to Consolidated Financial Statements.

Effective January 1, 2001, the Company adopted SFAS Nos. 133/138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." Under SFAS Nos. 133/138, all derivative instruments are recognized on the balance sheet at fair values. As a result of the adoption of this standard, on January 1, 2001, the Company recorded a \$2.9 million after-tax loss (\$4.7 million pre-tax) as a cumulative effect of a change in accounting principle, primarily resulting from interest rate swaps.

New Accounting Pronouncements. In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001, be accounted for under the purchase method. SFAS No. 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized to earnings, but instead reviewed annually for impairment. The amortization of existing goodwill and indefinite-lived intangible assets at June 30, 2001, ceased at January 1, 2002. Goodwill on acquisitions completed after June 30, 2001, is not amortized, but instead will be reviewed annually for impairment. The Company is currently assessing SFAS No. 142 and has not yet made a determination of the impact that

adoption will have on the consolidated financial statements. Amortization expense arising from goodwill and other intangible assets that will no longer be amortized under the provisions of the new rules, was approximately \$17.2 million and \$15.3 million in 2001 and 2000, respectively.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes both SFAS No. 121 and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant

42

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

implementation issues associated with SFAS No. 121. SFAS No. 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike SFAS 121, an impairment assessment under SFAS No. 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under SFAS No. 142. SFAS No. 144 is required to be adopted no later than the fiscal year beginning after December 15, 2001. The adoption of SFAS No. 144 is not expected to have a material impact on the financial statements because the impairment assessment under SFAS No. 144 is largely unchanged from SFAS No. 121.

2. EARNINGS PER COMMON SHARE

There is no difference in the net income used to compute basic and diluted earnings per share. The difference in the average number of shares of common stock outstanding used to compute basic and diluted earnings per share is the amount of potential common stock relating to employee stock options and compensation plans. The average number of potential shares of common stock was 0.2 million in 2001, less than 0.1 million in 2000 and 0.6 million in 1999.

3. SEGMENT INFORMATION

The Company is a manufacturer and marketer of leading consumer brands. During 2000, the Company announced its intention to divest the businesses that comprised its former outdoor recreation segment, and realigned its remaining segments in light of these announcements. The Company's reportable segments following these announcements are: Marine Engine, Boat, and Recreation.

The Marine Engine segment manufactures and markets a full range of outboard engines, sterndrive engines, inboard engines and propless water-jet propulsion systems, which are principally sold directly to boatbuilders, including the Company's Boat segment, or through marine retail dealers worldwide. The segment also manufactures and distributes boats in certain international markets. The Company's engine manufacturing plants are located primarily in the United States, and sales are primarily in the United States and Europe.

The Boat segment manufactures and markets fiberglass pleasure boats, high-performance boats, offshore fishing boats and aluminum fishing, deck and pontoon boats, which are marketed primarily through dealers. The segment's boat plants are located in the United States, Canada and United Kingdom and sales are primarily in the United States. Sales to one dealer, with multiple locations, comprised approximately 19 percent of Boat segment sales in 2001.

The Recreation segment manufactures, designs and markets fitness equipment, including treadmills, total-body cross-trainers, stationary bikes and strength-training equipment; bowling capital equipment, including lanes, pinsetters, automatic scorers; bowling balls and other accessories; billiards tables and accessories; and operates bowling centers. These products are manufactured and sourced from domestic or foreign locations. Fitness equipment is sold primarily in the United States and Europe to health clubs, military, government, corporate and university facilities, and to consumers through specialty retail shops. Bowling capital equipment is sold through a direct sales force in the United States and foreign markets, primarily Europe and Asia.

Bowling balls and billiards equipment are predominantly sold in the United States and are distributed primarily through mass merchandisers, sporting goods stores and specialty shops.

43

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Information as to the operations of the Company's three operating segments is set forth below:

OPERATING SEGMENTS

<Table>

<Caption>

	SALES TO CUSTOMERS			OPERATING EARNINGS			ASSETS OF CONTINUING OPERATIONS		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
(IN MILLIONS)									
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Marine Engine.....	\$1,561.6	\$1,759.9	\$1,614.8	\$173.0	\$276.0	\$242.5	\$ 772.5	\$ 799.0	\$ 725.1
Boat.....	1,251.3	1,574.3	1,476.6	18.1	148.2	120.7	783.9	639.7	594.1
Marine eliminations.....	(207.9)	(293.0)	(283.5)	--	--	--	--	--	--
Total Marine.....	2,605.0	3,041.2	2,807.9	191.1	424.2	363.2	1,556.4	1,438.7	1,319.2
Recreation.....	765.8	770.7	733.4	35.7	73.1	73.9	939.9	883.9	821.2
Corporate/Other.....	--	--	--	(35.7)	(45.1)	(46.5)	661.2	771.7	544.9
Total.....	\$3,370.8	\$3,811.9	\$3,541.3	191.1	452.2	390.6	\$3,157.5	\$3,094.3	\$2,685.3
Unusual charges.....				--	(55.1)	(116.0)			
Operating earnings.....				\$191.1	\$397.1	\$274.6			

</Table>

DEPRECIATION AND RESEARCH AND
CAPITAL EXPENDITURES AMORTIZATION DEVELOPMENT EXPENSE

	2001	2000	1999	2001	2000	1999	2001	2000	1999
(IN MILLIONS)									
Marine Engine.....	\$ 48.8	\$ 63.8	\$ 77.1	\$ 58.7	\$ 55.3	\$ 51.5	\$ 58.2	\$ 60.8	\$ 53.3
Boat.....	35.5	57.4	46.6	55.5	51.0	49.3	19.7	22.5	17.7
Recreation.....	25.7	31.8	41.9	43.7	40.3	39.0	18.0	18.9	18.7
Corporate.....	1.4	3.0	1.2	2.5	2.2	1.6	--	--	--
Total.....	\$111.4	\$156.0	\$166.8	\$160.4	\$148.8	\$141.4	\$95.9	\$102.2	\$89.7

GEOGRAPHIC SEGMENTS

	SALES TO CUSTOMERS			ASSETS OF CONTINUING OPERATIONS		
	2001	2000	1999	2001	2000	1999
(IN MILLIONS)						
United States...	\$2,511.6	\$2,973.5	\$2,755.7	\$2,073.7	\$2,020.7	\$1,876.3
International...	859.2	838.4	785.6	422.6	301.9	264.1
Corporate.....	--	--	--	661.2	771.7	544.9
Total.....	\$3,370.8	\$3,811.9	\$3,541.3	\$3,157.5	\$3,094.3	\$2,685.3

Operating earnings for 2000 included a \$55.1 million unusual charge to increase environmental reserves related to the cleanup of contamination from a

former manufacturing facility and to account for the write-down of investments in certain Internet-related businesses. Operating earnings for 1999 included \$116.0 million of litigation settlement charges.

The Company evaluates performance based on several factors, of which the primary financial measure is business segment operating earnings. Operating earnings of segments do not include the expenses of corporate administration, other expenses and income of a non-operating or strategic nature, or provisions for income taxes. Corporate assets consist primarily of prepaid income taxes, cash and marketable securities, pension assets and investments in unconsolidated affiliates.

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. UNUSUAL CHARGES

Unusual charges consist of the following:

	2001	2000	1999
	----	----	-----
	(IN MILLIONS)		
Environmental provisions.....	\$--	\$41.0	\$ --
Investment write-downs.....	--	14.1	--
Antitrust litigation settlements.....	--	--	116.0
	----	----	-----
Total.....	\$--	\$55.1	\$116.0
	====	=====	=====

5. ASSET WRITE-DOWNS AND STRATEGIC CHARGES

In the third quarter of 1998, the Company recorded a pre-tax charge of \$50.8 million (\$35.1 million after tax) to operating earnings. The charge covered exit and asset disposition costs related to strategic initiatives taken in the bowling business largely in response to the effect of the Asian economic situation. The 1998 strategic charge includes lease termination costs, severance costs, other incremental costs and asset disposition costs. These actions were substantially completed during 1999.

The Company's activity relating to strategic charges, included as part of accrued expenses, at December 31, 2001, 2000 and 1999, were as follows:

	LEASE SEVERANCE	OTHER TERMINATION	COSTS	TOTAL
	-----	-----	-----	-----
	(IN MILLIONS)			
Balance at December 31, 1998.....	\$ 14.2	\$10.1	\$10.7	\$ 35.0
Activity.....	(14.2)	1.0	(9.0)	(22.2)
	-----	-----	-----	-----
Balance at December 31, 1999.....	--	11.1	1.7	12.8
Activity.....	--	(0.2)	(0.2)	
	-----	-----	-----	-----
Balance at December 31, 2000.....	--	11.1	1.5	12.6
Activity.....	--	(3.4)	(1.4)	(4.8)
	-----	-----	-----	-----
Balance at December 31, 2001.....	\$ --	\$ 7.7	\$ 0.1	\$ 7.8
	====	=====	=====	=====

The remaining reserves relate principally to the strategic actions taken in 1998. Lease termination costs are expected to be paid out over the contractual terms of the leases.

6. ACQUISITIONS

Cash paid for acquisitions, net of debt and cash acquired, totaled \$134.4 million for 2001, comprised primarily of consideration paid for Princecraft Boats Inc. (Princecraft), a manufacturer of fishing, deck and pontoon boats; Sealine International (Sealine), a leading manufacturer of luxury sport cruisers and motoryachts; and Hatteras Yachts, Inc. (Hatteras), a leading manufacturer of luxury sportfishing convertibles and motor-yachts. The Company acquired Princecraft on March 7, 2001, and its results are included in the Boat segment post-acquisition. The acquisition of Princecraft

has been accounted for as a purchase. The Company acquired assets including inventory, net property, plant and equipment and a trademark. The Company acquired the stock of Sealine on July 3, 2001, for total consideration of approximately \$68 million. Sealine's results are included in the Boat segment since the date of acquisition. The acquisition was funded through approximately \$38 million in cash, the assumption of debt and the issuance of notes to certain sellers. The Company acquired the stock of Hatteras on November 30, 2001, for approximately \$86 million in cash, of which \$81 million was paid in 2001. The transaction provides for an additional payment of up to \$20 million based on the financial performance of Hatteras during the period ending June 30, 2003. Hatteras' results are included in the Boat segment since the

45

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

date of acquisition. The Company has applied SFAS No. 141 and SFAS No. 142 in connection with the acquisitions of Sealine and Hatteras. Therefore, both acquisitions were accounted for under the purchase method and the goodwill and indefinite-lived intangible assets associated with these transactions will not be amortized. The fair value of the net assets acquired is subject to final purchase accounting adjustments.

In addition, the Company also acquired the remaining interest in Omni Fitness Equipment, Inc. (Omni Fitness), a domestic retailer of fitness equipment, effective February 28, 2001. Omni Fitness' results are included in the Recreation segment, and the acquisition has been accounted for as a purchase. The Company acquired the remaining interest in satisfaction of a note with the previous owner. The Company had previously accounted for its interest in Omni Fitness under the equity method of accounting. The Company also acquired some other small businesses included in the Recreation segment.

The purpose of the current year acquisitions was to follow part of the Company's strategy for achieving growth by pursuing aggressive marketing and brand-building activities, pursuing international opportunities and leveraging core competencies. The 2001 acquisitions resulted in goodwill of \$96.3 million. Acquisitions in 2001 were not material to the Company's results of operations and total assets.

No acquisitions occurred in 2000. Cash consideration paid for acquisitions in 1999 totaled \$4.2 million. The acquisitions were accounted for as purchases and resulted in goodwill of \$2.6 million in 1999. The assets and liabilities of the acquired companies have been recorded in the Company's consolidated financial statements at their estimated fair values at the acquisition dates. The operating results of each acquisition are included in the Company's results of operations since the date of acquisition.

7. COMMITMENTS AND CONTINGENCIES

Financial Commitments. The Company has entered into agreements, which are customary in the marine industry, that provide for the repurchase of its products from a financial institution in the event of repossession upon a dealer's default. Repurchases and losses incurred under these agreements have not had a significant effect on the Company's results of operations. The maximum potential repurchase commitments were approximately \$205 million at December 31, 2001, and approximately \$214 million at December 31, 2000.

The Company also has various agreements with financial institutions that provide limited recourse on bowling capital equipment, fitness equipment and marine equipment sales. Recourse losses have not had a significant effect on the Company's results of operations. The maximum potential recourse liabilities outstanding under these programs at December 31, 2001 and 2000, were approximately \$47 million and \$55 million, respectively. Certain of these agreements provide for the assignment of lease and other long-term receivables originated by the Company to third parties. The assignment is not treated as a sale of the associated receivables, but as a secured obligation under SFAS No. 140. The associated receivables and related obligations are included in other long-term assets and deferred items - compensation and other, respectively.

The Company had outstanding standby letters of credit and financial guarantees of approximately \$104 million and \$102 million at December 31, 2001 and 2000, respectively, representing conditional commitments whereby the Company guarantees performance to a third party. Included in the amounts for 2001 and 2000 was a \$79.8 million surety bond to secure payment of tax deficiencies plus

accrued interest related to the Company's appeal of a United States Tax Court determination and a \$13.0 million surety bond to secure damages awarded in a suit in October 1999 while the Company pursues its appeal. The remaining commitments include guarantees of payments under certain of the Company's insurance programs and other guarantees issued in the ordinary course of business.

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Legal and Environmental. The Company is subject to certain legal and environmental proceedings and claims that have arisen in the ordinary course of its business.

On January 22, 2002, the United States Supreme Court granted discretionary review of the case *Sprietsma vs. Mercury Marine*, a "propeller guard" case on appeal from the Illinois Supreme Court. At issue in *Sprietsma* is whether federal law preempts tort claims alleging that marine engines should be equipped with devices designed to protect against propeller injuries. Nine federal courts and many state courts, including the Illinois Supreme Court in *Sprietsma*, have previously found such claims to be preempted by the United States Coast Guard's 1990 decision, pursuant to the Federal Boat Safety Act, not to require propeller guards. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

On September 6, 2001, the Federal Trade Commission (FTC) informed the Company that it had closed an investigation concerning the Company's bidding for certain assets of Outboard Marine Corporation (OMC) as a part of OMC's bankruptcy. On October 5, 2001, the FTC also informed the Company that it had closed a separate investigation commenced in 1997 concerning certain of the Company's marketing practices related to the sale of sterndrive marine engines to boatbuilders and dealers.

In 1994, one of Life Fitness' competitors, Precor, Incorporated, filed a complaint in federal court in Seattle, Washington, involving one of Life Fitness' treadmills. The lawsuit claimed that Life Fitness had engaged in unfair competitive practices in violation of the Washington State Consumer Protection Act and that certain of its treadmills infringed a design patent held by Precor. Life Fitness then filed an infringement claim against Precor, in connection with Life Fitness' '207 patent for its flexible treadmill deck. On October 26, 1999, the jury awarded Precor, now a subsidiary of Illinois Tool Works, Inc., approximately \$5.2 million in connection with Precor's design infringement claim against the Company, as successor in interest to the predecessor entities of its Life Fitness division. The jury also rejected Life Fitness' '207 patent claim. Precor was awarded up to \$5.3 million in attorneys' fees and prejudgment interest on the damage award. The Company appealed the verdict and the award of attorneys' fees to the United States Court of Appeals for the Federal Circuit. On June 27, 2001, the Court of Appeals issued its decision upholding the lower court's finding that Life Fitness' '207 patent claim was invalid, and reversing the lower court's finding that Life Fitness infringed Precor's design patent. The Court of Appeals remanded the award of attorneys' fees to the lower court for a redetermination based on the reversal of the willful infringement finding. On January 10, 2002, the federal court ruled that Precor is entitled only to those attorneys' fees directly attributable to the unfair competition claims under the Washington State Consumer Protection Act. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

In January 2000, Precor filed suit against Life Fitness in federal court in Washington alleging that certain of Life Fitness' cross-trainer exercise machines infringed Precor's Miller '829 patent. In 1999, before Precor filed its lawsuit, the Miller '829 patent was re-examined by the U.S. Patent & Trademark Office (PTO) and was rejected. The lawsuit was stayed while Precor sought a reissuance of the Miller patent by the PTO. The PTO issued a modified patent on March 5, 2002. Precor has announced that it would petition the lower court to lift the stay and continue its lawsuit against Life Fitness. The Company does not believe that its machines infringe the patent, as modified, but is unable to predict the outcome of the second Precor case.

Vapor Corporation, a former subsidiary that the Company divested in 1990, has been named in a number of asbestos-related lawsuits, the first of which was

filed in 1988. The Company retained certain liabilities of Vapor, requiring it to respond to these suits. The suits, most of which involve numerous other defendants, allege that steam generators manufactured by Vapor prior to the Company's ownership contained small amounts of asbestos. The generators were used to heat railroad cars and the primary means of potential exposure appears to have been to railroad workers performing inspections or repairs to the generators. Neither the Company nor Vapor is alleged to have manufactured asbestos. Early in the litigation, the Company's

47

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

insurers settled a number of claims for nominal amounts, while a number of other claims have been dismissed. No suit has yet gone to trial. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is also involved in certain legal and administrative proceedings under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other federal and state legislation governing the generation and disposition of certain hazardous wastes. These proceedings, involving both on-and off-site waste disposal or other contamination, in many instances seek compensation or remedial action from the Company as a waste generator under Superfund legislation, which authorizes action regardless of fault, legality of original disposition or ownership of a disposal site. The Company is also involved in a number of environmental remediation actions addressing contamination resulting from historic activities on its present and former plant properties.

The environmental remediation and clean-up projects in which the Company is involved have an aggregate estimated range of exposure of approximately \$41 million to \$66 million as of December 31, 2001. At December 31, 2001 and 2000, the Company had reserves for environmental liabilities of \$62.6 million and \$65.3 million, respectively. Environmental provisions were \$1.7 million, \$43.1 million and \$3.0 million for the years ended December 31, 2001, 2000 and 1999, respectively. The provision for the year ended December 31, 2000, includes a \$41.0 million charge resulting from an increase in the estimated cost of remediation of contamination alleged to have come from a former manufacturing facility of the Company.

The Company accrues for environmental remediation-related activities for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated. All accrued amounts are generally determined in coordination with third-party experts on an undiscounted basis and do not consider recoveries from third parties until such recoveries are realized. In light of existing reserves, the Company's environmental claims, including those discussed, when finally resolved, will not, in the opinion of management, have a material adverse effect on the Company's consolidated financial position or results of operations.

8. FINANCIAL INSTRUMENTS

The Company engages in business activities involving both financial and market risks. The Company uses derivative financial instruments to manage its risks associated with movements in foreign currency exchange rates, interest rates and commodity prices. Derivative instruments are not used for trading or speculative purposes. The effects of derivative and financial instruments are not expected to be material to the Company's financial position or results of operations.

The carrying values of the Company's short-term financial instruments, including cash and cash equivalents, accounts and notes receivable and short-term debt, approximate their fair values because of the short maturity of these instruments. At December 31, 2001 and 2000, the fair value of the Company's long-term debt was \$569.6 million and \$506.2 million, respectively, as estimated using quoted market prices or discounted cash flows based on market rates for similar types of debt. The fair market value of derivative financial instruments is determined through dealer quotes and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded.

Forward Exchange Contracts. The Company enters into forward exchange contracts and options to manage foreign exchange exposure related to

transactions, assets and liabilities that are subject to risk from foreign currency rate changes. These include product costs; revenues and expenses; associated receivables and payables; intercompany obligations and receivables; and other related cash flows. Forward exchange contracts outstanding at December 31, 2001 and 2000, had contract values of \$18.4 million and \$94.1 million, respectively. The approximate fair value of forward exchange contracts was a \$0.1 million and \$3.0 million liability at December 31, 2001 and 2000, respectively. Option contracts outstanding at December 31, 2001,

48

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

had contract values of \$49.4 million and the approximate fair value was a \$0.7 million liability. There were no option contracts outstanding at December 31, 2000. The forward and options contracts outstanding at December 31, 2001, mature during 2002 and relate primarily to the Japanese yen, Euro and British pound.

Interest Rate Swaps. The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on the Company's borrowings. In 2001, the Company entered into four fixed-to-floating interest rate swaps with a total notional amount of \$150.0 million, all of which will expire in December 2006. The estimated aggregate market value of these four agreements was less than \$0.1 million at December 31, 2001. At December 31, 2000, the Company had three outstanding floating-to-floating interest rate swap agreements, each with a notional principal amount of \$260.0 million, that were settled in 2001. The estimated aggregate market value of these three agreements was a loss of \$2.8 million at December 31, 2000.

Commodity Swaps. The Company uses commodity swap agreements to hedge anticipated purchases of certain raw materials. Commodity swap contracts outstanding at December 31, 2001 and 2000, had notional values of \$34.5 million and \$32.6 million, respectively. At December 31, 2001 and 2000, the estimated fair value of these swap contracts was a net loss of \$2.7 million and a net gain of \$2.8 million, respectively. The contracts outstanding at December 31, 2001, mature throughout 2003.

Credit Risk. The Company enters into financial instruments with banks and investment firms with which the Company has continuing business relationships and regularly monitors the credit ratings of its counterparties. The Company sells a broad range of active recreation products to a worldwide customer base and extends credit to its customers based upon an on-going credit evaluation program and security is obtained if required. Concentrations of credit risk with respect to accounts receivable are limited, due to the large number of customers comprising the Company's customer base and their dispersion across many different geographic areas.

Accounting for Derivatives. Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) Nos. 133/138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." Under SFAS Nos. 133/138, all derivative instruments are recognized on the balance sheet at their fair values. As a result of the adoption of this standard, in the first quarter of 2001, the Company recorded a \$2.9 million after-tax loss (\$4.7 million pre-tax) as a cumulative effect of a change in accounting principle, primarily resulting from interest rate swaps.

Cash Flow Hedges -- Certain derivative instruments qualify as cash flow hedges under the requirements of SFAS Nos. 133/138. The Company executes forward contracts and options, based on forecasted transactions, to manage foreign exchange exposure mainly related to inventory purchase transactions. The Company also enters into commodity swap agreements, based on anticipated purchases of certain raw materials, to manage exposure related to risk from price changes.

A cash flow hedge requires that as changes in the fair value of derivatives occur, the portion of the change deemed to be effective is recorded temporarily in accumulated other comprehensive income, an equity account, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of a derivative instrument's change in fair value is recorded directly in other income (expense). The ineffective portion of derivative transactions, including the premium or discount on option contracts, was not material to the results of operations for the year ended December 31, 2001.

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following activity related to cash flow hedges for the year ended December 31, 2001, was recorded in accumulated other comprehensive income:

<Table>
<Caption>

	NET CHANGE IN ACCUMULATED UNREALIZED DERIVATIVE GAINS (LOSSES) YEAR ENDED DECEMBER 31, 2001	
	PRE-TAX	AFTER TAX
	(IN MILLIONS)	
	<C>	<C>
Net deferred transition gain.....	\$ 1.6	\$ 1.0
Net change associated with current period hedging activity.....	(2.8)	(1.7)
Net gain reclassified into earnings.....	(2.4)	(1.5)
	----	----
Net accumulated unrealized derivative losses.....	\$(3.6)	\$(2.2)
	=====	=====

</Table>

The Company estimates that \$0.6 million of after-tax net derivative losses deferred in accumulated other comprehensive income will be realized in earnings over the next 12 months. Approximately \$0.9 million of the original after-tax net transition gain was realized in 2001, with the remaining \$0.1 million to be recognized in 2002. At December 31, 2001, the term of derivative instruments hedging forecasted transactions ranges from one to twenty-four months.

Fair Value Hedges -- During 2001, the Company entered into four interest rate swaps, which qualify as fair value hedges under the requirements of SFAS Nos. 133/138. The interest rate swaps were executed to mitigate the risk of changes in the fair value of the Company's debt, which was attributable to changes in the benchmark interest rate. A fair value hedge requires that the change in the fair value of the interest rate swaps and the corresponding change in fair value of the Company's fixed-rate, long-term debt be recorded through earnings, with any difference reflecting the ineffectiveness of the hedge. Any ineffective portion of a derivative instrument's change in fair value is recorded directly in other income (expense). There was no hedge ineffectiveness for the year ended December 31, 2001.

9. ACCRUED EXPENSES

Accrued expenses at December 31 were as follows:

<Table>
<Caption>

	2001	2000
	-----	-----
	(IN MILLIONS)	
	<C>	<C>
Product warranties.....	\$138.7	\$130.0
Accrued compensation and benefit plans.....	127.2	143.6
Dealer allowances and discounts.....	114.3	128.8
Insurance reserves.....	68.0	55.7
Environmental reserves.....	62.6	65.3
Other.....	137.4	118.4
	----	----
Total accrued expenses.....	\$648.2	\$641.8
	=====	=====

</Table>

10. DEBT

Short-term debt at December 31 consisted of the following:

	2001	2000
(IN MILLIONS)		
Commercial paper.....	\$ --	\$152.0
Notes payable.....	13.6	2.1
Current maturities of long-term debt.....	26.4	18.6
Total short-term debt.....	\$40.0	\$172.7

</Table>

The weighted-average interest rate for commercial paper borrowings during 2001 and 2000 was 4.76 percent and 6.58 percent, respectively.

Long-term debt at December 31 consisted of the following:

	2001	2000
(IN MILLIONS)		
Mortgage notes and other, 3.17% to 12.0% payable through 2005.....	\$ 29.7	\$ 15.1
Notes, 6.75% due 2006, net of discount of \$1.1 and \$1.3.....	248.9	248.7
Notes, 7.125% due 2027, net of discount of \$1.2 and \$1.3....	198.8	198.7
Debentures, 7.375% due 2023, net of discount of \$0.7.....	124.3	124.3
Guaranteed ESOP debt, 8.13% payable through 2004.....	24.9	33.6
Current maturities.....	(26.4)	(18.6)
Long-term debt.....	\$600.2	\$601.8
Scheduled maturities		
2003.....	\$ 22.7	
2004.....	5.5	
2005.....	--	
2006.....	248.9	
Thereafter.....	323.1	
Total.....	\$600.2	

</Table>

The Company has a \$400.0 million long-term revolving credit agreement with a group of banks, of which \$40.0 million terminates on May 22, 2002, and \$360.0 million terminates on May 22, 2003. Under the terms of the agreement, the Company has multiple borrowing options, including borrowing at the greater of the prime rate as announced by The Chase Manhattan Bank or the federal funds effective rate plus 0.5 percent, or a rate tied to the LIBOR rate. The Company pays a facility fee of 8 basis points per annum. Under the terms of the agreement, the Company is subject to a leverage test, as well as a restriction on secured debt. The Company was in compliance with these covenants at December 31, 2001. There were no borrowings under the revolving credit agreement during 2001 or 2000, and the agreement continues to serve as support for commercial paper borrowings when commercial paper is outstanding. At December 31, 2001, the Company had borrowing capacity of \$400.0 million under the terms of this agreement.

11. DISCONTINUED OPERATIONS

During 2000, the Company announced its intention to divest the following businesses that comprised its former outdoor recreation segment: fishing, camping, bicycle, cooler, marine accessories and hunting sports accessories. The consolidated financial statements for all periods have been restated to present these businesses as discontinued operations in accordance with APB Opinion No. 30.

The Company substantially completed the disposal of its outdoor recreation segment in 2001. The net assets of discontinued operations offered for sale was zero at December 31, 2001, and \$107.4 at December 31, 2000. Net assets of discontinued operations offered for sale consisted of current assets and liabilities and net property, plant and equipment for these operations net of a reserve for disposal. Although there will be some minor settlement transactions in the future, it is anticipated that the impact arising from these transactions on the Company's financial statements will not be significant.

The Company completed the sale of its hunting sports accessories, North American fishing and cooler business in 2001 and received cash proceeds of approximately \$74 million and notes which were valued at their estimated market value of approximately \$10 million. The Company completed the sale of its bicycle and camping businesses in 2000 and received cash proceeds of approximately \$59 million and notes, which were valued at their estimated market value of approximately \$3 million.

Results from discontinued operations for the years ended December 31, 2001, 2000 and 1999 were as follows:

<Table>

<Caption>

	2001	2000	1999
	-----	-----	-----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Net sales.....	\$313.3	\$ 695.3	\$ 743.4
PRE-TAX LOSS:			
Loss from discontinued operations.....	\$ --	\$(104.6)	\$(164.3)
Loss from disposal of discontinued operations.....		-- (305.3)	--
		-----	-----
Pre-tax loss.....	\$ --	\$(409.9)	\$(164.3)
	=====	=====	=====

</Table>

Losses from discontinued operations included the results of operations from the businesses to be disposed as follows: hunting sports accessories, marine accessories and cooler businesses through September 30, 2000, and fishing, camping and bicycle businesses through June 30, 2000. Losses relating to these businesses subsequent to these dates were estimated and provided for in the loss on the disposition of these businesses.

The 2000 loss from discontinued operations, \$104.6 million pre-tax, included the write-off of goodwill and other long-term assets related to the camping business (\$76.0 million pre-tax, \$50.0 million after tax) that was recorded in the second quarter of 2000. The write-off was necessary as the Company determined that additional actions would not improve operating performance to levels sufficient to recover its investment in these assets. Also included were asset write-downs and restructuring costs, primarily severance in the fishing and camping businesses, necessitated by a change in business conditions and the decision to outsource the manufacture of fishing reels that were previously manufactured in-house.

The loss from discontinued operations in 1999, \$164.3 million pre-tax, included a \$178.0 million (\$114.0 million after tax) strategic charge taken in the fourth quarter of 1999 for the bicycle business. Despite the Company's successful initiatives to expand distribution and reduce costs in its bicycle business, the profitability of the business eroded as competition from Asian imports substantially reduced market pricing for bicycles. While the price competition affected virtually all bicycles, the effects were extremely pronounced at the opening price points. Consequently, in the fourth quarter of 1999, the Company determined that the goodwill associated with this business was impaired. Additionally, to further reduce costs, the Company committed to plans to exit manufacturing, reduce warehouse capacity and administrative expenses and

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

rationalize product offerings. As a result of these actions, the Company recorded \$178.0 million of charges in the bicycle business. These charges included the write-off of goodwill of \$133.6 million, inventory write-downs of \$27.0 million, fixed asset write-downs of \$10.5 million and other incremental costs of \$6.9 million. Additional costs of \$7.0 million for severance and other incremental costs related to the 1999 charge were recorded in the first quarter of 2000 and are part of the \$104.6 million pre-tax loss reported from discontinued operations in 2000.

The loss from disposal recorded in 2000 totaled \$305.3 million pre-tax and \$229.6 million after tax. The losses associated with the disposition of these businesses were based on an estimate of cash proceeds, net of costs to sell, along with an estimate of results of operations for these businesses from the date the decision was made to dispose of the businesses through the actual disposition date. The tax benefits associated with the disposal reflect the non-deductibility of losses on the sale of the cooler business. Cash generated from these dispositions, including cash proceeds, net of costs to sell, cash required to fund operations through disposition and related tax benefits realized in connection with the divestitures, is approximately \$275 million after tax.

12. STOCK PLANS AND MANAGEMENT COMPENSATION

Under the 1991 Stock Plan, the Company may grant stock options, stock appreciation rights, restricted stock and other types of awards to executives and other management employees. Issuances under the plan may be from either authorized but unissued shares or treasury shares. As of December 31, 2001, the plan allows for the issuance of a maximum of 16.2 million shares. Shares available for grant totaled 1.7 million at December 31, 2001.

Stock options issued are generally exercisable over a period of 10 years, or as determined by the Human Resource and Compensation Committee of the Board of Directors. Options generally vest over three to five years, or immediately in the event of a change in control. The option price per share can not be less than the fair market value at the date of grant. The Company has additional stock and stock option plans to provide for compensation of nonemployee directors. Stock option activity for all plans for the three years ended December 31, 2001, was as follows:

<Table>

<Caption>

	2001	2000	1999			
	WEIGHTED STOCK AVERAGE OPTIONS OUTSTANDING		WEIGHTED STOCK AVERAGE OPTIONS OUTSTANDING		WEIGHTED STOCK AVERAGE OPTIONS OUTSTANDING	
	EXERCISE PRICE		EXERCISE PRICE		EXERCISE PRICE	
	(OPTIONS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding on						
January 1.....	8,874	\$22.18	7,965	\$22.78	7,228	\$22.62
Granted.....	2,685	\$20.02	1,686	\$18.91	1,597	\$22.68
Exercised.....	(560)	\$17.57	(193)	\$16.23	(507)	\$18.74
Forfeited.....	(518)	\$22.14	(584)	\$22.91	(353)	\$24.87
	-----	-----	-----			
Outstanding on						
December 31...	10,481	\$21.87	8,874	\$22.18	7,965	\$22.78
	=====	=====	=====			
Exercisable on						
December 31...	6,067	\$22.92	5,307	\$23.23	4,929	\$21.79

</Table>

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes information about stock options outstanding at December 31, 2001:

<Table>
<Caption>

RANGE OF EXERCISE PRICE	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
	WEIGHTED AVERAGE NUMBER	WEIGHTED AVERAGE CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
	(OPTIONS IN THOUSANDS)	(OPTIONS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>
\$12.56 to 16.75.....	142	2.2 years	\$15.99	142	\$15.99
\$16.76 to 20.25.....	6,464	7.4 years	\$19.49	2,840	\$19.32
\$20.26 to 25.50.....	2,531	5.8 years	\$23.16	1,891	\$23.23
\$25.51 to 35.44.....	1,344	5.7 years	\$31.62	1,194	\$31.81

In accordance with APB Opinion No. 25, no compensation cost related to stock options granted has been recognized in the Company's Consolidated Statement of Income. If the accounting provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," had been applied over the last three years, the Company's pro forma net income and earnings per share would have been as follows:

<Table>
<Caption>

	2001	2000	1999
	(IN MILLIONS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>	<C>
Earnings from continuing operations:			
As reported.....	\$84.7	\$202.2	\$143.1
Pro forma.....	79.0	198.0	137.4
Basic earnings per common share from continuing operations:			
As reported.....	\$0.96	\$ 2.28	\$ 1.56
Pro forma.....	0.90	2.23	1.49
Diluted earnings per common share from continuing operations:			
As reported.....	\$0.96	\$ 2.28	\$ 1.55
Pro forma.....	0.90	2.23	1.48

The weighted-average fair value of individual options granted during 2001, 2000 and 1999 is \$5.46, \$5.85 and \$6.83, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for 2001, 2000 and 1999, respectively:

<Table>
<Caption>

	2001	2000	1999
<S>	<C>	<C>	<C>
Risk-free interest rate.....		4.2%	6.1%
Dividend yield.....		2.8%	2.5%
Volatility factor.....		33.1%	32.7%
Weighted-average expected life.....		5 YEARS	5 years

The Company maintains a leveraged employee stock ownership plan (ESOP). In April 1989, the ESOP borrowed \$100 million to purchase 5,095,542 shares of the Company's common stock at \$19.625 per share. The debt of the ESOP is guaranteed by the Company and is recorded in the Company's financial statements. All ESOP shares are considered outstanding for earnings per share purposes. The ESOP shares are

maintained in a suspense account until released and allocated to participants' accounts. Shares committed-to-be-released, allocated and remaining in suspense at December 31 were as follows:

	2001	2000
	----	----
	(SHARES IN THOUSANDS)	
Committed-to-be-released.....	285	287
Allocated.....	2,131	2,083
Suspense.....	822	1,150

Under the grandfather provisions of Statement of Position (SOP) 93-6, the expense recorded by the Company is based on cash contributed or committed to be contributed by the Company to the ESOP during the year, net of dividends received, which are primarily used by the ESOP to pay down debt. The Company's contributions to the ESOP, along with related expense amounts, were as follows:

	2001	2000	1999
	-----	-----	-----
	(IN MILLIONS)		
Compensation expense.....	\$ 6.9	\$ 6.2	\$ 5.5
Interest expense.....	2.6	3.1	3.7
Dividends.....	1.7	1.9	2.0
	-----	-----	-----
Total debt service payments.....	\$11.2	\$11.2	\$11.2
	=====	=====	=====

The Company has certain employment agreements and a severance plan that become effective upon a change in control of the Company, which will result in compensation expense in the period that a change in control occurs.

13. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company has qualified and nonqualified pension plans and other postretirement benefit plans covering substantially all of its employees. The Company's domestic pension and retiree health care and life insurance benefit plans are discussed below. The Company's salaried pension plan was closed to new participants effective April 1, 1999. This plan was replaced with a defined contribution plan for certain employees not meeting age and service requirements and for new hires. The Company's foreign benefit plans are not significant individually or in the aggregate.

Pension and other postretirement benefit (income) costs included the following components for 2001, 2000 and 1999:

	PENSION BENEFITS			OTHER POSTRETIREMENT BENEFITS		
	-----	-----	-----	-----	-----	-----
	2001	2000	1999	2001	2000	1999
	-----	-----	-----	-----	-----	-----
	(IN MILLIONS)					
Service cost.....	\$ 16.9	\$ 15.4	\$ 18.6	\$ 1.9	\$ 1.5	\$ 1.7
Interest cost.....	55.9	51.6	47.6	4.2	3.8	3.7
Expected return on plan assets.....	(69.6)	(74.6)	(66.7)	--	--	--
Amortization of prior service cost..	5.9	3.1	3.6	(0.5)	(0.5)	(0.5)
Amortization of net (gain) loss.....	0.6	(2.7)	0.6	(0.9)	(1.5)	(0.8)
	-----	-----	-----	-----	-----	-----
Net pension and other benefit (income) costs....	\$ 9.7	\$ (7.2)	\$ 3.7	\$ 4.7	\$ 3.3	\$ 4.1
	=====	=====	=====	=====	=====	=====

A reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2001, and a statement of the funded status at December 31 for these years for the Company's

domestic pension plans follows:

OTHER
PENSION POSTRETIREMENT
BENEFITS BENEFITS

2001 2000 2001 2000

(IN MILLIONS)

RECONCILIATION OF BENEFIT OBLIGATION:

Benefit obligation at previous December 31..	\$ 764.2	\$663.6	\$ 64.6	\$ 60.8
Service cost.....	16.9	15.4	1.9	1.5
Interest cost.....	55.9	51.6	4.2	3.8
Participant contributions.....	--	--	2.6	1.6
Plan amendments.....	--	29.7	(0.2)	(0.4)
Actuarial loss.....	26.6	43.8	18.1	2.4
Benefit payments.....	(43.0)	(39.9)	(6.9)	(5.1)

Benefit obligation at December 31..... \$ 820.6 \$764.2 \$ 84.3 \$ 64.6

RECONCILIATION OF FAIR VALUE OF PLAN ASSETS:

Fair value of plan assets at January 1.....	\$ 753.5	\$803.8	\$ --	\$ --
Actual return on plan assets.....	(12.3)	(12.6)	--	--
Employer contributions.....	12.5	2.2	4.3	3.5
Participant contributions.....	--	--	2.6	1.6
Benefit payments.....	(43.0)	(39.9)	(6.9)	(5.1)

Fair value of plan assets at December 31..... \$ 710.7 \$753.5 \$ -- \$ --

FUNDED STATUS:

Funded status at December 31.....	\$(109.9)	\$(10.7)	\$(84.3)	\$(64.6)
Unrecognized prior service cost (credit)....	43.8	50.2	(4.2)	(4.5)
Unrecognized actuarial (gain) loss.....	127.8	20.0	(3.2)	(22.1)

Prepaid (accrued) benefit cost..... \$ 61.7 \$ 59.5 \$(91.7) \$(91.2)

Pension plan assets include 1.8 million shares of the Company's common stock at December 31, 2001. Plan amendments totaling \$29.7 million in 2000, principally relate to increased benefit levels resulting from union negotiations in the Marine Engine segment.

The amounts included in the Company's balance sheets as of December 31 were as follows:

OTHER
POSTRETIREMENT
PENSION BENEFITS BENEFITS

2001 2000 2001 2000

(IN MILLIONS)

Prepaid benefit cost.....	\$ 92.9	\$ 88.4	\$ --	\$ --
Accrued benefit liability.....	(101.4)	(81.9)	(91.7)	(91.2)
Intangible asset.....	36.1	43.3	--	--
Accumulated other comprehensive income.....	34.1	9.7	--	--

Net amount recognized..... \$ 61.7 \$ 59.5 \$(91.7) \$(91.2)

The Company's unfunded, nonqualified pension plan had projected and accumulated benefit obligations of \$44.1 million and \$34.4 million, respectively, at December 31, 2001, and \$39.8 million and \$32.4 million, respectively, at December 31, 2000. One of the Company's qualified plans had an accumulated benefit obligation in excess of plan assets at December 31, 2001. The projected and accumulated benefit obligations for this plan were \$183.1

million and the fair value of assets was \$150.7 million at December 31, 2001. Three of the Company's qualified plans had an accumulated benefit obligation in excess of plan assets at December 31, 2000. The projected and accumulated benefit obligations for these plans were \$172.3 million and the fair value of assets was \$161.5 million at December 31, 2000. The Company's other postretirement benefit plans are not funded.

The Company recorded an additional minimum pension liability adjustment of \$17.2 million and \$52.7 million in 2001 and 2000, respectively, in accordance with SFAS No. 87, "Employers' Accounting for Pensions." In recognizing an additional minimum pension liability, SFAS No. 87 requires an intangible asset equal to the unrecognized prior service cost to be recognized, with the excess reported in accumulated other comprehensive income, net of tax.

Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Accumulated gains and losses in excess of 10 percent of the greater of the benefit obligation or the market-related value of assets are amortized over the remaining service period of active plan participants. Benefit obligations were determined using assumed discount rates of 7.25 percent in 2001 and 7.5 percent in 2000 and an assumed compensation increase of 5.5 percent in 2001 and 2000. The assumed long-term rate of return on plan assets was 9.5 percent in 2001 and 2000.

The health care cost trend rate for 2002 for pre-65 benefits was assumed to be 10.0 percent, gradually declining to 5.0 percent in 2006 and remaining at that level thereafter. The trend rate for post-65 benefits was assumed to be 12.0 percent, gradually declining to 5.0 percent in 2008 and remaining at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. A one percent increase in the assumed health care trend rate would increase the combined service and interest cost components of net postretirement health care benefit cost by \$1.1 million in 2001 and increase the health care component of the accumulated postretirement benefit obligation by \$8.2 million at December 31, 2001. A one percent decrease in the assumed health care trend rate would decrease the service and interest cost components of net postretirement health care benefit cost by \$0.9 million in 2001 and the health care component of the accumulated postretirement benefit obligation by \$7.1 million at December 31, 2001. The Company monitors the cost of health care and life insurance benefit plans and reserves the right to make additional changes or terminate these benefits in the future.

The Company also has defined contribution retirement plans covering most of its employees. The Company's contributions to these plans are based on various percentages of compensation, and in some instances are based on the amount of the employees' contributions to the plans. The expense related to these plans was \$19.4 million, \$22.6 million and \$19.1 million in 2001, 2000 and 1999, respectively.

14. INCOME TAXES

The sources of earnings before income taxes are as follows:

	2001	2000	1999
	-----	-----	-----
	(IN MILLIONS)		
	<C>	<C>	<C>
United States.....	\$120.8	\$316.1	\$209.6
Foreign.....	11.4	7.2	9.7
	-----	-----	-----
Earnings before income taxes.....	\$132.2	\$323.3	\$219.3
	=====	=====	=====

</Table>

The income tax provision for continuing operations consisted of the following:

<Table>
<Caption>

	2001	2000	1999
	-----	-----	-----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
CURRENT TAX EXPENSE:			
U.S. Federal.....	\$(14.1)	\$109.4	\$118.4
State and local.....	10.1	21.1	16.6
Foreign.....	3.2	8.6	6.8
	-----	-----	-----
Total current.....	(0.8)	139.1	141.8
	-----	-----	-----
DEFERRED TAX EXPENSE:			
U.S. Federal.....	48.4	(6.9)	(55.9)
State and local.....	(3.9)	(6.7)	(10.3)
Foreign.....	3.8	(4.4)	0.6
	-----	-----	-----
Total deferred.....	48.3	(18.0)	(65.6)
	-----	-----	-----
Total provision.....	\$ 47.5	\$121.1	\$ 76.2
	=====	=====	=====

</Table>

Temporary differences and carryforwards that give rise to deferred tax assets and liabilities at December 31 were as follows:

<Table>
<Caption>

	2001	2000
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
DEFERRED TAX ASSETS:		
Product warranties.....	\$ 63.0	\$ 60.1
Dealer allowances and discounts.....	35.7	48.6
Insurance reserves.....	22.6	26.2
Discontinued operations.....	32.4	95.0
Litigation and environmental reserves.....	28.9	29.7
Loss carryforwards.....	29.1	21.1
Other.....	96.1	87.4
Valuation allowance.....	(0.3)	(0.3)
	-----	-----
Total deferred tax assets.....	\$307.5	\$367.8
	=====	=====
DEFERRED TAX LIABILITIES (ASSETS):		
Depreciation and amortization.....	\$ 84.6	\$108.7
Postretirement and postemployment benefits.....	(22.5)	(24.4)
Other assets and investments.....	87.2	92.8
Other.....	35.9	38.3
	-----	-----
Total deferred tax liabilities.....	\$185.2	\$215.4
	=====	=====

</Table>

No other valuation allowances were deemed necessary, as all deductible temporary differences will be utilized primarily by carry back to prior years' taxable income or as charges against reversals of future taxable temporary differences. Based upon prior earnings history, it is expected that future taxable income will be more than sufficient to utilize the remaining deductible temporary differences. Deferred taxes have been provided, as required, on the undistributed earnings of foreign subsidiaries and unconsolidated affiliates.

The difference between the actual income tax provision and the tax provision computed by applying the statutory Federal income tax rate to earnings before taxes is attributable to the following:

<Table>
<Caption>

2001	2000	1999
-----	-----	-----

	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Income tax provision at 35%.....	\$46.3	\$113.1	\$76.8
State and local income taxes, net of Federal income tax effect.....	4.0	9.4	4.1
Foreign sales corporation benefit.....	(4.0)	(4.9)	(4.2)
Taxes related to foreign income, net of credits.....	1.4	2.6	2.8
Goodwill and other amortization.....	2.0	1.6	1.2
Other.....	(2.2)	(0.7)	(4.5)
	-----	-----	-----
Actual income tax provision.....	\$47.5	\$121.1	\$76.2
	=====	=====	=====
Effective tax rate.....	36.0%	37.5%	34.7%

On October 27, 1999, the United States Tax Court upheld an Internal Revenue Service (IRS) determination that resulted in the disallowance of capital losses and other expenses from two partnership investments for 1990 and 1991. The Company appealed the Tax Court ruling to the United States Court of Appeals for the District of Columbia and posted a \$79.8 million surety bond to secure payment of tax deficiencies plus accrued interest related to the appeal. On December 21, 2001, the Court of Appeals rendered a decision vacating the Tax Court's opinion and remanded the case to the Tax Court for reconsideration in light of an earlier Court of Appeals decision. If, on remand to the Tax Court, the Company does not prevail, the net amount of taxes due, plus interest, net of tax, would be approximately \$135 million. The Company has settled all other issues with the IRS on open tax years 1989 through 1994 and anticipates favorable adjustments that would decrease the total net amount to approximately \$53 million, which would likely be payable in 2003. The Company does not anticipate any material adverse effects on its consolidated financial position or results of operations in the event of an unfavorable resolution of this matter.

15. LEASES

The Company has various lease agreements for offices, branches, factories, distribution and service facilities, certain Company-operated bowling centers and certain personal property. The longest of these obligations extends through 2032. Most leases contain renewal options and some contain purchase options. Many leases for Company-operated bowling centers contain escalation clauses, and many provide for contingent rentals based on percentages of gross revenue. No leases contain restrictions on the Company's activities concerning dividends, additional debt or further leasing. Rent expense consisted of the following:

	2001	2000	1999
<S>	<C>	<C>	<C>
Basic expense.....	\$40.3	\$37.5	\$34.0
Contingent expense.....	1.0	0.3	0.4
Sublease income.....	(1.4)	(2.1)	(2.3)
	-----	-----	-----
Rent expense, net.....	\$39.9	\$35.7	\$32.1
	=====	=====	=====

Future minimum rental payments at December 31, 2001, under agreements classified as operating leases with non-cancelable terms in excess of one year, were as follows:

	(IN MILLIONS)
<S>	<C>
2002.....	\$ 30.3
2003.....	25.9

2004.....	21.8
2005.....	17.9
2006.....	15.2
Thereafter.....	39.0

Total (not reduced by minimum sublease rentals of \$2.4 million).....	\$150.1
	=====

</Table>

16. PREFERRED SHARE PURCHASE RIGHTS

In February 1996, the Board of Directors declared a dividend of one Preferred Share Purchase Right (Right) on each outstanding share of the Company's common stock. Under certain conditions, each holder of Rights may purchase one one-thousandth of a share of a new series of junior participating preferred stock at an exercise price of \$85 for each Right held. The Rights expire on April 1, 2006.

The Rights become exercisable at the earlier of (1) a public announcement that a person or group acquired or obtained the right to acquire 15 percent or more of the Company's common stock or (2) 15 days (or such later time as determined by the Board of Directors) after commencement or public announcement of an offer for more than 15 percent of the Company's common stock. After a person or group acquires 15 percent or more of the common stock of the Company, other shareholders may purchase additional shares of the Company at 50 percent of the current market price. These Rights may cause substantial ownership dilution to a person or group who attempts to acquire the Company without approval of the Company's Board of Directors.

The Rights, which do not have any voting rights, may be redeemed by the Company at a price of \$.01 per Right at any time prior to a person's or group's acquisition of 15 percent or more of the Company's common stock. A Right also will be issued with each share of the Company's common stock that becomes outstanding prior to the time the Rights become exercisable or expire.

In the event that the Company is acquired in a merger or other business combination transaction, provision will be made so that each holder of Rights will be entitled to buy the number of shares of common stock of the surviving Company that at the time of such transaction would have a market value of two times the exercise price of the Rights.

60

BRUNSWICK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

17. INVESTMENTS

The Company has certain unconsolidated foreign and domestic affiliates that are accounted for using the equity method. Summary financial information of the unconsolidated equity method affiliates for the year ended December 31 is presented below:

<Table>

<Caption>

	2001	2000	1999
	-----	-----	-----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Net sales.....	\$231.7	\$ 266.8	\$ 409.0
Gross margin.....	\$ 40.0	\$ 45.3	\$ 67.1
Net earnings (loss).....	\$ 0.2	\$ (5.9)	\$ 10.8
Company's share of net earnings (loss).....	\$ (4.0)	\$ (3.6)	\$ 4.8
Current assets.....	\$ 59.1	\$ 99.4	\$ 108.6
Noncurrent assets.....	88.7	121.0	115.8
	-----	-----	-----
Total assets.....	147.8	220.4	224.4
Current liabilities.....	(83.4)	(120.9)	(139.1)
Noncurrent liabilities.....	(22.0)	(45.8)	(7.7)
	-----	-----	-----
Net assets.....	\$ 42.4	\$ 53.7	\$ 77.6
	=====	=====	=====

</Table>

The Company's sales to and purchases from the above investments, along with the corresponding receivables and payables, were not material to the Company's overall results of operations for the three years ended December 31, 2001, and its financial position as of December 31, 2001 and 2000. In 2001, the Company recorded impairment charges and purchase accounting adjustments of \$4.2 million on certain investments, which were not recorded in the affiliates net earnings.

The Company had Available-for-Sale equity investments with a fair market value of \$19.8 million and \$10.9 million at December 31, 2001 and 2000, respectively. The unrealized loss, recorded net of deferred taxes, has been included as a separate component of shareholders' equity and was \$2.1 million at December 31, 2001 and \$6.1 million at December 31, 2000.

In 2000, the Company made \$38.1 million of investments in Internet-related businesses and fitness equipment distribution alliances. Investments of \$13.6 million in 1999 principally related to fitness equipment distribution alliances. Also in 2000, the Company recorded a charge of \$14.1 million to write-down investments in certain Internet-related businesses.

In October 1999, the Company sold its minority position in a boat company partnership to the majority partner for cash of \$26.1 million and other consideration. This transaction did not have a material effect on the Company's 1999 results. Income recorded related to this partnership in 1999 totaled \$3.4 million.

61

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

18. TREASURY AND PREFERRED STOCK

Treasury stock activity for the past three years was as follows:

	2001	2000	1999
	-----	-----	-----
	(SHARES IN THOUSANDS)		
Balance at January 1.....	15,194	10,727	10,669
Compensation plans and other.....	(455)	(257)	(709)
Stock repurchases.....	--	4,724	767
	-----	-----	-----
Balance at December 31.....	14,739	15,194	10,727
	=====	=====	=====

At December 31, 2001, 2000 and 1999, the Company had no preferred stock outstanding (authorized: 12.5 million shares, \$0.75 par value at December 31, 2001, 2000 and 1999).

19. QUARTERLY DATA (UNAUDITED)

	QUARTER				

	1ST	2ND	3RD	4TH	YEAR

	(IN MILLIONS, EXCEPT PER SHARE DATA)				
2001					
Net sales.....	\$913.2	\$928.8	\$811.0	\$717.8	\$3,370.8
	-----	-----	-----	-----	-----
Gross margin.....	\$225.8	\$228.0	\$178.7	\$150.9	\$ 783.4
	-----	-----	-----	-----	-----
Earnings from continuing operations...	\$ 39.5	\$ 41.5	\$ 6.3	\$(2.6)	\$ 84.7
Cumulative effect of change in accounting principle.....	(2.9)	--	--	--	(2.9)
	-----	-----	-----	-----	-----
Net earnings (loss).....	\$ 36.6	\$ 41.5	\$ 6.3	\$(2.6)	\$ 81.8
	-----	-----	-----	-----	-----
BASIC EARNINGS (LOSS) PER COMMON SHARE:					
Earnings from continuing operations...	\$ 0.45	\$ 0.47	\$ 0.07	\$(0.03)	\$ 0.96
Cumulative effect of change in accounting principle.....	(0.03)	--	--	--	(0.03)
	-----	-----	-----	-----	-----

Net earnings (loss).....	\$ 0.42	\$ 0.47	\$ 0.07	\$(0.03)	\$ 0.93

DILUTED EARNINGS (LOSS)					
PER COMMON SHARE:					
Earnings from continuing operations...	\$ 0.45	\$ 0.47	\$ 0.07	\$(0.03)	\$ 0.96
Cumulative effect of change in accounting principle.....	(0.03)	--	--	--	(0.03)

Net earnings (loss).....	\$ 0.42	\$ 0.47	\$ 0.07	\$(0.03)	\$ 0.93

Dividends declared.....	\$0.125	\$0.125	\$0.125	\$0.125	\$ 0.50
COMMON STOCK PRICE					
(NYSE SYMBOL: BC):					
High.....	\$23.00	\$25.01	\$24.60	\$22.25	\$ 25.01
Low.....	\$14.81	\$18.76	\$14.03	\$16.70	\$ 14.03

62

BRUNSWICK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

QUARTER

	1ST	2ND	3RD	4TH	YEAR

	1ST	2ND	3RD	4TH	YEAR

	(IN MILLIONS, EXCEPT PER SHARE DATA)				
2000					
Net sales.....	\$955.4	\$1,040.8	\$ 939.1	\$876.6	\$3,811.9

Gross margin.....	\$273.7	\$ 313.7	\$ 270.6	\$230.6	\$1,088.6

Earnings from continuing operations(1)	\$ 60.7	\$ 81.5	\$ 17.7	\$ 42.3	\$ 202.2
Loss from discontinued operations.....	(2.0)	(61.0)	(5.4)	--	(68.4)
Loss from disposal of discontinued operations.....	--	(125.0)	(104.6)	--	(229.6)

Net earnings (loss) (1).....	\$ 58.7	\$(104.5)	\$(92.3)	\$ 42.3	\$(95.8)

BASIC EARNINGS (LOSS) PER COMMON SHARE:					
Earnings from continuing operations(1)	\$ 0.66	\$ 0.93	\$ 0.20	\$ 0.48	\$ 2.28
Loss from discontinued operations.....	(0.02)	(0.69)	(0.06)	--	(0.77)
Loss from disposal of discontinued operations.....	--	(1.42)	(1.19)	--	(2.59)

Net earnings (loss) (1).....	\$ 0.64	\$(1.19)	\$(1.05)	\$ 0.48	\$(1.08)

DILUTED EARNINGS (LOSS) PER COMMON SHARE:					
Earnings from continuing operations(1)	\$ 0.66	\$ 0.93	\$ 0.20	\$ 0.48	\$ 2.28
Loss from discontinued operations.....	(0.02)	(0.69)	(0.06)	--	(0.77)
Loss from disposal of discontinued operations.....	--	(1.42)	(1.19)	--	(2.59)

Net earnings (loss) (1).....	\$ 0.64	\$(1.19)	\$(1.05)	\$ 0.48	\$(1.08)

Dividends declared.....	\$0.125	\$ 0.125	\$ 0.125	\$0.125	\$ 0.50
COMMON STOCK PRICE (NYSE SYMBOL: BC):					
High.....	\$22.13	\$ 20.00	\$ 21.06	\$19.81	\$ 22.13
Low.....	\$14.75	\$ 16.31	\$ 16.44	\$15.50	\$ 14.75

(1) Includes a charge of \$55.1 million pre-tax (\$40.0 million after tax) in the third quarter to increase environmental reserves related to the cleanup of contamination from a former manufacturing facility and to account for the write-down of investments in certain Internet-related businesses.

63

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 28, 2002 included in this Form 10-K, into the Company's previously filed registration statements on Form S-3 (File No. 333-71344), Form S-8 (File No. 33-55022), Form S-3 (File No. 33-61512), Form S-8 (File No. 33-56193), Form S-8 (File No. 33-61835), Form S-8 (File No. 33-65217),

/s/ Arthur Andersen LLP

Chicago, Illinois
March 8, 2002

64

BRUNSWICK CORPORATION
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
(IN MILLIONS)

	BALANCE AT	CHARGES TO	PROFIT	BALANCE AT	RECOVERIES	OTHER	END OF PERIOD
	POSSIBLE LOSSES	ON RECEIVABLES	OF PERIOD	AND LOSS	WRITE-OFFS		
2001.....	\$21.2	\$13.7	\$(13.1)	\$0.5	\$ 3.8		\$26.1
2000.....	\$18.4	\$11.4	\$(8.9)	\$1.0	\$(0.7)		\$21.2
1999.....	\$16.8	\$ 8.7	\$(6.8)	\$ --	\$(0.3)		\$18.4

This schedule reflects only the financial information of continuing operations.

	BALANCE AT	CHARGES TO	PROFIT	BALANCE AT	RECOVERIES	OTHER	END OF PERIOD
	DEFERRED TAX	ASSET VALUATION	ALLOWANCE	OF PERIOD	AND LOSS	WRITE-OFFS	
2001.....	\$ 0.3	\$ --	\$ --	\$ --	\$ --	\$ 0.3	
2000.....	\$ 0.3	\$ --	\$ --	\$ --	\$ --	\$ 0.3	
1999.....	\$ 0.3	\$ --	\$ --	\$ --	\$ --	\$ 0.3	

This schedule reflects only the financial information of continuing operations.

65

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Restated Certificate of Incorporation of the Company filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1987, and hereby incorporated by reference.
3.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for 1995, and hereby incorporated by reference.
3.3	By-Laws of the Company.
4.1	Indenture dated as of March 15, 1987, between the Company and Continental Illinois National Bank and Trust Company of

Chicago filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1987, and hereby incorporated by reference.

- 4.2 Officers' Certificate setting forth terms of the Company's \$125,000,000 principal amount of 7 3/8% Debentures due September 1, 2023, filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for 1993, and hereby incorporated by reference.
- 4.3 Form of the Company's \$250,000,000 principal amount of 6 3/4% Notes due December 15, 2006, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 10, 1996, and hereby incorporated by reference.
- 4.4 Form of the Company's \$200,000,000 principal amount of 7 1/8% Notes due August 1, 2027, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 4, 1997, and hereby incorporated by reference.
- 4.5 The Company's agreement to furnish additional debt instruments upon request by the Securities and Exchange Commission filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for 1980, and hereby incorporated by reference.
- 4.6 Rights Agreement dated as of February 5, 1996, between the Company and Harris Trust and Savings Bank filed as Exhibit 1 to the Company's Registration Statement for Preferred Share Purchase Rights on Form 8-A dated March 13, 1996, and hereby incorporated by reference.
- 4.7 Credit Agreement dated as of May 22, 1997 setting forth the terms of the Company's \$400,000,000 Revolving Credit and Competitive Advance Facility with Chase Manhattan Bank, administrative agent, and other lenders identified in the Credit Agreement.
- 10.1* Amended and Restated Employment Agreement dated January 4, 1999, by and between the Company and Peter N. Larson filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for 1998, and hereby incorporated by reference.
- 10.2* Employment Agreement dated December 1, 1995, by and between the Company and Peter B. Hamilton filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for 1995, and hereby incorporated by reference.
- 10.3* Amendment dated as of October 9, 1998, to Employment Agreement by and between the Company and Peter B. Hamilton filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.
- 10.4* Form of Change of Control Agreement by and between the Company and each of W.J. Barrington, K.J. Chieger, T.J. Chung, W.J. Gress, K.S. Grodzki, P.B. Hamilton, P.G. Leemputte, B.R. Lockridge, P.C. Mackey, D.E. McCoy, W.L. Metzger, V.J. Reich, W.E. Seeley, C.M. Sladnick, M.I. Smith, C.M. Trudell and J.P. Zelisko, filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.

</Table>

<Table>

<Caption>

EXHIBIT NO.

DESCRIPTION

<C> <S>

- 10.5* Form of Change of Control Agreement by and between the Company and G.W. Buckley filed as Exhibit 10.6 to the

Company's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.

- 10.6* 1994 Stock Option Plan for Non-Employee Directors filed as Exhibit A to the Company's definitive Proxy Statement dated March 25, 1994, for the Annual Meeting of Stockholders on April 27, 1994, and hereby incorporated by reference.
- 10.7* 1995 Stock Plan for Non-Employee Directors filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.
- 10.8* Supplemental Pension Plan filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.
- 10.9* Form of insurance policy issued for the life of each of the Company's executive officers, together with the specifications for each of these policies, filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for 1980, and hereby incorporated by reference. The Company pays the premiums for these policies and will recover these premiums, with some exceptions, from the policy proceeds.
- 10.10* Form of Indemnification Agreement by and between the Company and each of N.D. Archibald, D.J. Bern, J.L. Bleustein, M.J. Callahan, M.A. Fernandez, P. Harf, J.W. Lorsch, B. Martin Musham, G.H. Phillips, R.L. Ryan and R.W. Schipke filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986, and hereby incorporated by reference.
- 10.11* Form of Indemnification Agreement by and between the Company and each of G.W. Buckley, W.J. Barrington, K.J. Chieger, T.J. Chung, W.J. Gress, K.S. Grodzki, P.B. Hamilton, P.G. Leemputte, B.R. Lockridge, P.C. Mackey, D.E. McCoy, W.L. Metzger, V.J. Reich, W.E. Seeley, C.M. Sladnick, M.I. Smith, C.M. Trudell and J.P. Zelisko, filed as Exhibit 19.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986, and hereby incorporated by reference.
- 10.12* 1991 Stock Plan filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, and hereby incorporated by reference.
- 10.13* Change in Control Severance Plan filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.
- 10.14* Brunswick Performance Plan for 2000 filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for 1999, and hereby incorporated by reference.
- 10.15* Brunswick Performance Plan for 2001 filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for 1999, and hereby incorporated by reference.
- 10.16* Brunswick Performance Plan for 2002.
- 10.17* Brunswick Strategic Incentive Plan for 1999-2000 filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for 1998, and hereby incorporated by reference.
- 10.18* Brunswick Strategic Incentive Plan for 2000-2001 filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for 1999, and hereby incorporated by reference.
- 10.19* Brunswick Strategic Incentive Plan for 2001-2002.

10.20* 1997 Stock Plan for Non-Employee Directors filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.

</Table>

67

<Table>

<Caption>

EXHIBIT NO. DESCRIPTION

<C> <S>

10.21* Elective Deferred Compensation Plan filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.

10.22* Automatic Deferred Compensation Plan filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.

10.23* Promissory Note dated March 2, 2001, by and between George W. Buckley and the Company filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for 2000, and hereby incorporated by reference.

21.1 Subsidiaries of the Company.

23.1 Consent of Independent Public Accountants is on page 64 of this Report.

24.1 Powers of Attorney.

27.1 Financial Data Schedule.

</Table>

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) of this Report.

68

EXHIBIT 3.3

BRUNSWICK CORPORATION

BY-LAWS

(As Amended Through December 4, 2001)

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices in the City of Lake Forest, State of Illinois, and at such other places as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Meetings of stockholders may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. An annual meeting of stockholders shall be held at such time and on such day in the month of April or in such other month as the board of directors may specify by resolution. At the annual meeting the stockholders shall elect by a plurality vote of those stockholders voting at the meeting, by ballot, a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. At least ten days before every election of directors, a complete list of the stockholders entitled to vote at said election arranged in alphabetical order, shall be prepared or caused to be prepared by the secretary. Such list shall be open at the place where the election is to be held for said ten days, to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chairman of the board and shall be called by the president or secretary at the request in writing of a majority of the board of directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders stating the place, date and hour of meeting, and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the shares of the capital stock of the corporation, issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation or by these by-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a

quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present or represented at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation or of these by-laws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 10. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation. Except where the transfer books of the corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which shall have been transferred on the books of the corporation within twenty days next proceeding such election of directors.

-2-
ARTICLE III

DIRECTORS

Section 1. The number of directors shall be fourteen, but the number of directors may, from time to time, be altered by amendment of these by-laws in accordance with the certificate of incorporation.

Section 2. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the board of directors or a committee appointed by the board of directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation not later than (a) with respect to an election to be held at an annual meeting of stockholders, ninety days prior to the anniversary date of the immediately preceding annual meeting, and (b) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is the holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (v) the consent of each nominee to serve as a director of the corporation if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 3. The property and business of the corporation shall be managed by its board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

-3-

Section 5. The first meeting of each newly elected board shall be held immediately after, and at the same place as, the annual meeting of stockholders at which such board shall have been elected, for the purpose of electing officers, and for the consideration of any other business that may properly be brought before the meeting. No notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 6. Regular meetings of the board of directors shall be held on such dates, not less often than once each calendar quarter, as may be fixed from time to time by resolution of the board of directors. No notice need be given of such meetings, provided that notice of such resolution has been furnished to each director. Such meetings shall be held at the Lake Forest office of the corporation or at such other place as is stated in the notice of the meeting. Upon the assent, given either verbally or in writing, of a majority of the whole board, any regular meeting may be cancelled, the time changed, or may be held at such other place and time, as a majority of the whole board may designate, either verbally or in writing, upon reasonable notice given to each director, either personally or by mail or by telegram.

Section 7. Special meetings of the board of directors may be called by the chairman of the board, or by the secretary on the written request of two directors, to be held either at the Lake Forest office of the corporation or at such other place as may be convenient and may be designated by the officer calling the meeting. Reasonable notice of such special meeting shall be given to each director, either personally or by mail or telegram; provided, that a majority of the whole board of directors present at a meeting called by any of said officers, in matters requiring prompt attention by the board, may hold a valid meeting and transact business without the giving of notice to each director as above provided.

Section 8. At all meetings of the board the presence of a majority of the whole board shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation or by these by-laws. If a quorum shall not be present at any meeting of the board of directors the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

EXECUTIVE COMMITTEE

Section 9. (a) The board of directors of the corporation at the annual or any regular or special meeting may, by resolution adopted by a majority of the whole board, designate three or more directors, one of whom shall be either the chairman of the board or the president of the corporation, to constitute an executive committee. Vacancies in the executive committee may be filled at any meeting of the board of directors. Each member of the executive committee shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign or shall have been removed from office or shall cease to be a director. Any member of the executive committee

-4-

may be removed by resolution adopted by a majority of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. The compensation, if any, of members of the executive committee shall be established by resolution of the board of directors.

(b) The executive committee shall have and may exercise all of the authority of the board of directors in the management of the corporation, provided such committee shall not have the authority of the board of directors

in reference to amending the certificate of incorporation, adopting a plan of merger or consolidation with another corporation or corporations, recommending to the stockholders the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property and assets of the corporation if not made in the usual and regular course of its business, recommending to the stockholders a voluntary dissolution of the corporation or a revocation thereof, amending, altering or repealing the by-laws of the corporation, electing or removing officers of the corporation or members of the executive committee, fixing the compensation of officers, directors, or any member of the executive committee, declaring dividends, amending, altering or repealing any resolution of the board of directors which by its terms provides that it shall not be amended, altered or repealed by the executive committee, the acquisition or sale of companies, businesses or fixed assets where the fair market value thereof or the consideration therefor exceeds \$10,000,000, authorizing the issuance of any shares of the corporation, or authorizing the creation of any indebtedness for borrowed funds, in excess of \$2,000,000.

(c) The executive committee shall have power to authorize the seal of the corporation to be affixed to all papers which may require it. Minutes of all meetings of the executive committee shall be submitted to the board of directors of the corporation at each meeting following a meeting of the executive committee. The minute books of the executive committee shall at all times be open to the inspection of any director.

(d) The executive committee shall meet at the call of the chairman of the executive committee, chairman of the board, the president, or any two members of the executive committee. Three members of the executive committee shall constitute a quorum for the transaction of business and the act of a majority of those present shall constitute the act of the committee.

AUDIT AND FINANCE COMMITTEE

Section 10. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more independent directors to constitute an audit and finance committee and appoint one of the directors so designated as the chairman of the audit and finance committee. Membership on the audit and finance committee shall be restricted to those directors who are independent of the management of the corporation and are free from any relationship that, in the opinion of the corporation's board of directors, would interfere with the exercise of independent judgment as a member of the committee. Vacancies in the committee may be filled at any meeting of the board of

-5-

directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign or shall have been removed from the audit and finance committee by the board or shall cease to be a director. Any member of the audit and finance committee may be removed from the committee by resolution adopted by a majority of the whole board of directors whenever in its judgment (1) such person is no longer an independent director or free from any relationship with the corporation or any of its officers prohibited by this section, or (2) the best interests of the corporation would be served thereby. The compensation, if any, of members of the committee shall be established by resolution of the board of directors.

(b) The audit and finance committee shall be responsible for recommending to the board of directors the appointment or discharge of independent auditors, reviewing with management and the independent auditors the terms of engagement of independent auditors, including the fees, scope and timing of the audit and any other services rendered by such independent auditors; reviewing with independent auditors and management the corporation's policies and procedures with respect to internal auditing, accounting and financial controls, and dissemination of financial information; reviewing with management, the independent auditors and the internal auditors, the corporation's financial statements, audit results and reports and the recommendations made by the auditors with respect to changes in accounting procedures and internal controls; reviewing the results of studies of the corporation's system of internal accounting controls; and performing any other duties or functions deemed appropriate by the board of directors. The committee shall have such powers and rights as may be necessary or desirable to fulfill these responsibilities

including, the power and right to consult with legal counsel and to rely upon the opinion of such legal counsel. The audit and finance committee is authorized to communicate directly with the corporation's financial officers and employees, internal auditors and independent auditors on such matters as it deems desirable and to have the internal auditors and independent auditors perform such additional procedures as it deems appropriate. The audit and finance committee shall periodically report to the board of directors on its activities.

(c) Minutes of all meetings of the audit and finance committee shall be submitted to the board of directors of the corporation. The minute books of the committee shall at all times be open to the inspection of any director.

(d) The audit and finance committee shall meet at the call of its chairman or any two members of the committee. Two members of the audit and finance committee shall constitute a quorum for the transaction of business and the act of a majority of those present, but no less than two members, shall constitute the act of the committee.

HUMAN RESOURCE AND COMPENSATION COMMITTEE

Section 11. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more directors to constitute a human resource and compensation committee and appoint one of the

-6-

directors so designated as the chairman of the human resource and compensation committee. Membership on the human resource and compensation committee shall be restricted to disinterested persons which for this purpose shall mean any director, who, during the time he is a member of the human resource and compensation committee is not eligible, and has not at any time within one year prior thereto been eligible, for selection to participate in any of the compensation plans administered by the human resource and compensation committee. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death or resignation, or until he shall have been removed from the committee by the board of directors, or until he shall cease to be a director or a disinterested person. Any member of the human resource and compensation committee may be removed by resolution adopted by a majority of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. A majority of the human resource and compensation committee shall constitute a quorum and an act of the majority of the members present at any meeting at which a quorum is present, or an act approved in writing by each of the members of the committee without a meeting, shall be the act of the human resource and compensation committee.

(b) The human resource and compensation committee shall administer the Brunswick Performance Plan, Strategic Incentive Plan, 1991 Stock Plan, and Supplemental Pension Plan. The human resource and compensation committee shall have the power and authority vested in it by any plan of the corporation, which the committee administers. The human resource and compensation committee shall from time to time recommend to the board of directors the compensation of the officers of the corporation except for assistant officers whose compensation shall be fixed by the officers of the corporation.

CORPORATE GOVERNANCE COMMITTEE

Section 12. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more directors to constitute a corporate governance committee of the board of directors and appoint one of the directors so designated as its chairman. Members on the corporate governance committee of the board of directors shall be restricted to disinterested persons which for this purpose shall mean any director who, during the time the director is a member of the corporate governance committee of the board of directors, is neither an officer or employee of the corporation. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death or resignation, or until he shall have been removed from the committee by the board of directors, or until he shall cease to be a director.

Any member of the corporate governance committee of the board of directors may be removed by resolution of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. A majority of the corporate governance committee of the board of directors shall constitute a quorum and an act of the majority

-7-

of the members present at any meeting at which a quorum is present, or an act approved in writing by each of the members of the committee without a meeting, shall be the act of the corporate governance committee. The compensation, if any, of members of the committee shall be established by resolution of the board of directors.

(b) The corporate governance committee of the board of directors shall be responsible for all matters of corporate governance and director affairs including, but not limited to:

- (i) considering and making recommendations to the board with regard to changes in the size of the board;
- (ii) developing and maintaining appropriate criteria for the composition of the board of directors and its nominees;
- (iii) overseeing the selection of and making recommendations to the board regarding nominees for election as directors to be submitted to the stockholders and nominees to fill vacancies on the board of directors as they occur;
- (iv) coordinating an annual evaluation by the board, with input from senior management, of the structure of the board and its committees and the processes employed in their deliberations; and
- (v) periodically evaluating the performance of members of the board.

(c) Nothing in this by-law is intended to prevent any individual director from making a recommendation of a person to be a director of the corporation either to the corporate governance committee or to the board.

OTHER COMMITTEES

Section 13. The board of directors may from time to time create and appoint such committees in addition to the executive, audit and finance, human resource and compensation and corporate governance committees as it deems desirable. Each additional committee shall bear such designation, shall have such powers and shall perform such duties, not inconsistent with these by-laws or with law, as may be assigned to it by the board of directors; provided that no such additional committee may exercise the powers of the board of directors in the management of the business and affairs of the corporation except such as shall be expressly delegated to it. The board of directors shall have the power to change the members of any such additional committee at any time, to fill vacancies, and to discharge any such additional committee at any time. The compensation, if any, of members of any such committee shall be established by resolution of the board of directors.

-8-

COMPENSATION OF DIRECTORS

Section 14. Directors shall receive such fees and reimbursement of reasonable expenses as may be fixed from time to time by resolution of the board. Members of special or standing committees shall also be allowed such fees and reimbursements for reasonable expenses in connection with service on such committees as may from time to time be fixed by resolution of the board. Such fees may be fixed on the basis of meetings attended or on an annual basis or both and may be payable currently or deferred.

ACTION BY WRITTEN CONSENT

Section 15. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

ACTION BY TELEPHONE OR OTHER COMMUNICATIONS EQUIPMENT

Section 16. Directors may participate in a meeting of the board or any committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ALTERNATE COMMITTEE MEMBERS

Section 17. The board of directors may designate one or more directors as alternate members of any committee, any of whom may be selected by the chairman of a committee to replace any absent or disqualified member at any meeting of a committee. In the absence or disqualification of a member of a committee and of the alternate members of such committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitutes a quorum, may unanimously appoint another member of the board of directors to act at the meeting in place of any such absent or disqualified member.

ARTICLE IV

NOTICES

Section 1. Except as may be otherwise provided for in these by-laws, whenever under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder at such address as appears on the books of the corporation, and such notice shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram or telex.

-9-

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation, or of these by-laws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The Board of Directors shall elect a Chairman of the Board from among its members. The Board of Directors shall also elect a Chief Executive Officer and such other officers as the Board of Directors determines, none of whom need to be members of the Board of Directors.

Section 2. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer of the corporation may be removed at any time by the affirmative vote of a majority of the whole board of directors.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. The corporation may indemnify to the fullest extent that is lawful, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil,

criminal, administrative or investigative (including an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, taxes, penalties and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding.

Section 2. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not he would be entitled to indemnity against the same liability under the provisions of this article.

Section 3. The corporation may enter into an indemnity agreement with any director, officer, employee or agent of the corporation, upon terms and conditions that the board of directors deems appropriate, as long as the provisions of the agreement are not inconsistent with this article.

-10-

ARTICLE VII

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the chairman of the board, the president or a vice president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, designations, preferences and relative, participating, optional and other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions or such preferences and rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock; provided, however, that, to the full extent allowed by law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and rights.

Section 2. If such certificate is countersigned (1) by a transfer agent, or (2) by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The board of directors may authorize the transfer agents and registrars of the corporation to issue and register, respectively, new certificates in place of any certificates alleged to have been lost, stolen or destroyed, and in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such indemnities as it deems necessary to protect the corporation and said transfer agents and registrars.

TRANSFERS OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the

corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

-11-
FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the party of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. The board of directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the corporation.

-12-

CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate. The board of directors, in its discretion, may delegate its responsibilities contained in this section

to any officer or officers of the corporation.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall begin on the first day of January, and terminate on the thirty-first day of December, in each year.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Incorporated Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IX

TENNESSEE AUTHORIZED CORPORATION PROTECTION ACT

Section 1. This corporation shall be subject to Section 404(a) of the Tennessee Authorized Corporation Protection Act.

ARTICLE X

AMENDMENTS

Section 1. The holders of shares of capital stock of the corporation entitled at the time to vote for the election of directors shall have the power to adopt, alter, amend, or repeal the by-laws of the corporation by vote of such percentage of such shares as is required by the Certificate of Incorporation, or if no percentage is specified by the Certificate of Incorporation, by vote of not less than 66-2/3% of such shares. The board of directors shall also have the power to adopt, alter, amend or repeal the by-laws of the corporation by vote of such percentage of the entire board as is required by the Certificate of Incorporation, or if no percentage is specified by the Certificate of Incorporation, by vote of not less than a majority of the entire board.

CREDIT AGREEMENT

dated as of

May 22, 1997

among

BRUNSWICK CORPORATION,

The Lenders Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

\$400,000,000 REVOLVING CREDIT AND COMPETITIVE ADVANCE FACILITY

TABLE OF CONTENTS

ARTICLE I

Page

Definitions

1.01. Defined Terms	1
1.02. Classification of Loans and Borrowings	13
1.03. Terms Generally	13
1.04. Accounting Terms; GAAP	14

ARTICLE II

The Credits

2.01. Commitments	14
2.02. Loans and Borrowings	14
2.03. Requests for Revolving Borrowings	15
2.04. Competitive Bid Procedure	16
2.05. Extension of Maturity Date	18
2.06. Letters of Credit	19
2.07. Funding of Borrowings	23
2.08. Interest Elections	24
2.09. Termination Reduction and Increase of Commitments	25
2.10. Repayment of Loans; Evidence of Debt	27
2.11. Prepayment of Loans	28
2.12. Fees	28
2.13. Interest	29
2.14. Alternate Rate of Interest	30
2.15. Increased Costs	31
2.16. Break Funding Payments	32
2.17. Taxes	32
2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs...	33
2.19. Mitigation Obligations; Replacement of Lenders	35

ARTICLE III

Representations and Warranties

3.01. Organization; Powers	36
3.02. Authorization; Enforceability	36
3.03. Governmental Approvals; No Conflicts	36
3.04. Financial Condition; No Material Adverse Change	36
3.05. Litigation; Etc	37

3.06. Investment and Holding Company Status	37
3.07. Taxes	37

Page

3.08. ERISA	37
3.09. Disclosure	37
3.10. Margin Stock	38
3.11. Material Agreements	38

ARTICLE IV

Conditions

4.01. Effective Date	38
4.02. Each Credit Event	39

ARTICLE V

Affirmative Covenants

5.01. Financial Reporting	40
5.02. Use of Proceeds	41
5.03. Notice of Default	41
5.04. Corporate Standing	41
5.05. Taxes and Other Obligations	41
5.06. Insurance	41
5.07. Compliance with Laws	42
5.08. Maintenance of Properties	42
5.09. Books and Records; Inspection.....	42

ARTICLE VI

Negative Covenants

6.01. Maximum Leverage Ratio	42
6.02. Merger	42
6.03. Sales of Assets	42
6.04. Limitation on Secured Debt	43

ARTICLE VII

Events of Default	43
-------------------------	----

ARTICLE VIII

The Administrative Agent	45
--------------------------------	----

ARTICLE IX

Page

Miscellaneous

9.01. Notices	47
9.02. Waivers; Amendments	48
9.03. Expenses; Indemnity; Damage Waiver	48
9.04. Successors and Assigns	49
9.05. Survival	51
9.06. Counterparts; Integration; Effectiveness	52
9.07. Severability	52
9.08. Right of Setoff	52
9.09. Governing Law; Jurisdiction; Consent to Service of Process	52
9.10. WAIVER OF JURY TRIAL	53
9.11. Headings	54
9.12. Confidentiality	54
9.13. Interest Rate Limitation	54
9.14. Judgment Currency	55

SCHEDULES:

Schedule 2.01 - Commitments
Schedule 3.05 - Litigation

EXHIBITS:

Exhibit A - Form of Assignment and Acceptance
Exhibit B - Form of Opinion of Borrower's Counsel
Exhibit C - Form of Extension Request
Exhibit D - Form of Notice of Extension of Maturity Date
Exhibit E - Form of Assumption Agreement

CREDIT AGREEMENT dated as of May 22, 1997 among:

BRUNSWICK CORPORATION, a corporation organized under the laws of the State of Delaware (the "Borrower");

the financial institutions and other lenders named in Schedule 2.01 hereto (collectively, the "Initial Lenders"); and

THE CHASE MANHATTAN BANK, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means Chase, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

Credit Agreement

"Alternate Currency" means any currency other than U.S. Dollars that is freely transferrable and convertible into U.S. Dollars and as to

which deposits in such currency are then generally being offered in the London interbank market.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurocurrency Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Eurocurrency Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, set forth below under the caption "Index Debt Ratings" applicable on such date to the Index Debt:

Index Debt Ratings:	Eurocurrency Spread	Facility Fee Rate
Category 1: Greater than or equal to A2/A	0.135%	0.065%
Category 2: A3/A-	0.175%	0.075%
Category 3: Baa1/BBB+	0.195%	0.080%
Category 4: Baa2/BBB	0.225%	0.100%
Category 5: Baa3/BBB-	0.250%	0.150%
Category 6: Less than Baa3/BBB-	0.325%	0.175%

For purposes of the foregoing: (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Category 6; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Rate shall be based on the higher of the two ratings; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the

Credit Agreement

-3-

Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent,

in the form of Exhibit A or any other form approved by the Administrative Agent.

"Assuming Lender" means a Person not previously a Lender that becomes a Lender hereunder pursuant to Section 2.05(c) or 2.09(d).

"Assumption Agreement" means an agreement, in substantially the form of Exhibit E hereto, pursuant to which a Person agrees to become an Assuming Lender hereunder pursuant to Section 2.09(d).

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrowing" means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect or (b) a Competitive Loan or group of Competitive Loans of the same Type and Currency made on the same date and as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurocurrency Loan denominated in any Currency, the term "Business Day" shall also exclude any day on which banks are not open for dealings in deposits in such Currency in the London interbank market.

"Capitalized Lease Obligations" means the amount of the obligations of the Borrower and its Restricted Subsidiaries under Financing Leases which would be shown as a liability on a balance sheet of the Borrower or a Restricted Subsidiary, prepared in accordance with GAAP.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the SEC thereunder as in effect on the date hereof), of shares representing 30% or more of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; (b) with respect to a tender offer (for which a filing has been made with the SEC which purports to comply with the requirements of the Exchange Act and the rules of the SEC thereunder as in effect on the date hereof) made for the shares of the Borrower, which tender offer has not been

Credit Agreement

-4-

negotiated and approved by the board of directors of the Borrower, the earlier of (i) any Business Day during such tender offer when the Person or group making such tender offer owns, directly or indirectly, beneficially or of record, and/or has accepted for payment shares representing 25% or more of the aggregate voting power represented by the issued and outstanding capital stock of the Borrower and (ii) three Business Days before such tender offer is to terminate unless the tender offer is withdrawn first if the Person or group making such tender offer could own, by the terms of the tender offer plus any shares owned by such Person or group, shares representing 50% or more of the aggregate voting power represented by the issued and outstanding capital stock of the Borrower when such tender offer terminates; (c) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated; or (d) the acquisition of direct or indirect Control of the Borrower by any Person or group.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or

the Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Chase" means The Chase Manhattan Bank, together with its successors.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Competitive Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced or increased from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Initial Lender's Commitment is set forth on Schedule 2.01.

"Commitment Extension Date" has the meaning assigned to that term in Section 2.05.

"Commitment Increase" has the meaning assigned to that term in Section 2.09(d).

"Commitment Increase Date" has the meaning assigned to that term in Section 2.09(d).

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

Credit Agreement

-5-

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04. Competitive Loans may be denominated in any Currency.

"Consolidated Net Worth" means, at any date of determination, an amount equal to common shareholders' equity determined on a consolidated basis for the Borrower and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Total Debt" means and includes without duplication the sum of (i) Indebtedness plus (ii) Contingent Obligations to the extent that Contingent Obligations exceed in the aggregate \$50,000,000.

"Contingent Obligations" means (i) any agreement, undertaking or arrangement by which the Borrower or any Restricted Subsidiary assumes, guarantees, endorses (excluding endorsement of negotiable instruments for collection in the ordinary course of business), contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, any Third Party Indebtedness, or agrees to maintain the net worth or working capital or other financial condition of any person other than the Borrower or a Restricted Subsidiary or otherwise assures any creditor of any person other than the Borrower or a Restricted Subsidiary against loss and (ii) any take-or-pay contract to which the Borrower or any Restricted Subsidiary is a party. Notwithstanding the foregoing, inventory repurchase and recourse obligations of the Borrower and its Restricted Subsidiaries to their respective dealers and such dealers' respective financial institutions incurred in the ordinary course of business and as described in the Borrower's annual audited financial

statements shall not be deemed to be Contingent Obligations under this Agreement. The amount of any Contingent Obligation shall, at any date of determination thereof, be equal to the amount of the obligation so guaranteed or otherwise supported on such date of determination, provided that, if the liability of the Borrower or Restricted Subsidiary extending such guaranty or support is limited with respect thereto to an amount less than the obligations guaranteed or supported, or is limited to recourse against a particular asset or assets of the Borrower or Restricted Subsidiary, the amount of the corresponding Contingent Obligation shall be limited (a) in the case of a guaranty or other support limited by amount, to such lesser amount, or (b) in the case of a guaranty or other support limited by recourse to a particular asset or assets, to the higher of (1) the fair market value of such asset or assets at such date of determination and (2) the value at which such asset or assets would, in conformity with GAAP, be reflected on, or valued for the purposes of preparing, a consolidated balance sheet of the Borrower or Restricted Subsidiary as at such date of determination.

"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.

"Currency" means U.S. Dollars or any Alternate Currency.

"Declining Lender" has the meaning assigned to that term in Section 2.05(b).

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

Credit Agreement

-6-

"Derivative Transaction" means (a) any "swap agreement" (within the meaning given to such term in Section 101(53B) of the United States Bankruptcy Code, as amended), (b) any "qualified financial contract" (within the meaning given to such term by Section 11 (e)(8)(D) of the Federal Deposit Insurance Act, as amended), (c) any option with respect to any of the foregoing transactions and (d) any combination of any of the foregoing transactions.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources or to the management, release or threatened release of any Hazardous Material.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302

of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

Credit Agreement

-7-

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.05(c), 2.09(d) or 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or is attributable to such Foreign Lender's failure or inability to comply with Section 2.17(e), except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"Extending Lender" has the meaning assigned to that term in Section 2.05(a).

"Extension Request" has the meaning assigned to that term in Section 2.05(a).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for

such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"Financing Lease" means any lease of property which would be capitalized on a balance sheet of the Borrower or a Restricted Subsidiary, prepared in accordance with GAAP.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurocurrency Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

Credit Agreement

-8-

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means, subject to Section 1.04, generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Increasing Lender" has the meaning assigned to that term in Section 2.09(d).

"Indebtedness" means the Borrower's and each Restricted Subsidiary's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property other than accounts payable arising in connection with the purchase of inventory on terms customary in the trade, (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired by the Borrower or any Restricted Subsidiary and (iv) Capitalized Lease Obligations.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate

Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

Credit Agreement

-9-

"Interest Period" means (a) with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or such other integral number of calendar months as shall be agreed by the Borrower and each Lender or, in the case of a Borrowing of a Competitive Loan, the Lender making such Loan) thereafter, as the Borrower may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than seven days or more than 180 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurocurrency Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means Chase, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i).

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lender" means (i) any Initial Lender, (ii) any Person that shall become a Lender party hereto pursuant to an Assumption Agreement and (iii) any Person that shall become a Lender party hereto pursuant to an Assignment and Acceptance, but shall exclude any Person that ceases to be a Lender party hereto pursuant to an Assignment and Acceptance.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means, on any date, the ratio of (a) Consolidated Total Debt on such date to (b) the sum of (i) Consolidated Total Debt on such date plus (ii) Consolidated Net Worth on such date.

"LIBO Rate" means, with respect to any Eurocurrency Borrowing in any Currency for any Interest Period, the rate appearing on Dow Jones Markets Page 3750 or 3740, as applicable (or on any successor or substitute page provided by Dow Jones Markets, or any successor thereto, for the purpose of providing quotations of interest rates applicable to deposits in such Currency in the London interbank market), or, if such page is not available or such rate does not appear on such page, the rate appearing on the "LIBO Page" so designated on the Reuter Monitor Money Rates Service (or on any successor or substitute page provided by the Reuter Monitor Money Markets Service, or any successor

thereto, for the purpose of providing quotations of interest rates applicable to deposits in such Currency in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in such Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits of \$5,000,000 (or, in the case of a Eurocurrency Competitive Borrowing denominated in an Alternate Currency, the equivalent thereof in such Alternate Currency, rounded to the nearest 1,000 units of such Alternate Currency) and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest under a Financing Lease or analogous instrument, in, of or on any property of the Borrower or any Restricted Subsidiary.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Long-Term Credit Agreement" has the meaning assigned to that term in Section 4.01(e).

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Competitive Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, prospects or results of operations of the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under this Agreement or (c) the rights of or benefits available to the Lenders or the Administrative Agent under this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit) or Contingent Obligations of any one or more of the Borrower and the Subsidiaries in an aggregate principal amount exceeding \$25,000,000.

"Maturity Date" means May 22, 2002 or such later date to which the Maturity Date shall have been extended pursuant to Section 2.05.

"Moody's" means Moody's Investors Service, Inc., or any successor nationally recognized statistical rating organization.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning set forth in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable pursuant to Article VII or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Restricted Subsidiary" means any Subsidiary which is consolidated in the audited financial statements of the Borrower, but excluding each Subsidiary which is a general partner in a partnership formed to own, lease or operate bowling centers.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03. Revolving Loans may only be denominated in U.S. Dollars.

"S&P" means Standard & Poor's Ratings Services, or any successor nationally recognized statistical rating organization.

Credit Agreement

-12-

"SEC" means the United States Securities and Exchange Commission, together with any successor agency responsible for the administration and enforcement of the Securities Act of 1933, as amended from time to time, and the Exchange Act.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Lender that is the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurocurrency Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Substantial Portion" means, with respect to the property of the Borrower and the Subsidiaries, such property which (i) represents more than 20% of the consolidated assets of the Borrower and the Subsidiaries as would be shown in the consolidated financial statements of the Borrower and the Subsidiaries as at the end of the twelve-month period ending with the most recent calendar quarter ended at least 30 days prior to the date when such determination is made, or (ii) is responsible for more than 20% of the consolidated net sales of the Borrower and the Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Third Party Indebtedness" means, with respect to any Person other than the Borrower or any Restricted Subsidiary, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property other than accounts payable arising in connection with the purchase of inventory on terms customary in the trade, (iii) obligations, whether or not assumed, secured by any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest under any lease of property which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP, or analogous instrument, in, of or on any property of such Person, or payable out of the proceeds or production from property now or

Credit Agreement

- 13-

hereafter owned or acquired by such Person and (iv) obligations under leases of property which would be capitalized and shown as a liability on a balance sheet of such Person, prepared in accordance with GAAP.

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"Unrestricted Subsidiary" means any Subsidiary which is not consolidated in the audited financial statements of the Borrower and any Subsidiary which is a general partner in a partnership formed to own, lease or operate bowling centers.

"U.S. Dollar Equivalent" means, in respect of any Competitive Loan denominated in an Alternate Currency, the equivalent in U.S. Dollars of the principal amount of such Competitive Loan, calculated for value on the date specified therefor.

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

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurocurrency Loan") or by Class and Type (e.g., a "Eurocurrency Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurocurrency Borrowing") or by Class and Type (e.g., a "Eurocurrency Revolving Borrowing").

Section 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the

Credit Agreement

-14-

same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

Section 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans. For the purposes of determining the aggregate principal amount of outstanding Competitive Loans as aforesaid on the date of any Borrowing of Revolving Loans, each Loan of such Lender that is outstanding

in an Alternate Currency shall be equivalent to a Loan in a principal amount equal to the U.S. Dollar Equivalent of such Loan determined as of the date of such Borrowing.

Section 2.02. Loans and Borrowings.

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans denominated in U.S. Dollars as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurocurrency Loans or Fixed Rate Loans denominated in any Currency as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such

Credit Agreement

-15-

option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000 (or, in the case of a Competitive Borrowing denominated in an Alternate Currency, the equivalent thereof in such Alternate Currency, rounded to the nearest 1,000 units of such Alternate Currency). Borrowings of more than one Type, Currency and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 15 Eurocurrency Borrowings outstanding (for which purpose, Eurocurrency Borrowings of different Classes or denominated in different Currencies shall be deemed to be different Borrowings).

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date then in effect.

Section 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) shall be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;

(iv) in the case of a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account maintained with the Administrative Agent in New York City to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Credit Agreement

-16-

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested Borrowing.

Section 2.04. Competitive Bid Procedure.

(a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Commitments. For the purposes of determining the aggregate principal amount of outstanding Competitive Loans as aforesaid on the date of any Borrowing of Competitive Loans, each Loan of such Lender that is outstanding in an Alternate Currency shall be equivalent to a Loan in a principal amount equal to the U.S. Dollar Equivalent of such Loan determined as of the date of such Borrowing. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, (i) in the case of a Eurocurrency Borrowing denominated in any Currency or a Fixed Rate Borrowing denominated in an Alternate Currency, not later than 10:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and (ii) in the case of a Fixed Rate Borrowing denominated in U.S. Dollars, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that (x) the Borrower may submit up to (but not more than) five Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected, and (y) there shall not at any time be more than a total of 15 Eurocurrency Borrowings outstanding (for which purpose, Eurocurrency Borrowings of different Classes and denominated in different Currencies shall be deemed to be different Borrowings). Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurocurrency Borrowing or a Fixed Rate Borrowing;

(iv) the Currency of such Borrowing;

(v) the Interest Period to be applicable to such Borrowing,

which shall be a period contemplated by the definition of the term "Interest Period"; and

Credit Agreement

-17-

(vi) the location and number of the Borrower's account maintained with the Administrative Agent in New York City (if such Borrowing is denominated in U.S. Dollars) and in the principal financial center for the relevant Alternate Currency (if such Borrowing is denominated in any Alternate Currency) to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request (which may be in an amount up to or in excess of such Lender's Commitment). Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, (i) in the case of a Eurocurrency Competitive Borrowing or a Fixed Rate Borrowing denominated in an Alternate Currency, not later than 10:00 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing denominated in U.S. Dollars, not later than 10:00 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$10,000,000 and an integral multiple of \$1,000,000 (or, in the case of a Competitive Bid denominated in an Alternate Currency, the equivalent thereof in such Alternate Currency, rounded to the nearest 1,000 units of such Alternate Currency) and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the bidding Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the bidding Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, (i) in the case of a Eurocurrency Competitive Borrowing or a Fixed Rate Borrowing denominated in an Alternate Currency, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing denominated in U.S. Dollars, not later than 11:00 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept

Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$10,000,000 and an integral multiple of \$1,000,000 (or, in the case of a Competitive Loan denominated in an Alternate Currency, the equivalent thereof in such Alternate Currency, rounded to the nearest 1,000 units of such Alternate Currency); provided further that if a Competitive Loan must be in an amount less than \$10,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof (or, in the case of a Competitive Loan denominated in an Alternate Currency, the equivalent thereof in such Alternate Currency, rounded to the nearest 1,000 units of such Alternate Currency), and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 (or, in the case of a Competitive Loan denominated in an Alternate Currency, the equivalent thereof in such Alternate Currency, rounded to the nearest 1,000 units of such Alternate Currency) in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

Section 2.05. Extension of Maturity Date.

(a) The Borrower may, at its option, by written notice to the Administrative Agent in substantially the form of Exhibit C hereto (an "Extension Request") no earlier than 45 days and no later than 30 days prior to the date four years prior to the Maturity Date then in effect, request that the Lenders extend such Maturity Date to the date one year after the Maturity Date then in effect, such extension to be effective as of such date four years prior to the Maturity Date then in effect (the "Commitment Extension Date"); provided that no more than two such extensions may be requested by the Borrower. Such request shall be irrevocable and binding upon the Borrower. The Administrative Agent shall promptly notify each Lender of such request. If a Lender agrees, in its individual and sole discretion, to so extend its Commitment (each such Lender being an "Extending Lender"), it shall deliver to the Administrative Agent a written notice in substantially the form of Exhibit D hereto of its agreement to do so no earlier than 25 days and no later than 15 days prior to the Commitment Extension Date specified in the Extension Request, and the Administrative Agent shall notify the Borrower in writing of such Extending Lender's agreement to extend its Commitment no later than 10 days prior to such Commitment Extension Date. Subject to the satisfaction of the conditions set forth in Section 4.02 as of such Commitment Extension Date, if Lenders holding more than 66-2/3% of the aggregate Commitments consent in writing to such extension, the Maturity Date shall, effective as of

Credit Agreement

such Commitment Extension Date, be extended to the date one year after the Maturity Date then in effect.

(b) If any Lender does not consent, or fails to respond within the time period set forth in Section 2.05(a), to a request by the Borrower for

an extension of the Maturity Date then in effect (each such Lender being a "Declining Lender"), such Declining Lender's Commitment shall (unless assigned to another Lender that is not a Declining Lender in accordance with Section 2.05(c)) be reduced to zero on the Maturity Date then in effect. All outstanding Loans provided by such Declining Lender shall (unless all of such Loans are assigned to another Lender that is not a Declining Lender in accordance with Section 2.05(c)) mature no later than the Maturity Date in effect prior to giving effect to such extension described in this Section 2.05.

(c) During the period from but excluding the date 15 days prior to, but not more than 90 days after, the Commitment Extension Date, any Declining Lender, may, at the Borrower's option, be replaced with one or more Extending Lenders and/or Assuming Lenders (each of which Assuming Lenders shall be deemed to have consented to the Extension Request as of that Commitment Extension Date), provided that, (x) with respect to each such Extending Lender or Assuming Lender, the Administrative Agent shall have received an appropriate Assignment and Acceptance in substantially the form of Exhibit A hereto, duly executed by the relevant Declining Lender (which the Declining Lender hereby agrees to execute and deliver upon receipt of payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder) and such Extending Lender or Assuming Lender in accordance with Section 9.04 and (y) with respect to each such Assuming Lender, the Borrower shall have paid, or caused such Assuming Lender to pay, the processing and recordation fee referred to in Section 9.04(b). Upon its receipt of an Assignment and Acceptance, duly executed and completed as aforesaid in the form specified above, the Administrative Agent shall (x) accept such Assignment and Acceptance, (y) record the information contained therein in the Register and (z) give prompt notice thereof to the Borrower.

Section 2.06. Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, whether such Letter of Credit is a commercial

Credit Agreement

-20-

letter of credit or standby letter of credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed \$30,000,000 and (ii) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans shall not exceed the

total Commitments. For the purposes of determining the aggregate principal amount of outstanding Competitive Loans as aforesaid on the date of issuance of any Letter of Credit, each Loan of such Lender that is outstanding in an Alternate Currency shall be equivalent to a Loan in a principal amount equal to the U.S. Dollar Equivalent of such Loan determined as of the date of issuance of such Letter of Credit.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the date that is five Business Days prior to the Maturity Date then in effect.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section with a Borrowing from such Lender, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives notice of such LC Disbursement, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be financed with an ABR Revolving Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in

Credit Agreement

-21-

Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to

reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise the standard of care agreed hereunder to be applicable when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that such standard of care shall be as follows, and that the Issuing Bank shall be deemed to have exercised such standard of care in the absence of gross negligence or willful misconduct on its part (as determined by a court of competent jurisdiction): (i) the Issuing Bank may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit; and (ii) the Issuing Bank shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit.

Credit Agreement

-22-

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing more than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear

Credit Agreement

-23-

interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing more than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

Section 2.07. Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City (if such Borrowing is denominated in U.S. Dollars) or in the principal financial center for the relevant Currency (if such Borrowing is denominated in an Alternate Currency) and designated by the Borrower in the applicable Borrowing Request or

Competitive Bid Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate if such Loan is denominated in U.S. Dollars) or at the overnight London interbank offered rate for the relevant Alternate Currency determined by the Administrative Agent in good faith (if such Loan is denominated in such Currency) or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing (and such Lender shall, subject to clause (i) above, be entitled to interest paid by the Borrower on such Borrowing from the date thereof). With respect to any share of a Borrowing not made available by a Lender as contemplated above, if such Lender subsequently pays its share of such Borrowing to the Administrative Agent, then the Administrative Agent shall promptly repay any corresponding amount paid by the Borrower to the Administrative Agent as provided in this Section 2.07(b).

Credit Agreement

-24-

Section 2.08. Interest Elections.

(a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

Credit Agreement

-25-

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurocurrency Borrowing and (ii) unless repaid, each Eurocurrency Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.09. Termination, Reduction and Increase of Commitments.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$25,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) (i) The Borrower may at any time, by notice to the Administrative Agent, propose that the total amount of the Commitments be increased (each such proposed increase being a "Commitment Increase"), effective as of a date (the "Commitment Increase Date") that shall be specified in such notice and that shall be not later than the fifth anniversary of the date hereof; provided that:

(A) the Borrower may not propose more than one Commitment Increase during any calendar quarter,

(B) the proposed Commitment Increase in respect of the Commitment of either (i) any Increasing Lender or (ii) any Assuming Lender for each Commitment Increase Date shall be in the total amount of no less than \$10,000,000 and an integral multiple of \$1,000,000 in excess thereof,

Credit Agreement

-26-

(C) in no event shall the total amount of the Commitments after giving effect to such Commitment Increase exceed \$600,000,000,

(D) no Default shall have occurred and be continuing on such Commitment Increase Date or shall result from the proposed Commitment Increase,

(E) the representations and warranties contained in Article III shall be correct on and as of the Commitment Increase Date as if made on and as of such date,

(F) immediately after giving effect to such Commitment Increase, no Lender shall hold more than 20% of the total amount of the Commitments, and

(G) no Commitment Increase may, unless the Borrower shall indemnify each Lender for any loss, cost and expense attributable to such Commitment Increase in accordance with Section 2.16, be effected other than on a day (x) on which no Eurocurrency Loans are outstanding or (y) that is the last day of an Interest Period for all outstanding Eurocurrency Loans.

The Administrative Agent shall notify the Lenders of a proposed Commitment Increase promptly upon its receipt of any notice from the Borrower with respect to such proposed Commitment Increase. It shall be in each Lender's sole discretion whether to increase its Commitment hereunder in connection with any proposed Commitment Increase. No later than 10 Business Days after its receipt of the Borrower's notice proposing a Commitment Increase, each Lender that is willing to increase its Commitment hereunder (each such Lender being an "Increasing Lender") shall deliver to the Administrative Agent a notice in which such Lender shall set forth the maximum increase in its Commitment to which such Lender is willing to agree, and the Administrative Agent shall promptly provide to the Borrower a copy of such Increasing Lender's notice.

(ii) If agreement is reached prior to the relevant Commitment Increase Date with any Increasing Lenders and Assuming Lenders, if any, as to a Commitment Increase, the Borrower shall deliver, no later than one Business Day prior to such Commitment Increase Date, a notice of such agreement in reasonable detail to the Administrative Agent (and the Administrative Agent shall give notice thereof to the Lenders, including any Assuming Lenders). The Assuming Lenders, if any, shall become Lenders hereunder as of such Commitment Increase Date and the Commitments of any Increasing Lenders and such Assuming Lenders shall become or be, as the case may be, as of such Commitment Increase Date, the amounts specified in the notice delivered by the Borrower to the Administrative Agent; provided that:

(x) the Administrative Agent shall have received on or prior to 9:00 A.M. (New York City time) on such Commitment Increase Date a certificate of a duly authorized officer of the Borrower stating that each of the applicable conditions to such Commitment Increase set forth in clause (i) of this Section 2.09(d) has been satisfied;

(y) with respect to each Assuming Lender, the Administrative Agent shall have received, on or prior to 9:00 A.M. (New York City time) on such Commitment Increase Date, an appropriate Assumption Agreement in substantially the form of Exhibit E hereto, duly executed

by such Assuming Lender and the Borrower and acknowledged by the Administrative Agent; and

Credit Agreement

-27-

(z) each Increasing Lender shall have delivered to the Administrative Agent, on or prior to 9:00 A.M. (New York City time) on such Commitment Increase Date, confirmation in writing satisfactory to the Administrative Agent as to its increased Commitment, with a copy of such confirmation to the Borrower.

(iii) In the event that the Administrative Agent shall have received notice from the Borrower as to any agreement with respect to a Commitment Increase or shall have received an Assumption Agreement from any Assuming Lender on or prior to the relevant Commitment Increase Date and the actions provided for in clauses (ii)(x) through (ii)(z) above shall have occurred by 9:00 A.M. (New York City time) on such Commitment Increase Date, the Administrative Agent shall (x) notify the Lenders (including any Assuming Lenders) and the Borrower of the occurrence of such Commitment Increase Date promptly and in any event by 10:00 A.M. (New York City time) on such date by facsimile transmission, (y) with respect to any Assuming Lender, (A) accept the Assumption Agreement referred to in clause (ii)(y) above and (B) record the information contained therein in the Register and (z) with respect to any Increasing Lender, record the information contained in the confirmation referred to in clause (ii)(z) above in the Register. Each Increasing Lender and each Assuming Lender shall, before 11:00 A.M. (New York City time) on such Commitment Increase Date, make available for the account of its lending office to the Administrative Agent at the account of the Administrative Agent specified for Loans denominated in U.S. Dollars, in same day funds, an amount equal to such Increasing Lender's or such Assuming Lender's ratable portion of the Revolving Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase). After the Administrative Agent's receipt of such funds, the Administrative Agent will promptly thereafter cause to be distributed like funds to the Lenders for the account of their respective lending offices in an amount to each Lender such that the aggregate amount of the outstanding Revolving Loans owing to each Lender after giving effect to such distribution equals such Lender's ratable portion of the Revolving Borrowings then outstanding (calculated based on its Applicable Percentage after giving effect to the relevant Commitment Increase).

Section 2.10. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date and (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

Credit Agreement

-28-

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.11. Prepayment of Loans.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by teletype) of any prepayment of any Revolving Borrowing hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of repayment or (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

Section 2.12. Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the date hereof to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in

Credit Agreement

arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at a rate per annum equal to the Applicable Rate applicable to interest on Eurocurrency Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Borrower and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; Provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

Section 2.13. Interest

(a) The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at a rate per annum equal to (i) in the case of a Eurocurrency Revolving Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurocurrency Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

Credit Agreement

-30-

(c) Each Fixed Rate Loan shall bear interest at a rate per annum equal to the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued

interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurocurrency Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurocurrency Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or teletype as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Borrower for a Eurocurrency Competitive Borrowing shall be

Credit Agreement

-31 -

ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurocurrency Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowing, then the other Type of Borrowing shall be permitted.

Section 2.15. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurocurrency Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to

such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to

Credit Agreement

-32-

compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

Section 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.11(b) and is revoked in accordance herewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan or (e) the assignment of any Eurocurrency Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of the exercise by the Borrower of its rights under any of Section 2.05(c), 2.09(d) or 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such

event. In the case of a Eurocurrency Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Adjusted LIBO Rate for such Interest Period, over (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for deposits in the relevant Currency from other banks in the London interbank market at the commencement of such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Person entitled to receive such payment receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and

Credit Agreement

-33-

(iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon local time in New York (in the case of payments in U.S. Dollars) or in the principal financial center for the relevant Alternate Currency (in the case of payments in such Alternate Currency), on the date when due, in immediately available funds, without set-off or counterclaim except as expressly provided in Section 9.08(b). Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent by wire transfer of immediately available funds by 12:00 noon local time in New York (in the case of payments in U.S. Dollars) or in the principal financial center for the relevant Alternate Currency (in the case of payments in such Alternate Currency), to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Borrower, except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments

Credit Agreement

-34-

received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may

exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with such interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate (if such Loan is denominated in U.S. Dollars) or at the overnight

Credit Agreement

-35-

London interbank offered rate for the relevant Alternate Currency (if such Loan is denominated in an Alternate Currency).

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.06(d) or (e), 2.07(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.19. Mitigation Obligations: Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts), (iii) the Borrower shall have paid, or caused such assignee to pay, the processing and recordation fee referred to in Section 9.04(b) and (iv) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to

Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

(c) If any Person becomes a Lender, or assumes all or any portion of the Commitment of another Lender, pursuant to Section 2.05(c) or 2.09(d), then the Administrative Agent and the Lenders shall purchase (for cash at face value) direct interests in the Revolving Loans and participations in LC Disbursements of other Lenders (together with related claims for interest and

Credit Agreement

-36-

facility fee) to the extent necessary so that, immediately after giving effect thereto, the percentage interest held by each Lender in each Revolving Borrowing and each participation in an LC Disbursement is equal to such Lender's Applicable Percentage. The Borrower consents to the foregoing. Any such purchase of an interest in a Eurocurrency Revolving Loan, and any purchase by an Extending Lender or an Assuming Lender of an interest in a Fixed Rate Loan, is subject to Section 2.16.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Lenders that:

Section 3.01. Organization; Powers. Each of the Borrower and the Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

Section 3.02. Authorization; Enforceability. The Borrower has the corporate power and authority and legal right to execute and deliver this Agreement, consummate the Transactions and to perform its obligations hereunder. The execution and delivery by the Borrower of this Agreement, the consummation of the Transactions and the performance of its obligations hereunder have been duly authorized by proper corporate proceedings, and this Agreement and the Transactions constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

Section 3.03. Governmental Approvals; No Conflicts. Neither the execution and delivery by the Borrower of this Agreement, nor the consummation of the Transactions, nor compliance with the provisions hereof, will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award of any Governmental Authority binding on the Borrower or any Subsidiary or the Borrower's or any Subsidiary's articles of incorporation or by-laws or the provisions of any indenture, instrument or agreement to which the Borrower or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the property of the Borrower or a Subsidiary pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any Governmental Authority, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, this Agreement or the consummation of the Transactions.

Section 3.04. Financial Condition; No Material Adverse Change.

(a) The December 31, 1996 audited consolidated financial statements of the Borrower and the Subsidiaries, and the March 31, 1997 unaudited consolidated financial statements of the Borrower and the

Subsidiaries, heretofore delivered to the Lenders were prepared in accordance with GAAP in effect on the date such statements were prepared, fairly present the consolidated financial

Credit Agreement

-37-

condition and operations of the Borrower and the Subsidiaries at their respective dates and the consolidated results of their operations for the fiscal year and fiscal quarter, respectively, then ended and are true, accurate and complete in all material respects.

(b) Since December 31, 1996, there has been no material adverse change in the business, financial condition, prospects or results of operations of the Borrower and the Subsidiaries, taken as a whole.

Section 3.05. Litigation; Etc.

(a) Schedule 3.05 hereto describes certain pending litigation, and as of the date hereof the Borrower does not expect such litigation to have a Material Adverse Effect. There is no other litigation or proceeding pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any Subsidiary which has a substantial likelihood of having a Material Adverse Effect.

(b) Except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of the Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

Section 3.06. Investment and Holding Company Status. Neither the Borrower nor any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended, or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935, as amended.

Section 3.07. Taxes. The Borrower and its consolidated Subsidiaries have filed all United States federal tax returns and all other tax returns which are currently due and required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in conformity with GAAP. The United States income tax returns of the Borrower and the Subsidiaries have been audited by the Internal Revenue Service through the calendar year ended December 31, 1988. No tax liens have been filed and the reserves on the books of the Borrower and the Subsidiaries in respect of any taxes or other governmental charges are, to the best of the Borrower's knowledge, adequate.

Section 3.08. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

Section 3.09. Disclosure. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of the Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or

supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 3.10. Margin Stock. Margin stock (as defined in Regulation U of the Board) constitutes less than 25% of those assets of the Borrower and the Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

Section 3.11. Material Agreements. Neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction materially and adversely affecting its business, properties or assets, operations or condition (financial or otherwise). Neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default might have a material adverse effect on the business, properties or assets, operations, or condition (financial or otherwise) of the Borrower and the Subsidiaries or (ii) any agreement or instrument evidencing or governing Indebtedness.

ARTICLE IV

Conditions

Section 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Mary D. Allen, Esq., Vice President and General Counsel, substantially in the form of Exhibit B, and covering such other matters relating to the Borrower, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

Credit Agreement

(e) The Administrative Agent shall have received evidence of

the termination of all commitments to extend credit under, the termination or replacement of all letters of credit issued under, and the payment of all principal, interest, fees and other amounts owing under, the Long-Term Credit Agreement dated as of November 8, 1993 (the "Long-Term Credit Agreement") among the Borrower, the banks party thereto and The First National Bank of Chicago, as agent.

(f) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on May 30, 1997 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, of each Extending Lender with respect to the extension of the Maturity Date then in effect pursuant to Section 2.05 and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement (other than in Section 3.04(b) or, insofar as clause (a) of the definition of "Material Adverse Effect" is concerned, Section 3.05(a)) shall be true and correct on and as of the date of such Borrowing, extension of the Maturity Date or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing, the extension of the Maturity Date or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing, each extension of the Maturity Date and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section. The extension of the Maturity Date pursuant to Section 2.05 for each Extending Lender, if any, shall be subject to the further conditions precedent that the other applicable conditions precedent to such extension set forth in Section 2.05 shall have been satisfied (and the giving by the Borrower of the Extension Request shall be deemed to constitute a representation and warranty by the Borrower that on the date of such extension such conditions will be satisfied).

Credit Agreement

-40-

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 5.01. Financial Reporting. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with GAAP, and furnish to the Lenders:

(a) Within 90 days after and as of the close of each fiscal year,

financial statements, examined and reported on by independent certified public accountants chosen by the Borrower and acceptable to the Lenders, including a consolidated balance sheet and consolidated statements of results of operations, shareholders' equity and cash flows of the Borrower and the Subsidiaries, accompanied by a certificate of the independent accountants that, in the course of their examination of the Borrower's financial statements, in accordance with generally accepted auditing standards, they have obtained no knowledge of any Default, or if, in the opinion of such accountants, any Default shall exist, stating the nature and status thereof. Each such audit report shall be unqualified, except as to qualifications relating to changes in accounting principles with which such accountants concur;

- (b) Within 60 days after and as of the close of each of the first three quarters of the Borrower's fiscal years, interim unaudited consolidated balance sheets and consolidated statements of results of operations and cash flows of the Borrower and the Subsidiaries, certified by its principal Financial Officer as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;
- (c) Together with the financial statements required hereunder, a compliance certificate signed by its principal Financial Officer showing the calculations necessary to determine compliance with Section 6.01 of this Agreement and stating that no Default exists, or if any Default exists, stating the nature and status thereof;
- (d) Promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports and proxy statements so furnished;
- (e) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports, excluding exhibits and attachments to such registration statements and reports which are too voluminous to furnish which the Borrower or any Subsidiary files with the SEC;

Credit Agreement

-41-

- (f) Promptly after the Borrower or any Subsidiary obtains knowledge thereof, notice of any Default, accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto;
- (g) Promptly after the Borrower or any Subsidiary obtains knowledge thereof, notice of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and the Subsidiaries in an aggregate amount exceeding \$10,000,000; and
- (h) Promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

Section 5.02. Use of Proceeds. The Borrower will use the proceeds of the Loans and will use the Letters of Credit solely for general corporate purposes. The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds of the Loans or use the Letters of Credit to purchase or carry any "margin stock" in violation of Regulation U of the Board.

Section 5.03. Notice of Default. The Borrower will, and will

cause each Subsidiary to, give prompt notice in writing to the Lenders of the occurrence of any Default and of any other development, financial or otherwise, which might materially adversely affect its business, properties or affairs or the ability of the Borrower to repay the Obligations, in each case, stating the nature and status thereof.

Section 5.04. Corporate Standing. The Borrower will, and will cause each Subsidiary to, do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation, maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted and preserve, renew and keep in full force and effect the rights, licenses, permits, privileges and franchises material to the conduct of its business.

Section 5.05. Taxes and Other Obligations. The Borrower will, and will cause each Subsidiary to, pay when due its obligations, including all taxes, assessments and governmental charges and levies upon it or its income, profits or property, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves in accordance with GAAP have been set aside; provided that failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 5.06. Insurance. The Borrower will, and will cause each Subsidiary to, maintain insurance with financially sound and reputable insurance companies on all their property in such amounts and covering such risks, casualties and contingencies and in such types and amounts as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

Credit Agreement

-42-

Section 5.07. Compliance with Laws. The Borrower will, and will cause each Subsidiary to, comply with all laws (including, without limitation, Environmental Laws), rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.08. Maintenance of Properties. The Borrower will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its properties in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

Section 5.09. Books and Records; Inspection. The Borrower will, and will cause each of the Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each Subsidiary to, permit the Lenders, by their respective representatives and agents, to inspect any of the properties, corporate books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Lenders may designate.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with

the Lenders that:

Section 6.01. Maximum Leverage Ratio. The Borrower shall not permit the Leverage Ratio on any date to exceed 0.55 to 1.

Section 6.02. Merger. The Borrower will not merge or consolidate with any other corporation, except that the Borrower may merge with any other corporation, provided that (x) the Borrower shall be the continuing or surviving corporation, and (y) immediately after any such merger or consolidation, no Default shall have occurred and be continuing.

Section 6.03. Sales of Assets. The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of its property to any other Person except for (i) sales of inventory in the ordinary course of business, (ii) leases, sales or other dispositions of its property that, together with all other property of the Borrower and the Subsidiaries previously leased, sold or disposed of (other than inventory in the ordinary course of business) as permitted by this Section during the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a Substantial Portion of the property of the Borrower and the Subsidiaries and (iii) the sale or other transfer by the Borrower or any Subsidiary of property in

Credit Agreement

-43-

connection with an asset securitization or other similar transaction, program or arrangement so long as (x) the aggregate amount of proceeds received by the Borrower or any Subsidiary in connection with all asset securitizations and other similar transactions effected pursuant to this clause (iii) shall not exceed \$100,000,000 and (y) such aggregate amount of proceeds is deemed to be Indebtedness incurred by the Borrower for the purpose of Section 6.01.

Section 6.04. Limitation on Secured Debt. The Borrower will perform, comply with and observe for the benefit of the Lenders the restrictions on Secured Debt (as defined in the Indenture hereinafter referred to) set forth in Section 5.05 of the Indenture dated March 15, 1987 (the "Indenture") relating to the issuance of the Brunswick Corporation 7 3/8% Debentures due September 1, 2023. For purposes of this Section 6.04, the provisions of the Indenture, together with related definitions and ancillary provisions, in each case as in effect on the date hereof, are hereby incorporated herein by reference, mutatis mutandis, and shall be deemed to continue in effect for the benefit of the Lenders as in effect on the date hereof, whether or not said provisions otherwise remain in effect or are modified.

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof, shall prove to have been incorrect when made or deemed made or furnished;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 or 5.04 (with respect to the Borrower's existence) or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b), (c) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent (given at the request of any Lender) to the Borrower,

Credit Agreement

-44-

(f) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Restricted Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Restricted Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Restricted Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Restricted Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any Restricted Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$25,000,000 shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets

of the Borrower or any Subsidiary to enforce any such judgment;

(l) the Borrower or any of the Subsidiaries shall: (i) default in making any payment, delivery or exchange, or in the performance of any of its other obligations, under one or more agreements or instruments (individually or collectively) governing or otherwise relating to one or more Derivative Transactions, which shall default shall have resulted in early termination, liquidation or other similar payments in an aggregate amount not less than

Credit Agreement

-45-

\$25,000,000 becoming, or becoming capable at such time (after giving effect to any applicable notice requirement or grace period) of being declared or designated, due and payable by one or more of the Borrower and the Subsidiaries; or (ii) default (after giving effect to any applicable notice requirement or grace period) in making any payment or delivery due on the last payment, delivery or exchange date of, or on the early termination or liquidation of, one or more Derivative Transactions and such default relates to one or more payments or deliveries of cash or property having an aggregate value of not less than \$25,000,000;

(m) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding (i) \$10,000,000 in any year or (ii) \$25,000,000 for all periods; or

(n) a Change in Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

Credit Agreement

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, the Administrative Agent shall not have any, duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of the Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may, and if the Administrative Agent shall fail to perform any of its obligations hereunder the Administrative Agent upon request of the Required Lenders shall, resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York,

Credit Agreement

Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX

Miscellaneous

Section 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at 1 N. Field Ct., Lake Forest, Illinois 60045, Attention of Richard S. O'Brien, Vice President and Treasurer (Telecopy No. 847-735-4359);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Agent Bank Services Group, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Amy Labinger (Telephone No. 212-552-4025; Telecopy No. 212-552-7500);

(c) if to the Issuing Bank, to it at 270 Park Avenue, New York, New York 10017, Attention of Rebecca McNally (Telecopy No. 212-638-8200, -8201);

(d) if to any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Credit Agreement

-48-

Section 9.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or

issuance of Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Issuing Bank hereunder without the prior written consent of the Administrative Agent or the Issuing Bank, as the case may be.

Section 9.03. Expenses; Indemnity: Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in

Credit Agreement

-49-

connection with the Loans made or Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of the Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and

regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or the Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or the Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

Section 9.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each

Credit Agreement

-50-

of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure, the Issuing Bank) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans, (iv) the parties to each assignment other than an assignment to an Extending Lender pursuant to Section 2.05(c) shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default has occurred and is continuing Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a

party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph (b) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the

Credit Agreement

-51-

assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower, the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section

2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

Section 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in-full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have

Credit Agreement

-52-

not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17, 9.03 and 9.14 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

Section 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 9.08. Right of Setoff.

(a) If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or any Affiliate of such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmaturing. The rights of each Lender under this Section are in addition to other

rights and remedies (including other rights of setoff) which such Lender may have.

(b) The Borrower is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all amounts then due and owing by the Borrower to any Lender under this Agreement against any deposit or other indebtedness then due and owing by such Lender to or for the credit or the account of the Borrower that has not been paid by such Lender within three Business Days after notice of such non-payment shall have been given by the Borrower to such Lender.

Section 9.09. Governing Law; Jurisdiction; Consent to Service of Process, Etc.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

Credit Agreement

-53-

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(e) The Borrower hereby acknowledges that:

(i) it has been advised by counsel in the negotiation, execution and delivery of this Agreement;

(ii) neither the Administrative Agent nor any Lender has any fiduciary relationship with or fiduciary duty to the Borrower arising out of or in connection with this Agreement, and the relationship between the Administrative Agent and the Lenders, on the one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor, and

(iii) no joint venture is created hereby or otherwise exists by virtue of the Transactions among the Lenders or among the Borrower and the Lenders or among the Borrower and the Administrative Agent.

Section 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF

OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other

Credit Agreement

-54-

parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section.

Section 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower, provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 9.14. Judgment Currency. This is an international loan transaction in which the specification of U.S. Dollars or an Alternate Currency, as the case may be (the "Specified Currency"), and any payment in New York City or the country of the Specified Currency, as the case may be (the "Specified Place"), is of the essence, and the Specified Currency shall be the currency of

account in all events relating to Loans denominated in the Specified Currency. The payment obligations of the Borrower under this Agreement shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place due hereunder. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Specified Currency into another currency (the "Second Currency"), the rate of exchange which shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Specified Currency with the Second Currency on the Business Day next preceding that on which such judgment is rendered. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or any Lender hereunder shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender, as the case may be, of any sum adjudged to be due hereunder in the Second Currency to the Administrative Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and the Borrower hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify the Administrative Agent or such Lender, as the case may be, against, and to pay the Administrative Agent or such Lender, as the case may be, on demand in the Specified Currency, any difference between the sum originally due to the Administrative Agent or such Lender, as the case may be, in the Specified Currency and the amount of the Specified Currency so purchased and transferred.

Section 9.15. Termination of Commitments under the Long-Term Credit Agreement. Each of the signatories hereto that is also a party to the Long-Term Credit Agreement hereby agrees to the termination of all of the commitments to extend credit under the Long-Term Credit Agreement effective as of the Closing Date.

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

BRUNSWICK CORPORATION

By /s/ Richard S. O'Brien

Name: Richard S. O'Brien
Title: Vice President and Treasurer

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent

By /s/ Carol A. Ulmer

Name: Carol A. Ulmer
Title: Vice President

BANK OF AMERICA, NT&SA

By /s/ Mary T. Carlson

Name: Mary T. Carlson
Title: Vice President

THE BANK OF NEW YORK

By /s/ John M. Lokay, Jr.

Name: John M. Lokay, Jr.
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Stephen C. Price

Name: Stephen C. Price
Title: Vice President

Credit Agreement

-57-

NATIONSBANK, N.A.

By /s/ Lisa S. Donoghue

Name: Lisa S. Donoghue
Title: Vice President

By

Name:
Title:

ABN AMRO BANK N.V., CHICAGO BRANCH

By /s/ Laurie D. Flom

Name: Laurie D. Flom
Title: Vice President

By /s/ Ronald R. Richter

Name: Ronald R. Richter
Title: Group Vice President

BANK OF MONTREAL, CHICAGO BRANCH

By /s/ Leon H. Sinclair

Name: Leon H. Sinclair
Title: Director

THE DAI-ICHI KANGYO BANK, LTD.,
CHICAGO BRANCH

By /s/ Seiichiro Ino

Name: Seiichiro Ino
Title: Vice President

DRESDNER BANK AG, NEW YORK BRANCH

By /s/ Thomas J. Nadramia

Name: Thomas J. Nadramia
Title: Vice President

By /s/ Christopher E. Sarisky

Name: Christopher E. Sarisky
Title: Assistant Treasurer

Credit Agreement

-58-

DRESDNER BANK AG,
GRAND CAYMAN BRANCH

By /s/ Thomas J. Nadramia

Name: Thomas J. Nadramia
Title: Vice President

By /s/ Christopher E. Sarisky

Name: Christopher E. Sarisky
Title: Assistant Treasurer

MELLON BANK, N.A.

By /s/ M. James Barry, III

Name: M. James Barry, III
Title: Vice President

THE NORTHERN TRUST COMPANY

By Sidney R. Dillard

Name: Sidney R. Dillard
Title: Vice President

SUNTRUST BANK, ATLANTA

By /s/ Jennifer P. Harrelson

Name: Jennifer P. Harrelson
Title: Senior Vice President

By /s/ Kristina L. Anderson

Name: Kristina L. Anderson
Title: Asst. Vice President

Credit Agreement

-59-

SWISS BANK CORPORATION, CHICAGO
BRANCH

By /s/ Nancy Russell

Name: Nancy Russell
Title: SBC Director

By /s/ Ernst Schirmer

Name: Ernst Schirmer
Title: Director
Credit Risk Management

WELLS FARGO BANK

By /s/ Donald H. Ralston

Name: Donald H. Ralston
Title: Vice President

Credit Agreement

SCHEDULE 2.01

COMMITMENTS

Name of Initial Lender	Commitment
The Chase Manhattan Bank	\$60,000,000
Bank of America Illinois	\$40,000,000
The Bank of New York	\$40,000,000
The First National Bank of Chicago	\$40,000,000
NationsBank, N.A.	\$40,000,000
ABN AMRO Bank N.V., Chicago Branch	\$20,000,000
Bank of Montreal, Chicago Branch	\$20,000,000
The Dai-Ichi Kangyo Bank, Ltd., Chicago Branch	\$20,000,000
Dresdner Bank AG, New York and Grand Cayman Branches	\$20,000,000
Mellon Bank, N.A.	\$20,000,000
The Northern Trust Company	\$20,000,000
SunTrust Bank, Atlanta	\$20,000,000
Swiss Bank Corporation, Chicago Branch	\$20,000,000
Wells Fargo Bank	\$20,000,000

SCHEDULE 3.05

LITIGATION

1. Concord Boat Corporation, et al v. Brunswick Corporation.
2. In December 1996 the Internal Revenue Service notified the Borrower that it allocated \$190.0 million in short-term capital gains and \$18.1 million in ordinary income to the Borrower and the Subsidiaries for 1990 and 1991 in connection with two partnership investments by the Borrower.

See Item 3 of the Borrower's Annual Report on Form 10-K for a description of the above matters.

Schedule 3.05

EXHIBIT A

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of May 22, 1997 (as amended and in effect on the date hereof, the "Credit Agreement"), among

Brunswick Corporation, a corporation organized under the laws of the State of Delaware (the "Borrower"); the Lenders named therein; and The Chase Manhattan Bank, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named on the reverse hereof hereby sells and assigns, without recourse to the Assignor, to the Assignee named on the reverse hereof, and the Assignee hereby purchases and assumes, without recourse to the Assignor, from the Assignor, effective as of the Assignment Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth on the reverse hereof in the Commitment of the Assignor on the Assignment Date and Competitive Loans and Revolving Loans owing to the Assignor which are outstanding on the Assignment Date, together with the participations in Letters of Credit and LC Disbursements held by the Assignor on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.17(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 9.04(b)(iv) of the Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Assignment and Acceptance

-2-

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment
("Assignment Date"):

	Percentage Assigned of Facility/Commitment (set forth, to at
Principal Amount Assigned (and identifying information as to individual Facility	least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder)
Competitive Loans)	

Commitment Assigned: \$1/ %

Revolving Loans:

Competitive Loans:

To the Lenders and the Administrative Agent referred to below
c/o The Chase Manhattan Bank, as
Administrative Agent
270 Park Avenue
New York, New York 10017

Dear Sirs:

I am Vice President and General Counsel of Brunswick Corporation, a Delaware corporation (the "Borrower"), and have acted as counsel for the Borrower, in connection with the Credit Agreement dated as of May 22, 1997 (the "Credit Agreement"), among the Borrower, the banks and other financial institutions identified therein as Lenders, and The Chase Manhattan Bank, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings.

I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, I am of the opinion that:

1. The Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of Delaware, (b) has all requisite power and authority to carry on its business as now conducted and (c) except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

2. The Transactions are within the Borrower's corporate powers and have been duly authorized by all necessary corporate action. The Credit Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Opinion of Counsel for the Borrower

-2-

3. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order, writ, decree or injunction of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

4. There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to my knowledge, threatened against or affecting the Borrower or any of its Subsidiaries (a) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect (other than the matters disclosed in Schedule 3.05 to the Credit Agreement) or (b) that involve the Credit Agreement or the Transactions.

5. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

I am a member of the bar of the State of Illinois and the foregoing opinion is limited to the laws of the State of Illinois, the Delaware General Corporation Law and the Federal laws of the United States of America. I note that the Credit Agreement is governed by the laws of the State of New York and, for purposes of the opinion expressed in paragraph 2 above, I have assumed that the laws of the State of New York do not differ from the laws of Illinois in any manner that would render such opinion incorrect. This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by any other Person (other than your successors and assigns as Lenders and Persons that acquire participations in your Loans) without my prior written consent.

Very truly yours,

Mary D. Allen, Esq.

Opinion of Counsel for the Borrower

EXHIBIT C

[Form of Extension Request]

[Date]1/

The Chase Manhattan Bank,
as Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of May 22, 1997 (as amended and in effect on the date hereof, the "Credit Agreement"), among Brunswick Corporation, a corporation organized under the laws of the State of Delaware (the "Borrower"); the Lenders named therein; and The Chase Manhattan Bank, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent"). Capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the Credit Agreement.

Pursuant to Section 2.05 of the Credit Agreement, the Borrower hereby notifies you of its request that the Lenders party thereto extend the Maturity Date currently in effect under the Credit Agreement to May 22, 200.2/

BRUNSWICK CORPORATION

By

Title

1/Such date no earlier than 45 days and no later than 30 days prior to the date four years prior to Maturity Date currently in effect.

2/Such date one year after the Maturity Date then in effect.

Extension Request

EXHIBIT D

[Form of Notice of Extension of the Maturity Date]

[Date]1/

The Chase Manhattan Bank,
as Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of May 22, 1997 (as amended and in effect on the date hereof, the "Credit Agreement"), among Brunswick Corporation, a corporation organized under the laws of the State of Delaware (the "Borrower "); the Lenders named therein; and The Chase Manhattan Bank, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent"). Capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the Credit Agreement.

Pursuant to Section 2.05 of the Credit Agreement, the undersigned, as a Lender party thereto, hereby notifies you of its agreement to the Borrower's request that the Lenders extend the Maturity Date currently in effect under the Credit Agreement to May 22, 200__.

Very truly yours,

[NAME OF EXTENDING LENDER]

By

Name:

Title:

1/Such date no earlier than 25 days and no later than 15 days prior to the date four years prior to the Maturity Date then in effect.

Notice of Extension

EXHIBIT E

[Form of Assumption Agreement]

[DATE]

The Chase Manhattan Bank,
as Administrative Agent under
the within mentioned
Credit Agreement
270 Park Avenue
New York, New York

Ladies and Gentlemen:

Reference is made herein to the Credit Agreement dated as of May 22, 1997 (as amended and in effect on the date hereof, the "Credit Agreement"), among Brunswick Corporation, a corporation organized under the laws of the State of Delaware (the "Borrower"); the Lenders named therein; and The Chase Manhattan Bank, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent"). Capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the Credit Agreement.

The Borrower and _____ (the "Assuming Lender") agree as follows:

1. The Assuming Lender proposes to become an Assuming Lender pursuant to Section 2.09(d) of the Credit Agreement and, in that connection, hereby agrees with the Administrative Agent and the Borrower that it shall become a Lender for all purposes of the Credit Agreement on the applicable Commitment Increase Date.

2. The undersigned Assuming Lender (a) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Sections 3.04 and 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assumption Agreement; (b) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (c) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (d) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; (e) specifies as its lending offices the offices set forth below its name on the signature page hereof.

3. Following the execution of this Assumption Agreement, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent. The

Assumption Agreement

-2-

effective date for this Assumption Agreement (the "Effective Date") shall be the applicable Commitment Increase Date.

4. Upon satisfaction of the applicable conditions set forth in Section 2.05(c) and upon such acceptance and recording by the Administrative Agent, as of the Effective Date, the Assuming Lender shall be a party to the Credit Agreement and have all of the rights and obligations of a Lender thereunder.

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

Assumption Agreement

-3-

6. This Assumption Agreement may be executed in any number of

counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Assumption Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Assumption Agreement.

Very truly yours,

BRUNSWICK CORPORATION

By

Name:

Title:

By

Name:

Title:

[NAME OF ASSUMING LENDER]

By

Name:

Title:

Date:

-----, ----

[Address]

Lending Office(s):

[Address(es)]

Assumption Agreement

-4-

Accepted this day of

--

-----,-----:

THE CHASE MANHATTAN BANK,
As Administrative Agent

By

Name:

Title:

Assumption Agreement

EXHIBIT 10.16

2002 BRUNSWICK PERFORMANCE PLAN (BPP)

<TABLE>

<S>

<C>

Purpose Reward achievement of annual goals

Eligibility Key managers and above identified on an individual basis.

Performance Period Fiscal year.

Participation Level Pro rata participation in first year of eligibility.

Full participation in subsequent years.

Must be employed at year-end to receive an award (except in the event of death or disability).

Target Incentives Sum of target incentive opportunity as a percent of salary times average salary for the year for all eligible participants.

Performance Measures Funding based on Brunswick Value Added (BVA). BVA defined as profits after-tax; reduced for cost of total capital.

Division employees measured against Division results. Corporate employees measured against overall Brunswick Corporation results.

Performance Levels:

- > Threshold > Minimum performance level supporting the funding of any variable incentive pay. Thresholds to be determined for each Division individually.
- > Target > Agreed upon performance level, typically tied to profit plan for the year.
- > Stretch > Performance necessary to support funding of twice target level.

Funding Review and Approval The following steps will be taken to review and approve funding:

- > CFO will review actual results quarterly to evaluate established accruals.
- > CEO will review performance at end of performance period and recommend funding to Human Resource and Compensation Committee as appropriate.
- > Committee will review and approve funding as deemed appropriate.

Maximum Funding None

Individual Awards Individual awards will be determined on a discretionary basis using evaluation of individual performance for the performance period, target incentive as a percent of salary and salary received for the performance period.

Individuals must be employed through end of performance period to receive an award, except terminees due to death or permanent and total disability will be eligible to receive awards.

Timing of Award Payments As soon as practical after financial results are confirmed and appropriate approvals are obtained.

</TABLE>

Nothing contained in these materials constitutes or is intended to create a

promise of an individual incentive award or a contract of continued employment.
Employment is at-will and may be terminated by either the employee or
Corporation for any reason at any time.

EXHIBIT 10.19

STRATEGIC INCENTIVE PLAN (SIP)

<TABLE>

<S> <C>

Purpose Reward achievement of two year goals

Eligibility Key managers and above identified on an individual basis.

Participation Level Pro rata participation for cycle ending in first year of eligibility.

Full participation for subsequent cycles.

Must be employed at year-end to receive an award (except in the event of death or disability).

Target Incentives Sum of target incentive opportunity as a percent of salary times salary for all eligible participants.

Performance Measures Funding to be based on performance versus the following measures:

- > 60% Brunswick Value Added (BVA). BVA defined as profits after-tax; reduced for cost of capital charge (capital to include working, fixed and other assets; cost of capital will include debt and equity)
 - For Division employees 60% BVA will be split evenly between Division BVA and overall Brunswick Corporation BVA.
 - For Corporate headquarters employees BVA will be based entirely on overall Brunswick Corporation BVA.
- > 40% performance against Strategic Factors.
 - For Division employees based on Division's strategic factor performance
 - For Corporate headquarters employees based on average of all Division strategic factor performance results
 - For cycles beginning in 2001 factors include:
 - Customer satisfaction
 - Growth in market share
 - Product innovation (percent of sales from new products)
 - Employee satisfaction

Performance Levels:

- > Threshold > Minimum performance level supporting the funding of any variable incentive pay. Threshold to be determined for each Division and Brunswick Corporation individually.
- > Target > Agreed upon performance level, typically tied to business plans for performance period.
- > Stretch > Performance necessary to support funding at twice target level.

</TABLE>

STRATEGIC INCENTIVE PLAN . . .

<TABLE>

<S> <C>

Performance Period Generally two-year performance periods will be used.

- > For BVA: overlapping cycles beginning each year. To phase into the program, two performance periods began in 2001.
 - 2001: One year cycle with 50% of normal target incentives for those transitioning from 2000 - 2001 SIP. (Current 2000 - 2001 SIP cycle shortened to one year. Pay out accrued, but will not be paid until regularly scheduled date - February, 2002.)

- 2001 - 2002: Two year cycle
Beginning in 2002 and in each year thereafter a new two-year cycle will begin.

- > For Strategic Factors: two-year, end-to-end cycles. Partial pay outs before the end of a performance cycle may be considered.

Overall Funding Overall funding will be the sum of BVA funding and strategic factor funding.

Funding Review and Approval The following steps will be taken to review and approve funding:

- > CFO will review actual results quarterly to evaluate established accruals.
- > CEO will review performance at end of performance period and approve funding or recommend funding to Human Resource and Compensation Committee as appropriate.
- > Committee will review and approve funding as deemed appropriate.

Maximum Funding None

Individual Awards Individual awards will be determined on a discretionary basis using evaluation of individual performance for the performance period, target incentives as a percent of salary and covered salary (actual received for final year or performance period).

Individuals must be employed at time of payment to receive an award, except those terminating due to death or permanent and total disability will be eligible to receive individual awards.

Timing of Award Payments As soon as practical after financial results are confirmed and appropriate approvals obtained.

</TABLE>

Nothing contained in these materials constitutes or is intended to create a promise of an individual incentive award or a contract of continued employment. Employment is at-will and may be terminated by either the employee or Corporation for any reason at any time.

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

The following corporations are direct or indirect wholly-owned subsidiaries of Brunswick Corporation:

Subsidiary -----	Place of Incorporation -----
Appletree Ltd.	Bermuda
BBG Logistics, Inc.	Delaware
Baja Marine Corporation	Delaware
Bayliner Marine Corporation	Delaware
Boston Whaler, Inc.	Delaware
Brunswick AG	Switzerland
Brunswick Bowling & Billiards Corporation	Delaware
Brunswick Bowling & Billiards (U.K.) Limited	England
Brunswick Bowling e Billiards Ltda.	Brazil
Brunswick Bowling Pin Corporation	Delaware
Brunswick Centres, Inc.	Ontario
Brunswick GmbH	West Germany
Brunswick International (Canada) Limited	Ontario
Brunswick International GmbH	West Germany
Brunswick International Holdings, Inc.	Delaware
Brunswick International Limited	Delaware
Brunswick International Sales Corporation	U.S. Virgin Islands
Centennial Assurance Company, Ltd.	Bermuda
Escort Trailer Corporation	Washington
Leiserv, Inc.	Delaware
Life Fitness International Sales, Inc.	Delaware
Life Fitness (U.K.) Limited	United Kingdom
Marine Power Australia Pty. Limited	Australia
Marine Power Europe, Inc.	Delaware
Marine Power International Limited	Delaware
Marine Power International Pty. Limited	Delaware
Marine Power Italia S.p.A.	Italy
Marine Power New Zealand Limited	Delaware
Mercury Marine Limited	Ontario
Mercury Marine Sdn Bhd	Malaysia
Normalduns B.V.	Netherlands
Omni Fitness Equipment, Inc.	Delaware
Princecraft Boats, Inc.	Canada
Productos Marine de Mexico, S.A. de C.V.	Mexico
Ray Industries, Inc.	Arizona
Sea Ray Boats Europe B.V.	Netherlands
Sea Ray Boats, Inc.	Arizona
Sea Ray Boats, Inc.	Florida
Sea Ray International - Europe B.V.	Netherlands
Sealine International Limited	United Kingdom
Skokie Investment Corporation	Delaware
Wintergreen Finance, Inc.	Delaware

EXHIBIT 24.1

POWER OF ATTORNEY

The undersigned directors and officers of Brunswick Corporation, a Delaware corporation (the "Company"), do hereby nominate, constitute and appoint Victoria J. Reich and Peter G. Leemputte and each of them individually, the true and lawful attorney or attorneys of the undersigned, with power to act with or without the others and with full power of substitution and resubstitution, to execute in the name and on behalf of the undersigned as directors and officers of the Company, the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2001 and any and all amendments thereto; and each of the undersigned hereby ratifies and approves all that said attorneys or any of them shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney in one or more counterparts on the date set opposite his or her name.

Capacity -----	Signature -----	Date ----
Chairman of the Board, Chief Executive Officer (Principal Executive Officer) and Director	/s/ George W. Buckley ----- George W. Buckley	March 7, 2002

Director	/s/ Nolan D. Archibald ----- Nolan D. Archibald	March 7, 2002
----------	---	---------------

Director	/s/ Dorrit J. Bern ----- Dorrit J. Bern	March 7, 2002
----------	---	---------------

Director	/s/ Jeffrey L. Bleustein ----- Jeffrey L. Bleustein	March 7, 2002
----------	---	---------------

Director	/s/ Michael J. Callahan ----- Michael J. Callahan	March 7, 2002
----------	---	---------------

Capacity -----	Signature -----	Date ----
Director	/s/ Manuel A. Fernandez ----- Manuel A. Fernandez	March 7, 2002
Director	/s/ Peter Harf ----- Peter Harf	March 7, 2002
Vice Chairman	/s/ Peter B. Hamilton	March 7, 2002

and Director -----
Peter B. Hamilton

Director /s/ Jay W. Lorsch March 7, 2002

Jay W. Lorsch

Director /s/ Bettye Martin Musham March 7, 2002

Bettye Martin Musham

Director /s/ Graham Phillips March 7, 2002

Graham Phillips

Director /s/ Robert L. Ryan March 7, 2002

Robert L. Ryan

Director /s/ Roger W. Schipke March 7, 2002

Roger W. Schipke