As filed with the Securities and Exchange Commission on November 15, 1995

Registration No. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-3
REGISTRATION STATEMENT
Under The Securities Act Of 1933

LOMAK PETROLEUM, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	500 Throckmorton Street	34-1312571
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	Ft. Worth Texas 76102 (817) 870-2601	(I.R.S. EMPLOYER IDENTIFICATION NO.)

(ADDRESS, INCLUDING ZIP CODE, TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

John H. Pinkerton, President
Lomak Petroleum, Inc.
500 Throckmorton Street Fort Worth, Texas 76102
(817) 870-2601
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:
Walter M. Epstein, Esq.
Rubin Baum Levin Constant & Friedman
30 Rockefeller Plaza
New York, NY 10112
(212) 698-7700

Approximate date of commencement of proposed sale to the public: FROM TIME TO TIME AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

Pursuant to Rule 416, there are also being registered such additional shares of Common Stock as may become issuable pursuant to antidilution provisions of the Preferred Stock and the $2.03 Notes.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
$2.03 Convertible Exchangeable Preferred Stock, Series C $1 par value(2)	1,350,000	$ 25.00	$33,750,000	$ 6,750
7 1/2% Cumulative Convertible Exchangeable Preferred Stock, Series A	87,400	$ 25.00	$ 2,185,000	$ 437
7 1/2% Cumulative Convertible Exchangeable Preferred Stock, Series B	112,600	$ 25.00	$ 2,815,000	$ 563
8.125% Convertible Subordinated Notes(3)	$33,750,000	$ -	$33,750,000	$ 6,750
Common Stock, $.01 par value(4)	6,715,617	$ 7.75	$52,046,032	$10,410
Total	-	-	-	$24,910

(1) Estimated solely for the purpose of computing the registration fee. This amount was calculated pursuant to Rule 457 under the Securities Act of 1933, as amended, based on a price of $7.75 (average of the high and low price of the Common Stock of Lomak Petroleum, Inc, on the Nasdaq National Market on November 10, 1995).

(2) Includes 1,000,000 shares of $2.03 Convertible Exchangeable Preferred Stock, Series C (the "$2.03 Preferred") previously issued, 150,000 shares of the $2.03 Preferred which will be issued upon exercise of an over-allotment option and 200,000 shares of the $2.03 Preferred being registered for issuance, from time to time, by the Company.

(3) Issuable upon exchange of the $2.03 Preferred.

(4) Includes 3,026,316 shares of the Common Stock issuable upon conversion of the $2.03 Preferred or the $2.03 Notes, as the case may be, 86,040 shares of the Common Stock owned by Transfuel, Inc., 526,316 shares of the Common Stock issuable upon conversion of the 200,000 shares of the $2.03 Preferred which may be issued by the Company from time to time, 576,945 Shares of the Common Stock issuable upon conversion of the 7 1/2% Convertible Exchangeable Preferred Stock Series A and Series B and 2,500,000 shares of the Common Stock which are being registered for issuance, from time to time, by the Company.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED NOVEMBER __, 1995

PROSPECTUS

LOMAK PETROLEUM, INC.

1,350,000 SHARES OF $2.03 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK, SERIES C
87,400 SHARES OF 7 1/2 CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK, SERIES A
112,600 SHARES OF 7 1/2 CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK, SERIES B
$33,750,000 OF 8.125% CONVERTIBLE SUBORDINATED NOTES DUE 2005
AND
6,715,617 SHARES OF COMMON STOCK

This Prospectus relates to the following securities of Lomak Petroleum, Inc., a Delaware corporation (the "Company"): (i) 1,350,000 shares of $2.03 Convertible Exchangeable Preferred Stock, Series C, $1 par value (the "$2.03 Preferred"); (ii) 87,400 shares of 7 1/2% Cumulative Convertible Exchangeable Preferred Stock, Series A, $1 par value (the "Series A Preferred"); (iii) 112,600 shares of 7 1/2% Cumulative Convertible Exchangeable Preferred Stock, $1 par value (the "Series B Preferred") (collectively, the Series A Preferred and the Series B Preferred are referred to herein as the "7 1/2% Preferred"); (iv) $33,750,000 of 8.125% Convertible Subordinated Notes due 2005 (the "$2.03 Notes"); and (v) 6,715,617 shares of Common Stock, $.01 par value per share (the "Common Stock"). The $2.03 Preferred and the 7 1/2% Preferred are collectively referred to herein as the "Preferred Stock."

Of the foregoing securities, 200,000 shares of the $2.03 Preferred (the "Preferred Shares") and 3,026,316 shares of the Common Stock (the "Common Shares") (collectively the Preferred Shares and the Common Shares are referred to herein as the "Securities") and $5,000,000 of the $2.03 Notes may be issued by the Company from time to time. The Common Shares include the 526,315 shares of the Common Stock issuable upon conversion of the 200,000 shares of the $2.03 Preferred which may be issued by the Company from time to time. The balance consists of (i) 1,150,000 shares of the $2.03 Preferred, (ii) the $28,750,000 of the $2.03 Notes into which such 1,150,000 shares of the $2.03 Preferred are exchangeable, (iii) the 3,026,316 shares of the Common Stock into which such 1,150,000 shares of the $2.03 Preferred or $28,750,000 of the $2.03 Notes, as the case may be, are convertible, (iv) 86,040 shares of the Common Stock (v) 87,400 Shares of the Series A Preferred, (vi) 112,600 Shares of the Series B Preferred and (vii) 576,945 shares of the Common Stock issuable upon conversion of the 7 1/2 Preferred (collectively, the "Selling Securityholder Securities") which may be offered for sale from time to time for the accounts of certain stockholders and noteholders of the Company (the "Selling Securityholders"). See "Selling Securityholders." See "Risk Factors" for information which should be considered by prospective investors.

To the extent required, the number of the Securities being sold by the Company, the purchase price, the public offering price, the proceeds to the Company and the other terms of the offering of the Securities by the Company will be set forth in a Prospectus Supplement to be delivered at the time of any such offering.

The Securities may be sold directly by the Company or through agents, underwriters or dealers designated from time to time. If any agents of the Company or any underwriters are involved in the sale of the Securities by the Company in respect of which this Prospectus is being delivered, the names of such agents or underwriters and any applicable discounts or commissions with respect to such Securities will also be set forth in a Prospectus Supplement, to the extent required. See "Plan of Distribution."

The Common Stock is traded in the over-the-counter market and quoted on the Nasdaq National Market ("Nasdaq") under the symbol "LOMK". The closing price of the Common Stock on November 13, 1995, was $8.125. The conversion and exchange price, as the case may be, and other terms of the $2.03 Preferred, the $2.03 Notes and the $7 1/2% Preferred were determined by negotiation between the Company and the Company's underwriters and placement agents, as the case may be, and do not necessarily bear any relationship to the Company's assets, book value, results of operations, net worth or any other recognized criteria of value.

The Selling Securityholder' Securities offered by this Prospectus may be sold from time to time by the Selling Securityholders, or by their transferees. The distribution of these securities may be effected in one or more transactions that may take place on the over-the-counter market, including ordinary brokers' transactions, privately negotiated transactions or through sales to one or more dealers for resale of such securities as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Securityholders.

The Selling Securityholders and intermediaries through whom such securities are sold may be deemed "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities offered, and any profits realized or commissions received may be deemed underwriting compensation. The Company has agreed to indemnify certain

of the Selling Securityholders against certain liabilities, including liabilities under the Securities Act.

The Company will not receive any of the proceeds from the sale of shares of the Selling Securityholder Securities by the Selling Securityholders. However, the Company will receive the proceeds from the sale of the Securities. See "Use of Proceeds."

All expenses of the registration of securities covered by this Prospectus, estimated to be $110,000, are to be borne by the Company, provided, however, that the Selling Securityholders will pay any applicable underwriters' commissions and expenses, brokerage fees or transfer taxes, as well as the fees and disbursements of their counsel, except that the Company shall pay Transfuel Inc.'s counsel fees in connection with the registration of the Common Stock owned by Transfuel Inc. being hereby registered.

SEE "RISK FACTORS" FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SECURITIES HEREBY OFFERED.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is November __, 1995

AVAILABLE INFORMATION

The Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files annual and quarterly reports, proxy statements and other information with the Securities Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected, and copies of such material may be obtained at prescribed rates, at the Commission's Public Reference Section, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Commission's Regional Offices at 7 World Trade Center, 13th Floor, New York, New York 10048, and Northwestern Atrium Center, 500 West Madison Street, Room 1400, Chicago, Illinois 60661-2511. Copies of such material may be obtained at prescribed rates from the office of the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. The Common Stock of the Company is traded on the NASDAQ National Market System. Reports, proxy statements and other information concerning the Company may be inspected at the National Association of Securities Dealers, Inc. at 1735 K Street, N.W., Washington D.C. 20006.

This Prospectus constitutes a part of a Registration Statement filed by the Company with the Commission under the Securities Act. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Company and the securities offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the Commission by the Company (File No. 0-9592) are hereby incorporated by reference into this Prospectus:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

(2) The Company's Quarterly Reports on Form 10-Q for the first fiscal quarters ended March 31, 1995, June 30 1995 and September 30, 1995.

(3) The Company's Current Report on Form 8-K dated July 13, 1995, as amended on a Form 8-K/A dated September 8, 1995.

(4) The Company's Current Report on Form 8-K dated September 27, 1995, as amended on Form 8-K/A dated November 8, 1995.

(5) Red Eagle Resources Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offerings registered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of the filing of such document.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein (or in any subsequently filed document that also is or is deemed to be incorporated by reference herein) modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. All information appearing in this Prospectus is qualified in its entirety by information and financial statements (including notes thereto) appearing in the documents incorporated by reference herein, except to the extent set forth in the two immediately preceding sentences.

The Company will provide, without charge, to each person to whom a copy of this Prospectus is delivered, including any beneficial owner, upon written or oral request or such person, a copy of any or all of the documents incorporated by reference herein (other than exhibits to such documents,unless such exhibits are specifically incorporated by reference into the information that the Prospectus incorporates). Requests should be directed to John H. Pinkerton, President, Lomak Petroleum, Inc., 500 Throckmorton Street, Suite 2104, Fort Worth, Texas 76102, telephone (817) 870-2601.

SUMMARY

The following summary is qualified in its entirety by the more detailed information, Consolidated Financial Statements, Pro Forma Combined Financial Statements and notes thereto, appearing elsewhere, or incorporated by reference, in this Prospectus. Unless the context otherwise requires all references herein to the "Company" include Lomak Petroleum, Inc. and its consolidated subsidiaries. Certain terms relating to the oil and gas business are defined in "Glossary."

Unless specifically indicated, all financial and quantitative information provided in this Prospectus gives pro forma effect to the Company's significant 1994 and 1995 acquisitions and the application of the net proceeds from the sale of 1,000,000 shares of the $2.03 Preferred as described in the notes to the Pro Forma Combined Financial Statements.

THE COMPANY

Lomak is an independent oil and gas company with core areas of operation in Texas, Oklahoma and Appalachia. The Company has grown through a combination of acquisition, development and enhancement activities. Since January 1, 1990, 57 acquisitions have been consummated at a total cost of approximately $181 million and approximately $21 million has been expended on development activities. As a result, proved reserves and production have each grown during this period at a rate in excess of 60% per annum. At June 30, 1995, proved reserves totaled 47.3 million BOE, having a pre-tax present value at constant prices on that date of $213 million and a reserve life in excess of 13 years. The Company as of September 30, 1995, operated properties which accounted for more than 95% of its reserves and owned 1,900 miles of gas gathering systems in proximity to its principal gas properties. In 1996, the Company expects to allocate a limited portion of its budget to selected exploratory activities in its core operating areas.

BUSINESS STRATEGY

The Company's objective is to increase its asset base, cash flow and earnings through a balanced strategy of acquisition, development and enhancement activities in each of its current core operating areas of Texas, Oklahoma and Appalachia. In each core area, the Company establishes separate acquisition, engineering, geological, operating and other technical expertise. By implementing its strategy and focusing on each core area in this manner, the Company does not depend solely on any one activity type or region to expand its asset base, cash flow and earnings. To the extent purchases continue to be made in core areas, operating, administrative, drilling and gas marketing efficiencies should continue to be realized.

The Company focuses primarily on smaller properties, where consolidation is likely, and those areas that it believes to be less competitive and to have a lower risk profile and longer reserve life than many alternate opportunities. Management believes smaller producing properties can be acquired at a lower relative cost than larger properties and that its focus on these properties, in part, has accounted for its ability to acquire 47 million BOE of proved reserves since 1990 at an average cost of $3.69 per BOE, well below the independent producer industry average of $4.13, as reported in Arthur Andersen LLP's Oil and Gas Reserve Disclosure Survey.

ACCOMPLISHMENTS

Despite periods of low energy prices prevalent since 1990, the Company's strategy and emphasis on cost control has resulted in significant growth in assets and reserves, and increased per share cash flow and earnings. Specifically, from January 1, 1990 through September 30, 1995, the Company has grown its asset base from $7 million to $203 million, while annualized cash flow per share has risen from $.41 to $1.91 and annualized earnings per share increased from break-even to $.25. The Company has increased its financial and organizational strength and has begun to benefit from cost reductions and operating efficiencies. From 1990 through September 30, 1995, administrative costs per BOE were reduced from $8.63 to $0.77 and operating costs per BOE were lowered from $6.89 to $4.54.

RECENT DEVELOPMENTS

During the third quarter of 1995, the Company completed two significant acquisitions in Appalachia for total consideration of $41.2 million (the "Recent Appalachian Acquisitions"). A majority of the Recent Appalachian Acquisition properties are adjacent to the Company's existing properties and, as a result, significant operating and overhead efficiencies are expected to be realized. The acquired properties are estimated to contain proved reserves of 65.6 Bcf of gas and 470,000 barrels of oil and include 110 proved drilling locations, 190,000 acres of undeveloped leases and 1,400 miles of gas gathering lines.

On November 3, 1995, the Company sold 1,000,000 shares of the $2.03 Preferred in a private placement and received $24,156,250 in net proceeds. In connection with such sale, the Company granted Forum Capital Markets L.P. and Hanifen, Imhoff Inc. (the "Initial Purchasers") an option to acquire an additional 150,000 shares of the $2.03 Preferred to cover over-allotments. If such option is exercised, the total net proceeds received by the Company from such sale would be $27,779,688.

SUMMARY OF THE TERMS OF THE PREFERRED STOCK

$2.03 PREFERRED	
Security	$2.03 Convertible Exchangeable Preferred Stock, Series C, $1 par value.
Ranking	The $2.03 Preferred ranks senior in right of payment of dividends and upon liquidation to the Common Stock. Subject to certain limitations, the $2.03 Preferred ranks pari passu in right of payment of dividends upon liquidation to the 7 1/2% Preferred and any convertible preferred stock hereafter issued by the Company and subordinate to any non-convertible preferred stock hereafter issued by the Company. See "Description of the Preferred Stock--$2.03 Preferred--Ranking."
Dividends	Cumulative from the date of issuance, and payable quarterly in arrears at an annual rate of $2.03 per share, in cash.
Liquidation Preference	Upon liquidation, dissolution or winding up of the Company, holders of the $2.03 Preferred are entitled to receive liquidation distributions equal to $25 per share, plus cumulative unpaid dividends.
Conversion	Each share of $2.03 Preferred is convertible into Common Stock, at the holder's option, at any time, unless previously redeemed, at a conversion rate equal to the aggregate liquidation preference of such share of $2.03 Preferred divided by the conversion price of $9.50 (the "Conversion Price"), subject to adjustment under certain circumstances.
Special Conversion Rights	The Conversion Price will be reduced for a limited period in the event a Change of Control (as defined) or a Fundamental Change (as defined) occurs at a time that the market price of the Common Stock is less than the Conversion Price. Upon such occurrence, the Conversion Price then in effect will be reduced for a period of 45 days to the market price of the Common Stock immediately prior to such occurrence (but to not less than $5.21). The special conversion right is subject to important limitations and qualifications as described at "Description of the Preferred Stock--$2.03 Preferred--Special Conversion Rights."
Optional Redemption	The $2.03 Preferred is not redeemable prior to November 1, 1998. At any time on or after November 1, 1998, the $2.03 Preferred will be redeemable by the Company, in whole or in part, at prices declining from $26.25 to $25.00 per share, plus cumulative unpaid dividends through the date of repurchase.
Voting Rights	The holders of the $2.03 Preferred, as a class, may vote on all matters adversely affecting the $2.03 Preferred, including, without limitation, the creation and/or issuance of any capital stock senior to the $2.03 Preferred; provided, however, the authorization and/or issuance of non-convertible preferred stock shall be permitted to the extent permitted by law without such vote. In all other matters, except as otherwise required by law, the holders of the $2.03 Preferred will have one vote per share and will vote together with the holders of the Common Stock.

Non-payment of Dividends	In the event that the Company misses payments on six quarterly dividends payable on the $2.03 Preferred, which dividend payments remain unpaid, or if any future class of preferred stockholders is entitled to elect Directors based on actual missed and unpaid dividends, the number of Directors of the Company shall be increased to such number necessary to enable the holders of the $2.03 Preferred and all such other future preferred stockholders (the "Preferred Class"), voting as a single class, to elect one third of the Directors of the Company (but not less than three); provided, however, that there shall be counted as Directors elected by the Preferred Class up to two Directors elected by the holders of the 7 1/2% Preferred, subject to the terms of the 7 1/2% Preferred, so long as it remains outstanding. Such rights will be subject to certain limitations. See "Description of the Preferred Stock--$2.03 Preferred--Voting Rights."
Exchangeability	The $2.03 Preferred is exchangeable in whole but not in part at the Company's option on any dividend payment date on or after December 31, 1996 and on or before December 31, 2004 for the $2.03 Notes at the rate of $25 principal amount of the $2.03 Notes for each share of the $2.03 Preferred. Such right is subject to certain limitations. See "Description of the Preferred Stock--$2.03 Preferred--Exchange."
Registration Rights	Pursuant to a Registration Rights Agreement, the Company has agreed to file this shelf registration statement (the "Shelf Registration Statement") relating to the Selling Securityholder Securities. The Company will use its reasonable best efforts to maintain the effectiveness of the Shelf Registration Statement until the third anniversary of the issuance of the $2.03 Preferred, except that it shall be permitted to suspend the use of the Shelf Registration Statement during certain periods under certain circumstances. If the Company fails to meet certain of its obligations under the Registration Rights Agreement, a supplemental payment will be made to holders of the $2.03 Preferred, the $2.03 Notes and the Common Stock affected thereby.

SUMMARY OF THE TERMS OF THE 7 1/2% PREFERRED

Security	7 1/2% Cumulative Convertible Exchangeable Preferred Stock, Series A and Series B par value $1.00 per share.
Ranking	Prior to the payment of any dividends on the Common Stock, all cumulative dividends on the 7 1/2% Preferred must be paid. The 7 1/2% Preferred will rank senior to the Common Stock in liquidation. See "Description of the Preferred Stock--7 1/2% Preferred--Ranking."
Liquidation Preference	Upon liquidation, dissolution or winding up of the Company, holders of the 7 1/2% Preferred are entitled to receive liquidation distributions equal to $25 per share, plus cumulative unpaid dividends. See "Description of the Preferred Stock--7 1/2% Preferred--Liquidation Rights."
Dividends	Cumulative from the date of issuance, payable quarterly in arrears at an annual rate of 7 1/2% per share, in cash. See "Description of the Preferred Stock--7 1/2% Preferred--Dividends."

Conversion Rights	Each share of the 7 1/2% Preferred is convertible at any time at the option of the holder into Common Stock at a conversion rate of 2.9412 shares of the Common Stock for the Series A Preferred and 2.8409 shares of the Common Stock for the Series B Preferred, per share of the 7 1/2% Preferred (equal to a conversion price of $8.50 and $8.80 per share, respectively, representing a 22% premium over the average of the closing prices for the Common Stock as quoted on Nasdaq for the three trading days immediately preceding the closing. The Conversion Price will be subject to adjustment for reverse stock splits, stock dividends and other capital adjustments. See "Description of the Preferred Stock--7 1/2% Preferred--Conversion." Beginning July 1, 1995, the Company had the right to cause the 7 1/2% Preferred to be converted into the Common Stock based on the conversion price if, and only if, the average of the closing prices for the Common Stock as quoted on Nasdaq for twenty of the thirty trading days preceding such conversion exceeds the Conversion Price by 35%. See "Description of the Preferred Stock--7 1/2% Preferred--Conversion."
Optional Redemption	The shares of the 7 1/2% Preferred may be redeemed, at the option of the Company, at any time beginning July 1, 1996, in whole or in part, at prices declining from $26.875 to $25.00 per share plus accrued and unpaid dividends. If the Company calls for early redemption, the holders will have a minimum of ten business days in which to elect to convert the 7 1/2% Preferred to the Common Stock. See "Description of the Preferred Stock--7 1/2% Preferred--Company's Right of Redemption." The shares of the 7 1/2% Preferred are exchangeable, at the option of the Company, in whole (but not in part), on any dividend payment date for the Company's 7 1/2% Convertible Subordinated Notes due 2003 (the "7 1/2% Notes") (the 7 1/2% Notes and the $2.03 Notes are collectively referred to herein as the "Notes") in a principal amount equal to $25.00 per share. The 7 1/2% Notes will be convertible into Common Stock at the conversion price for the shares of the 7 1/2 Preferred at the time of the exchange. The 7 1/2% Notes will bear interest from the date of issuance, payable semi-annually in arrears on June 30 and December 31 of each year, commencing on the first such interest payment date following the date of exchange. At the Company's option, the 7 1/2% Notes will be redeemable, in whole or in part, at the redemption prices set forth above under "Optional Redemption" plus accrued and unpaid interest. The 7 1/2% Notes are not subject to mandatory sinking fund payments. The 7 1/2% Notes will be subordinate to all senior indebtedness of the Company. See "Description of the Preferred Stock--7 1/2% Preferred--Exchange."

Voting Rights	The holders of the shares of the 7 1/2% Preferred vote as a class with the Common Stock. Each share of the 7 1/2% Preferred has 2 votes, adjusted for any stock split, stock dividend or other like capital adjustment. The shares of the 7 1/2% Preferred vote separately as a class on all matters affecting the shares of the 7 1/2% Preferred. If dividends on the 7 1/2% Preferred are in arrears for eight quarters, the holders of the shares of the 7 1/2% Preferred, voting separately, will be entitled to elect two directors to the Company's Board of Directors. See "Description of the Preferred Stock-7 1/2% Preferred--Voting Rights."

SUMMARY FINANCIAL, OPERATING AND RESERVE INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND OPERATING AND RESERVE DATA)

The following tables set forth certain historical and pro forma financial, operating and reserve information. The pro forma financial, operating and reserve information includes the Recent Appalachian Acquisitions, certain other acquisitions and the $2.03 Preferred offering. See "Selected Historical and Pro Forma Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The historical data should be read in conjunction with the historical Consolidated Financial Statements included herein. The pro forma information should be read in conjunction with the Pro Forma Combined Financial Statements included herein. Neither the historical nor the pro forma results are necessarily indicative of future results.

	YEAR ENDED DECEMBER 31,				NINE MONTHS ENDED SEPTEMBER 30,		
	1992	1993	1994	PRO FORMA 1994(1)	1994	1995	PRO FORMA 1995(1)
INCOME STATEMENT DATA:							
Oil and gas revenues	$ 7,703	$11,132	$24,461	$45,810	$17,810	$24,135	$34,439
Total revenues	13,895	19,075	34,794	64,465	26,041	34,628	44,931
Net income	686	1,391	2,619	7,848	1,888	2,718	4,140
Net income applicable to common shares	392	1,062	2,244	5,598	1,607	2,437	2,339
Net income per share	0.08	0.18	0.25	0.46	0.18	0.21	0.19
Weighted average common shares outstanding	4,682	5,853	9,051	12,083	9,039	11,588	12,410
CASH FLOW DATA:							
Net income	$ 686	$ 1,391	$ 2,619	$ 7,848	$ 1,888	$ 2,718	$ 4,140
Depletion, depreciation and amortization	3,124	4,347	10,105	18,121	7,647	9,808	13,567
Deferred income taxes	-	(150)	118	2,636	110	832	1,841
Subtotal	3,810	5,588	12,842	28,605	9,645	13,358	19,548
Other non-cash items)	(278)	(321)	(471)	N/A	(445)	(740)	N/A
Changes in working capital	1,636	(962)	(1,130)	N/A	(395)	(2,863)	N/A
Net cash provided from operating activities	$ 5,168	$ 4,305	$11,241	N/A	$ 8,805	$ 9,755	$ N/A

	DECEMBER 31,			SEPTEMBER 30,		
	1992	1993	1994	1994	1995	PROFORMA 1995(1)
BALANCE SHEET DATA:						
Working capital	$ 167	$ 1,350	$ 1,002	$ 4,421	$ 1,740	$ 1,740
Oil and gas properties	18,271	55,310	112,964	83,302	169,900	169,900
Total assets	28,328	76,333	141,768	104,027	203,305	203,305
Long-term debt	12,679	30,689	61,885	52,670	112,839	88,828
Stockholders' equity	9,504	32,263	43,248	39,077	60,554	84,565

SUMMARY FINANCIAL, OPERATING AND RESERVE INFORMATION (CONTINUED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND OPERATING AND RESERVE DATA)

	YEAR ENDED DECEMBER 31,				NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	PRO FORMA 1994	1995	PRO FORMA 1995(1)
OPERATING DATA:						
Production						
Oil (MBbls)	199	318	640	789	649	709
Gas (MMcf)	1,796	2,590	6,996	15,982	7,825	12,659
MBOE	498	750	1,806	3,453	1,953	2,819
Average sales price						
Oil (per Bbl)	$ 18.40	$ 16.07	$ 15.23	$ 15.23	$ 16.58	$ 16.51
Gas (per Mcf)	2.25	2.32	2.10	2.11	1.71	1.80
BOE	15.46	14.82	13.55	13.27	12.36	12.22
Average operating cost per BOE	$ 5.95	$ 5.87	$ 5.55	5.21	$ 5.09	$ 4.54

	DECEMBER 31,			PRO FORMA JUNE 30,
	1992	1993	1994	1995
RESERVE DATA(2):				
Proved reserves				
Oil (MBbls)	1,980	4,539	8,449	10,328
Gas (MMcf)	17,615	74,563	149,370	222,054
MBOE	4,916	16,966	33,344	47,337
Percent gas reserves	60%	73%	75%	78%
Reserve life index (years)(3)	9.9	12.6	13.3	13.1
Estimated future net cash flow (thousands)(4)	$48,016	$140,892	$270,974	$371,895
Pre-tax present value (thousands)(4)	$26,035	$ 65,114	$150,536	$213,159
Producing wells				
Gross	1,113	2,057	3,134	6,430
Net	355	981	1,621	4,583
Average working interest	32%	48%	52%	71%
Gross operated wells	1,011	1,872	2,565	5,865

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(1) See the Pro Forma Combined Financial Statements included herein for a discussion of the preparation of this data.

(2) For limitations on the accuracy and reliability of reserves and future net cash flow estimates, see "Risk Factors--Uncertainty of Estimates of Reserves and Future Net Revenues."

(3) The reserve life index is calculated by dividing the proved reserves (on a BOE basis) by projected production volumes for the next twelve months.

(4) See Glossary included herein for the definition of "Present Value of Proved Reserves."

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, together with the other information contained in this Prospectus, the following investment considerations:

VOLATILITY OF OIL AND GAS PRICES

The Company's revenues and profitability are substantially dependent upon prevailing prices of, and demand for, oil and gas and the costs of acquiring, finding, developing and producing reserves. Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future. Prices for oil and gas are subject to wide fluctuations in response to: (i) relatively minor changes in supply of, and demand for, oil and gas; (ii) market uncertainty; and (iii) a variety of additional factors, all of which are beyond the Company's control. These factors include political conditions in the Middle East, the foreign supply of oil and gas, the price of imported oil, the level of consumer and industrial demand, weather, domestic and foreign government relations, the price and availability of alternative fuels and overall economic conditions.

UNCERTAINTY OF ESTIMATES OF RESERVES AND FUTURE NET REVENUES

This Prospectus contains estimates of the Company's oil and gas reserves and the future net revenues from those reserves which have been prepared by the Company and certain independent petroleum consultants. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves, including many factors beyond the Company's control. The estimates in this Prospectus are based on various assumptions, including, for example, constant oil and gas prices, operating expenses and capital expenditures, and, therefore, are inherently imprecise indications of future net revenues. Actual future production, revenues, taxes, operating expenses, development expenditures and quantities of recoverable oil and gas reserves may vary substantially from those assumed in the estimates. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves set forth in this Prospectus. In addition, the Company's reserves may be subject to downward or upward revision based upon production history, results of future development, prevailing oil and gas prices and other factors. See "Business -- Reserves."

FINDING AND ACQUIRING ADDITIONAL RESERVES

The Company's future success depends upon its ability to find or acquire additional oil and gas reserves that are economically recoverable. Except to the extent the Company conducts successful exploration or development activities or acquires properties containing proved reserves, the proved reserves of the Company will generally decline as they are produced. There can be no assurance that the Company's planned development projects and acquisition activities will result in significant additional reserves or that the Company will have success drilling productive wells at economic returns. If prevailing oil and gas prices were to increase significantly, the Company's finding costs to add new reserves could increase. The drilling of oil and gas wells involves a high degrees of risk, especially the risk of dry holes or of wells that are not sufficiently productive to provide an economic return on the capital expended to drill the wells. The cost of drilling, completing and operating wells is uncertain, and drilling or production may be curtailed or delayed as a result of many factors.

ACQUISITION RISKS

The Company intends to continue acquiring oil and gas properties. It generally is not feasible to review in detail every individual property involved in an acquisition. Ordinarily, review efforts are focused on the higher-valued properties. However, even a detailed review of all properties and records may not reveal existing or potential problems nor will it permit the Company to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections are not always performed on every well, and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. See "Business--Acquisitions."

MARKETING RISKS

For the year ended December 31, 1994 and for the nine month period ended September 30, 1995, gas revenues comprised over 55% of total oil and gas revenue on a historical basis and over 65% on a pro forma basis. For the year ended December 31, 1994, no purchaser accounted for more than 10% of total oil and gas revenues For the nine months ended September 30, 1995, one purchaser accounted for 11% of total oil and gas revenues, however, the loss of such purchaser would not have a material adverse effect on the Company. The types of gas contracts under which production is sold vary, but generally can be grouped into three categories: (i) life-of-well, (ii) long-term (one year or longer), and (iii) short-term contracts. Short-term contracts are defined as contracts which may have a primary term of less than one year, but which are cancelable at either party's discretion in 30 to 120 days. Approximately 58% of the Company's gas production is currently sold under market sensitive contracts which do not contain floor price provisions. Nearly 70% of the Company's gas is produced in Appalachia, which gas has historically sold at higher prices. No assurance can be given that such price discrepancy will continue. See "Business--Gas Transportation and Marketing."

The Company has currently hedged less than 5% of its production through September 1996. These hedges involve fixed price arrangements and other price arrangements at a variety of prices, floors and caps. Although these hedging activities provide the Company some protection against falling prices, these activities also reduce the benefits to the Company from price increases above the levels of the hedges. In the future, the Company may increase the percentage of its production covered by hedging arrangements, however it currently anticipates that such percentage would not exceed 50%.

OPERATING HAZARDS AND UNINSURED RISKS; PRODUCTION CURTAILMENTS

The oil and gas business involves a variety of operating risks, including, but not limited to, unexpected formations or pressures, uncontrollable flows of oil, gas, brine or well fluids into the environment (including groundwater contamination), blowouts, fires, explosions, pollution and other risks, any of which could result in personal injuries, loss of life, damage to properties and substantial losses. Although the Company carries insurance which it believes is reasonable, it is not fully insured against all risks. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on the financial condition and operations of the Company.

From time-to-time, due primarily to contract terms, pipeline interruptions or weather conditions, the producing wells in which the Company owns an interest have been subject to production curtailments. The curtailments range from production being partially restricted to wells being completely shut-in. The duration of curtailments vary from a few days to several months. In most cases the Company is provided only limited notice as to when production will be curtailed and the duration of such curtailments. Currently, a number of wells located in Appalachia are curtailed under terms of certain gas contracts due in part to seasonal demand. The Company has been informed that such wells should be returned to production during the remainder of 1995.

LAWS AND REGULATIONS

The Company's operations are affected by extensive regulation pursuant to various federal, state and local laws and regulations relating to the exploration for and development, production, gathering and marketing of oil and gas. These regulations, among other things, control the rate of oil and gas production, establish the maximum price at which gas is sold and control the amount of oil that may be imported. Operations of the Company are also subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities to the government and third parties and may require the Company to incur costs to remedy the discharge. Although the Company believes that its properties and operations substantially comply with all such laws and regulations, there can be no assurance that new laws or regulations or new interpretations of existing laws and regulations will not increase substantially the cost of compliance or otherwise adversely affect the Company's oil and gas operations and financial condition. See "Business -- Regulation."

COMPETITION

The Company encounters substantial competition in acquiring properties, marketing oil and gas, securing trained personnel and operating its properties. Many competitors have financial and other resources which substantially exceed those of the Company. The competitors in acquisitions, development, exploration and production include major oil companies, numerous independents, individual proprietors and others. Therefore, competitors may be able to pay more for desirable

leases and to evaluate, bid for and purchase a greater number of properties or prospects than the financial or personnel resources of the Company will permit.

DEPENDENCE ON KEY PERSONNEL

The Company depends, and will continue to depend in the foreseeable future, on the services of its officers and key employees with extensive experience and expertise in evaluating and analyzing producing oil and gas properties and drilling prospects, maximizing production from oil and gas properties and marketing oil and gas production. The ability of the Company to retain its officers and key employees is important to the continued success and growth of the Company. The loss of key personnel could have a material adverse effect on the Company. The Company does not maintain key man life insurance on any of its officers or key employees. See "Management."

CERTAIN BUSINESS INTERESTS OF CHAIRMAN

Thomas J. Edelman, Chairman of the Company, is also the President of Snyder Oil Corporation ("SOCO"), a significantly larger independent oil and gas company. The Company has existing business relationships with SOCO, and as a result of Mr. Edelman's position in both companies, conflicts of interests may arise between the Company and SOCO. The Company's acquisitions are typically smaller than SOCO's and in different geographic regions. The Company has, and it has been advised that SOCO also has, board policies that require Mr. Edelman to give notification of any potential conflicts that may arise between the Company and SOCO. There can be no assurance, however, that the Company and SOCO will not compete for the same acquisition or encounter other conflicts of interest. See "Management" and "Certain Transactions."

LACK OF PUBLIC MARKET FOR THE PREFERRED STOCK

There is no existing trading market for the Preferred Stock, and there can be no assurance regarding the future development of a market for the Preferred Stock or the ability of holders of the Preferred Stock to sell their Preferred Stock or the price at which such holders may be able to sell their Preferred Stock. If such a market were to develop, the Preferred Stock could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Company's operating results and the market for similar securities. The Initial Purchasers have advised the Company that each of them currently intends to make a market in the Preferred Stock. The Initial Purchasers are not obligated to do so, however, and any market-making with respect to the Preferred Stock may be discontinued at any time without notice. Therefore, there can be no assurance as to the liquidity of any trading market for the Preferred Stock or that an active public market for the Preferred Stock will develop. Similarly, if the Company elects to exchange the Preferred Stock for the $2.03 Notes, there can be no assurance regarding the development of a market for the $2.03 Notes. It is expected that the Preferred Stock will be eligible for trading in the PORTAL Market of the National Association of Securities Dealers, Inc.

CAPITAL AVAILABILITY

The Company's strategy of acquiring and developing oil and gas properties is dependent upon its ability to obtain financing for such acquisitions and development projects. The Company expects to utilize its revolving bank credit agreement, as amended (the "Credit Agreement") among the Company and several banks (the "Banks") to borrow a portion of the funds required for any given transaction or project. Any future acquisition or development project by the Company requiring bank financing in excess of the amount then available under the Credit Agreement will depend upon the Banks' evaluation of the properties proposed to be acquired or developed. If funds under the Credit Agreement are not available to fund acquisition and development projects, the Company would seek to obtain such financing from the sale of equity securities or other debt financing. There can be no assurance that any such other financing would be available on terms acceptable to the Company. Should sufficient capital not be available, the Company may not be able to continue to implement its strategy.

The Credit Agreement limits the amounts the Company may borrow to amounts, determined by the Banks, in their sole discretion, based upon a variety of factors including the discounted present value of the Company's estimated future net cash flow from oil and gas production (the "Borrowing Base"). At November 3, 1995 the Borrowing Base was $105 million of which the Company had borrowings of $87 million outstanding. The weighted average interest rate on November 3, 1995 was 7.13% after giving effect to interest swap arrangements covering $40 million of the indebtedness outstanding under the

Credit Agreement. The Credit Agreement expires on July 1, 2001. The Company does not currently have any substantial unpledged properties, and does not anticipate acquiring properties in the foreseeable future which will not be pledged under the Credit Agreement. If oil or gas prices decline below their current levels, the availability of funds and the ability to pay outstanding amounts under the Credit Agreement could be materially adversely affected.

DEPENDENCE UPON REVENUES OF SUBSIDIARIES

The Preferred Stock is a direct obligation of the Company which derives all of its revenues from the operations of its subsidiaries. The ability of the Company to redeem the Preferred Stock and to pay dividends, if any, will be primarily dependent upon the receipt of dividends or other distributions from such subsidiaries. The payment of dividends from the subsidiaries to the Company and the payment of any interest on or the repayment of any principal of any loans or advances made by the Company to any of its subsidiaries may be subject to statutory or contractual restrictions and are contingent upon the earnings of such subsidiaries. Although the Company believes that distributions and dividends from its subsidiaries will be sufficient to pay dividends on the Preferred Stock as well as to meet the Company's other obligations, there can be no assurance they will be sufficient.

Claims of the creditors of the Company's subsidiaries may have priority with respect to the assets and earnings of such subsidiaries over the claims of the creditors of the Company.

RATIO OF EARNINGS TO FIXED CHARGES

	YEAR ENDED DECEMBER 31,						NINE MONTHS ENDED SEPTEMBER 30,	
	1990	1991	1992	1993	1994	PRO FORMA 1994	1995	PRO FORMA 1995
Ratio of earnings to fixed charges	1.77	1.82	1.92	2.17	1.98	3.43	1.95	2.33
Ratio of earnings to fixed charges and preferred dividends	1.07	1.17	1.47	1.68	1.75	2.29	1.81	1.69

For purposes of determining the ratio of earnings to fixed charges, earnings are defined as income before income taxes plus fixed charges. Fixed charges consist of interest expense on all indebtedness.

USE OF PROCEEDS

The Company anticipates that proceeds received upon the issuance of the Securities will be utilized by the Company to pay down its debt under the Credit Agreement, for acquisitions and/or for working capital. There are no agreements or understandings regarding any such acquisitions and there can be no assurance that any such acquisitions will occur.

The Company will not receive any proceeds upon the sale by the Selling Securityholders of the Selling Securityholder Securities.

CAPITALIZATION

The following table sets forth at September 30, 1995 the actual capitalization of the Company and gives pro forma effect to the Company's significant 1994 and 1995 acquisitions and the sale of 1,000,000 shares of the Preferred Stock and the application of the net proceeds therefrom. This table should be read in conjunction with the Consolidated Financial Statements and Pro Forma Combined Financial Statements included herein.

	SEPTEMBER 30, 1995	
	ACTUAL	PRO FORMA
	(IN THOUSANDS)	
Current portion of long-term debt	$ 399	$ 399
Long-term debt:		
Revolving credit facility	$112,839	$ 88,828
Stockholders' equity:		
Preferred Stock, $1 par value, 2,000,000 shares authorized:		
7 1/2% Convertible Exchangeable Preferred Stock, 200,000 shares outstanding ($5 million liquidation preference)	200	200
$2.03 Convertible Exchangeable Preferred Stock; 1,000,000 shares outstanding ($25 million liquidation preference)	--	1,000
Common Stock, $.01 par value, 20,000,000 shares authorized: 12,039,968 outstanding(1)	120	120
Capital in excess of par value	65,342	88,353
Retained earnings (deficit)	(5,108)	(5,108)
Total stockholders' equity	60,554	84,565
Total capitalization	$173,393	$173,393

(1) The number of shares of Common Stock outstanding excludes 1,299,439 shares which are reserved for issuance upon the exercise of outstanding options and warrants, of which 707,315 are exercisable. In addition, 576,945 shares are issuable upon conversion of the 7 1/2% Preferred. See "Description of Capital Stock."

BUSINESS

GENERAL

The Company is an independent oil and gas company with core areas of operation in Texas, Oklahoma and Appalachia. The Company has grown through a combination of acquisition, development and enhancement activities. Since January 1, 1990, 57 acquisitions have been consummated at a total cost of approximately $181 million and approximately $21 million has been expended on development activities. As a result, proved reserves and production have each grown during this period at a rate in excess of 60% per annum. At June 30, 1995, proved reserves totaled 47.3 million BOE, having a pre-tax present value at constant prices on that date of $213 million and a reserve life in excess of 13 years. The Company as of June 30, 1995, operated properties which accounted for 95% of its reserves and owned 1,900 miles of gas gathering systems in proximity to its principal gas properties. In 1996, the Company expects to allocate a limited portion of its budget to selected exploratory activities in its core operating areas.

STRATEGY

The Company's objective is to implement a balanced strategy of increasing its asset base, cash flow and earnings through acquisition, development and enhancement activities in core operating areas. In each core area, the Company establishes separate acquisition, engineering, operating, geological and other technical expertise. The Company is presently engaged in acquisition, development and enhancement activities in each of its current core operating areas of Texas, Oklahoma and Appalachia. Through its strategy, the Company does not depend solely on any one region or activity to grow its asset base. As a result, despite low energy prices prevalent since 1990, the Company has consistently reported favorable operating results. By operating in three core areas, the Company has expanded its acquisition and development opportunities.

Acquisitions. Since January 1, 1990, 57 acquisitions have been completed for a total consideration of $181 million. Over 46.9 million BOE of proved reserves have been acquired at an average cost of $3.70 per BOE. The Company's acquisition strategy is based on: (i) Size: targeting smaller, less competitive transactions having a cost below $30 million; (ii) Locale: focusing in areas containing many small oil and gas operators and where larger companies are no longer active; (iii) Efficiency: targeting acquisitions in which operating and cost efficiencies can be obtained; (iv) Reserve Potential: pursuing properties with the potential for reserve increases through recompletions and development drilling; (v) Incremental Purchases: seeking acquisitions where opportunities for purchasing additional interests in the same or adjoining properties exist; and (vi) Complexity: pursuing more complex but less competitive corporate or partnership acquisitions.

Development. The Company's development activities include recompletions of existing wells, infield and step-out drilling and installation of secondary recovery projects. Development projects are generated within core operating areas where the Company has significant operational and technical experience. At September 30, 1995, over 600 proven development projects were in inventory. These projects are located in eight different fields, vary between oil and gas, and are balanced between low and medium risk. Approximately 80 of these projects are expected to be initiated in 1995 at a total cost of approximately $11 million. Based on the number of projects currently in inventory, development expenditures are projected to be approximately $40 million for the three year period 1995 through 1997.

Enhancements. The Company's enhancement activities include all activities other than acquisitions or drilling which maximize the value of its asset base. Enhancements include: reducing overhead, operating and development costs; concentrating operations to increase efficiency; the rapid disposal of non-strategic properties; expanding marketing options; and applying new technology to exploit additional reserves. Enhancements create higher margins and help maintain profitability during the downward phase of energy price cycles. Despite low oil and gas prices in 1994 and the first half of 1995, the Company posted increased cash flow and profits, partly due to enhancements.

ACQUISITIONS

ACQUISITION STRATEGY

Since 1990, the Company has completed 57 acquisitions for $181 million of consideration. During the first nine months of 1995, $52.8 million of purchases were completed. The Company's acquisition strategy is to concentrate on smaller transactions that offer higher expected returns. The Company believes that it can continue to implement its acquisition strategy based on the following:

SIZE: The Company believes that smaller transactions (less than $30 million in cost) provide the opportunity for higher returns due to the limited number of buyers that have the interest, financial capabilities and the operational efficiencies necessary to consummate such transactions. Smaller companies generally do not have sufficient capital or the requisite expertise to engage in such transactions while the larger companies are focusing on other areas, such as overseas operations, or larger transactions. Additionally, because of the continuing restructuring of the domestic oil and gas industry, many small oil and gas entities are for sale and many larger companies are selling their smaller or non-strategic properties.

LOCALE: Focusing on areas containing many small, less capitalized operators. These typically are areas in which many of the major and larger independent companies are no longer active and where, in some cases, they are divesting their remaining assets. The potential for reserve increases in these areas exists through the application of new operating and technical advances.

EFFICIENCY: Targeting acquisitions in which operating and cost efficiencies can be obtained. The Company concentrates on acquiring oil and gas assets in areas in which it already operates and seeks to subsequently merge into its existing infrastructure the overhead functions of companies, partnerships and direct property interests it acquires. Not only does the increased efficiency result in increased profitability, but it also enables the Company to be an aggressive buyer while still generating an attractive return.

RESERVE POTENTIAL: Pursuing properties with the potential for reserve increases through workovers, recompletions, drilling and secondary recovery operations.

INCREMENTAL PURCHASES: Seeking acquisitions where opportunities for purchasing incremental interests in the same or adjoining properties exist. Properties in which the Company currently owns an interest contain over $100 million of estimated value attributable to interests held by third parties. The purchase of incremental interests results in only minor increases in overhead cost.

COMPLEXITY: A number of companies and partnerships which own oil and gas assets have been acquired at attractive prices. Due to the added complexity involved in acquiring and integrating these entities and their assets, many buyers do not have the expertise or desire to compete for such acquisitions.

ACQUISITION SUMMARY

The following table, which includes the Recent Appalachian Acquisitions, sets forth information pertaining to acquisitions completed during the period January 1, 1990 through September 30, 1995.

PERIOD	NUMBER OF TRANSACTIONS	PURCHASE PRICE (1)	MBOE ACQUIRED	COST PER BOE(2)
		(IN THOUSANDS)		
1990	6	$ 6,520	1,062	$5.60
1991	9	11,189	2,433	4.51
1992	7	6,884	2,085	2.47
1993	12	40,527	10,759	3.54
1994	17	63,354	15,476	3.99
1995 (through September 30)	6	52,848	15,420	3.38
Total	57	$181,322	47,235	$3.69

(footnotes on following page)

[FN]
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(1) Includes purchase price for proved reserves as well as other acquired assets, including gas gathering lines, undeveloped leasehold and field service assets.
(2) Includes purchase price for proved reserves only.

ACQUISITION HISTORY

1995 ACQUISITIONS

APPALACHIA

Transfuel, Inc. In September, the Company acquired proved oil and gas reserves, 1,100 miles of gas gathering lines and 175,000 undeveloped acres in Ohio, Pennsylvania and New York from Transfuel, Inc. for approximately $20.2 million in cash and $755,000 in the Company's Common Stock.

Parker & Parsley Petroleum Company. In August, the Company purchased proved oil and gas reserves, 300 miles of gas gathering lines and 16,400 undeveloped acres in Pennsylvania and West Virginia from Parker & Parsley Petroleum Company for $20.2 million.

OKLAHOMA

The Company purchased interests in 52 wells in the Caddo and Canadian counties for $4.8 million. The Company assumed operation of half of these wells.

Interest in Company operated properties were acquired for $3.4 million.

TEXAS

The Company purchased interests in 140 wells located primarily in the Big Lake Area of west Texas and the Laura LaVelle Field of east Texas for $2.8 million.

1994 ACQUISITIONS

OKLAHOMA

Red Eagle Resources Corporation. In December 1994, the Company acquired effective control of Red Eagle Resources Corporation ("Red Eagle") principally through the purchase of two common stockholders' holdings. In February 1995, the remaining stockholders of Red Eagle common stock voted to approve the merger of Red Eagle with a wholly owned subsidiary of the Company in exchange for approximately 2.2 million shares of the Company's Common Stock. The total purchase price was approximately $31 million. Red Eagle's assets are reflected in the Company's financial statements as of December 31, 1994. The additional equity of Red Eagle acquired in February 1995 is reflected as a minority interest on the Company's balance sheet at December 31, 1994. The Company's statement of income does not reflect any of Red Eagle's operations during 1994. Red Eagle's assets included interests in approximately 370 producing wells located primarily in and around the Okeene Field of Oklahoma's Anadarko Basin. Subsequently, the Company acquired additional interests in 70 Red Eagle wells for $1.7 million. At December 31, 1994, Red Eagle operated 328 wells and managed thirty-seven limited partnerships. See "Business--Legal Proceedings."

TEXAS

Grand Banks Energy Company. The Company acquired Grand Banks Energy Company ("Grand Bank") for approximately $3.7 million. Grand Banks' assets include interests in 182 producing wells located in west Texas, essentially all of which are now operated by the Company. Grand Banks owned an average working interest of 70% in the producing reserves, of which 60% was oil. Approximately 40% of Grand Banks' proved reserves are attributed to the Mills-Strain Unit located in the Sharon Ridge Field of Mitchell County, Texas. The Mills-Strain Unit is a waterflood unit producing from the Clearfork Formation at a depth of approximately 2,000 feet. The Mills-Strain Unit has a remaining reserve life of over 20 years.

Gillring Oil Company. The Company acquired Gillring Oil Company ("Gillring") for approximately $11.5 million. Gillring's assets include $5.2 million of working capital and interests in 106 producing oil and gas wells located in south

Texas. Gillring owned an average working interest of 80% in the producing reserves, of which 80% were gas. The Gillring properties are located principally in two fields producing from the Wilcox and Vicksburg formations ranging in depths from 4,000 to 11,000 feet. Subsequent to the acquisition of Gillring, the Company purchased, for approximately $2.1 million, the limited partnership interests in a partnership for which Gillring acted as the general partner.

The Company acquired from four parties interests in 118 producing wells in the Big Lake Area of west Texas and the Laura LaVelle Field of east Texas for $6.5 million.

APPALACHIA

The Company acquired, for $5.0 million, interests in 98 new wells and additional interests in 436 wells which the Company already operated.

1993 ACQUISITIONS

APPALACHIA

Mark Resources Corporation. In December 1993, the Company acquired Mark Resources Corporation ("Mark") for approximately $28.4 million. Mark's assets are located primarily in northwestern Pennsylvania in the Appalachian Basin, and to a lesser extent in West Virginia. Mark owned interests in 655 producing wells, 230 miles of gas gathering lines and over 180 proved development drilling locations. Mark operated nearly all of its properties and owned an average working interest of 27% in the producing reserves and 88% in the undeveloped reserves.

The Company acquired interests in 393 wells, 70 miles of gas gathering systems and undeveloped leasehold for $5.4 million.

TEXAS

The Company acquired interests in 128 producing wells in the Big Lake Area of west Texas and the Laura LaVelle Field of east Texas for $6.7 million.

DEVELOPMENT ACTIVITIES

Development activities include recompletions of existing wells, the drilling of infield and step-out wells and secondary recovery projects. In 1993, approximately $3.7 million was expended on these activities, while $9.5 million was incurred during 1994. The Company estimates that it will spend approximately $11 million on development activities in 1995. Based on over 600 proven development projects currently in inventory, capital expenditures are estimated to be approximately $40 million for the three year period 1995 through 1997.

The Company's development strategy is to own as large an interest as possible in more established, lower risk development projects. Conversely, in development activities that are less established and therefore deemed to be of higher risk, the Company generally seeks to participate for no more than a 50% interest. As more confidence is gained in regard to the higher risk development activities, the Company may increase its ownership percentage.

Texas. At June 30, 1995, Texas accounted for 130 proved development projects. The majority of these projects include recompletions and infield drilling locations in the Big Lake Area of west Texas and the Laura LaVelle Field of east Texas. The Company has performed 21 recompletions and drilled 31 wells in these two fields. As a result of development and additional acquisitions, gross production from the two fields has increased from 500 BOE per day to over 1,900 BOE per day. In 1995, the Company expects to recomplete 12 wells and drill 18 new wells in the two fields for approximately $3 million.

Oklahoma. Essentially all of the 160 Oklahoma proven development projects are in the Okeene Field located in the northwestern portion of the Anadarko Basin. These projects include 122 recompletions and 34 drilling locations. The Company's primary producing area is situated in a four township area that straddles the Blaine-Major County line, with over 130 Company operated wells. The majority of the reserves are gas and are produced from six geologic horizons at depths ranging from 7,000 to 9,000 feet. The Company acquired its interests in the field during the fourth quarter of 1994. Since then the Company's engineers have applied state-of-the-art fracture technology to ten recompletions doubling gross production to 7 MMcf per day. In 1995, the Company estimates it will undertake 21 recompletions and drill two new wells for

approximately $2 million. An extensive geologic study of the area has been initiated to further identify potential additional development opportunities.

Appalachia. In Ohio, Pennsylvania and West Virginia 390 proved development projects have been identified in the shallow Clinton and Medina Sandstone formations. These projects are located on 38,700 gross (35,400 net) acres under lease and range in depth from 4,000 to 6,000 feet. The reserves are characterized by initial flush production, followed by extremely gradual decline rates resulting in a projected life of over twenty years. During 1995 the Company estimates that it will drill 23 new wells at a cost of approximately $4 million. The Company currently has a sufficient inventory of proved infield drilling locations to drill up to 60 wells per year for the next five years.

In addition to the shallow formations discussed above, the Appalachian Basin has less developed formations including the Rose Run-Beekmantown and Trempealeau which range in depths from 4,000 to 8,000 feet. The geological boundaries of these formations lie approximately 2,500 feet below the shallower Clinton and Medina Sandstone formations. While the industry has drilled over 100,000 Clinton and Medina Sandstone wells, fewer than 1,700 wells have been drilled to the Rose Run-Beekmantown and 5,000 to the Trempealeau. The results were poor because the wells were based on only regional geology and no seismic data was utilized. Since 1993, the Company has participated in eighteen deeper wells with an average working interest of 13%, of which, seven were productive and eleven were dry. Currently, the Company owns leases covering 211,000 gross (181,000 net) acres in the deeper "Rose Run Trend." The Company's 1995 budget allocates approximately $1 million to acquire acreage and seismic and to drill wells.

ENHANCEMENT ACTIVITIES

The Company defines enhancements as those activities, other than acquisitions or drilling, which maximize the value of its asset base. Enhancements include: reducing overhead, operating and development costs on a per BOE basis; concentrating operations to increase efficiency; disposing non-strategic properties rapidly; expanding marketing options; and applying new technology to exploit additional reserves. Enhancements create higher margins and help maintain profitability during the downward phase of commodity price cycles. Despite low oil and gas prices in 1994 and the first nine months of 1995, the Company posted increased cash flow and profits, partly due to enhancements. Primarily as a result of its enhancement activities during the past five years the Company has: (i) decreased overhead costs per BOE by 91%; (ii) cut operating costs per BOE by 34%; (iii) reduced development costs per BOE by 27%; (iv) now operates properties representing more than 95% of its reserves; (v) sold over 1,000 non-strategic properties; (vi) expanded gas marketing to 70 MMcf per day through 1,900 miles of Company-owned gas gathering systems; and (vii) improved seismic and completion techniques by applying new technology.

OIL AND GAS RESERVES

The following table sets forth estimated proved reserves for each year in the five year period ended December 31, 1994 and pro forma as of June 30, 1995.

	DECEMBER 31,					PRO FORMA JUNE 30,
	1990	1991	1992	1993	1994	1995(1)
Crude oil (MBbl)						
Developed	416	1,609	1,643	3,344	6,431	8,003
Undeveloped	4	245	337	1,195	2,018	2,325
Total	420	1,854	1,980	4,539	8,449	10,328
Natural gas (MMcf)						
Developed	5,626	8,318	13,171	38,373	97,251	164,522
Undeveloped	--	221	4,444	36,190	52,119	57,532
Total	5,626	8,539	17,615	74,563	149,370	222,054
Total equivalent barrels (MBOE)	1,357	3,277	4,916	16,967	33,344	47,337

(1) See "Business--Pro Forma Reserve Information."

Proved developed reserves are expected to be recovered from existing wells with existing equipment and operating methods. Proved undeveloped reserves are expected to be recovered from new wells drilled to known reservoirs on undrilled acreage for which the existence and recoverability of such reserves can be estimated with reasonable certainty. On a BOE basis, approximately 75% of the Company's proved reserves were developed at June 30, 1995. At December 31, 1994, approximately 95% of the proved reserves set forth above were evaluated by independent petroleum consultants, while the remainder was evaluated by the Company's engineering staff. See "Pro Forma Reserve Information" below regarding the evaluation of proved reserves at June 30, 1995.

The following table sets forth as of June 30, 1995 the estimated future net cash flow from and the present value of the proved reserves. See "Pro Forma Reserve Information." Future net cash flow represents future gross cash flow from the production and sale of proved reserves, net of production costs (including production taxes, ad valorem taxes and operating expenses) and future development costs. Such calculations, which are prepared in accordance with the Statement of Financial Accounting Standards No. 69 "Disclosures about Oil and Gas Producing Activities" are based on constant cost and price factors. Average product prices at December 31, 1994 were $16.14 per barrel of oil and $2.07 per Mcf of gas and at June 30, 1995 were $16.35 per barrel of oil and $2.15 per Mcf of gas. There can be no assurance that the proved reserves will be developed within the periods indicated and it is likely that actual prices received in the future will vary from those used in deriving this information. There are numerous uncertainties inherent in estimating reserves and related information and different reservoir engineers often arrive at different estimates for the same properties.

	DEVELOPED	UNDEVELOPED	TOTAL
		(IN THOUSANDS)	
Estimated future net cash flow	$ 283,947	$ 87,948	$ 371,895
Present value of proved reserves			
Pre-tax	$ 173,806	40,353	$ 213,159
After-tax	$ 130,036	30,365	$ 160,401

PRO FORMA RESERVE INFORMATION

The following table sets forth summary pro forma information with respect to the Company's estimated proved oil and gas reserves as of June 30, 1995, giving effect to acquisitions completed from January 1, 1995 through June 30, 1995. The reserve information below is based on reserve evaluations for each property group and in most cases each reserve evaluation had an effective date varying from December 31, 1994 through July 1, 1995. These reserve evaluations were adjusted by the Company's engineering staff to June 30, 1995 by adjusting production to June 30, 1995 depending on the effective date of each respective evaluation. Therefore, the reserve information below does not reflect production revisions or changes in oil and gas prices, changes in expectations or changes in estimates of recoverable reserves resulting from price changes. Approximately 95% of December 31, 1994 reserve information was prepared by independent petroleum consultants and 100% of the Recent Appalachian Acquisitions reserve information was prepared by independent petroleum consultants. The "Other 1995 Acquisitions" reserve information, as well as the "Adjustments" information, were prepared by the Company's engineering staff. All estimates of oil and gas reserves are subject to significant uncertainty. See "Risk Factors--Uncertainty of Estimates of Reserves and Future Net Revenues."

	PRO FORMA RESERVE INFORMATION				
	HISTORICAL DECEMBER 31, 1994	RECENT APPALACHIAN ACQUISITIONS	OTHER 1995 ACQUISITIONS	ADJUSTMENTS	PRO FORMA JUNE 30, 1995
Proved reserves					
Oil (MBbls)	8,449	468	1,845	(434)	10,328
Gas (MMcf)	149,370	65,592	9,760	(2,66)	222,054
MBOE	33,344	11,400	3,472	(879)	47,337
Estimated future net cash flow (thousands)	$270,974	$ 80,925	$ 25,191	(5,195)	$371,895
Pre-tax present value (thousands)	$150,536	$ 46,638	$ 16,459	(474)	$213,159
Average product prices					
Oil (per Bbl)	$ 16.13	$ 16.01	$ 17.45	N/A	$ 16.35
Gas (per Mcf)	$ 2.13	$ 2.27	$ 1.68	N/A	$ 2.15

SIGNIFICANT PROPERTIES

Until 1990, virtually all of the Company's properties were located in Ohio. Since that time, properties have been acquired in Texas and Oklahoma and other areas of Appalachia. At June 30, 1995, on a pre-tax present value basis, 49.8% of the reserves were located in Appalachia, 25.7% were in Oklahoma and 21.2% were in Texas. At September 30, 1995, the Company's properties included working interests in 6,430 gross (4,583 net) productive oil and gas wells and royalty interests in 450 additional wells. The properties contained, net to the Company's interest, estimated proved reserves of 10.3 million barrels of oil and 222 Bcf of gas or a total of 47.3 million BOE. The Company also held interests in 311,250 gross (225,132 net) undeveloped acres at June 30, 1995. The following table sets forth summary pro forma information with respect to the Company's estimated proved oil and gas reserves as of June 30, 1995.

	PRE-TAX PRESENT VALUE		CRUDE	NATURAL	EQUIV.
	AMOUNT (THOUSANDS)	%	OIL (MBBL)	GAS (MMCF)	BARRELS (MBOE)
Appalachia	106,108	49.8%	1,025	154,255	26,734
Oklahoma	54,703	25.7	1,933	50,256	10,309
Texas	45,264	21.2	6,144	17,053	8,986
Other	7,084	3.3	1,226	490	1,308
Total	$213,159	100.0%	10,328	222,054	47,337

The largest concentration of reserves is in Appalachia with 49.8% of total present value. On a BOE basis, gas accounts for approximately 96% of these reserves. These reserves are ascribed to over 4,800 wells located in Pennsylvania, Ohio, West Virginia and New York. The Company operates nearly all of these wells. The reserves produce principally from the Medina, Clinton and Rose Run formations at depths of 3,000 to 7,000 feet. After initial flush production, these properties are characterized by extremely gradual decline rates and have a projected life of more than twenty years. Gas production is transported through Company-owned gas gathering systems and is sold primarily to utilities and industrial end-users.

The second largest concentration of reserves is in Oklahoma, totalling 25.7% of present value. On a BOE basis, gas makes up 81% of these reserves. The largest portion of these reserves is ascribed to over 190 operated wells in and around the Okeene Field of the Anadarko Basin. These wells produce from numerous formations ranging in depth from approximately 6,000 to 9,000 feet. The properties have a projected remaining life of over fifteen years. Gas production is sold primarily to Phillips Petroleum and Natural Gas Clearinghouse on an index or percent of plant proceeds basis.

The third largest concentration of reserves is in Texas, totalling 21.2% of present value. On a BOE basis, oil makes up 68% of the reserves. The largest portion of these reserves is ascribed to 338 operated wells in the Big Lake Area of west Texas. These wells produce from the San Andres/Grayburg formation at a depth of approximately 2,500 feet. The properties have a projected remaining life of over 25 years. Over 83% of these reserves are oil. Oil production is sold to Scurlock Permian and gas to J.L. Davis Company. The second largest portion of these reserves are ascribed to 64 operated wells in the Laura LaVelle Field in east Texas. These wells produce from the shallow Carrizo section of the Wilcox formation at a depth of approximately 1,600 feet. These properties have a projected remaining life of twenty years. All of the reserves are oil and production is sold to Texaco. The third largest portion is in Hagist Ranch Field in south Texas. The Company operates 58 wells in this field which produces primarily from the Wilcox at approximately 8,000 feet. Arco purchases the gas production from the Hagist Ranch Field.

PRODUCTION

Production revenue is generated through the sale of oil and gas from properties held directly and through partnerships and joint ventures. Additional revenue is received from royalties. Oil and gas production is sold to a limited number of purchasers. Through September 30, 1995, one purchaser accounted for 11% of total oil and gas revenues, however the loss of such purchaser would not have a material adverse effect on the Company's business. Proximity to local markets, availability of competitive fuels and overall supply and demand are factors affecting the ability to market production. There has been a worldwide surplus of oil and gas for more than a decade which has weakened oil prices and particularly recently, depressed the price of natural gas. While the Company anticipates an upward trend in energy prices, factors outside its control such as political developments in the Middle East, overall energy supply, weather conditions and economic growth rates have had, and may continue to have, an unpredictable or adverse effect on energy prices.

The following table sets forth historical revenue and expense information for the periods indicated (in thousands, except sales price and operating cost data). See the Pro Forma Combined Financial Statements included herein for a discussion of the preparation of the pro forma data.

	YEAR ENDED DECEMBER 31,				NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	PRO FORMA 1994	1995	PRO FORMA 1995
Production						
Oil (Bbl)	199	318	640	789	649	709
Gas(Mcf)	1,796	2,590	6,996	15,982	7,825	12,659
BOE	498	750	1,806	3,453	1,953	2,819
Revenue						
Oil	$ 3,660	$ 5,118	$ 9,743	$ 12,019	$ 10,768	$ 11,711
Gas	4,043	6,014	14,718	33,791	13,367	22,728
Total	$ 7,703	$ 11,132	$ 24,461	$ 45,810	$ 24,135	$ 34,439
Average Sales Price						
Oil (per Bbl)	$ 18.40	$ 16.07	$ 15.23	$ 15.23	$ 16.58	$ 16.52
Gas (per Mcf)	2.25	2.32	$ 2.10	2.11	1.71	1.80
BOE	15.46	14.82	$ 13.55	13.27	12.36	12.22
Average Operating Cost						
Per BOE	$ 5.95	$ 5.87	$ 5.55	$ 5.21	$ 5.09	$ 4.54

For 1994 and the nine months ended September 30, 1995, natural gas accounted for over 74% of total production on a BOE basis. Gas production was sold primarily to utilities and directly to industrial users. Gas sales are made pursuant to various arrangements ranging from month-to-month contracts, one year contracts at fixed or variable prices and contracts at fixed prices for the life of the well. All contracts other than the fixed price contracts contain provisions for price adjustment, termination and other terms customary in the industry. A number of the Appalachian gas contracts hold favorable sales prices when compared to market spot prices. Oil is sold on a basis such that the purchaser can be changed on 30 days notice. The price received is generally equal to a posted price set by the major purchasers in the area. Oil purchasers are selected on the basis of price and service.

PRODUCING WELLS

The following table sets forth certain information relating to productive wells at September 30, 1995. The Company owns royalty interests in an additional 450 wells. Wells are classified as oil or gas according to their predominant production stream.

PRINCIPAL PRODUCT STREAM	GROSS WELLS	NET WELLS	AVERAGE WORKING INTEREST
Crude oil	1,026	542	53%
Natural gas	5,404	4,041	75%
Total	6,430	4,583	71%

ACREAGE

The following table sets forth the developed and undeveloped gross and net acreage held at September 30, 1995.

	GROSS	NET	AVERAGE WORKING INTEREST
Developed	454,200	319,500	70%
Undeveloped	311,200	225,100	72%
Total	765,400	544,600	71%

DRILLING RESULTS

The following table summarizes actual drilling activities for the three years ended December 31, 1994 and the nine months ended September 30, 1995. The drilling results below do not reflect acquisitions, on a pro forma basis, as the drilling results on the acquired properties are not reflective of the Company's drilling results.

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,
	1992	1993	1994	1995
Drilling:				
Development wells:				
Gross	8.0	24.0	62.0	21.0
Net	2.2	17.4	56.6	14.6
Exploratory wells:				
Gross	2.0	6.0	9.0	5.0
Net	0.2	1.0	1.6	0.5
Total:				
Gross	10.0	30.0	71.0	26.0
Net	2.4	18.4	58.2	15.1
Drilling Results:				
Productive wells:				
Gross	8.0	25.0	64.0	24.0
Net	2.2	16.5	56.3	14.9
Dry holes:				
Gross	2.0	5.0	7.0	2.0
Net	0.2	1.9	1.8	0.2

FIELD SERVICES

The field services area is comprised of three components: well operations, brine hauling and disposal and well servicing. As of September 30, 1995, the Company acted as operator of, or provided pumping services for, over 5,600 wells. For its well operations, the Company receives a monthly fee plus reimbursement of third party charges. In September 1994, the Company sold substantially all of its brine disposal and well servicing assets located in Ohio. Currently, the majority of the Company's brine disposal and well servicing activities are carried out in Oklahoma.

GAS TRANSPORTATION AND MARKETING

The Company has built or acquired a number of gas gathering systems as a means of marketing gas production in proximity to its principal natural gas properties. This has resulted in the ownership of over 1,900 miles of gas transportation and gathering lines. Having concentrated gas reserves tied to Company-owned gathering systems affords considerable control and flexibility in marketing a substantial portion of its gas production. To further exploit this opportunity, the Company began to market its own gas production in 1993. Today, the Company is marketing over 70 MMcf per day for its own account, as well as for the account of others. In a number of situations, the Company has entered into fixed price contracts which act as a hedge against volatile prices. See "Risk Factors--Marketing Risks."

After giving effect to the Recent Appalachian Acquisitions, approximately 70% of the Company's gas production is attributable to Appalachia. Gas production in Appalachia has historically received a higher price, due to its proximity to the northeastern gas markets. During six months ended June 30, 1995, the Company received, on average, $2.08 per Mcf for its Appalachia gas production. During this same time period, the average settlement price for gas on NYMEX was $1.58 per Mcf. Currently, on a Company-wide basis, approximately 11% of its gas production is sold under life-of well contracts averaging $2.49 per Mcf, 31% is sold under contracts with an initial term of no less than one year that provide for a fixed price or a fixed floor price and 58% is sold under variable price arrangements whereby the price received fluctuates monthly.

Within the last year, the Company has begun to hedge its oil and gas production by entering into price arrangements at a variety of prices, floors and caps. At September 30, 1995, less than 5% of the Company's production was hedged under such arrangements. As production increases, the Company expects that it may hedge a larger percentage of its production, however it currently anticipates that such percentage would not exceed 50%.

FACILITIES

The Company owns a 24,000 square foot facility located on approximately seven acres near Hartville, Ohio. The facility houses certain operating and administrative personnel. The Company leases approximately 16,000 square feet in Fort Worth, Oklahoma City, and Pittsburgh under standard office lease arrangements that expire at various times through May 1996. All facilities are adequate to meet the Company's existing needs and can be expanded with minimal expense.

The Company owns various rolling stock and other equipment which is used in its field operations. Such equipment is believed to be in good repair and, while such equipment is important to its operations, it can be readily replaced as necessary.

COMPETITION

The Company encounters substantial competition in acquiring properties, marketing oil and gas, securing personnel and operating its well services business. Many competitors have financial and other resources which substantially exceed those of the Company. The competitors in acquisitions, exploration, development and production include the major oil companies in addition to numerous independents, individual proprietors and others. Therefore, competitors may be able to pay more for desirable leases and to evaluate, bid for and purchase a greater number of properties or prospects than the financial or personnel resources of the Company permit. The ability of the Company to replace and expand its reserve base in the future will be dependent upon its ability to select and acquire suitable producing properties and prospects for future drilling.

The Company's acquisitions have been partially financed through issuances of equity and debt securities. The competition for capital to finance oil and gas acquisitions and development is intense. The ability of the Company to obtain such financing is uncertain and can be affected by numerous factors beyond its control. The inability of the Company to raise capital in the future could have an adverse effect on certain areas of its business.

EMPLOYEES

As of November 8, 1995, the Company had 280 full-time employees, 189 of whom were field personnel. None are covered by a collective bargaining agreement and management believes that its relationship with its employees is good.

REGULATION

The Company's oil and gas production and transportation operations are subject to various types of regulation, including regulation by state and federal agencies. Although such regulations have an impact on the Company and others in the oil, gas and pipeline industry, the Company does not believe that it is affected in a significantly different manner by these regulations than others in the oil and gas industry.

Legislation affecting the oil and gas industry is under constant review for amendment or expansion. Numerous departments and agencies, both federal and state, are authorized by statute to issue, and have issued, rules and regulations binding on the oil and gas industry and its individual members. The failure to comply with such rules and regulations can result in substantial penalties. Many states require permits for drilling operations, drilling bonds and reports concerning operations. Many states also have statutes or regulations addressing conservation matters, including provisions for the

unitization or pooling of oil and gas properties, the establishment of maximum rates of production from oil and gas wells and the regulation of spacing, plugging and abandonment of such wells. Some state statutes and regulations limit the rate at which oil and gas can be produced from the Company's properties. See "Risk Factors--Laws and Regulations."

In 1992, the Federal Energy Regulatory Commission ("FERC") issued Order No. 636 pertaining to pipeline restructuring. This rule requires interstate pipelines to unbundle transportation and sales services by separately stating the price of each service and by providing customers only the particular service desired, without regard to the source for purchase of the gas. The rule also requires pipelines to (i) provide nondiscriminatory notice service allowing firm commitment shippers to receive delivery of gas on demand up to certain limits without penalties; (ii) establish a basis for release and reallocation of capacity; and (iii) provide nondiscriminatory access to capacity by firm transportation shippers on a downstream pipeline.

The Company's operations are subject to extensive federal, state and local laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. Permits are required for the operation of various of the Company's facilities, and these permits are subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce compliance with their regulations, and violations are subject to fines, injunctions or both. It is possible that increasingly strict requirements will be imposed by environmental laws and enforcement policies thereunder. It is not anticipated that the Company will be required in the near future to expend amounts that are material in relation to its total capital expenditures program by reason of environmental laws and regulations, but inasmuch as such laws and regulations are frequently changed, the Company is unable to predict the ultimate cost of such compliance. See "Risk Factors--Laws and Regulations."

LEGAL PROCEEDINGS

In January 1995, prior to the consummation of the Red Eagle acquisition, a lawsuit (the "Lawsuit") was filed in the Delaware Court of Chancery, against Red Eagle, each of the members of the Board of Directors of Red Eagle and the Company. The Plaintiff seeks to represent all holders (the "Class") of Red Eagle common stock, excluding the Red Eagle Directors and the Company. The lawsuit seeks other remedies, some of which are in the alternative, certification of the lawsuit as a class action, designation of the Plaintiff as representative of the Class and Plaintiff's counsel as counsel to the Class; declaration that the Red Eagle Directors breached their fiduciary duties owed to the Class; recision of the Red Eagle merger agreement; and award of unspecified compensatory damages, prejudgment interest and costs and disbursement of the Lawsuit including counsel fees.

A stipulation of settlement among all defendants and the putative representative of the Class was executed on September 22, 1995, and was filed in the Delaware Court of Chancery without the Company and the defendants admitting any liability. Under the terms of the settlement, the Class would receive, at the Company's option, either (i) $900,000 in cash or (ii) $250,000 in cash plus 74,286 shares of the Company's Common Stock. A hearing on the proposed settlement is scheduled to be held by the Delaware Court of Chancery in November, 1995. If the Court approves the settlement, the settlement consideration will be paid to members of the Class. While there can be no assurance of approval by the Delaware Court of Chancery. In any event, in the opinion of management, such litigation and claims will be resolved without material adverse effect on the Company's financial position.

The Company is involved in various other legal actions and claims arising in the ordinary course of business. In the opinion of management, such litigation and claims will be resolved without material adverse effect on the Company's financial position.

MANAGEMENT

The current executive officers and Directors of the Company are listed below, together with a description of their experience and certain other information. Each of the Directors was re-elected for a one-year term at the Company's 1995 annual meeting of stockholders. Executive officers are appointed by the Board of Directors.

NAME	AGE	HELD OFFICE SINCE	POSITION WITH COMPANY
Thomas J. Edelman	44	1988	Chairman and Chairman of the Board
John H. Pinkerton	41	1988	President, Chief Executive Officer and Director
C. Rand Michaels	58	1976	Vice Chairman and Director
Robert E. Aikman	63	1990	Director
Allen Finkelson	49	1994	Director
Anthony V. Dub	45	1995	Director
Ben A. Guill	44	1995	Director
Jeffery A. Bynum	40	1985	Vice President-Land
Steven L. Grose	47	1980	Vice President-Operations
Chad L. Stephens	40	1990	Vice President
Thomas W. Stoelk	40	1994	Vice President-Finance
John R. Frank	40	1990	Controller

THOMAS J. EDELMAN holds the office of Chairman and is Chairman of the Board of Directors. Mr. Edelman joined the Company in 1988 and served as its Chief Executive Officer until 1992. Since 1981, Mr. Edelman has been a Director and President of SOCO. Prior to 1981, Mr. Edelman was a Vice President of The First Boston Corporation. From 1975 through 1980, Mr. Edelman was with Lehman Brothers Kuhn Loeb Incorporated. Mr. Edelman received his Bachelor of Arts Degree from Princeton University and his Masters Degree in Finance from Harvard University's Graduate School of Business Administration. Mr. Edelman is also a Director of Petroleum Heat & Power Co., Inc., a Connecticut based fuel oil distributor, Star Gas Corporation, a private company which distributes propane gas, Amerac Energy Corporation, a public domestic exploration and production company, and Command Petroleum Limited, an international exploration and production company affiliated with SOCO.

JOHN H. PINKERTON, President, Chief Executive Officer and a Director, joined the Company in 1988. He was appointed President in 1990 and Chief Executive Officer in 1992. Previously, Mr. Pinkerton was Senior Vice President-Acquisitions of SOCO. Prior to joining SOCO in 1980, Mr. Pinkerton was with Arthur Andersen & Co. Mr. Pinkerton received his Bachelor of Arts Degree in Business Administration from Texas Christian University and his Master of Arts Degree in Business Administration from the University of Texas.

C. RAND MICHAELS, who holds the office of Vice Chairman and is a Director, served as President and Chief Executive Officer of the Company from 1976 through 1988 and Chairman of the Board from 1984 through 1988, when he became Vice Chairman. Mr. Michaels received his Bachelor of Science Degree from Auburn University and his Master of Business Administration Degree from the University of Denver. Mr. Michaels is also a Director of American Business Computers Corporation of Akron, Ohio, a public company serving the beverage dispensing and fast food industries.

ROBERT E. AIKMAN, a Director, joined the Company in 1990. Mr. Aikman has more than 40 years experience in petroleum and natural gas exploration and production throughout the United States and Canada. From 1984 to 1994 he was Chairman of the Board of Energy Resources Corporation. From 1979 through 1984, he was the President and principal shareholder of Aikman Petroleum, Inc. From 1971 to 1977, he was President of Dorchester Exploration Inc., and from 1971 to 1980, he was a Director and a Member of the Executive Committee of Dorchester Gas Corporation. Mr. Aikman is also Chairman of Provident Trade Company, President of EROG, Inc., and President of The Hawthorne Company, an entity which organizes joint ventures and provides advisory services for the acquisition of oil and gas properties, including the financial restructuring, reorganization and sale of companies. He was President of Enertec Corporation which was

reorganized under Chapter 11 of the Bankruptcy Code in December 1994. In addition, Mr. Aikman is a Director of the Panhandle Producers and Royalty Owners Association and a member of the Independent Petroleum Association of America, Texas Independent Producers and Royalty Owners Association and American Association of Petroleum Landmen. Mr. Aikman graduated from the University of Oklahoma in 1952.

ALLEN FINKELSON was appointed a Director in 1994. Mr. Finkelson has been a partner at Cravath, Swaine & Moore since 1977, with the exception of the period from September 1983 through August 1985, when he was a managing Director of Lehman Brothers Kuhn Loeb Incorporated. Mr. Finkelson was first employed by Cravath, Swaine & Moore as an associate in 1971. Mr. Finkelson received his Bachelor of Arts Degree from St. Lawrence University and his Doctor of Laws Degree from Columbia University School of Law.

ANTHONY V. DUB was elected to serve as a Director of the Company in 1995. Mr. Dub is a Managing Director of CS First Boston, an international investment banking firm with headquarters in New York City. Mr. Dub joined CS First Boston in 1971 and was named a Managing Director in 1981. Mr. Dub is Chairman of the Latin America Executive Committee which coordinates CS First Boston's activities throughout that region. Mr. Dub received his Bachelor of Arts Degree from Princeton University in 1971.

BEN A. GUILL was elected to serve as a Director of the Company in 1995. Mr. Guill is a Partner and Managing Director of Simmons & Company International, an investment banking firm located in Houston, Texas focused exclusively on the oil service and equipment industry. Mr. Guill has been with Simmons & Company since 1980 and currently is one of two Managing Directors in the corporate finance group. Prior to joining Simmons & Company, Mr. Guill was with Blyth Eastman Dillon & Company from 1978 to 1980. Mr. Guill received his Bachelor of Arts Degree from Princeton University and his Masters Degree in Finance from the Wharton Graduate School of Business at the University of Pennsylvania.

JEFFERY A. BYNUM, Vice President-Land and Secretary, joined the Company in 1985. Previously, Mr. Bynum was employed by Crystal Oil Company and Kinnebrew Energy Group of Shreveport, Louisiana. Mr. Bynum holds a Professional Certification with American Association of Petroleum Landmen and attended Louisiana State University in Baton Rouge, Louisiana and Centenary College in Shreveport, Louisiana.

STEVEN L. GROSE, Vice President-Operations, joined the Company in 1980. Previously, Mr. Grose was employed by Halliburton Services, Inc. as a Field Engineer from 1971 until 1974. In 1974, he was promoted to District Engineer and in 1978, was named Assistant District Superintendent based in Pennsylvania. Mr. Grose is a member of the Society of Petroleum Engineers and a trustee of The Ohio Oil and Gas Association. Mr. Grose received his Bachelor of Science Degree in Petroleum Engineering from Marietta College.

CHAD L. STEPHENS, Vice President, joined the Company in 1990. Previously, Mr. Stephens was a landman with Duer Wagner & Co., an independent oil and gas producer, since 1988. Prior thereto, Mr. Stephens was an independent oil operator in Midland, Texas for four years. From 1979 to 1984, Mr. Stephens was a landman for Cities Service Company and HNG Oil Company. Mr. Stephens received his Bachelor of Arts Degree in Finance and Land Management from the University of Texas.

THOMAS W. STOELK, Vice President-Finance and Chief Financial Officer, joined the Company in 1994. Mr. Stoelk is a Certified Public Accountant and was a Senior Manager with Ernst & Young LLP. Prior to rejoining Ernst & Young LLP in 1986 he was with Partners Petroleum, Inc. Mr. Stoelk received his Bachelor of Science Degree in Industrial Administration from Iowa State University.

JOHN R. FRANK, Controller and Chief Accounting Officer, joined the Company in 1990. From 1989 until he joined the Company in 1990, Mr. Frank was Vice President Finance of Appalachian Exploration, Inc. Prior thereto, he held the positions of Internal Auditor and Treasurer with Appalachian Exploration, Inc. beginning in 1977. Mr. Frank received his Bachelor of Arts Degree in Accounting and Management from Walsh College and attended graduate studies at the University of Akron.

PRINCIPAL STOCKHOLDERS
AND SHARE OWNERSHIP OF MANAGEMENT

SECURITY OWNERSHIP

The following table sets forth certain information as of November 6, 1995, regarding (i) the share ownership of the Company by each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares of the Common Stock and the Preferred Stock of the Company, (ii) the share ownership of the Company by each Director and (iii) the share ownership by all Directors and executive officers of the Company, as a group.

	COMMON STOCK		7 1/2% PREFERRED		$2.03 PREFERRED	
NAME AND ADDRESS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENT OF CLASS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENT OF CLASS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
Thomas J. Edelman 595 Madison Avenue New York, NY 10022	852,160(1)	7.0%	4,000	2.0%	0	0.0%
John H. Pinkerton 500 Throckmorton Street Fort Worth, TX 76102	457,701(2)	3.8%	0	0.0%	0	0.0%
C. Rand Michaels 125 State Route 43 Hartville, OH 44632	196,491(3)	1.6%	0	0.0%	0	0.0%
Robert E. Aikman 3200 Hawthorne Drive Amarillo, TX 79109	62,766(4)	0.5%	0	0.0%	0	0.0%
David H. Smith, M.D. 599 Lexington Avenue New York, NY 10022	248,974(5)	2.1%	20,000	10.0%	0	0.0%
Orefund 1300 SW Fifth Avenue Portland, OR 97201	117,647(6)	1.0%	40,000	20.0%	0	0.0%
Pirvest, Inc. 5608 Malvey Avenue Fort Worth, TX 76107	85,274(7)	0.7%	20,000	10.0%	0	0.0%
Spear Benzak Saloman & Ferrell 46 Rockefeller Plaza New York, NY 10111	58,823(8)	0.5%	20,000	10.0%	0	0.0%
Anthony V. Dub 55 East 52nd Street New York, NY 10055	36,764(9)	0.3%	4,000	2.0%	0	0.0%
H.E.C. Support Fund One Prince Center Holland, MI 49423	35,294(10)	0.3%	12,000	6.0%	0	0.0%

NAME AND ADDRESS	COMMON STOCK NUMBER OF SHARES BENEFICIALLY OWNED	COMMON STOCK PERCENT OF CLASS	7 1/2% PREFERRED NUMBER OF SHARES BENEFICIALLY OWNED	7 1/2% PREFERRED PERCENT OF CLASS	$2.03 PREFERRED NUMBER OF SHARES BENEFICIALLY OWNED	$2.03 PREFERRED PERCENT OF CLASS
Allen Finkelson 825 Eighth Avenue New York, NY 10019	26,847(11)	0.2%	0	0.0%	0	0.0%
Ben A. Guill 700 Louisiana Street Houston, TX 77002	25,000	0.2%	0	0.0%	0	0.0%
Guardian Life 201 Park Avenue South New York, NY 10003	503,423(13)	4.0%	0	0.0%	191,304	19.1%
Fidelity Management 82 Devonshire Boston, MA 02110	366,132(14)	3.0%	0	0.0%	139,130	13.9%
Palisade Capital One Bridge Plaza Suite 695 Fort Lee, NJ 07024	320,366(15)	2.6%	0	0.0%	121,739	12.2%
Merrill Lynch Asset Mgmt. 800 Scuddersmill Road Plainsboro, NJ 08536	240,274(16)	2.0%	0	0.0%	91,304	9.1%
Pecks Management 1 Rockefeller Place Suite 320 New York, NY 10020	228,834(17)	1.9%	0	0.0%	86,957	8.7%
Putnam Investments One Post Office Square Boston, MA 02109	137,300(18)	1.1%	0	0.0%	52,174	5.2%
All Directors and executive officers as a group (12 persons)	1,856,841(1)(2)(3)(4)(9)(11)(12)	15.3%	8,000	4.0%	0	0.0%

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(1) Includes 11,764 shares issuable upon conversion of Mr. Edelman's 4,000 shares of 7 1/2% Preferred; 45,000 shares which may be purchased under currently exercisable options; 253,071 shares held under IRA, KEOGH and pension plan accounts; 24,916 shares owned by Mr. Edelman's spouse and 71,200 shares owned by Mr. Edelman's minor children, to which Mr. Edelman disclaims beneficial ownership.

(2) Includes 152,333 shares which may be purchased under currently exercisable stock options; 946 shares owned by Mr. Pinkerton's minor children, to which Mr. Pinkerton disclaims beneficial ownership; and 1,369 shares owned by Mr. Pinkerton's spouse, to which Mr. Pinkerton disclaims beneficial ownership.

(3) Includes 5,785 shares held under the IRA account; 29,508 shares owned by the spouse and children of Mr. Michaels, to which Mr. Michaels disclaims beneficial ownership, 24,065 shares which may be purchased under currently exercisable stock options.

(4) Includes 10,800 shares which may be purchased under currently exercisable stock options.

(5) Includes 58,823 shares issuable upon conversion of 20,000 shares of 7 1/2% Preferred.

(6) Includes 117,647 shares issuable upon conversion of 40,000 shares of 7 1/2% Preferred.

(7) Includes 58,823 shares issuable upon conversion of 20,000 shares of 7 1/2% Preferred.

(8) Includes 58,823 shares issuable upon conversion of 20,000 shares of 7 1/2% Preferred.

(9) Includes 11,764 shares issuable upon conversion of 4,000 shares of 7 1/2% Preferred.

(10) Includes 35,294 shares issuable upon conversion of 12,000 shares of 7 1/2% Preferred.

(11) Includes 1,800 shares which may be purchased under currently exercisable options.
(12) Includes 89,430 shares which may be purchased under currently exercisable stock options.
(13) Includes 503,432 shares issuable upon conversion of 191,304 shares of $2.03 Preferred.
(14) Includes 366,132 shares issuable upon conversion of 139,130 shares of $2.03 Preferred.
(15) Includes 320,366 shares issuable upon conversion of 121,739 shares of $2.03 Preferred.
(16) Includes 240,274 shares issuable upon conversion of 91,304 shares of $2.03 Preferred.
(17) Includes 228,834 shares issuable upon conversion of 86,957 shares of $2.03 Preferred.
(18) Includes 137,300 shares issuable upon conversion of 52,174 shares of $2.03 Preferred.

CERTAIN TRANSACTIONS

In 1990 the Company loaned Mr. Pinkerton $100,000 in connection with his acquisition of 66,667 shares of Common Stock. The loan was secured, with interest at 10% per annum and was repaid in early 1994.

In 1993, the Company purchased from SOCO interests in 43 gas wells located principally in Pennsylvania. The consideration was approximately $180,000. The price was determined based on arms-length negotiations and was minimally higher than an independent third-party offer received by SOCO. The Company reimburses SOCO $2,000 per month for Mr. Edelman's New York office. Mr. Edelman is Chairman of the Company and also an officer and shareholder of SOCO. Therefore, Mr. Edelman has an indirect interest in the foregoing relationships and transactions between the Company and SOCO.

During 1994, the Company incurred costs of $369,000 and during in the first nine months of 1995 the Company incurred costs of $145,000 with the Hawthorne Company for advisory services paid in connection with the purchase of oil and gas properties. Mr. Aikman, a Director of the Company, is an executive officer and a principal owner of the Hawthorne Company. The amount incurred was on a basis similar to that paid by the Company to third parties for similar services.

In September 1995, the Company reached a verbal understanding with SOCO whereby the Company would acquire SOCO's interest in 468 wells located in Appalachia for $4 million. The Company currently operates 136 of the wells and upon completion of the transaction will operate, in aggregate, 325 of the wells. The price was determined based on arms-length negotiations through a third-party broker retained by SOCO. Closing of the transaction is anticipated to occur in November 1995. Assuming this transaction is consummated, the Company and SOCO will no longer hold interests in any of the same properties.

SELLING SECURITYHOLDERS

The Selling Securityholders have advised the Company that sales of the Selling Securityholder Securities may be effected from time to time in transactions (which may include block transactions) in the over-the-counter market, in negotiated transactions, through the writing of options on the Selling Securityholder Securities or a combination of such methods of sale, at fixed prices that may be changed, at market prices prevailing at the time of sale, or at negotiated prices. The Selling Securityholders may effect such transactions by selling the Selling Securityholder Securities directly to purchasers or through broker-dealers that may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the Selling Securityholders and/or the purchasers of Selling Securityholder Securities for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). The Selling Securityholders have not entered into any agreement with respect to the sale of the Selling Securityholder Securities.

The Selling Securityholders and any broker-dealers that act in connection with the sale of the Selling Securityholder Securities as principals may be deemed to be "underwriters" within the meaning of Section 2(11) of the Act and any commission received by them and any profit on the resale of the Selling Securityholder Securities and/or principals might be deemed to be underwriting discounts and commissions under the Act. The Selling Securityholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the Selling Securityholder Securities against certain liabilities, including liabilities arising under the Act. Sales of the Selling Securityholder Securities by the Selling Securityholders, or even the potential of such sales, could have an adverse effect on the market price of the Common Stock.

No arrangements have been made for the distribution or sale of the Selling Securityholder Securities. There can be no assurance that Selling Securityholders will be able to sell some or all of the Selling Securityholder Securities listed for sale herein. There is no established public trading market for the Preferred Stock as of the date of this Prospectus.

The following table sets forth certain information with respect to the Selling Securityholders for whom the Company is registering the Selling Securityholder Securities for resale to the public. The Company will not receive any of the proceeds from the sale of the Selling Securityholder Securities. There are no material relationships between any of the Selling Securityholders and the Company except as otherwise indicated. Beneficial ownership of the Selling Securityholder Securities by each Selling Securityholder after the sale will depend on the number of Selling Securityholder Securities sold by each Selling Securityholder. The shares offered by the Selling Securityholder are not being underwritten. The Common Stock issuable upon conversion of the Preferred Stock is being offered directly by the Company pursuant to the terms of the Preferred Stock and is being hereby registered.

NAME OF SELLING SECURITY HOLDER	COMMON STOCK BENEFICIALLY OWNED PRIOR TO OFFERING	PREFERRED STOCK BENEFICIALLY OWNED PRIOR TO OFFERING	PERCENT OF CLASS OF COMMON STOCK	PERCENT OF CLASS OF PREFERRED STOCK
SERIES A PREFERRED:				
ARAS ASSOCIATES, INC.	11,765(1)	4,000	0.1%	2.0%
ROGER WILLIAM BRITTAIN	1,176(1)	400	0.0%	0.2%
PETER D. BRUNDAGE	5,882(1)	2,000	0.0%	1.0%
MARY L. DAVIS	1,176(1)	400	0.0%	0.2%
ANTHONY V. DUB(2)	11,765(1)	4,000	0.1%	2.0%
ALBERT I. EDELMAN	5,882(1)	2,000	0.0%	1.0%
ELEANOR W. EDELMAN	2,353(1)	800	0.0%	0.4%
THOMAS J. EDELMAN(2)	11,765(1)	4,000	0.1%	2.0%
DEAN R. FELLOWS	4,706(1)	1,600	0.0%	0.8%
JOHN F. FLOYD	5,882(1)	2,000	0.0%	1.0%
JOHN A. HILL	1,176(1)	400	0.0%	0.2%
MICHAEL LUTSCH	5,882(1)	2,000	0.0%	1.0%
MARWOOD PARTNERS	1,176(1)	400	0.0%	0.2%
ROBERT E. MILLER REVOCABLE TRUST UA DTD 11/3/89	2,941(1)	1,000	0.0%	0.5%
WILLIAM P. NICOLETTI	11,765(1)	4,000	0.1%	2.0%
PIRVEST, INC.	58,824(1)	20,000	0.4%	10.0%
PAINEWEBBER CDN FBO JAMES D. PURSLEY IRA #2 UA DTD 10/92	3,529(1)	1,200	0.0%	0.6%
PETER S. SEAMAN	5,882(1)	2,000	0.0%	1.0%
AUDREY L. SEVIN	2,941(1)	1,000	0.0%	0.5%
IRIK P. SEVIN	2,941(1)	1,000	0.0%	0.5%
HEATHER L. SHEPPARD TRUST UA DTD 6/19/79	5,882(1)	2,000	0.0%	1.0%
KATHRYN E. SHEPPARD TRUST UA DTD 6/19/79	5,882(1)	2,000	0.0%	1.0%
THOMAS H. SHEPPARD TRUST UA DTD 6/19/79	5,882(1)	2,000	0.0%	1.0%
DAVID H. SMITH	58,824(1)	20,000	0.4%	10.0%
ANN. P. STEPHENS	11,765(1)	4,000	0.1%	2.0%
ANN VINSON	2941(1)	1,000	0.0%	0.5%
JOAN B. VINSON	1,176(1)	400	0.0%	0.2%
ROBERT E. VINSON	2,941(1)	1,000	0.0%	0.5%
RODNEY L. WALLER	2,353(1)	800	0.0%	0.4%
SERIES B PREFERRED:				
CURTIS F. AMUNDSON TRUST UA DTD 7/1/91	7,386(1)	2,600	0.0%	1.3%
JACK N. AYDIN & GAIL AYDIN JT TEN	2,841(1)	1,000	0.0%	0.5%
RDV CAPITOLA MANAGEMENT L.P.	22,727(1)	8,000	0.1%	4.0%
JACK DEWITT	11,364(1)	4,000	0.1%	2.0%
THE ARLYLE FAHNENSTIEL TRUST UA DTD 11/12/88	2,841(1)	1,000	0.0%	0.5%
H.E.C. SUPPORT FUND	34,091(1)	12,000	0.2%	6.0%
MARCIA HORROCKS	2,841(1)	1,000	0.0%	0.5%
JIM HOVINGA	5,682(1)	2,000	0.0%	1.0%
J.C. HUIZENGA	11,364(1)	4,000	0.1%	2.0%
LEE R. KUNDTZ TRUST UA DTD 4/4/90	1,420(1)	500	0.0%	0.3%
JOHN C. LABARGE TRUST UA DTD 1/28/92	5,682(1)	2,000	0.0%	1.0%

WILLIAM H. MARTINDILL TRUST UA DTD 1/7/87	1,420(1)	500	0.0%	0.3%
MCDONALD & COMPANY SECURITIES, INC. AGENT	24,148(1)	8,500	0.2%	4.3%
DANIEL A. MCDONALD REVOC. TRUST UA DTD 10/22/84	2,841(1)	1,000	0.0%	0.5%
OREFUND	113,636(1)	40,000	0.7%	20.0%
THOMAS W. RITCHEY & KATHERINE RITCHEY IRR. LIVING TRUST DTD 10/2/94	5,682(1)	2,000	0.0%	1.0%
SBSF CONVERTIBLE SECURITIES FUND ATTN: MR. JOHN HANASSAK	56,818(1)	20,000	0.4%	10.0%
GEORGE L. UNIS MD PC EMPLOYEE RETIREMENT FUND	5,682(1)	2,000	0.0%	1.0%
GERALD WILLIAMS	1,420(1)	500	0.0%	0.3%
$2.03 PREFERRED:				
PAUL BERKMAN	68,650(1)	26,087	0.4%	2.6%
CINCINNATI FINANCIAL	228,834(1)	86,957	1.5%	8.7%
CNA INSURANCE	91,534(1)	34,783	0.6%	3.5%
DEAN WITTER	91,534(1)	34,783	0.6%	3.5%
EAGLE ASSET MANAGEMENT	34,324(1)	13,043	0.2%	1.3%
EVERGREEN FUND	45,766(1)	17,391	0.3%	1.7%
FIDELITY MANAGEMENT	366,132(1)	139,130	2.3%	13.9%
FRANKLIN FUNDS	45,766(1)	17,391	0.3%	1.7%
GUARDIAN LIFE	503,432(1)	191,304	3.2%	19.1%
MERRILL LYNCH ASSET MANAGEMENT	240,274(1)	91,304	1.5%	9.1%
ORION CAPITAL	125,858(1)	47,826	0.8%	4.8%
PALISADE CAPITAL	320,366(1)	121,739	2.0%	12.2%
PALLADIN CAPITAL	34,324(1)	13,043	0.2%	1.3%
PECKS MGMT.	228,834(1)	86,957	1.5%	8.7%
PUTNUM INVESTMENTS	137,300(1)	52,174	0.9%	5.2%
TIEDMANN	22,884(1)	8,696	0.1%	0.9%
VALUE LINE	45,766(1)	17,391	0.3%	1.7%
TRANSFUEL, INC.	86,040	0	0.5%	0.0%

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* Denotes less than 1%.
(1) Issuable upon conversion of the Preferred Stock.
(2) Director of the Company. See "Principal Stockholders and Share Ownership of Management" and "Management."

PLAN OF DISTRIBUTION

The distribution of the Selling Securityholder Securities by the Selling Securityholder may be effected from time to time in one or more transactions on Nasdaq, in the case of the Common Stock, in privately-negotiated transactions or otherwise, at fixed prices that may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, or at negotiated prices.

The Selling Securityholder and any underwriters, broker-dealers or agents that act in connection with the sale of the Selling Securityholder Securities may be deemed to be "underwriters" as that term is defined in the Act, and any commissions received by them and profit on any resale of the shares as principal might be deemed to be underwriting discounts and commissions under the Act.

It is anticipated that broker-dealers participating in sales of the Selling Securityholder Securities will receive ordinary and customary brokerage commissions.

The Company may offer the Securities in any of three ways: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser; or (iii) through agents. To the extent required, any Prospectus Supplement with respect to the Securities will set forth the terms of the offering and the proceeds to the Company from the sale thereof, any underwriting discounts and other items of price, and any discounts or concessions allowed or reallowed or paid to dealers. Any public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

If underwriters are utilized, the Securities being sold to them will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. To the extent required, the underwriter or underwriters with respect to the Securities being offered by the Company will be named in the Prospectus Supplement relating to such offering and, if an underwriting syndicate is used, the managing underwriter or underwriters will be set forth on the cover page of such Prospectus Supplement. Any underwriting agreement will provide that the obligations of the underwriters are subject to certain conditions precedent, and that the underwriters will be obligated to purchase all of the Securities to which such underwriting agreement relates if any if purchased. The Company will agree to indemnify any underwriters against certain civil liabilities, including liabilities under the Securities Act.

The Securities may be sold directly by the Company or through agents designated by the Company from time to time. To the extent required any agent involved in the offer or sale of the Securities in respect of which this Prospectus is delivered will be set forth in the Prospectus Statement. Unless otherwise indicated in the Prospectus Statement, any such agent will be acting on a best efforts basis for the period of its appointment.

The Company will pay all of the expenses of this offering.

The shares of Common Stock are listed on Nasdaq. The Common Stock offered hereby by the Company and the Selling Securityholders when issued, will be listed, subject to notice of issuance, on Nasdaq.

DESCRIPTION OF THE PREFERRED STOCK

The following is a summary of the terms of the $2.03 Preferred and the 7 1/2% Preferred. This summary is not intended to be complete and is subject to, and qualified in its entirety by reference to, the Certificate of Incorporation of the Company and the related Certificate of Designations for each of the $2.03 Preferred and the Series A Preferred and Series B Preferred, each filed with the Secretary of State of the State of Delaware setting forth the rights, preferences and limitations of the $2.03 Preferred, the Series A Preferred and the Series B Preferred (each a "Certificate of Designations"), forms of which are available upon request from the Company.

Under its Certificate of Incorporation, the Company has authority to issue 2,000,000 shares of preferred stock, par value of $1 per share, and the Board of Directors is authorized to establish and designate the classes, series, voting powers, designations, preferences and relative, participating, optional or other rights, and such qualifications, limitations and restrictions of the preferred stock as the Board, in its sole discretion, may determine without further vote or action by the stockholders. The rights, preferences, privileges and restrictions or qualifications of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. As of November 6, 1995, 1,000,000 shares of the $2.03 Preferred were outstanding and 200,000 shares of the Company's 7 1/2% Preferred were outstanding in two series. The outstanding shares of $2.03 Preferred and the 7 1/2% Preferred are fully paid and non-assessable.

$2.03 PREFERRED

RANKING

The $2.03 Preferred ranks senior to the Common Stock in right of payment of dividends and upon liquidation, dissolution or winding up of the Company, ranks pari passu to the 7 1/2% Preferred and any convertible preferred stock hereafter issued by the Company (except to the extent any such convertible preferred stock may be designated as junior to the $2.03 Preferred with respect to the payment of dividends or upon liquidation, dissolution or winding up of the Company) and ranks junior to any non-convertible preferred stock hereafter issued by the Company (except to the extent any such non-convertible preferred stock may be designated as ranking junior or pari passu to the $2.03 Preferred with respect to the payment of dividends or upon liquidation, dissolution or winding up of the Company). The Company may not, without the consent of the holders of at least a majority of the $2.03 Preferred, create, authorize or issue, or reclassify any authorized stock of the Company into, or create, authorize or issue any obligation or security convertible or exchangeable into or evidencing a right to purchase, any shares of any class of capital stock of the Company ranking senior to the $2.03 Preferred, except that to the extent permitted by law the foregoing shall not apply to non-convertible preferred stock, which may be

authorized and issued without such consent. The Company may issue additional series of preferred stock ranking on parity with the $2.03 Preferred with respect to the payment of dividends or upon liquidation, dissolution and winding up without the consent of the holders of the $2.03 Preferred.

DIVIDENDS

Holders of the $2.03 Preferred are entitled to receive if, when and as declared by the Board of Directors out of funds legally available therefor, cash dividends at the annual rate of $2.03 per share, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 1995. Dividends on the $2.03 Preferred will be cumulative from the date of initial issuance, and will be payable to holders of record as of such record dates as shall be fixed by the Board of Directors, which record dates shall not be more than 60 nor less than 10 days preceding the dividend payment date. Accrued but unpaid dividends will not bear interest.

No dividends or other cash distributions may be set aside or paid with respect to any shares of capital stock ranking junior to the $2.03 Preferred (including the Common Stock) nor may any such capital stock be redeemed, repurchased or otherwise acquired for cash consideration by the Company unless and until all accumulated and unpaid dividends on the $2.03 Preferred have been paid.

Whenever all accrued dividends are not paid in full on the $2.03 Preferred or any such parity dividend stock, all dividends declared on the $2.03 Preferred and such parity dividend stock will be declared and made pro rata so that the amount of dividends declared per share on the $2.03 Preferred and such parity dividend stock will bear the same ratio that accrued and unpaid dividends per share on the $2.03 Preferred and such parity dividend stock bear to each other.

CONVERSION RIGHTS

The $2.03 Preferred will be convertible into shares of the Common Stock at the option of the holder, at any time, at a conversion rate equal to the aggregate liquidation preference of the shares of $2.03 Preferred surrendered for conversion, divided by the Conversion Price. Notwithstanding the foregoing, if shares of the $2.03 Preferred are called for redemption, the conversion right will terminate at the close of business on the date fixed for redemption or exchanges.

The initial Conversion Price set forth on the cover page of this Prospectus is subject to adjustment (under formulas set forth in the Certificate of Designations) in certain events, including (i) the issuance of Common Stock as a dividend or distribution on any class of capital stock of the Company or any subsidiary which is not wholly-owned by the Company; (ii) subdivisions, splits and combinations of the Common Stock; (iii) the issuance or distribution of capital stock of the Company or any of any subsidiary which is not wholly owned by the Company or of rights or warrants to acquire capital stock of the Company or any such subsidiary at less than the current market price (as defined in the Certificate of Designations) on the date of issuance or distribution (the issuance of capital stock upon the exercise of warrants or options will not cause an adjustment in the conversion price if no such adjustment would have been required at the time such warrant or option was issued); and (iv) the distribution to holders of any class of capital stock of the Company generally and to holders of capital stock of any subsidiary which is not wholly owned by the Company of evidences of indebtedness or assets (including cash and securities, but excluding warrants and options for which adjustment is made as described above).

Notwithstanding the foregoing, no adjustment in the Conversion Price shall be made upon (i) the issuance of Common Stock of the Company pursuant to any compensation or incentive plan for officers, Directors, employees or consultants of the Company, which plan has been approved by the Compensation Committee of the Board of Directors (or if there is no such committee then serving, by the majority vote of the independent Directors) and, if required by law, the requisite vote of the stockholders of the Company (unless the exercise or conversion price is subsequently changed other than solely by operation of the anti-dilution provisions thereof or by the Compensation Committee, if applicable, the Board of Directors and, if required by law, the stockholders of the Company as provided in this clause (i)), (ii) the issuance of Common Stock upon the conversion or exercise of $2.03 Preferred or warrants of the Company outstanding on the date hereof, unless the conversion or exercise price thereof is changed after the date of the Indenture (other than solely by operation of the anti-dilution provisions thereof), (iii) the declaration, setting aside or payment of dividends on the $2.03 Preferred, the 7 1/2% Preferred or any other preferred stock hereafter issued by the Company or (iv) after giving effect to any dividend pursuant to the preceding clause (iii), the declaration, setting aside or payment of dividends out of the Company's cumulative retained earnings. Also, notwithstanding the provisions of the preceding paragraph, (a) if the rights or warrants described in clause (iii) of the preceding paragraph are exercisable only upon the occurrence of certain triggering events, then the conversion

price will not be adjusted until such triggering events occur and (b) if rights or warrants expire unexercised, the conversion price shall be readjusted to take into account only the actual number of such rights or warrants which were exercised.

In case of any reclassification or change of outstanding shares of the Common Stock (with certain exceptions) or the Company's consolidation with, or merger with or into, any other entity that results in a reclassification, change, conversion, exchange or cancellation of outstanding shares of the Common Stock (with certain exceptions) or any sale or transfer of all or substantially all the assets of the Company, the entity resulting from such reclassification, change or merger, or formed by such consolidation, or which acquires such assets, as the case may be, will be required to make a provision in its articles or certificate of incorporation such that all holders of the $2.03 Preferred after the reclassification, change, consolidation, merger, sale or transfer will have the right to convert their shares of the $2.03 Preferred into the kind and amount of securities, cash and other property which the holders would have been entitled to receive upon the reclassification, change, consolidation, merger, sale or transfer if the holders had held the Common Stock issuable upon conversion of their shares of the $2.03 Preferred immediately prior to the reclassification, change, consolidation, merger, sale or transfer.

No adjustment in the Conversion Price will be required unless the adjustment would require a change of at least one percent in the Conversion Price then in effect; provided, however, that any adjustment that would otherwise be required to be made will be carried forward and taken into account in any subsequent adjustment. The Company reserves the right to make such reduction in the Conversion Price, in addition to those required under the provisions described above, as the Company in its discretion may determine to be advisable in order that certain stock-related distributions which may be made by the Company to its stockholders will not be taxable. Except as stated above, the Conversion Price will not be adjusted for the issuance of the Common Stock or any securities convertible into or exchangeable for the Common Stock, or carrying the right to purchase any such securities.

No fractional share or securities representing fractional shares of Common Stock will be issued upon conversion; instead, any fractional shares resulting from conversion will be paid in cash based on the last sales price of the Common Stock at the close of business on the last day on which the Common Stock traded preceding the date of conversion.

The holder of record of a share of the $2.03 Preferred on a record date with respect to the payment of a dividend on the $2.03 Preferred will be entitled to receive the dividend on that share of the $2.03 Preferred on the corresponding dividend payment date notwithstanding the conversion of the share after the record date or any default by the Company in the payment of the dividend payable on that dividend payment date. Except as described above, no payment or adjustment is to be made on conversion for accrued and unpaid dividends on the shares of the $2.03 Preferred or for dividends on the Common Stock issued on conversion.

Adjustments to the conversion price of the $2.03 Preferred may be taxable to the holders of the $2.03 Preferred as a dividend for federal income tax purposes.

SPECIAL CONVERSION RIGHTS

The $2.03 Preferred has a special conversion right that becomes effective upon the occurrence of certain types of significant transactions affecting ownership or control of the Company or the market for the Common Stock or the $2.03 Preferred. The purpose of the special conversion right is to provide (subject to certain exceptions) partial loss protection upon the occurrence of a Change of Control (as defined below) or a Fundamental Change (as defined below) at a time when the market value of the Common Stock is less than the then prevailing Conversion Price. In such situations, the special conversion right would, for a 45-day period, reduce the then prevailing Conversion Price to the market value (as defined below) of the Common Stock, except that the Conversion Price will not be reduced below $5.21 per share of Common Stock (which is 66 2/3% of the last reported sale price of the Common Stock on the day preceding the date of this Prospectus), subject to certain adjustments described below (the "Special Conversion Price"). Consequently, to the extent that the market value of the Common Stock is less than the minimum Special Conversion Price, a holder of the $2.03 Preferred will not be fully protected from loss upon exercise of a special conversion right.

The special conversion right is intended to provide limited loss protection to investors in certain circumstances while not giving holders a veto power over significant transactions affecting ownership or control of the Company. Although the special conversion right may render more costly or otherwise inhibit certain proposed transactions, its primary purpose is not to inhibit or discourage takeovers or other business combinations.

Each holder of the $2.03 Preferred will be entitled to a special conversion right if a Change of Control or Fundamental Change occurs. A Change of Control will occur if a person or group acquires the right to cast more than 50% of the votes for the election of Directors generally or to elect a majority of the Board of Directors of the Company, subject to certain important qualifications. A Fundamental Change is, generally, a sale of all or substantially all the Company's assets or a transaction in which at least a majority of the Common Stock or the $2.03 Preferred is transferred for, or is converted into, any other asset, subject to certain important qualifications. The full definitions of the terms "Change of Control" and "Fundamental Change" are set forth below.

Upon a Change of Control or Fundamental Change, the special conversion right will permit each holder of the $2.03 Preferred, at the holder's option during the 45-day period described below, to convert all, but not less than all, of the holder's $2.03 Preferred at the Special Conversion Price. Upon such conversion with respect to a Change of Control, the holder will receive Common Stock, and upon such conversion with respect to a Fundamental Change, the holder will receive the kind and amount of cash, securities or other assets receivable upon such Fundamental Change by a holder of the number of shares of Common Stock into which the $2.03 Preferred of the holder exercising the special conversion right would have been convertible immediately prior to the Fundamental Change at the Special Conversion Price. In either case, however, the Company or its successor may, at its option, elect to provide the holder with cash equal to the market value of the number of shares of Common Stock into which the holder's $2.03 Preferred would have been convertible immediately prior to such Change of Control or Fundamental Change at the Special Conversion Price, but only if the Company, in its notice to holders that a Change of Control or Fundamental Change has occurred, has notified such holder of the election to provide cash in lieu of other consideration.

The Company will mail to each registered holder of the $2.03 Preferred a notice setting forth details of any special conversion right occasioned by a Change of Control or Fundamental Change, together with all information required by applicable securities laws related thereto, within 30 days after the event occurs. A special conversion right may be exercised only within the 45-day period after the notice is mailed and will expire at the end of that period. Exercise of a special conversion right is revocable by the holder at any time prior to the conversion date by notice of withdrawal to the conversion agent, and all the $2.03 Preferred tendered for conversion will be converted at the end of the 45-day period mentioned in the preceding sentence. In the event that a Change of Control or Fundamental Change occurs, the Company will comply with all applicable provisions of the Exchange Act and the rules and regulations issued thereunder including, without limitation, Sections 13(e) and 14(e) under the Exchange Act and the rules thereunder including Rule 13e-4. The $2.03 Preferred that is not converted pursuant to a special conversion right will continue to be convertible pursuant to the general conversion rights described above at "Conversion Rights."

The special conversion right is not intended to, and does not, protect holders of the $2.03 Preferred in all circumstances that might affect ownership or control of the Company or the market for the Common Stock or the $2.03 Preferred, or otherwise adversely affect the value of an investment in the $2.03 Preferred. The ability to control the Company may be obtained by a person even if that person does not acquire the right to vote a majority of the Company's voting stock or to elect a majority of the Board of Directors. In addition, the Company and the market for the Common Stock or $2.03 Preferred may be affected by various transactions that do not constitute a Fundamental Change. In particular, transactions involving transfer or conversion of less than a majority of the Common Stock or the $2.03 Preferred may have a significant effect on the Company and the market for the Common Stock or the $2.03 Preferred, as could other transactions which are exempted from the definition of Fundamental Change, as described below. If the special conversion right does arise as the result of a Fundamental Change, the special conversion right will allow a holder exercising such right to receive the same type of consideration received by holders of the Common Stock and, accordingly, the degree of protection afforded by the special conversion right may be affected by the type of consideration received.

As used herein, a "Change of Control" shall be deemed to occur if any person (as the term "person" is used in Section 13(d) or Section 14(d) of the Exchange Act) is or becomes the direct or indirect beneficial owner of shares of the Company's capital stock representing greater than 50% of the total voting power of all shares of capital stock of the Company entitled to vote in the election of Directors under ordinary circumstances or to elect a majority of the Board of Directors of the Company. Notwithstanding the foregoing, a Change of Control will not include any transaction or series of related transactions in which (a) 85% or more of the consideration received by the holders of the $2.03 Preferred after giving effect to the conversion immediately after such transaction consists of common stock that is listed on a national securities exchange or approved for quotation on Nasdaq or (b) immediately after the consummation of such transaction the value of (i) the $2.03 Preferred or (ii) the sum of the value of any common stock that is listed on a national securities exchange or approved for quotation on Nasdaq which is receivable upon conversion of the $2.03 Preferred immediately after the consummation of such

transaction plus any cash receivable upon such conversion is equal to or in excess of 105% of the liquidation preference thereof on each of the five trading days immediately after the consummation of such transaction. Notwithstanding the foregoing, a Change of Control will not be deemed to have occurred with respect to any transaction that constitutes a Fundamental Change.

As used herein, a "Fundamental Change" means (i) the occurrence of any transaction or series of related transactions in connection with which a majority of the Common Stock or the $2.03 Preferred is exchanged for, converted into or acquired for or converted solely into the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) or (ii) the conveyance, sale, lease, assignment, transfer or other disposal of a majority of the Company's business, property or assets; provided, however, a Fundamental Change will not include any transaction or series of related transactions in which (a) 85% or more of the consideration received by the holders of the $2.03 Preferred either (i) directly for their shares or (ii) receivable upon conversion of their shares immediately after such transaction or upon the conversion or exchange immediately after such transaction of any convertible or exchangeable securities received directly for their shares, consists of common stock that is listed on a national securities exchange or approved for quotation on Nasdaq or (b) immediately after the consummation of such transaction of (i) the value of $2.03 Preferred, or (ii) the sum of the value immediately after the consummation of the transaction of any securities into which such shares are exchanged plus any cash received in connection with such exchange, or (iii) the sum of the value immediately after the consummation of the transaction of any securities into which such shares or securities identified in the preceding clauses (i) and (ii) may be converted into or exchanged for plus any cash received in connection with such conversion or exchange is equal to or in excess of 105% of the liquidation preference of such shares of $2.03 Preferred on each of the five consecutive trading days preceding such transaction.

The Special Conversion Price will be adjusted each time the Conversion Price is adjusted, so that the ratio of such amount to the Conversion Price, after giving effect to any such adjustment, shall always be the same as the ratio of $5.21 to the initial Conversion Price, without giving effect to any such adjustment.

As used herein, "market value" of the Common Stock or any other security is the average of the last reported sale prices of the Common Stock or such other security, as the case may be, for the five trading days ending on the last business day preceding the date of the Fundamental Change or Change of Control.

VOTING RIGHTS

Except as provided by law, holders of the $2.03 Preferred will vote as a single class with the holders of the Common Stock at annual or special meetings, and are entitled to one vote for each share of the $2.03 Preferred owned by such holder. In addition to such general voting rights, without the affirmative vote or consent of the holders of at least a majority of the number of shares of the $2.03 Preferred then outstanding, the Company may not (i) create or issue or increase the authorized number of shares of any class or classes or series of stock ranking senior to the $2.03 Preferred either as to dividends or upon liquidation, except for the authorization and/or issuance of non- convertible $2.03 Preferred which shall be permitted without such vote, or (ii) amend or alter or repeal any of the provisions of the Certificate of Incorporation of the Company so as to affect adversely the preferences or rights of the $2.03 Preferred. In addition, the $2.03 Preferred will be entitled to vote on Fundamental Changes (as described below) under certain circumstances.

In the event that the Company misses payments on six quarterly dividends payable on the $2.03 Preferred, which dividend payments remain unpaid, or if any future class of preferred stockholders is entitled to elect Directors based on actual missed and unpaid dividends, the number of Directors of the Company shall be increased to such number as may be necessary to enable holders of the $2.03 Preferred, and all such other future preferred stockholders (the "Preferred Class"), voting as a single class, to elect one third of the Directors of the Company (but not less than three) provided, however, that there shall be counted as Directors elected by the Preferred Class, up to two Directors elected by the 7 1/2% Preferred, subject to the terms of the 7 1/2% Preferred, so long as it remains outstanding. If, subsequent to an election of Directors by the Preferred Class, there is an election of Directors by the 7 1/2% Preferred, one or more Directors elected by the Preferred Class shall forthwith resign so that all Directors elected by the Preferred Class and the 7 1/2% Preferred, in the aggregate constitute no more than one third of the Board. Upon any termination of such rights to vote for Directors, the term of office of all Directors so elected shall terminate.

COMPANY'S RIGHT OF REDEMPTION

The $2.03 Preferred is not subject to any mandatory redemption or sinking fund provision. The $2.03 Preferred will not be redeemable by the Company prior to November 1, 1998. On and after November 1, 1998, the $2.03 Preferred will be redeemable at the option of the Company, in whole or in part, at any time at the redemption prices set forth below, plus accumulated and unpaid dividends:

During the 12 month period commencing November 1,	Redemption Price
1998	$ 26.25
1999	$ 26.00
2000	$ 25.75
2001	$ 25.50
2002	$ 25.25
2003 and thereafter	$ 25.00

If fewer than all of the shares of $2.03 Preferred are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata or in some other equitable manner determined by the Company in its sole discretion. In the event that the Company has failed to pay accrued and unpaid dividends on the $2.03 Preferred, it may not redeem any of the then outstanding shares of the $2.03 Preferred until all such accrued and unpaid dividends and the then current quarterly dividends have been paid in full.

Notice of redemption must be mailed to each holder of the $2.03 Preferred to be redeemed at his last address as it appears upon the Company's registry books at least 30 days prior to the record date of such redemption. On and after the redemption date, dividends will cease to accumulate on shares of the $2.03 Preferred called for redemption.

On or after the redemption date, holders of shares of the $2.03 Preferred which have been redeemed shall surrender their certificates representing such shares to the Company at its principal place of business or as otherwise specified and thereupon the redemption price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof; provided, however, that a holder of the $2.03 Preferred may elect to convert such shares into Common Stock at any time prior to the close of business on the date fixed for redemption.

From and after the redemption date, all rights of the holders of the $2.03 Preferred so redeemed shall cease with respect to such shares and such shares shall not thereafter be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

EXCHANGE

The $2.03 Preferred is exchangeable in whole, but not in part, at the sole option of the Company into the $2.03 Notes at an exchange rate of $25 principal amount of the $2.03 Notes for each share of the $2.03 Preferred on any dividend date beginning on December 31, 1996 and up to and including December 31, 2004. See "Description of the $2.03 Notes." The Company may not exchange any share of the $2.03 Preferred unless all accrued dividends through the date of exchange have been paid and certain other conditions have been met. The Company shall send to each holder of the $2.03 Preferred notice of such exchange not less than 30 nor more than 90 days prior to the exchange date. The exchange shall not relieve the Company from any obligation with respect to the payment of accrued but unpaid dividends through the date of the exchange. Such exchange will be a taxable transaction. See "Certain Federal Income Tax Considerations--Redemption or Exchange for the $2.03 Notes."

From and after the date of the exchange of the $2.03 Preferred for the $2.03 Notes, the $2.03 Preferred shall cease to accrue dividends, shall no longer be deemed outstanding and shall represent only the right to receive the $2.03 Notes.

LIQUIDATION RIGHTS

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of the $2.03 Preferred will be entitled to receive, out of the assets of the Company available for distribution to stockholders, a liquidating distribution of $25 per share, plus any accumulated and unpaid dividends (whether or not earned or declared) before any payment or distribution of the assets of the Company (whether capital or surplus), or the proceeds thereof, may be made or set apart for the holders of the Common Stock or any other stock ranking junior to the $2.03 Preferred. If upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the assets of the Company are insufficient to pay in full the amount payable with respect to the $2.03 Preferred and any other class of capital stock ranking on a parity with the $2.03 Preferred upon liquidation, the holders of the $2.03 Preferred and such other shares of parity stock will share ratably in any such distribution of the Company's assets in proportion to the full respective distributable amounts to which they are entitled. After payment of the full amount of the liquidation preference to which they are entitled, the holders of shares of the $2.03 Preferred will not be entitled to any further participation in any distribution of assets of the Company.

MISCELLANEOUS

The Company is not subject to any mandatory redemption or sinking fund provisions with respect to the $2.03 Preferred. The holders of the $2.03 Preferred are not entitled to preemptive rights to subscribe for or to purchase any shares or securities of any class which may at any time be issued, sold or offered for sale by the Company. Shares of $2.03 Preferred redeemed or otherwise reacquired by the Company shall be retired by the Company and shall be unavailable for subsequent issuance. Keycorp Shareholder Services, Inc., or such other transfer agent then employed by the Company, the transfer agent for the $2.03 Preferred (the "Transfer Agent").

BOOK-ENTRY; DELIVERY AND FORM

Global Certificate. Except as set forth below, the $2.03 Preferred initially issued in the form of one or more registered stock certificates in global form (each a "Global Certificate"). Each Global Certificate was deposited on the date of the closing of the sale of the $2.03 Preferred (the "Closing Date") with, or on behalf of, the Depository Trust Company (the "Depository") and registered in the name of Cede & Co., as nominee of the Depository, and will remain in the custody of the Transfer Agent pursuant to the FAST Balance Certificate Agreement between DTC and the Transfer Agent. Interests in the Global Certificate will be available for purchase only by "qualified institutional buyers," as defined in Rule 144A under the Securities Act ("QIBs").

Certificates for $2.03 Preferred that were originally issued to or transferred to institutional "accredited investors," as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act (an "Institutional Accredited Investor"), who are not QIBs or to any other persons who are not QIBs will be issued in registered form (the "Certificated $2.03 Preferred"). Upon the transfer to a QIB of Certificated $2.03 Preferred, such Certificated $2.03 Preferred will, unless the Global Certificate has previously been exchanged for Certificated $2.03 Preferred, be exchanged for an interest in the Global Certificate representing the principal amount of $2.03 Preferred being transferred. For a description of the restrictions on the transfer of Certificated $2.03 Preferred, see "Transfer Restrictions."

The Depository has advised the Company that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a member of the Federal Reserve System, (iii) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (iv) a "Clearing Agency" registered pursuant to Section 17A of the Exchange Act. The Depository was created to hold securities for its participants (collectively, the "Participants") and facilitates the clearance and settlement of securities transactions between Participants through electronic book-entry changes to the accounts of its Participants, thereby eliminating the need for physical transfer and delivery of certificates. The Depository's Participants include securities brokers and dealers (including the Initial Purchasers), banks and trust companies, clearing corporations and certain other organizations. Access to the Depository's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the "Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. QIBs may elect to hold $2.03 Preferred purchased by them through the Depository. QIBs who are not Participants may beneficially own securities held by or on behalf of the Depository only through Participants or Indirect Participants. Persons that are not QIBs may not hold $2.03 Preferred through the Depository.

The Company expects that pursuant to procedures established by the Depository (i) upon deposit of the Global Certificates, the Depository will credit the accounts of Participants designated by the Initial Purchasers with an interest in the Global Certificate and (ii) ownership of the $2.03 Preferred represented thereby will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depository (with respect to the interest of Participants), the Participants and the Indirect Participants. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own and that security interests in negotiable instruments can only be perfected by delivery of certificates representing the instruments. Consequently, the ability to transfer $2.03 Preferred or to pledge $2.03 Preferred as collateral will be limited to such extent.

So long as the Depository or its nominee is the registered owner of the Global Certificate, the Depository or such nominee, as the case may be, will be considered the sole owner of the $2.03 Preferred represented by the Global Certificate for all purposes. Except as provided below, owners of beneficial interests in a Global Certificate will not be entitled to have $2.03 Preferred represented by such Global Certificate registered in their names, will not receive or be entitled to receive physical delivery of certificates for such shares, and will not be considered the owners or holders thereof for any purpose, including with respect to the voting thereof. As a result, the ability of a person having a beneficial interest in $2.03 Preferred represented by a Global Certificate to pledge such interest to persons or entities that do not participate in the Depository's system or to otherwise take action with respect to such interest, may be affected by the lack of a physical certificate evidencing such interest.

Accordingly, each QIB owning a beneficial interest in a Global Certificate must rely on the procedures of the Depository and, if such QIB is not a Participant or an Indirect Participant, on the procedures of the Participant through which such QIB owns its interest, to exercise any rights of an owner of $2.03 Preferred. The Company understands that under existing industry practice, in the event the Company requests any action of holders or a QIB that is an owner of a beneficial interest in a Global Certificate desires to take any action that the Depository, as the holder of such Global Certificate, is entitled to take, the Depository would authorize the Participants to take such action and the Participant would authorize QIBs owning through such Participants to take such action or would otherwise act upon the instruction of such QIBs. The Company will not have any responsibility or liability for any aspect of the records relating to or payments made on account of $2.03 Preferred by the Depository, or for maintaining, supervising or reviewing any records of the Depository relating to such $2.03 Preferred.

Payments with respect to dividends, liquidation or other amounts with respect to $2.03 Preferred represented by a Global Certificate registered in the name of the Depository or its nominee on the applicable record date will be payable by the Company to or at the direction of the Depository or its nominee in its capacity as the registered holder of the Global Certificate representing such $2.03 Preferred. The Company may treat the persons in whose names the $2.03 Preferred, including the Global Certificate, are registered as the owners thereof for the purpose of receiving such payment and for any and all other purposes whatsoever. Consequently, the Company will not have any responsibility or liability for the payment of such amounts to beneficial owners of $2.03 Preferred, or to immediately credit the accounts of the relevant Participants with such payment, in amounts proportionate to their respective holdings in principal amount of beneficial interest in the Global Certificate as shown on the records of the Depository. Payments by the Participants and the Indirect Participants to the beneficial owners of $2.03 Preferred will be governed by standing instructions and customary practice and will be the responsibility of the Participants or the Indirect Participants.

Delivery of Certificates. If (i) the Depository notified the Company that it is no longer willing or able to act as a depository and the Company is unable to locate a qualified successor within 90 days or (ii) the Company, at its option, elects to cause the issuance of $2.03 Preferred in definitive form, then, upon surrender by the Depository of its Global Certificate, certificates for $2.03 Preferred will be issued to each person that the Depository identifies as the beneficial owner of the $2.03 Preferred represented by the Global Certificate. In addition, subject to certain conditions, any person having a beneficial interest in a Global Certificate may, upon request to the Company and the transfer agent for the $2.03 Preferred, exchange such beneficial interest for certificated shares. Upon any such issuance, the Company and the transfer agent are required to register such certificates in the name of such person or persons (or the nominee of any thereof), and cause the same to be delivered thereto.

Neither the Company nor the transfer agent shall be liable for any delay by the Depository or any Participant or Indirect Participant in identifying the beneficial owners of the related $2.03 Preferred and each such person may conclusively rely on, and shall be protected in relying on, instructions from the Depository for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the $2.03 Preferred to be issued).

7 1/2% PREFERRED

RANKING

The 7 1/2 Preferred ranks senior to the Common Stock in right of payment of dividends and upon liquidation, dissolution or winding up of the Company and ranks pari passu to the $2.03 Preferred. The Company may not issue any shares of preferred stock which are convertible into shares of the Common Stock which rank senior to shares of the 7 1/2% Preferred as to liquidation preference without the consent of the holders of a majority of the shares of the 7 1/2% Preferred.

DIVIDENDS

Holders of the 7 1/2 Preferred are entitled to receive if, when and as declared by the Board of Directors out of funds legally available therefor, cash dividends of $1.875 per share, payable quarterly, in arrears, on the last day of each September, December, March, and June, respectively in each year. If and so long as any dividends have not been paid in full on the 7 1/2% Preferred, the Company agrees that it will not (i) redeem any shares of preferred stock convertible into the Common Stock or any other shares of capital stock of the Company which rank junior to shares of the 7 1/2% Preferred as to dividends and liquidation preference or (ii) pay dividends on shares of preferred stock convertible into the Common Stock or any other shares of capital stock of the Company which rank junior to shares of the 7 1/2% Preferred as to dividends and liquidation preference.

CONVERSION

Each share of the 7 1/2% Preferred may be converted at any time, at the option of the holder thereof, into shares of the Common Stock on the terms and conditions set forth below The Company may cause the 7 1/2% Preferred to be converted at any time on or after July 1, 1995 on the terms and conditions set forth below, subject to adjustment, if, but only if: (i) the Common Stock is then listed on a national securities exchange or authorized for quotation on Nasdaq; and (ii) the closing price of a share of the Common Stock on a national securities exchange (including Nasdaq) has exceeded $8.80, subject to adjustment, by 35% or more for at least twenty of the thirty preceding trading days.

Subject to the provisions for adjustment hereinafter set forth, each share of the 7 1/2% Preferred shall be convertible into 2.9412 fully paid and nonassessable shares of the Common Stock and each share of Series B Preferred shall be convertible in to 2.8409 fully paid and nonasseable shares of the Common Stock, equal to a conversion price of $8.80 and $8.50 per share, respectively. In lieu of issuing a partial share, the shares of the Common Stock issuable shall be rounded up or down, as the case may be, to the nearest whole share;

The number of shares of the Common Stock into which each share of the 7 1/2% Preferred is convertible shall be adjusted from time to time as follows: (i) in case the Company shall at any time or from time to time declare or pay any dividend on the Common Stock payable in the Common Stock or effect a subdivision of the outstanding shares of the Common Stock (by reclassification, split or otherwise than by payment of a dividend in the Common Stock), then, and in each such case, the number of shares of the Common Stock into which each share of the 7 1/2% Preferred is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of the Common Stock determined by multiplying (a) the number of shares of the Common Stock into which such share was convertible immediately prior to the occurrence of such event by (b) a fraction, the numerator of which is the sum of (I) the number of shares of the Common Stock into which such share was convertible immediately prior to the occurrence of such event plus (II) the number of shares of the Common Stock which such holder would have been entitled to receive in connection with the occurrence of such event had such share been converted immediately prior thereto, and the denominator of which is the number of shares of the Common Stock determined in accordance with clause (I) above (adjustments shall become effective (a) in the case of any such dividend, immediately after the close of business on the record date for the determination of holders of the Common Stock entitled to receive such dividend, or (b) in the case of any such subdivision, at the close of business on the day immediately prior to the day upon which such corporate action became effective); (ii) in case the Company at any time or from time to time shall combine or consolidate the outstanding shares of the Common Stock into a lesser number of shares of the Common Stock, by reverse split, reclassification or otherwise, then, and in each such case, the number of shares of the Common Stock into which each share of the 7 1/2% Preferred is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of the Common Stock determined by multiplying (a) the number of shares of the Common Stock into

which such share was convertible immediately prior to the occurrence of such event by (b) a fraction, the numerator of which is the number of shares which the holder would have owned after giving effect to such event had such share been converted immediately prior to the occurrence of such event and the denominator of which is the number of shares of the Common Stock into which such share was convertible immediately prior to the occurrence of such event (adjustments shall become effective at the close of business on the day immediately prior to the day upon which such corporate action becomes effective); (iii) in case of any capital reorganization or reclassification of the capital stock of the Company in case of the consolidation or merger of the Company with another corporation or in the case of any sale or conveyance of all or substantially all of the property of the Company, each share of the 7 1/2% Preferred shall thereafter be convertible into the number of shares of stock or other securities or cash or other property receivable upon such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance, as the case may be, by a holder of the number of shares of the Common Stock into which such share of 7 1/2% Preferred was convertible immediately prior to such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance.

VOTING RIGHTS

The holders of shares of the 7 1/2% Preferred shall be entitled to 2 votes for each such share on all matters presented to the Company's stockholders' and, except as otherwise provided herein or required by law, the holders of shares of the 7 1/2% Preferred and the holders of shares of the Common Stock and any other shares having voting rights shall vote together as one class on all matters. On any matter requiring the holders of the 7 1/2% Preferred as a class, said holders shall be treated as a single class.

If at any time or times dividends payable on the 7 1/2% Preferred shall be in arrears and unpaid in an amount equal to eight (8) full quarterly dividends, then the number of directors constituting the Board of Directors of the Company shall be increased by two (2) and the holders of 7 1/2% Preferred shall have the exclusive right, voting separately as a class, to elect the directors of the Company to fill such newly created directorships, the remaining directors to be elected by the other class or classes of stock entitled to vote therefore, at each meeting of stockholders held for the purpose of electing directors.

COMPANY'S RIGHT OF REDEMPTION

To the extent the Company shall have funds legally available for such payment, the Company may redeem at its option the 7 1/2% Preferred, at any time in whole or from time to time in part after July 1, 1996 at the redemption prices set forth below plus an amount per share equal to all unpaid dividend thereon, including accrued dividends to the redemption date.

Period	Redemption Price
July 1, 1996 - December 31,1996	$ 26.875
1997	$ 26.25
1998	$ 26.625
1999 and Thereafter	$ 25.00

The Company will provide the holders of the 7 1/2% Preferred with a minimum advance notice of 10 days prior to any redemption, within which period conversion of the 7 1/2% Preferred can be effected.

If any proposed redemption of shares of the 7 1/2% Preferred shall be of less than all the then outstanding shares of the 7 1/2% Preferred, the shares of the 7 1/2% Preferred to be redeemed will be selected by lot or pro rata or by any other method as may be determined by the Board of Directors of the Company in its sole discretion to be equitable.

EXCHANGE

The 7 1/2% Preferred are exchangeable, at the option of the Company, in whole (but not in part), on any dividend payment date for the 7 1/2% Notes in a principal amount equal to $25.00 per share. The 7 1/2% Notes will be convertible into the Common Stock on the same basis as if the exchange had not occurred. The 7 1/2% Notes will bear interest from the date of issuance, payable semi-annually in arrears on June 30, and December 31 of each year, commencing on the first such interest payment date following the date of exchange. At the Company's option, the 7 1/2% Notes will be redeemable, in

whole or in part, at the redemption prices set forth above under "Company's Right of Redemption" plus accrued and unpaid interest. The 7 1/2% Notes are not subject to mandatory sinking fund payments. The 7 1/2% Notes will be subordinated to all senior indebtedness of the Company.

LIQUIDATION RIGHTS

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of the 7 1/2% Preferred will be entitled to receive $25.00 per share plus accrued and unpaid dividends to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up of the affairs of the Company. Shares of the 7 1/2% Preferred shall have preference over all shares of the Common Stock as to distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

RIGHTS DISTRIBUTIONS

If the Company distributes to all holders of the Common Stock rights to subscribe or purchase shares of the Common Stock and in the event that prior to the record date for such distribution of such rights the holders of shares of the 7 1/2% Preferred have not converted such shares into shares of Common Stock, the Company agrees that it will also distribute such rights to holders of shares of the 7 1/2% Preferred as if such holder had converted shares of the 7 1/2% Preferred for shares of the Common Stock.

DESCRIPTION OF THE $2.03 NOTES

If the Company elects to exchange the $2.03 Preferred for the $2.03 Notes, the Company will issue the $2.03 Notes under an indenture (the "Indenture"), between the Company and Keycorp Shareholder Services, Inc., or an equivalent trustee selected by the Company, as trustee (the "Trustee"). The Indenture will be in substantially the form agreed between the Initial Purchasers and the Company, a copy of which is available upon request from the Company, with such changes as may be required by law or usage. The statements under this caption address the material terms of the $2.03 Notes but are summaries and do not purport to be complete. The summaries make use of terms defined in the Indenture and are qualified in their entirety by reference to the Indenture, including the definitions therein of certain terms. Whenever reference is made to defined terms of the Indenture and not otherwise defined herein, such defined terms are incorporated herein by reference.

GENERAL

The $2.03 Notes will be unsecured, subordinated obligations of the Company, will be limited to $33,750,000 aggregate principal amount and will mature on December 31, 2005. The $2.03 Notes will bear interest at the dividend rate of the $2.03 Preferred from the date of original issue, or from the most recent Interest Payment Date (as defined below) to which interest has been paid or duly provided for, and accrued but unpaid interest will be payable quarterly on March 31, June 30, September 30 and December 31 of each year (each, an "Interest Payment Date"). Interest will be paid to holders of the $2.03 Notes of record ("Holders") at the close of business on March 15, June 15, September 15 and December 15, respectively, immediately preceding the relevant Interest Payment Date (each, a "Regular Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal (plus premium, if any) and interest will be payable, and the $2.03 Notes may be presented for conversion, exchange or registration of transfer, at the office or agency of the Company maintained by the Company for those purposes, except that payment of interest may at the option of the Company be made by check mailed to the address of the person entitled thereto as it appears on the security register.

At any time from and after the execution and delivery of the Indenture, the Company may deliver the $2.03 Notes to the Trustee for authentication and the Trustee shall, in accordance with the instructions of the Company, authenticate and deliver the $2.03 Notes as provided in the Indenture.

No service charge will be made for any transfer or exchange of the $2.03 Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

All monies paid by the Company to the Trustee or any Paying Agent for the payment of principal of and premium, if any, and interest on any $2.03 Note which remains unclaimed for two years after such principal, premium or interest became due and payable may be repaid to the Company. Thereafter the Holder of such Note may, as an unsecured general creditor, look only to the Company for payment thereof.

CONVERSION RIGHTS

Holders will be entitled, at any time and from time to time prior to maturity (subject to earlier redemption or repurchase, as described below), to convert their Notes (or any portion thereof that is an integral multiple of $1,000), at 100% of the principal amount thereof, into the Common Stock of the Company at the conversion price set forth on the cover page hereof, subject to adjustment under certain circumstances as described below. After a call for redemption of the $2.03 Notes, through optional redemption or otherwise, the $2.03 Notes or portion thereof called for redemption will be convertible if duly surrendered on or before, but not after, the close of business on the date fixed for redemption in respect thereof.

The provisions in the Indenture for adjustment of the conversion price will be substantially the same as those applicable to the $2.03 Preferred described at "Description of the Preferred Stock--$2.03 Preferred--Conversion Rights."

Subject to any applicable right of the Holders to cause the Company to purchase the $2.03 Notes upon a Change of Control (as described below), in case of any consolidation or merger to which the Company is a party, other than a transaction in which the Company is the continuing corporation, or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, or in the case of any statutory exchange of securities with another corporation or other entity, there will be no adjustment of the conversion price, but each Holder will have the right thereafter to convert such Holder's $2.03 Notes into the kind and amount of securities, cash or other property which the Holder would have owned or have been entitled to receive immediately after such consolidation, merger, statutory exchange, sale or conveyance had such Note been converted immediately prior to the effective date of such consolidation, merger, statutory exchange, sale or conveyance. In the case of a cash merger of the Company with another corporation or other entity or any other cash transaction of the type mentioned above, the effect of these provisions would be that the conversion features of the $2.03 Notes would thereafter be limited to converting the $2.03 Notes at the conversion price then in effect into the same amount of cash that such Holder would have received had such Holder converted the $2.03 Notes into Common Stock immediately prior to the effective date of such cash merger or transaction. Depending upon the terms of such cash merger or transaction, the aggregate amount of cash so received on conversion could be more or less than the principal amount of the $2.03 Notes.

Fractional shares of Common Stock will not be issued upon conversion. A person otherwise entitled to a fractional share of Common Stock upon conversion shall be paid cash based on the last sales price of the Common Stock at the close of business on the last day on which the Common Stock traded preceding the date of conversion. The Company from time to time, to the extent permitted by law, may reduce the conversion price by any amount for any period of at least 15 days which it determines to be advisable. If at any time the Company makes a distribution of property to its stockholders which would be taxable to such stockholders as a dividend for federal income tax purposes (e.g., distribution of evidence of indebtedness or assets of the Company, but generally not stock dividends or rights to subscribe for the Common Stock) and, pursuant to the anti-dilution provisions of the Indenture, the conversion price of the $2.03 Notes is reduced or the conversion price of the $2.03 Notes is reduced other than in connection with certain anti-dilution adjustments, such a reduction may be considered as resulting in the distribution of a dividend to Holders for federal income tax purposes.

A Holder who surrenders a $2.03 Note (or portion thereof) for conversion between the close of business on a Regular Record Date and the next Interest Payment Date will receive interest on such Interest Payment Date with respect to such $2.03 Note (or portion thereof) so converted for the period from the last Interest Payment Date through the date of such conversion. Subject to such payments in the event of conversion after the close of business on a Regular Record Date, no payment or adjustment shall be made upon any conversion on account of any interest accrued but unpaid on the $2.03 Notes surrendered for conversion.

REDEMPTION

Optional Redemption by the Company. The $2.03 Notes are not redeemable prior to November 1, 1998. On and after November 1, 1998, the $2.03 Notes will be redeemable at the option of the Company, in whole or in part, at any time prior to maturity, upon not less than 30 days' nor more than 60 days' prior notice of the redemption date, mailed by first class mail to each Holder's last address as it appears in the security register, at the Redemption Prices established for the $2.03 Notes, together with accrued but unpaid interest, if any, to the date fixed for redemption. The Redemption Prices for the $2.03 Notes (expressed as a percentage of the principal amount) shall be as follows:

During the 12 month period commencing November 1,	Percentage
1998	105%
1999	104
2000	103
2001	102
2002	101
2003 and thereafter	100

Selection of Notes Redeemed. If less than all the $2.03 Notes are to be redeemed, selection of the $2.03 Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the $2.03 Notes are listed, or, if the $2.03 Notes are not listed, on a pro rata basis by lot or by such method that complies with applicable legal requirements and that the Trustee considers fair and appropriate. The Trustee may select for redemption portions of the principal of $2.03 Notes that have a denomination larger than $1,000, in integral amounts of $1,000. The Trustee will make the selection from the $2.03 Notes outstanding and not previously called for redemption.

CHANGE OF CONTROL

If a Change of Control occurs, the Company shall offer to repurchase each Holder's Notes pursuant to an offer as described below (the "Change of Control Offer") at a purchase price equal to 100% of the principal amount of such Holder's Notes, plus accrued but unpaid interest, if any, to the date of purchase. The Change of Control purchase feature of the $2.03 Notes may in certain circumstances make more difficult or discourage a takeover of the Company.

Under the Indenture, a "Change of Control" means the occurrence of any of the following events; (i) any person (as the term "person" is used in Section 13(d) or Section 14(d) of the Exchange Act) is or becomes the direct or indirect beneficial owner of shares of the Company's capital stock representing greater than 50% of the total voting power of all shares of capital stock of the Company entitled to vote in the election of Directors under ordinary circumstances or to elect a majority of the Board of Directors of the Company, or (ii) the Company sells, transfers or otherwise disposes of all or substantially all of the assets of the Company. Notwithstanding the foregoing, a Change of Control will not include any transaction or series of related transactions in which 85% or more of the consideration received by the Holders upon conversion of their Notes immediately after the occurrence of such Change of Control consists of common stock that is listed on a national securities exchange or approved for quotation on Nasdaq or (ii) immediately after the occurrence of such Change of Control (a) the value immediately after the consummation of the $2.03 Notes or (b) the sum of the value immediately after the consummation of any such common stock receivable upon conversion of the $2.03 Notes immediately after such occurrence plus the cash receivable upon such conversion has a value on each of the five trading days immediately after the occurrence of such Change of Control equal to or in excess of 105% the principal amount of such Notes.

Within 30 days after any Change of Control, unless the Company has previously mailed a notice of optional redemption by the Company of all of the $2.03 Notes, the Company shall mail a notice of the Change of Control Offer to each Holder by first class mail at such Holder's last address as it appears on the Note Register stating: (i) that a Change of Control has occurred and that the Company is offering to repurchase all of such Holder's $2.03 Notes; (ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, information with respect to pro forma income, cash flow and capitalization of the Company after giving effect to such Change of Control); (iii) the repurchase price; (iv) the expiration date of the Change of Control Offer, which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed; (v) the date such purchase shall be effected, which shall be no later than 30 days after expiration date of the Change of Control Offer; (vi) any other information required by applicable law to be included therein; and (vii) the procedures determined by the Company, consistent with the Indenture, that a Holder must follow in order to have such Notes repurchased.

In the event that the Company is required to make a Change of Control Offer, the Company will comply with any applicable securities laws and regulations, including, to the extent applicable, Section 14(e), Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable in connection with any offer by the Company to purchase the $2.03 Notes at the option of the Holders thereof.

The Company, could, in the future, enter into certain transactions, including certain recapitalizations of the Company, that would not constitute a Change in Control under the $2.03 Notes, but that would increase the amount of Senior Indebtedness (or any other indebtedness) outstanding at such time. The Company's ability to create any additional Senior Indebtedness or additional Subordinated Indebtedness is limited as described in the $2.03 Notes and the Indenture although, under certain circumstances, the incurrence of significant amounts of additional indebtedness could have an adverse effect on the Company's ability to service its indebtedness, including the $2.03 Notes. If a Change in Control were to occur, there can be no assurance that the Company would have sufficient funds at the time of such event to pay the Change in Control purchase price for all $2.03 Notes tendered by the Holders. A default by the Company on its obligation to pay the Change in Control purchase price could, pursuant to cross-default provisions, result in acceleration of the payment of other indebtedness of the Company outstanding at that time.

Certain of the Company's existing and future agreements relating to its indebtedness could prohibit the purchase by the Company of the $2.03 Notes pursuant to the exercise by a Holder of the foregoing option, depending on the financial circumstances of the Company at the time any such purchase may occur, because such purchase could cause a breach of certain covenants contained in such agreements. Such a breach may constitute an event of default under such indebtedness and thereby restrict the Company's ability to purchase the $2.03 Notes. See "Subordination."

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company, without the consent of the Holders of any of the $2.03 Notes, may consolidate with or merge into any other entity or convey, transfer, sell or lease its assets substantially as an entirety to any person or entity, provided that: (i) either (a) the Company is the continuing corporation or (b) the corporation or other entity formed by such consolidation or into which the Company is merged or the person or entity to which such assets are conveyed, transferred, sold or leased is organized under the laws of the United States or any state thereof or the District of Columbia and expressly assumes all obligations of the Company under the $2.03 Notes and the Indenture, (ii) immediately after and giving effect to such merger, consolidation, conveyance, transfer, sale or lease no Event of Default, and no event which, after notice or lapse of time, would become an Event of Default, under the Indenture shall have occurred and be continuing, (iii) immediately after and giving effect to such merger, consolidation, conveyance, transfer, sale or lease the consolidated stockholders' equity of the Company or such successor entity is not less than the consolidated stockholders' equity of the Company immediately prior to such transaction, (vi) upon consummation of such consolidation, merger, conveyance, transfer, sale or lease, the $2.03 Notes and the Indenture will be a valid and enforceable obligation of the Company or such successor and (v) the Company has delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer, sale or lease complies with the provisions of the Indenture.

SUBORDINATION

The payment of principal of and premium, if any, and interest on the $2.03 Notes will be, to the extent set forth in the Indenture, subordinated in right of payment to the prior payment in full of all Senior Indebtedness (as defined below). By reason of such subordination, upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors or marshalling of assets, whether voluntary, involuntary or in receivership, bankruptcy, insolvency or similar proceedings, the holders of all Senior Indebtedness will be first entitled to receive payment in full of all amounts due or to become due thereon before any payment is made on account of principal of and premium, if any, and interest on the $2.03 Notes or on account of any other monetary claims under or in respect of the $2.03 Notes, and before any distribution is made to acquire any of the $2.03 Notes for any cash, property or securities. No payments on account of principal of and premium, if any, and interest on the $2.03 Notes shall be made if at the time thereof: (i) there is a default in the payment of all or any portion of the obligations under any Senior Indebtedness or (ii) there shall exist a default in any covenant with respect to the Senior Indebtedness (other than as specified in clause (i) of this sentence), and, in such event, such default shall not have been cured or waived or shall not have ceased to exist, and such default would permit the maturity of such Senior Indebtedness to be accelerated, provided that no such default will prevent any payment on, or in respect of, the $2.03 Notes for more than 120 days unless the maturity of such Senior Indebtedness has been accelerated.

The Holders will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made on Senior Indebtedness upon any distribution of assets in any such proceedings out of the distributive share of the $2.03 Notes.

"Senior Indebtedness" is defined to mean the principal of and premium, if any, and interest on (i) indebtedness or other obligations under the Credit Agreement, (ii) indebtedness for money borrowed (including purchase money obligations) evidenced by notes or other written obligations, including letters of credit and bankers acceptances, (iii) indebtedness evidenced by notes, debentures, bonds or other securities issued under the provisions of an indenture or similar instrument, (iv) obligations as lessee under capitalized leases and under leases of property made as part of any sale and leaseback transactions, (v) indebtedness of others of any of the kinds described in the preceding clauses (i) through (iv) assumed or guaranteed and (vi) amendments, renewals, extensions, modifications and refundings of any obligations or indebtedness described in the foregoing clauses (i) through (v); provided, however, that the following will not constitute Senior Indebtedness: (a) any indebtedness or obligation as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is expressly provided that such indebtedness or obligation is subordinate in right of payment to all other indebtedness, (b) any indebtedness or obligation which refers explicitly to the $2.03 Notes and states that the indebtedness or obligation shall not be senior in right of payment thereto, (c) any indebtedness or obligation in respect of the $2.03 Notes, (d) any indebtedness or obligation of the Company to any affiliates, and (e) obligations of the Company for compensation to employees or for items purchased or services rendered in the ordinary course of business.

There will be no restrictions on the creation of Senior Indebtedness in the Indenture.

The $2.03 Notes are unsecured obligations of the Company, and, accordingly, will rank pari passu with all trade debt and obligations of the Company and its subsidiaries that arise by operation of law or are imposed by any judicial or governmental authority, except that any such trade debt or other obligation may be senior in right of payment to the $2.03 Notes to the extent the same is entitled to any security interest arising by operation of law.

CERTAIN COVENANTS OF THE COMPANY

The Indenture contains, among others, the covenants summarized below, which will be applicable (unless waived or amended) so long as any of the $2.03 Notes are outstanding.

Limitation on Additional Debt After Default. The Company shall not, and shall not permit any of its subsidiaries to, incur any additional indebtedness (other than liabilities for accounts payable and accrued expenses incurred in the ordinary course of business and intra-company payables or receivables incurred in the ordinary course of business) or Senior Indebtedness following the occurrence of an Event of Default (as defined below) unless such Event of Default (and all other Events of Default then pending) is cured or waived except that the Company shall be permitted to incur up to $5.0 million of Senior Indebtedness after the occurrence of an Event of Default notwithstanding that such Event of Default (or any other Default) is then outstanding.

Limitation on Dividend Restrictions Affecting Subsidiaries. The Company may not, and may not permit any of its subsidiaries to, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction of any kind on the ability of any subsidiary of the Company to (a) pay to the Company dividends or make to the Company any other distribution on its capital stock, (b) pay any debt owed to the Company or any of its subsidiaries, (c) make loans or advances to the Company or any of it's subsidiaries or (d) transfer any of its property or assets to the Company or any of its subsidiaries, other than such encumbrances or restrictions existing or created under or by reason of (i) applicable law, (ii) the Indenture, (iii) covenants or restrictions contained in any instrument governing debt of the Company or any of its subsidiaries existing on the date of the Indenture, (iv) customary provisions restricting subletting, assignment and transfer of any lease governing a leasehold interest of the Company or any of its subsidiaries or in any license or other agreement entered into in the ordinary course of business, (v) any agreement governing debt of a person acquired by the Company or any of its subsidiaries in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrances or restrictions are not applicable to any person, or the property or assets of any person, other than the person, or the property or assets of the person so acquired or (vi) any restriction with respect to a subsidiary imposed pursuant to an agreement entered into in accordance with the terms of the Indenture for the sale or disposition of capital stock or property or assets of such subsidiary, pending the closing of such sale or disposition.

Limitation on Restricted Payments. The Company will not, and will not permit any of its subsidiaries to, directly or indirectly, declare or pay any distribution or dividend on or in respect of any class of its capital stock (except dividends or distributions payable by wholly owned subsidiaries of the Company or dividends or distributions payable in capital stock of the Company which is not redeemable and is subordinated in right of payment to the $2.03 Notes ("Qualified Stock") or in options, warrants or other rights to purchase Qualified Stock of the Company) (any such declaration, payment, distribution,

purchase, repurchase, prepayment, redemption, defeasance or other acquisition or retirement referred to above being hereinafter referred to as a "Restricted Payment"); unless (a) at the time of and after giving effect to a proposed Restricted Payment no Event of Default (and no event that, after notice or lapse of time, or both, would become an Event of Default) shall have occurred and be continuing and (b) such Restricted Payment is made in cash and in an amount, that together with the sum of the aggregate of all other Restricted Payments made by the Company and its subsidiaries after the date of the Indenture plus the aggregate amount of all dividends paid with respect to the Company's preferred stock outstanding after the date of the Indenture, does not exceed the cumulative retained earnings of the Company arising after the date of the Indenture. Notwithstanding the foregoing, the Company will be permitted to pay dividends on preferred stock outstanding on the date of the Indenture in an amount not greater than that specifically provided for in the Certificate of Incorporation of the Company or the related Certificate of Designations.

Limitation on Stock Splits, Consolidations and Reclassifications. The Company will not effect a stock split, consolidation or reclassification of any class of its capital stock unless (a) an equivalent stock split, consolidation or reclassification is simultaneously made with respect to each other class of capital stock of the Company and all securities exchangeable or exercisable for or convertible into any capital stock of the Company, and (b) after such stock split, consolidation or reclassification all of the relative voting, dividend and other rights and preferences of each class of capital stock of the Company are identical to those in effect immediately preceding such stock split, consolidation or reclassification.

EVENTS OF DEFAULT

The following will be Events of Default under the Indenture: (a) failure to pay principal of or premium, if any, on any Note when due and payable at maturity, upon redemption, upon a Change of Control Offer or otherwise, whether or not such payment is prohibited by the subordination provisions of the Indenture; (b) failure to pay any interest on any Note when due, which failure continues for 30 days, whether or not such payment is prohibited by the subordination provisions of the Indenture; (c) failure to perform the other covenants of the Company to the holders of Senior Indebtedness, which failure continues for 60 days after written notice; (d) failure to perform any covenants of the Company to the holder of Senior Indebtedness as required by the terms of such Senior Indebtedness unless waived by said holders; (e) failure to pay when due principal of and/or acceleration of, any indebtedness for money borrowed by the Company or any subsidiary in excess of $5 million, individually or in the aggregate, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after written notice as provided in the Indenture; and (f) certain events of bankruptcy, insolvency or reorganization of the Company or any subsidiary. Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the Holders of a majority in aggregate principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

If an Event of Default shall occur and be continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may accelerate the maturity of all $2.03 Notes; provided, however, that after such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of the then outstanding $2.03 Notes may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Indenture. For information as to waiver of defaults, see "Modification and Waivers."

No Holder of any $2.03 Note will have any right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder unless (i) such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, (ii) the Holders of at least 25% in aggregate principal amount of the then outstanding $2.03 Notes shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, (iii) the Trustee shall have failed to institute such proceeding within 60 days after the receipt of such notice and (iv) no direction inconsistent with such request shall have been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the then outstanding $2.03 Notes.

MODIFICATIONS AND WAIVERS

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the then outstanding $2.03 Notes held by persons other than affiliates of the Company; provided, however, that no such modification or amendment may, without the consent of the Holder of each outstanding Note affected thereby, (i) change the stated maturity of, or any installment of interest on, any Note, (ii) reduce the principal amount of any Note or reduce the rate or extend the time of payment of interest on any Note, (iii) increase the conversion price (other than in connection with a reverse stock split as provided in the Indenture), (iv) change the place or currency of payment of principal of, or premium or repurchase price, if any, or interest on, any $2.03 Note, (v) impair the right to institute suit for the enforcement of any payment on or with respect to any Note, (vi) adversely affect the right to exchange or convert the $2.03 Notes, (vii) reduce the percentage of the aggregate principal amount of outstanding Notes, the consent of the Holders of which is necessary to modify or amend the Indenture, (viii) reduce the percentage of the aggregate principal amount of outstanding Notes, the consent of the Holders of which is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults, (ix) modify the provisions of the Indenture with respect to the subordination of the $2.03 Notes in a manner adverse to the Holders, (x) modify the provisions of the Indenture with respect to the right to require the Company to repurchase Notes in a manner adverse to the Holders or (xi) modify the provisions of the Indenture with respect to the vote necessary to amend this provision.

The Holders of a majority in aggregate principal amount of the outstanding Notes held by persons other than affiliates of the Company may, on behalf of all Holders, waive any past default under the Indenture or Event of Default, except a default in the payment of principal, premium, if any, or interest on any of the $2.03 Notes or in respect of a provision which under the Indenture cannot be modified without the consent of the Holder of each outstanding $2.03 Note.

REPORTS TO HOLDERS

So long as the Company is subject to the periodic reporting requirements of the Exchange Act it will continue to furnish the information required thereby to the Commission. The Indenture provides that even if the Company is entitled under the Exchange Act not to furnish such information to the Commission or to the Holders, it will nonetheless continue to furnish information under Section 13 of the Exchange Act to the Commission and the Trustee as if it were subject to such periodic reporting requirements.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of (i) 2,000,000 shares of serial preferred stock, $1.00 par value, and (ii) 20,000,000 shares of Common Stock, $.01 par value. As of November 6, 1995, the Company had outstanding 12,063,238 shares of Common Stock, 1,000,000 shares of the $2.03 Preferred, and 200,000 shares of the 7 1/2% Preferred. For a description of the $2.03 Preferred and the 7 1/2% Preferred see "Description of the Preferred Stock.

COMMON STOCK

Subject to any prior rights of the preferred stock, the holders of Common Stock: (1) are entitled to such dividends as may be declared by the Board of Directors from time to time out of funds legally available for such payments (however the Credit Agreement limits the payment of dividends to $1 million in any year); (2) are entitled to one vote per share; (3) have no preemptive or conversion rights and are not subject to redemption; and (4) are entitled upon liquidation to receive ratably the assets remaining after the payment of corporate debts and the satisfaction of the liquidation preference of any preferred stock. If there is any arrearage in the payment of dividends on any preferred stock, the Company may not pay dividends upon, repurchase or redeem shares of its Common Stock. Voting is noncumulative. The outstanding shares of Common Stock are fully paid and nonassessable.

OPTIONS

The Company's stock option plan, which is administered by the Compensation Committee, provides for the granting of options to purchase shares of Common Stock to key employees and certain other persons who are not employees for advice or other assistance or services to the Company. The plan permits the granting of options to acquire up to 1,500,000

shares of Common Stock subject to a limitation of 10% of the outstanding Common Stock on a fully diluted basis. At September 30, 1995 a total of 933,149 options had been granted under the plan of which 370,994 shares were exercisable at that date. The options outstanding at September 30, 1995 were granted at an exercise price of $3.38 to $9.38 per share. The exercise price of all such options was equal to the fair market value of the Common Stock on the date of grant. All were options granted for a term of five years, with 30% of the options becoming exercisable after one year, an additional 30% becoming exercisable after two years and the remaining options becoming exercisable after three years.

WARRANTS

Warrants to acquire 40,000 shares of Common Stock at a price of $7.50 per share were outstanding at November 8, 1995. These warrants expire in December 1996.

TRANSFER AGENT

The transfer agent and registrar for the Common Stock is Keycorp Shareholder Services, Inc., or such other transfer agent then employed by the Company.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain of the United States federal income tax consequences of the purchase, ownership and disposition of the Preferred Stock, the Notes and the Common Stock by investors who hold the Preferred Stock, the Notes and the Common Stock as capital assets. This discussion does not purport to be a complete analysis of the purchase, ownership and disposition of the Preferred Stock, the Notes and the Common Stock and does not address all of the tax considerations that may be relevant to particular investors in light of their individual circumstances or to holders subject to special treatment under United States federal income tax laws, such as dealers in securities, insurance companies, foreign persons, tax-exempt organizations and financial institutions. In addition, this discussion does not address the application or effect of any state, local, foreign or other tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, and Internal Revenue Service rulings and judicial decisions, all of which are subject to change, possibly with retroactive effect. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE PREFERRED STOCK.

DIVIDENDS ON THE PREFERRED STOCK OR THE COMMON STOCK

Dividends paid on the Preferred Stock or the Common Stock will be taxable as ordinary income to the extent of current and accumulated "earnings and profits" (as defined in the Code). Dividends paid to corporate holders of the Preferred Stock or the Common Stock out of such earnings and profits generally will qualify, subject to the limitations under Sections 246(c) and 246A of the Code, for the 70% dividends received deduction allowable to corporations (although the benefits of such deduction may be reduced or eliminated by the corporate alternative minimum tax). Under Section 246(c) of the Code, to be eligible for the dividends received deduction, a corporate holder must hold its shares of the Preferred Stock or the Common Stock for at least 46 days (91 days in the case of a dividend attributable to a period or periods aggregating more than 366 days). A taxpayer's holding period for these purposes is suspended during any period in which the taxpayer has an option to sell, is under a contractual obligation to sell, has made (and not closed) a short sale of, or has granted an option to buy, substantially identical stock or securities or holds one or more other positions with respect to substantially similar or related property that diminish the risk of loss from holding such stock. Under Section 246A of the Code, the dividends received deduction may be reduced or eliminated if a holder's shares of the Preferred Stock or the Common Stock are debt financed.

Section 1059 of the Code requires a corporate stockholder to reduce its basis (but not below zero) in the Preferred Stock or Common Stock by the nontaxed portion (generally the portion eligible for the dividends received deduction described above) of any "extraordinary dividend" if the Preferred Stock or the Common Stock has not been held for more than two years before the date of announcement or agreement with respect to such dividend. In addition, a holder disposing of the Preferred Stock or the Common Stock would have to recognize additional gain, if any, in an amount equal to nontaxed portions of any extraordinary dividends that would have reduced such holder's basis but for the limitation on reducing basis below zero. An "extraordinary dividend" generally is a dividend that (a) equals or exceeds 5 percent in the case of preferred

stock, or 10 percent in the case of common stock, of the holder's basis in such stock, treating all dividends having ex-dividend dates within an 85-day period as one dividend or (b) exceeds 20 percent of the holder's basis in such stock, treating all dividends having ex-dividend dates within a 365-day period as one dividend, provided that in either case fair market value, if it can be established by the holder, may be substituted for stock basis. In addition, an amount treated as a dividend in the case of a redemption of the Preferred Stock that is either non-pro rata as to all stockholders or in partial liquidation would also constitute an "extraordinary dividend" without regard to the length of time the Preferred Stock has been held. Application of the extraordinary dividend rule is limited somewhat if the redemption proceeds that are treated as dividends constitute "qualified preferred dividends." See "Redemption or Exchange for the Notes." The length of time that a taxpayer is deemed to have held stock for purposes of Section 1059 is determined under principles comparable to those described in the preceding paragraph with respect to the dividends received deduction.

To the extent, if any, that a distribution on the Preferred Stock or the Common Stock which would otherwise constitute a dividend for federal income tax purposes exceeds the current and accumulated earnings and profits of the Company, such distribution will be treated as a tax-free return of capital, reducing a holder's basis in the Preferred Stock or the Common Stock. The reduction in basis will increase any gain, or reduce any loss, realized by the holder on any subsequent sale, redemption or other disposition of the Preferred Stock or the Common Stock. Any such distribution in excess of a holder's adjusted basis in the Preferred Stock or the Common Stock will be treated as short-term or long-term capital gain, depending on the period for which the shares of the Preferred Stock or the Common Stock have been held. For a corporate holder, treatment of a distribution as a capital gain rather than as a dividend will result in an increase in the maximum effective federal income tax rate on any amount so treated.

REDEMPTION OR EXCHANGE FOR THE NOTES

A redemption of the Preferred Stock for cash or in exchange for the Notes will be a taxable event.

A redemption of the Preferred Stock for cash will be treated, under Section 302 of the Code, as a distribution that is treated as a taxable dividend, nontaxable recovery of basis or an amount received in exchange for the Preferred Stock pursuant to the rules described under "Dividends on the Preferred Stock or the Common Stock" above, unless the redemption (a) results in a "complete termination" of the stockholder's stock interest in the Company under Section 302(b)(3) of the Code; (b) is "substantially disproportionate" with respect to the stockholder under Section 302(b)(2) of the Code; or (c) is "not essentially equivalent to a dividend" under Section 302(b)(1) of the Code. In determining whether any of these tests has been met, shares considered to be owned by the stockholder by reason of certain constructive ownership rules in Section 302(c) and 318 of the Code, as well as shares actually owned, must be taken into account. If any of these tests were met, the redemption of the Preferred Stock for cash would be treated as a sale or exchange for tax purposes.

A redemption of the Preferred Stock by exchange for the Notes will be subject to the same rules as a redemption for cash, but because under the constructive ownership rules of Section 302(c) and 318 of the Code a holder of the Notes would be treated as owning the Common Stock into which the Notes are convertible, such a redemption could not satisfy the "complete termination" or "substantially disproportionate" tests unless, as a result of other transactions (such as contemporaneous sales of the Notes), the interest in the Company of the holder of the Preferred Stock is sufficiently reduced. The redemption would, therefore, be taxable as a dividend to the extent of the current and accumulated earnings and profits of the Company unless it satisfied the "not essentially equivalent to a dividend" test. A distribution will be "not essentially equivalent to a dividend" as to a particular stockholder if it results in a "meaningful reduction" in that stockholder's interest in the Company. If, as a result of the redemption of the Preferred Stock, a stockholder of the Company, whose relative stock interest in the Company is minimal and who exercises no control over corporate affairs, suffers a reduction in his proportionate interest in the Company (taking into account shares owned by the stockholder under Sections 302(c) and 318 of the Code and, in certain events, dispositions of the stock which occur contemporaneously with the redemption) then, based upon published IRS rulings, that stockholder may be regarded as having suffered a meaningful reduction in his interest in the Company. Because the provisions of Section 302 of the Code are separately applied to each stockholder based upon the particular facts and circumstances at the time of the redemption (and the applicable law at such time which may be different from that currently in effect), no assurance can be given that the exchange of the Preferred Stock for the Notes pursuant to the terms of the Preferred Stock will be treated as a sale or exchange rather than as a distribution treated as a dividend. Each holder of the Preferred Stock is advised to consult his tax advisors at the time of the exchange of the Preferred Stock for the Notes to determine the consequences of such exchange.

Recently introduced legislation would modify current law to provide that a corporate stockholder would recognize gain immediately in any redemption treated as a dividend to the extent that the non-taxed portion of the dividend (the portion qualifying for the dividends received deduction) exceeds the basis of the shares surrendered, if the redemption is treated as a dividend in whole or in part due to options being counted as stock ownership as a result of applying the rules of Sections 302 and 318 of the Code. Moreover, the proposal would require immediate gain recognition whenever the basis of stock with respect to which any extraordinary dividend was received is reduced below zero. See "Dividends on the Preferred Stock or the Common Stock" above.

If, under the foregoing rules, a redemption of the Preferred Stock is treated as a sale or exchange, rather than as a distribution, the holder would have taxable gain or loss equal to the difference between the amount realized and the holder's tax basis in the Preferred Stock. For these purposes, the amount realized will be measured by the amount of cash and (i) the fair market value of the Notes received in the exchange (in the case of a cash basis taxpayer) or the face amount of the Notes received in the exchange (in the case of an accrual basis taxpayer) or (ii) if the Notes are issued with original issue discount, the "issue price" of the Notes, as defined below.

If a redemption of the Preferred Stock is treated as a distribution taxable as a dividend, the amount of the distribution will be measured by the amount of cash and (i) the fair market value of the Notes received in the exchange (in the case of a cash basis taxpayer) or the face amount of the Notes (in the case of an accrual basis taxpayer) or (ii) if the Notes are issued with original issue discount, the "issue price" of the Notes, as defined below. In any event, the amount of the distribution will not be reduced by the stockholder's adjusted tax basis in the Preferred Stock. The stockholder's tax basis in the redeemed Preferred Stock will be transferred to any remaining stockholdings in the Company. If the stockholder does not retain any stock ownership in the Company, such basis may be entirely lost.

A distribution to a corporate stockholder in redemption of the Preferred Stock that is treated as a dividend may also be considered an "extraordinary dividend" under Section 1059 of the Code. See "Dividends on the Preferred Stock or Common Stock" above. Application of this rule is limited somewhat by a special rule that provides that dividends on a share of stock which is not in arrears as to dividends at the time the holder acquires such stock, that do not exceed an actual rate of return of 15 percent of the lower of the holder's adjusted basis or the liquidation preference (excluding dividend arrearages, if any) of the Preferred Stock will be treated as extraordinary only if the holder disposes of the Preferred Stock before it has held the stock for more than five years and only to the extent that the actual rate of return to the holder exceeds the stated rate of return on the Preferred Stock, as determined under Section 1059(e)(3) of the Code.

If the Preferred Stock is redeemed by exchange for the Notes at a time when the principal amount of such Notes exceeds the issue price of such Notes by an amount equal to or greater than 1/4% of such principal amount times the number of complete years to maturity, such excess will generally be includible in gross income as "original issue discount" over the period during which such Notes are held, even though the cash to which such income is attributable would not be received until maturity or redemption of the Notes. If the Notes are traded on an established securities market within 30 days of their issuance, the issue price of the Notes for purposes of determining the amount, if any, or original issue discount on the Notes will be the fair market value of the Notes, determined as of the date of discount on the Notes will be the fair market value of the Notes, determined as of the date of issuance. If the Notes are not traded on an established securities market within 30 days of their issuance, but the Preferred Stock is traded on such a market within 30 days before or after the date of issuance, the issue price of the Notes will be the fair market value of the Preferred Stock as of the exchange date. The amount of any original issue discount included in income for each year would be calculated under a constant yield to maturity basis that would result in the allocation of less original issue discount to the early years of the term of the Notes and more original issue discount to later years.

If the tax basis of a Note exceeds the amount payable at maturity, Section 171 of the Code provides for an election whereby such excess or premium, to the extent not attributable to the conversion pledge of the Note, can be offset against (and operate to reduce) interest received on the Note. The premium is amortized, as an offset to interest received, over the remaining term of the Note.

A holder's tax basis in a Note received in exchange for the Preferred Stock will equal (i) the fair market value of the Note (in the case of a cash basis taxpayer) or the face amount of the Note (in the case of an accrual basis taxpayer) or (ii) if the Notes are issued with original issue discount, the issue price of the Note, determined as described above, increased by the amount of original issue discount (and market discount) previously included in the income of the holder with respect to the Note, or reduced by any previously amortized premium.

DISPOSITION OF THE NOTES

Generally any sale or redemption of Notes will result in taxable gain or loss equal to the difference between the amount of cash received (except to the extent of cash attributable to accrued interest, which will be taxable as interest income) and the holder's tax basis in the Notes. Subject to the market discount provisions of Sections 1276-1278 of the Code discussed in the following paragraph, such gain or loss would be long-term gain or loss if the holding period were to exceed one year.

The value of a Note may be adversely affected by the market discount provisions of Section 1276-178 of the Code which require a person who purchases a Note at a market discount to either (i) elect to accrue market discount into income currently over the period during which the holder owns the Note or (ii)(a) treat a portion of the gain recognized upon any disposition of the Note as ordinary income (and not as capital gain) to the extent such market discount accrued during the period such person owned the Note and (b) defer the deduction of all or a portion of interest paid or accrued on indebtedness incurred or continue to purchase or carry such Note until such Note is disposed of in a taxable transaction.

If the Notes are issued in exchange for the Preferred Stock, the Company believes that it will not be considered to have any intention to call the Notes prior to maturity. Accordingly, Section 1271(a)(2) of the Code, which otherwise might attach certain ordinary income consequences to gain from the disposition of Notes, if the Notes were issued with original issue discount, is not expected to apply.

REDEMPTION PREMIUM ON THE PREFERRED STOCK

Under Section 305 of the Code and applicable Treasury regulations, if the redemption price of redeemable preferred stock exceeds its issue price and part (or all) of such excess is considered an unreasonable redemption premium, the entire amount of such excess may be treated as distributed over the period during which the Preferred Stock cannot be redeemed. The amount treated as distributed each year would be determined on a constant yield to maturity basis that would result in the allocation of a lesser amount of distributions to the early years and a greater amount to the later years of such period. Any such constructive distribution would be classified as a dividend, non-taxable recovery of basis or an amount received in exchange for the Preferred Stock pursuant to the rules summarized under "Dividends on the Preferred Stock or the Common Stock" above. A premium is considered to be reasonable if it is in the nature of a penalty for a premature redemption and if such premium does not exceed the amount which the issuer would be required to pay for such redemption under market conditions existing at the time of issuance of the Preferred Stock. The Company believes that the redemption premium on the Preferred Stock is a reasonable redemption premium, although no assurance can be given that it will be so considered by the IRS or a court.

CONVERSION OF THE PREFERRED STOCK OR THE NOTES INTO COMMON STOCK

In general, no gain or loss will be recognized for federal income tax purposes on conversion of the Preferred Stock or the Notes solely into shares of the Common Stock. (If dividends on the Preferred Stock were in arrears at the time of conversion, however, a portion of the Common Stock received in exchange for the Preferred Stock could be viewed under Section 305(c) of the Code as a distribution with respect to the Preferred Stock, taxable as a dividend). Gain realized (i.e.,the excess of the cash received over the portion of basis allocable to the fractional shares) upon receipt of cash paid in lieu of fractional shares of the Common Stock will be taxed immediately. In general, the tax basis for the Common Stock received on conversion will be equal to the tax basis of the Preferred Stock or the Notes converted, reduced by the portion of basis allocable to any fractional share exchanged for cash. The holding period of the shares of Common Stock will include the holding period of such Preferred Stock or the Notes. Under the aforementioned market discount provisions of the Code, any accrued market discount not previously included in income as of the date of conversion of the Notes will carry over to the Common Stock received on conversion and will be treated as ordinary income upon subsequent disposition of such Common Stock.

ADJUSTMENT OF CONVERSION PRICE

Section 305 of the Code and the Treasury regulations thereunder treat holders of convertible preferred stock and convertible debentures as having received a constructive distribution, taxable as described in "Dividends on the Preferred Stock or the Common Stock" above, due to certain adjustments in conversion ratios. The conversion rates of the Preferred Stock and the Notes are subject to adjustment under certain circumstances. Any adjustment increasing the number of shares of Common Stock into which the Preferred Stock or the Notes can be converted could cause the holders thereof to be viewed

under Section 305 of the Code as receiving a deemed distribution taxable as a dividend, as described in "Dividends on the Preferred Stock or the Common Stock," above, whether or not such holders exercise their conversion rights.

BACK-UP WITHHOLDING

Under Section 3406 of the Code and applicable Treasury regulations, a holder of the Preferred Stock, the Notes or the Common Stock may be subject to back-up withholding at the rate of 31 percent with respect to dividends or interest paid, original issue discount accrued with respect to, or proceeds received from a sale, exchange or redemption of, the Preferred Stock, the Notes or the Common Stock, as the case may be. The payor will be required to deduct and withhold a tax if (i) the payee fails to furnish a taxpayer identification number ("TIN") to the payor or establish an exemption from backup withholding, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a notified payee underreporting with respect to interest, dividends or original issue discount described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under the penalty of perjury that the payee is not subject to withholding under the Code. As a result, if any one of the events discussed above occurs, the Company will be required to withhold a tax equal to 31 percent from any dividend, interest or redemption payment made with respect to the Preferred Stock, the Notes or the Common Stock.

STATE AND LOCAL INCOME TAXES

Holders of the Preferred Stock, the Notes or the Common Stock may be liable for state and local income taxes with respect to dividends or interest paid, original issue discount accrued with respect to, or gain from the sale, exchange or redemption of Depositary Shares, the Preferred Stock, the Notes or the Common Stock, as the case may be. Many states and localities do not allow corporations a deduction analogous to the federal dividends received deduction. Prospective investors are advised to consult their own tax advisors as to the state, local and other tax consequences of acquiring, holding and disposing of the Preferred Stock, the Notes or the Common Stock.

LEGAL MATTERS

Certain legal matters related to the Securities and the Selling Securityholder Securities, are being passed upon for the Company by Rubin Baum Levin Constant & Friedman, New York, New York. Walter M. Epstein, Of Counsel to Rubin Baum Levin Constant & Friedman, currently owns 7,681 shares of Common Stock.

EXPERTS

The Consolidated Financial Statements of the Company, as of December 31, 1994 and for the year then ended, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as stated in their reports incorporated by reference. The Consolidated Financial Statements of the Company as of December 31, 1993 and for each of the two years in the period then ended, incorporated by reference in this Prospectus, have been audited by Ernst & Young LLP, independent accountants, to the extent indicated in their report thereon incorporated by reference herein. The statement of assets (other than productive oil and gas properties) and liabilities and the statements of revenues and direct operating expenses of the Parker & Parsley Interests, as of December 31, 1994 and for the year then ended, have been audited by Arthur Andersen LLP, independent public accountants, as stated in their reports incorporated by reference. The statements of assets (other than productive oil and gas properties) and liabilities as of December 31, 1993 and 1994, and the statements of revenues and direct operating expenses for each of the two years in the period ended December 31, 1994 of the Transfuel Interests have been audited by Deloitte & Touche LLP, independent public auditors, as stated in their report which is incorporated herein by reference. The Consolidated Financial Statements of Red Eagle Resources Corporation as of September 30, 1994 and for the nine months then ended, included elsewhere in this Prospectus, have been audited by Coopers & Lybrand LLP, independent public accountants, as stated in their reports appearing elsewhere herein. The Consolidated Financial Statements of Red Eagle Resources Corporation as of December 31, 1992 and 1993 and for the three years in the period then ended, have been audited by Deloitte & Touche LLP, independent public auditors, as stated in their report incorporated herein by reference. Such financial statements have been included herein or incorporated by reference in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

GLOSSARY

The terms defined in this glossary are used throughout this Offering Memorandum.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.

Bcf. One billion cubic feet.

BOE. Barrels of oil equivalent (converting six Mcf of natural gas to one Bbl of oil).

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole. A well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory well. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

Infill well. A well drilled between known producing wells to better exploit the reservoir.

Mbbl. One thousand barrels of crude oil or other liquid hydrocarbons.

MBOE. One thousand barrels of oil equivalent.

Mcf. One thousand cubic feet.

MMBbl. One million barrels of crude oil or other liquid hydrocarbons.

MMBOE. One million barrels of oil equivalent.

MMcf. One million cubic feet.

Net acres or net wells. The sum of the fractional working interests owned in gross acres or gross wells.

Net oil and gas sales. Oil and natural gas sales less oil and natural gas production expenses.

Present Value of Proved Reserves. The present value of proved reserves is an estimate of the discounted future net cash flows from each of the properties at December 31, 1994, or as otherwise indicated. Net cash flow is defined as net revenues less, after deducting production and ad valorem taxes, future capital costs and operating expenses, but before deducting federal income taxes. The future net cash flows have been discounted at an annual rate of 10% to determine their "present value." The present value is shown to indicate the effect of time on the value of the revenue stream and should not be construed as being the fair market value of the properties. Estimates have been made using constant oil and gas prices and operating costs, at December 31, 1994, or as otherwise indicated.

Productive well. A well that is producing oil or gas or that is capable of production.

Proved developed non-producing reserves. Reserves that consist of (i) proved reserves from wells which have been completed and tested but are not producing due to lack of market or minor completion problems which are expected to be corrected and (ii) proved reserves currently behind the pipe in existing wells and which are expected to be productive due to both the well log characteristics and analogous production in the immediate vicinity of the wells.

Proved developed producing reserves. Proved reserves that can be expected to be recovered from currently producing zones under the continuation of present operating methods.

Proved developed reserves. Proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved reserves. The estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved undeveloped reserves. Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. The completion for production of an existing wellbore in another formation from that in which the well has previously been completed.

Royalty interest. An interest in an oil and gas property entitling the owner to a share of oil and natural gas production free of costs of production.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production, subject to all royalties, overriding royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

LOMAK PETROLEUM, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PRO FORMA COMBINED FINANCIAL STATEMENTS WITH RESPECT TO THE TRANSACTIONS

The accompanying unaudited pro forma combined statement of income gives effect to (i) the purchase by the Company of 100% of the equity of Gillring Oil Company ("Gillring"), accounted for as a purchase, (ii) the purchase by the Company of 100% of the equity of Red Eagle Resources Corporation ("Red Eagle"), accounted for as a purchase, (iii) the purchase by the Company of certain oil and gas properties from a subsidiary of Parker & Parsley Petroleum Co. and (iv) the purchase by the Company of certain oil and gas properties from Transfuel, Inc. ("Transfuel"). The unaudited pro forma combined financial statements also give effect to the private placement of Convertible Exchangeable Preferred Stock ("the Offering") and the application of the estimated net proceeds therefrom. The unaudited pro forma combined statement of income for the year ended December 31, 1994 was prepared as if all transactions had occurred on January 1, 1994. The unaudited pro forma combined statement of income for the nine months ended September 30, 1995 was prepared as if all transactions had occurred on January 1, 1995. The accompanying unaudited pro forma combined balance sheet of the Company as of September 30, 1995 has been prepared as if the Offering and the application of the net proceeds therefrom had occurred as of that date. The historical information provided in the statements of income for the year ended December 31, 1994 and for the nine months ended September 30, 1995, represents the following periods for the various acquisitions: (i) Gillring represents the period from January 1, 1994 through January 31, 1994, (ii) Red Eagle represents the period from January 1, 1994 through December 31, 1994, (iii) Parker & Parsley represents the periods from January 1, 1994 through December 31, 1994 and from January 1, 1995 through July 30, 1995 and (iv) Transfuel represents the periods from January 1, 1994 through December 31, 1994 and from January 1, 1995 through September 30, 1995.

This information is not necessarily indicative of future combined operations and it should be read in conjunction with the separate historical statements and related notes of the respective entities appearing elsewhere in this filing or incorporated by reference herein.

LOMAK PETROLEUM, INC.
PRO FORMA COMBINED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1994
(UNAUDITED)

	Lomak	Gillring	Red Eagle	Parker & Parsley	Transfuel	Pro Forma Adjustments for the Gillring acquisition, Red Eagle merger, Parker & Parsley and Transfuel acquisitions and Offering (Note 1)		Pro Forma Combined
	Historical Year Ended December 31, 1994	Historical Month Ended January 31, 1994	Historical Year Ended December 31, 1994	Historical Year Ended December 31, 1994	Historical Year Ended December 31, 1994			
Revenues								
Oil and gas production	$24,460,945	$540,019	$4,236,396	$5,975,137	$10,597,532	$ -		$45,810,029
Field services	7,667,135	-	6,634,668	-	-	-		14,301,803
Gas marketing and transportation	2,194,892	-	993,902	-	-	-		3,188,794
Interest and other	470,562	28,484	693,624	-	-	(28,484)	(e)	1,164,186
	34,793,534	568,503	12,558,590	5,975,137	10,597,532	(28,484)		64,464,812
Expenses								
Oil and gas production	10,018,941	222,198	2,481,906	2,928,350	3,821,024	(1,474,500)	(c)	17,997,919
Field services	5,777,690	-	2,503,305	-	-	-		8,280,995
Gas marketing and transportation	490,097	-	-	-	-	-		490,097
Exploration	359,315	8,975	473,916	-	-	-		842,206
General and administrative	2,477,680	67,780	3,786,925	-	-	(3,064,400)	(c)	3,267,985
Interest	2,807,216	21,488	144,900	-	-	1,529,976	(a)	4,503,580
Depletion, depreciation and amortization	10,104,987	-	2,106,549	-	-	5,909,294	(b)	18,120,830
Lease impairments	-	-	1,097,000	-	-	(1,097,000)	(g)	-
Commodity trading losses	-	-	2,136,122	-	-	(2,136,122)	(f)	-
	32,035,926	320,441	14,730,623	2,928,350	3,821,024	(332,752)		53,503,612
Income (loss) before income taxes	2,757,608	248,062	(2,172,033)	3,046,787	6,776,508	304,268		10,961,200
Income taxes								
Current	(20,531)	-	(86,976)	-	-	(369,493)	(d)	(477,000)
Deferred	(118,523)	-	475,180	-	-	(2,992,657)	(d)	(2,636,000)
Income (loss) from continuing operations	$2,618,554	$248,062	($1,783,829)	$3,046,787	$6,776,508	($3,057,882)		$7,848,200
Income from continuing operations applicable to common shares	$2,243,554							$5,598,200
Net income per common share	$0.25							$0.46
Weighted average shares outstanding	9,050,558					3,032,920		12,083,478

See notes to pro forma combined financial statements.

LOMAK PETROLEUM, INC.
PRO FORMA COMBINED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 1995
(UNAUDITED)

	Lomak	Parker & Parsley	Transfuel		
	Historical Nine Months Ended September 30, 1995	Historical Nine Months Ended September 30, 1995	Historical Nine Months Ended September 30, 1995	Pro Forma Adjustments for the Parker & Parsley and Transfuel acquisitions and the Offering (Note 2)	Pro Forma Combined
Revenues					
Oil and gas production	$24,135,203	$3,377,129	$6,926,172	-	$34,438,504
Field services	7,109,076	-	-	-	7,109,076
Gas marketing and transportation	2,331,869	-	-	-	2,331,869
Interest and other	1,051,982	-	-	-	1,051,982
	34,628,130	3,377,129	6,926,172	-	44,931,431
Expenses					
Oil and gas production	9,934,497	1,481,325	2,696,825	(1,300,000)(k)	12,812,646
Field services	4,191,809	-	-	-	4,191,809
Gas marketing and transportation	595,376	-	-	-	595,376
Exploration	472,931	-	-	-	472,931
General and administrative	2,187,395	-	-	(12,181)(j)	2,175,214
Interest	3,821,906	-	-	947,146(h)	4,769,052
Depletion, depreciation and amortization	9,808,364	-	-	3,758,451(i)	13,566,815
	31,012,278	1,481,325	2,696,825	3,393,416	38,583,843
Income (loss) before income taxes	3,615,852	1,895,804	4,229,348	(3,393,416)	6,347,588
Income taxes					
Current	(66,213)	-	-	(300,787)(l)	(367,000)
Deferred	(831,828)	-	-	(1,008,972)(l)	(1,840,800)
Income (loss) from continuing operations	$2,717,811	$1,895,804	$4,229,348	($4,703,175)	$4,139,788
Income from continuing operations applicable to common shares	$2,436,561				$2,339,274
Net income per common share	$0.21				$0.19
Weighted average shares outstanding	11,588,111			821,575	12,409,686

See notes to pro forma combined financial statements.

LOMAK PETROLEUM, INC.
PRO FORMA COMBINED BALANCE SHEET
SEPTEMBER 30, 1995
(UNAUDITED)

	Lomak Historical as of September 30, 1995	Pro Forma Adjustments for the Offering (Note 2)		Pro Forma Combined
ASSETS				
Current assets				
Cash and equivalents	$2,400,646	$ -		$2,400,646
Accounts receivable	10,559,082	-		10,559,082
Inventory and other	1,470,623	-		1,470,623
Total current assets	14,430,351	-		14,430,351
Oil and gas properties	199,024,164	-		199,024,164
Accumulated depletion and amortization	(29,124,248)	-		(29,124,248)
	169,899,916	-		169,899,916
Gas transportation and field service assets	22,652,604	-		22,652,604
Accumulated depreciation	(3,677,673)	-		(3,677,673)
	18,974,931	-		18,974,931
	$203,305,198	$ -		$203,305,198
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$7,197,593	$ -		$7,197,593
Accrued liabilities	5,092,583	-		5,092,583
Current portion of debt	399,689	-		399,689
Total current liabilities	12,689,865	-		12,689,865
Long-term debt	112,839,335	(24,011,000)	(m)	88,.828,335
Deferred income taxes	17,222,220	-		17,222,220
Stockholders' equity				
Convertible preferred stock	-	1,000,000	(m)	1,000,000
Preferred stock	200,000	-	(m)	200,000
Common stock	120,400	-		120,400
Capital in excess of par value	65,341,465	23,011,000	(m)	88,352,465
Retained earnings (deficit)	(5,108,087)	-		(5,108,087)
Total stockholders' equity	60,553,778	24,011,000		84,564,778
	$203,305,198	$ -		$203,305,198

See notes to pro forma combined financial statements.

LOMAK PETROLEUM, INC.
NOTES TO PRO FORMA COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE (1) PRO FORMA ADJUSTMENTS FOR THE ACQUISITION OF GILLRING, THE ACQUISITIONS OF PARKER & PARSLEY'S AND TRANSFUEL'S APPALACHIAN ASSETS, THE MERGER WITH RED EAGLE AND THE OFFERING -- THE TWELVE MONTHS ENDED DECEMBER 31, 1994

In March 1994, the Company completed the acquisition of Gillring Oil Company ("Gillring") for approximately $11.5 million. Gillring's assets included approximately $5.4 million of working capital. As a result of the acquisition, the Company acquired 100% of Gillring's assets including its oil and natural gas producing properties and its 67% interest in a Texas limited partnership, Gillring Oil L.P. The transaction was accounted for using the purchase method of accounting.

In December 1994, Lomak acquired effective control of Red Eagle Resources Corporation ("Red Eagle") principally through the purchase of two common stockholders' holdings. On February 15, 1995, the remaining stockholders of Red Eagle common stock voted to approve the merger of Red Eagle with a wholly owned subsidiary of the Company. The consideration paid for the acquisition totaled $11 million in cash and 2,862,000 shares of Lomak common stock.

In June 1995, the Company purchased properties in Pennsylvania and West Virginia from a subsidiary of Parker & Parsley Petroleum Company for approximately $20.2 million in cash.

In October 1995, the Company purchased properties in Pennsylvania, New York and Ohio from Transfuel, Inc. for approximately $20.2 million in cash and $755,000 of the Company's common stock.

The accompanying unaudited pro forma combined statement of income for the year ended December 31, 1994 has been prepared as if the acquisitions had occurred on January 1, 1994 and also gives effect as of January 1, 1994 to the Offering and the application of the net proceeds therefrom. These transactions are reflected as follows:

(a) To increase interest expense for the estimated amounts that would have been incurred on the incremental borrowings to acquire Gillring, Red Eagle and Parker & Parsley's and Transfuel's Appalachian assets and reduce interest expense for the net proceeds from the sale of the convertible preferred stock.

(b) To record depletion expense for the Gillring, Parker & Parsley's and Transfuel acquisitions at $4.37 and to adjust the historical depletion rate for Lomak and Red Eagle from $4.41 and $3.08, respectively to $4.37.

(c) To adjust oil and gas production expense and general and administrative expenses for the reduction in costs after the acquisitions of Gillring, Red Eagle, Parker & Parsley's and Transfuel's assets.

(d) To adjust the provision for income taxes for the change in taxable income resulting from the Gillring, Red Eagle, Parker & Parsley and Transfuel acquisitions and the effect on deferred taxes recorded at January 1, 1994 had the acquisitions taken place at that time.

(e) To reduce interest income on Gillring for cash balances used to reduce incremental borrowings.

(f) To eliminate 1994 losses realized by Red Eagle on speculative commodity trade. Lomak has never and does not anticipate in the future participating in speculative commodity trading.

(g) To eliminate impairment losses on Red Eagle oil & gas properties.

NOTE (2) PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS OF PARKER & PARSLEY'S AND TRANSFUEL'S APPALACHIAN ASSETS AND THE OFFERING -- AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995

The accompanying unaudited pro forma combined balance sheet has been prepared as if the Offering had occurred on September 30, 1995. The accompanying unaudited pro forma combined statement of income for the nine months ended September 30, 1995 has been prepared as if the acquisitions and the Offering had occurred on January 1, 1995 and reflects the following adjustments:

(h) To adjust interest expense for the estimated amounts that would have been incurred on the incremental borrowings to acquire the Parker & Parsley and Transfuel Appalachian assets.

(i) To record depletion expense for the Parker & Parsley and Transfuel asset acquisitions at $4.37 and to adjust the historical depletion rate for Lomak from $4.39 to $4.37.

(j) To remove minority interest from January 1995 Red Eagle income statement.

(k) To reduce oil and gas production and general and administrative expenses for cost reductions.

(l) To adjust the provision for income taxes for the change in taxable income resulting from the Gillring, Red Eagle and Parker & Parsley acquisitions and the effect on deferred taxes recorded at January 1, 1994 had the acquisitions taken place at that time.

(m) To record the private placement of $25 million of convertible preferred stock, net of placement fees and offering costs.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Red Eagle Resources Corporation

We have audited the accompanying consolidated balance sheet of Red Eagle Resources Corporation (the "Company") and its subsidiaries as of September 30, 1994, and the related statements of operations, stockholders' equity and cash flows for the nine months ended September 30, 1994. These financial statements are is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Company and its subsidiaries as of September 30, 1994, and the results of their operations and their cash flows for the nine months then ended in conformity with generally accepted accounting principles.

Oklahoma City, Oklahoma
May 15, 1995

/s/ Coopers & Lybrand LLP

RED EAGLE RESOURCES CORPORATION

CONSOLIDATED BALANCE SREET
(In thousands of dollars)

SEPTEMBER 30, 1994

ASSETS	
Current assets:	
Cash and cash equivalents	$2,702
Short-term investments	191
Accounts receivable:	
Trade, net of allowance of $211	1,444
Affiliates	898
Current portion of notes receivable	238
Oil and gas properties held for resale	46
Inventory	375
Prepaid expenses	182
Total current assets	6,076
Property and equipment, at cost (successful efforts method for oil and gas properties)	32,039
Less accumulated depreciation, depletion and amortization	(18,004)
Net property and equipment	14,035
Notes receivable	49
Other assets	738
Total assets	$20,898

Continued

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

RED EAGLE RESOURCES CORPORATION

CONSOLIDATED BALANCE SHEET, Continued

(In thousands of dollars)

SEPTEMBER 30, 1994

LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable:	
Trade	$4,423
Affiliates	2,003
Accrued liabilities	351
Current portion of long-term debt	298
Total current liabilities	7,075
Long-term debt	2,413
Deferred income taxes	904
Commitments and contingencies (Note 6)	-
Stockholders' equity:	
Common stock, par value $.10; 10,000,000 shares authorized; outstanding 4,926,200	493
Additional paid-in capital	6,728
Retained earnings	3,831
	11,052
Less: Treasury stock, 107,775 shares, at cost	(546)
Total stockholders' equity	10,506
Total liabilities and stockholders' equity	$20,898

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

RED EAGLE RESOURCES CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands of dollars, except per share amounts)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1994

Revenues:	
Oil and gas sales	$ 3,293
Program management fees, net and well operator reimbursements	2,192
Gas gathering	752
Drilling and oilfield services	2,925
Sale of oil and gas properties	54
Other	79
Total revenues	9,295
Costs and expenses:	
Oil and gas:	
Production	1,872
Dry hole and abandonment	1,247
Drilling and oilfield services	1,804
Cost of oil and gas properties sold	30
Depreciation, depletion and amortization	1,608
General and administrative	2,730
Total costs and expenses	9,291
Income from operations	4
Other income (expense):	
Interest income	130
Interest expense	(114)
Other, net (Note 6)	(1,991)
Other expense, net	(1,975)
Loss before income tax benefit	(1,971)
Income tax benefit	358
Net loss	$(1,613)
Net loss per share	$ (0.33)
Weighted average number of common and common equivalent shares outstanding (thousands)	4,819

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

RED EAGLE RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands of dollars)

	Common Stock					
	Shares	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total

RED EAGLE RESOURCES CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1994

Operating activity:	
Net loss	$(1,613)
Adjustments to reconcile net loss to net cash provided by operations:	
Depreciation, depletion and amortization	1,608
Deferred income taxes	(484)
Gain on sale of assets	(134)
Short-term investment loss	2,136
Other	1,247
Change in assets and liabilities:	
Accounts receivable	92
Inventory and prepaid expenses	(19)
Accounts payable, accrued liabilities and other	(1,979)
Net cash provided by operating activity	854
Investing activity:	
Proceeds from sales of properties	1,085
Capital expenditures	(2,078)
Reduction of notes receivable	621
Advances on notes receivable	(168)
Cash paid for short-term investments	(2,327)
Partnership offering costs:	
Costs incurred	(383)
Net cash used by investing activity	(3,250)

Continued

The accompany notes are an integral part of these financial statements.

RED EAGLE RESOURCES CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS, CONTINUED
(In thousands of dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1994

Financing activity:	
Repayment of long-term debt and notes payable	$(1,130)
Purchase of stock	(3)
Net cash used by financing activity	(1,133)
Net decrease in cash and cash equivalents	(3,529)
Cash and cash equivalents at beginning of period	6,231
Cash and cash equivalents at end of period	$ 2,702

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

RED EAGLE RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements are the representations of the management of Red Eagle Resources Corporation and its subsidiaries (the "Company"). The Company's accounting policies reflect industry practices and conform to generally accepted accounting principles. The more significant of such policies are briefly described below.

Nature of Business - The Company engages in oil and gas development and production and oilfield services. The Company also develops domestic oil and gas reserves through the formation and management of public limited partnerships. The majority of the Company's activities are in Oklahoma.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of the partnerships in which it serves as general partner. All material intercompany accounts and transactions have been eliminated.

Property and Equipment - The Company follows the successful efforts method of accounting for oil and gas producing activities whereby costs relating to development wells and successful exploratory wells are capitalized. These costs are amortized to operations on a unit-of-production basis using estimated recoverable reserves. Geological and geophysical costs, lease rentals and costs associated with unsuccessful exploratory wells are expensed as incurred. Unproved properties include the carrying value of undeveloped oil and gas leases. When properties are abandoned or their value becomes impaired, the carrying value is written off or adjusted downward accordingly. Oil and gas property costs are evaluated annually for net realizable value and carried at the lower of cost less accumulated depreciation, depletion and amortization or estimated future pre-tax net revenue discounted at 10 percent, based on unescalated year-end prices. Other property and equipment is stated at cost and is depreciated using the straight-line method over estimated useful lives of 3 to 15 years.

Oil and Gas Limited Partnerships - The Company is the general partner in a number of limited partnerships (the "Partnerships"). These Partnerships engage in activities associated with (a) exploring for, developing and producing oil and gas reserves ("Drilling Partnerships"), (b) acquiring producing property interests ("Production Income Partnerships") and (c) acquiring producing property mineral rights ("Mineral Acquisition Partnerships").

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Costs incurred by the Company during the formation and offering of the Partnerships are deferred until the offering is completed. Direct costs of successful offerings are amortized on a unit-of-production basis as oil and gas reserves of the Partnerships are produced. Costs associated with unsuccessful offerings are expensed. One-time fees received from Partnerships upon formation are recorded as reductions in the Company's basis in the Partnerships.

Oil and Gas properties Held for Resale - The Company acquires non-producing leasehold interests which are sold to Partnerships or nonaffiliates. These interests are contributed to the Partnerships or sold to nonaffiliates.

Revenue Recognition - Net revenue from management of Partnership drilling activities is recognized on the percentage of completions method as costs are incurred. Oil and gas revenue is recognized at the time hydrocarbons are produced. Oilfield service revenue is recognized as the services are performed.

Sales of natural gas applicable to the Company's interest in producing oil and gas leases are recorded as income when the gas is metered and title transferred pursuant to the gas sales contracts covering the Company's interest in natural gas reserves. During such times as the Company's sales of gas exceed its pro rata ownership in a well, such sales are recorded as income unless total sales from the well have exceeded the Company's share of estimated total gas reserves underlying the property at which time such excess is recorded as a liability.

The Company's policy is to expense its pro rata share of lease operating costs from all wells as incurred. Such expenses relating to the Company's balancing positions on wells are not material.

Inventory - Inventory consists primarily of tubular goods and oilfield equipment which are stated at the lower of average cost or market.

Income Taxes - The Company uses the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to be realized or settled.

Earnings Per Share - Per share amounts have been computed based upon the weighted average number of common and when dilutive, common equivalent shares outstanding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

There was no difference between primary and fully diluted earnings per share for the period presented.

Cash Flows - The Company considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Presentation - Dollar amounts in the tabulations in the Notes to Consolidated Financial Statements are in thousands.

2. PROPERTY AND EQUIPMENT:

Property and equipment consists of:

	September 30, 1994
Capitalized costs:	
Unproved properties	$ 1,345
Proved oil and gas properties	18,328
Oilfield service equipment	7,114
Other	5,252
	32,039
Accumulated depreciation, depletion and amortization:	
Proved oil and gas properties	10,740
Oilfield service equipment	5,233
Other	2,031
	18,004
Net property and equipment	$14,035

The following is a summary of costs incurred (whether capitalized or expensed) in connection with developed oil and gas producing activities for the nine months ended September 30, 1994.

Property acquisitions	$ 212
Exploration and development	1,139

3. CONSOLIDATED STATEMENTS OF CASH FLOWS:

The following items are supplemental disclosures of cash flow information and significant noncash investment and financing activities of the Company which are not reflected in the Consolidated Statements of Cash Flows.

Interest paid during the nine months ended September 30, 1994, was $114,000. During the nine months ended September 30, 1994, the Company incurred $2,411,000 in debt for the purchase of property and $246,000 in the settlement of a lawsuit. Income taxes paid for the nine months ended September 30, 1994 were $191,000.

4. LONG-TERM DEBT:

	September 30, 1994
Note payable to affiliate partnership bearing interest at 8%, maturing March 1995, collateralized by equipment	$ 103
Note payable, bearing interest at 15%, maturing June 1997, collateralized by real estate	67
Note payable, bearing interest at prime minus 2.4%, maturing February 1999, collateralized by aircraft (Note 10)	2,368
Note payable, bearing interest at 6% maturing July 1996	173
	2,711
	298
Less current portion	$2,413

At September 30, 1994, the estimated aggregate maturities of long-term debt for the next five years are:

1995	$ 298
1996	155
1997	92
1998	84
1999	2,031

The amount due in 1998 and 1999 is related to debt associated with aircraft, and subsequent to September 30, 1994, the majority stockholder purchased the aircraft and assumed the related debt.

5. INCOME TAXES:

The components of income tax benefit are as follows at September 30,1994:

Federal:	
Current	$ 95
Deferred	(341)
State:	
Current	31
Deferred	(143)
	$(358)

At September 30, 1994, the Company would normally have a larger income tax benefit as a result of the net loss. However, because of a required deferred tax asset valuation allowance adjustment, the ending net deferred tax liability is larger than would be expected. The deferred asset valuation is the result of expected expirations of losses incurred, but not deducted for income tax purposes.

The tax basis of certain assets and liabilities are different from the values reflected in the accompanying balance sheet. The related deferred tax assets and liabilities created by these temporary differences are as follows (in thousands) at September 30, 1994.

Deferred Tax Assets (Liabilities)	
Allowance for doubtful accounts	$ 49
Oil and gas properties	(1,764)
Accrued workers compensation liability	(66)
Deferred installment gain	(22)
Other	84
Net operating loss carryforward	24
Capital loss carryforward	882
Partial write-down of undeveloped leases	377
Minimum tax credit carryforward	79
	(357)
Non-utilization of capital losses	(547)
Net deferred tax liability	$ (904)

The effective tax rate differs from the computed "expected" federal income tax rate of 34% for the nine months ended September 30, 1994 on income before income taxes for the following reasons:

5. INCOME TAXES, CONTINUED:

Tax benefit computed at statutory rate	$ (670)
State income tax	(75)
Statutory depletion	(67)
Amortization of syndication costs	51
Non-utilization of capital losses, net of carryback	411
Other	50
Minimum tax credit	(58)
	$ (358)

At September 30, 1994 the Company has an alternative minimum tax credit of approximately $79,000 which is available to reduce future regular taxes indefinitely. The Company has a net operating loss carryforward and capital loss carryforward of approximately $60,000 and $2.2 million, respectively, to reduce future taxable income.

The net operating loss and capital loss carryforwards will expire in 1995 and 1999, respectively. The deferred asset valuation is the result of expected expiration of capital losses incurred, but not deducted for income tax purposes.

6. COMMITMENTS AND CONTINGENCIES:

The Company leases office space and equipment under operating leases having initial or remaining noncancelable terms in excess of one year. Lease expense for all operating leases was $289,000 for the nine months ended September 30, 1994. The following is a schedule of future minimum lease commitments as of September 30, 1994:

1995	$326
1996	149

The Company offers limited partnership interests in Drilling Partnerships to be formed and as general partner is required to contribute 1% of total capital to such partnerships plus all leasehold and tangible equipment. As general partner the Company is also contingently liable for a Partnership's liabilities. At September 30, 1994, the Partnerships had not incurred any debt to finance their activities. Most of the Partnership agreements restrict such borrowings. The Company is not obligated to repurchase limited partnership interests under the terms of the Partnership agreements.

6. COMMITMENTS AND CONTINGENCIES, CONTINUED:

No drilling partnerships were closed for the nine months ended September 30, 1994. During October 1994, the company closed one Drilling Partnership with total participant capital contributions of $2,270,000. By December 31, 1995, the company is required to have paid cash and capital expenditures to or on behalf of the Drilling Partnership in an amount at least equal to 15% ($340,000) of the aggregate participant capital contributions.

Through January 1993, the Company was self-insured for losses resulting from workers' compensation claims of less than $500,000 per accident. As of January 1993, the Company was no longer self-insured for losses resulting from workers' compensation claims. Claims are handled by the Oklahoma State Insurance Fund. The Company is self-insured for losses resulting from employee health benefit claims of less than $35,000 per participant.

The Company entered into futures contracts to hedge fluctuations in the price of crude oil and natural gas. These contracts were treated as speculative transactions and as such, all realized and unrealized gains or losses on the contracts were included in current results of operations. The Company recorded a loss for the nine months ended September 30, 1994 of $2.1 million before income taxes related to these contracts. The Company recorded a gain of $42,000 for the month of October 1994. The Company did not have any similar activity subsequent to October 1994 which significantly impacted the financial statements.

In January 1995, a lawsuit (the "Lawsuit") was filed in the Delaware Court of Chancery, New Castle County, against the Company, each of the members of the Company's Board of Directors and Lomak Petroleum, Inc The Plaintiff seeks to represent all holders (the "Class") of the Company's common stock, excluding the Company's Directors and Lomak. The Lawsuit seeks, among other remedies, some of which are in the alternative, certification of the Lawsuit as a class action, designation of the Plaintiff as representative of the Class and Plaintiff's counsel as counsel to the Class; declaration that the Company's Directors breached their fiduciary duties owed to the Class; and award of unspecified compensatory damages, prejudgment interest and costs and disbursement of the Lawsuit including counsel fees. Management of the Company does not believe that the Lawsuit will have a material effect on their financial position or results of operations.

The Company is involved in various legal proceedings in the normal course of its business. In the opinion of management, these matters will not have a material adverse effect on the financial position or results of operations of the Company.

7. RELATED PARTY TRANSACTIONS:

Approximately 37% of drilling and oilfield services revenues during the nine months ended September 30, 1994, were derived from performing services for affiliated Drilling Partnerships. In accordance with industry practice, the Company charges working interest participants a monthly fixed fee for each well that it operates to reimburse it for administrative costs incurred. Amounts charged to the Partnerships totaled approximately $617,000 for the period ended September 30, 1994.

In February 1991, the Company purchased certain oilfield equipment from a related partnership for $458,000. As of September 30, 1994, $103,000 is outstanding and included in notes payable.

Accounts Receivable - Affiliates is comprised of the following at September 30, 1994:

Partnerships	$806
Other affiliates	92
	$ 898

During the year ended December 31, 1992, the Company advanced the majority stockholder $280,000 of which $20,000 was repaid in 1993 with interest at 8%. During the year ended December 31, 1993, the Company advanced the majority stockholder $145,000. In 1994, the Company advanced the majority stockholder $75,000. All current and prior year advances were repaid subsequent to September 30, 1994. The advances are reflected in notes receivable on the accompanying consolidated balance sheets.

8. BUSINESS SEGMENTS:

The Company's primary endeavor consists of oil and gas exploration and production activities conducted in part through the formation and management of limited partnerships and performing oilfield services. All operations as of September 30, 1994 are in the United States. Intersegment sales are made at prices prevailing in the industry at the time of sale.

General corporate assets primarily consist of cash, furniture and fixtures and leasehold improvements.

9. STOCKHOLDERS' EQUITY:

The Company reserved 200,000 shares of the Company's common stock for issuance to key employees pursuant to a stock option plan adopted by the Company. The plan provides for the granting of both incentive and non-qualified stock options. The exercise price of the options is the estimated fair market value ofthe stock on the date of grant.

9. STOCKHOLDERS' EQUITY, CONTINUED:

Options granted become exercisable over a four year period commencing with the date of grant and expire in ten years. The following is a summary of stock option transactions at September 30, 1994.

Shares available for grant at end of period	152,500
Shares under option at end of period	-
Option price per share	-
Shares exercisable at end of period	-
Shares exercised during the period	-
Shares canceled	-

The Company has 5,000,000 authorized shares of preferred stock, $1.00 par value. The Company has no plans to issue this stock.

10. SUBSEQUENT EVENTS:

In December 1994, Lomak Petroleum, Inc. ("Lomak") acquired approximately 32% of the Company's outstanding common stock. On February 15, 1995, a majority of the stockholders of the Company voted to approve the merger of the Company with a wholly owned subsidiary of Lomak in exchange for approximately 2.2 million shares of Lomak's common stock. In connection therewith, one of the principal stockholders agreed to purchase the Company's aircraft and to assume the associated indebtedness of approximately $2.4 million. No gain or loss occurred on this sale.

11. CONCENTRATION OF CREDIT RISK:

Cash consists of balances held in various Oklahoma financial institutions. Short-term investments represent deposits made on hedging contracts. Accounts receivable are primarily due from other companies within the oil and gas industry. The Company does not generally require collateral related to these receivables; however, cash prepayments and letters of credit are required for accounts with indicated credit risk.

No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or any underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities offered hereby by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

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LOMAK PETROLEUM, INC.

PROSPECTUS

November __, 1995

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PART II

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

SEC Registration Fee	$ 24,910
NASDAQ Fee	2,000
Legal Fees and Expenses*	25,000
Accounting Fees*	35,000
Printing and Engraving*	13,000
Miscellaneous*	10,090
Total	$110,000

* Estimated

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company is a Delaware corporation. Section 145 of the Delaware General Corporation Law generally provides that a corporation is empowered to indemnify any person who is made a party to a proceeding or threatened proceeding by reason of the fact that he is or was a director, officer, employee or agent of the corporation or was, at the request of the corporation, serving in any of such capacities in another corporation or other enterprise. This statute describes in detail the right of the corporation to indemnify any such person. Article SEVENTH, section (5) the Company Certificate of Incorporation provides:

Any former, present or future director, officer or employee of the Company or the legal representative of any such director, officer, or employee shall be indemnified by The Company

(a) against reasonable costs, disbursements and counsel fees paid or incurred where such person has been successful on the merits or otherwise in any pending, threatened or completed civil, criminal, administrative or arbitrative action, suit or proceeding, and any appeal therein and any inquiry or investigation which could lead to such action, suit or proceeding, or in defense of any claim, issue or matter therein, by reason of such person being or having been such director, officer or employee, and

(b) with respect to any such action, suit, proceeding, inquiry or investigation for which indemnification is not made under (a) above, against reasonable costs, disbursements (which shall include amounts paid in satisfaction of settlements, judgments, fines and penalties, exclusive, however, of any amount paid or payable to the Company) and counsel fees if such person also had no reasonable cause to believe the conduct was unlawful, with the determination as to whether the applicable standard of conduct was met to be made by a majority of the members of the Board of Directors (sitting as a committee of the Board) who were not parties to such inquiry, investigation, action, suit or proceeding or by any one or more disinterested counsel to whom the question may be referred to the Board of Directors; provided, however, in connection with any proceeding by or in the right of the Company, no indemnification shall be provided as to any person adjudged by any court to be liable for negligence or misconduct except as and to the extent determined by such court.

The termination of any such inquiry, investigation, action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that such person did not meet the standards of conduct set forth in subsection (b) above.

Reasonable costs, disbursements and counsel fees incurred by such person in connection with any inquiry, investigation action, suit or proceeding may be paid by the Company in advance of the final disposition of such matter if authorized by a majority of the Board of Directors (sitting as a committee of the Board) not parties to such matter upon receipt by The Company of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person is entitled to be indemnified as set forth herein.

The Board of Directors may, at any regular or special meeting of the Board, by resolution, accord similar indemnification (prospective or retroactive) to any director, trustee, officer or employee of any other company who is serving as such at the request of the Company because of the Company's interest in such other company and any officer, director

or employee of any constituent corporation absorbed by the Company in a consolidation or merger, or the legal representative of any such director, trustee, officer or employee.

The indemnification herein provided shall not exclude any other rights to which such person may be entitled as a matter of law or which may be lawfully granted.

Article XII of the Company's Bylaws, incorporating the above provisions, provides for an indemnification agreement to be entered into by directors' and designated officers of the Company. All directors of the Company have executed an indemnification agreement the form of which was approved by stockholders at the Company's 1994 annual stockholders meeting.

Article XII of the Company's Bylaws also allows the Company to purchase liability insurance for Officers and Directors. As of the date hereof there is no such insurance in place.

Article XIII of the Company's Bylaws, with certain specified exceptions, limits the personal liability of the Directors to Lomak or its stockholders for monetary damages for breach of fiduciary duty to the fullest extent permitted by Delaware law, including any changes in Delaware law adopted in the future.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant, pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. See Item 17, "Undertakings."

ITEM 16. EXHIBITS.

Exhibit No.	Description
1.1*	Purchase Agreement dated October 31, 1995 among Lomak Petroleum, Inc., Forum Capital Markets L.P. and Hanifen, Imhoff Inc.
4.1(a)	Certificate of Designation of Serial Preferred Shares - $9.00 (Series A) dated September 18, 1982.(1)
4.1(b)	Certificate of Decrease of Serial Preferred Shares - $9.00 (Series A) dated June 24, 1983.(1)
4.1(c)	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - $9.00 (Series B) dated June 24, 1983.(1)
4.1(d)	Certificate of Decrease of Serial Preferred Shares - $9.00 (Series B) dated August 21, 1984.(1)
4.1(e)	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - $9.00 (Series C) dated August 21, 1984.(1)
4.1(f)	Certificate of Decrease of Serial Preferred Shares - $9.00 (Series C) dated April 30, 1985.(1)
4.1(g)	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - $11.00 (Series D) dated April 30, 1985.(1)
4.1(h)	Certificate of Decrease of Serial Preferred Shares - $9.00 (Series A) dated December 28, 1988.(1)
4.1(i)	Certificate of Decrease of Serial Preferred Shares - $9.00 (Series B) dated December 28, 1988.(1)
4.1(j)	Certificate of Decrease of Serial Preferred Shares - $9.00 (Series C) dated December 28, 1988.(1)
4.1(k)	Certificate of Decrease of Serial Preferred Shares - $11.00 (Series D) dated December 28, 1988.(1)
4.1(l)	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - $100 (Series E) dated December 28, 1988.(1)
4.1(m)	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - $100 (Series F) dated December 28, 1988.(1)
4.1(n)	Certificate of Increase and Amendment of Serial Preferred Shares - $100 (Series F).(1)
4.1(o)	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - 8% Cumulative Convertible $2.03 Preferred (Par Value $1.00 per share).(1)
4.1(p)	Certificate of Amendment to Certificate of Incorporation dated May 17, 1991.(1)
4.1(q)*	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - 7-1/2% Cumulative Convertible Exchangeable Preferred Stock, Series A.
4.1(r)*	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - 7-1/2% Cumulative Convertible Exchangeable Preferred Stock, Series B.
4.1(s)*	Certificate of Designation, Voting Powers, Preference and Rights of Serial Preferred Shares - $2.03 Convertible Exchangeable Preferred Stock.
4.1(t)*	Form of Indenture between Lomak Petroleum, Inc. and Keycorp. Shareholder Services, Inc. relating to the 8.125% Subordinated Convertible Notes due 2005.
4.1(u)*	Registration Rights Agreement dated October 31, 1995 among Lomak Petroleum, Inc., Forum Capital Markets L.P. and Hanifen, Imhoff Inc.
5.*	Opinion of Rubin Baum Levin Constant & Friedman.
12.*	Computation of Ratio of Earnings to Fixed Charges.
24.1(a)*	Consent of Rubin Baum Levin Constant & Friedman (included in Exhibit 5).
24.1(b)*	Consent of Ernst & Young LLP.
24.1(c)*	Consent of Arthur Andersen LLP.
24.1(d)*	Consent of Coopers & Lybrand LLP.
24.1(e)*	Consent of Deloitte & Touche LLP.
24.1(f)*	Consent of Deloitte & Touche LLP.

(1) Previously filed as Exhibit to the Company's Registration Statement, Registration Statement No. 33-31558.

* Filed herewith.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(a) (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8, or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

"The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report, to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent for given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information."

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Forth Worth, State of Texas on November 15, 1995.

LOMAK PETROLEUM, INC.

BY:/s/John H. Pinkerton

John H. Pinkerton
President and
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas J. Edelman and John H. Pinkerton, or any of them, each with power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all subsequent pre-and post-effective amendments and supplements to this Registration Statement, and to file the same, or cause to be filed the same, with all exhibits thereto, and other documents in connection therewith with the Securities and Exchange Commission, granting unto each said attorney-in- fact and agent full power to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that any said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/Thomas Edleman Thomas J. Edelman	Chairman and Director	November 15, 1995
/s/John Pinkerton John H. Pinkerton	President, Chief Executive Officer and Director (Principal Executive Officer)	November 15, 1995
C. Rand Michaels C. Rand Michaels	Vice Chairman and Director	November 15, 1995
/s/Robert Aikman Robert E. Aikman	Director	November 15, 1995
/s/Allen Finkelson Allen Finkelson	Director	November 15, 1995
/s/Anthony Dub Anthony V. Dub	Director	November 15, 1995
/s/Ben Guill Ben A. Guill	Director	November 15, 1995
/s/Thomas Stoelk Thomas W. Stoelk	Vice President - Finance and Chief Financial Officer (Principal Financial Officer)	November 15, 1995
/s/John Frank John R. Frank	Controller and Chief Accounting Officer (Principal Accounting Officer)	November 15, 1995

EXHIBIT INDEX (UPDATE)

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4.1(r)	Certificate of Designation, Voting Powers, Preferences and Rights of Serial Preferred Shares - 7-1/2% Cumulative Convertible Exchangeable Preferred Stock, Series B.
4.1(s)	Certificate of Designation, Voting Powers, Preference and Rights of Serial Preferred Shares - $2.03 Convertible Exchangeable Preferred Stock.
4.1(t)	Form of Indenture between Lomak Petroleum, Inc. and Keycorp. Shareholder Services, Inc. relating to the 8.125% Subordinated Convertible Notes due 2005.
4.1(u)	Registration Rights Agreement dated October 31, 1995 among Lomak Petroleum, Inc., Forum Capital Markets L.P. and Hanifen, Imhoff Inc.
5.	Opinion of Rubin Baum Levin Constant & Friedman.
12.	Computation of Earning's to Fixed Charges.
24.1(a)	Consent of Rubin Baum Levin Constant & Friedman (included in Exhibit 5).
24.1(b)	Consent of Ernst & Young LLP.
24.1(c)	Consent of Arthur Andersen LLP.
24.1(d)	Consent of Coopers & Lybrand LLP.
24.1(e)	Consent of Deloitte & Touche LLP.
24.1(f)	Consent of Deloitte & Touche LLP.

EXHIBIT 1.1

1,150,000 SHARES
$2.03 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

LOMAK PETROLEUM, INC.

PURCHASE AGREEMENT

New York, New York
October 31, 1995

FORUM CAPITAL MARKETS L.P.
53 Forest Avenue
Old Greenwich, Connecticut 06870

HANIFEN, IMHOFF INC.
1125 17th Street
Suite 1600
Denver, Colorado 80202

Ladies and Gentlemen:

Lomak Petroleum, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to Forum Capital Markets L.P. and Hanifen, Imhoff Inc. (the "Initial Purchasers") 1,000,000 shares of its $2.03 Convertible Exchangeable Preferred Stock, par value $1.00 per share (the "Preferred Stock"). Such 1,000,000 shares of Preferred Stock are hereafter referred to as the "Firm Shares." Upon the request of the Initial Purchasers, as provided in Section 2(b) of this Agreement, the Company shall also issue and sell to the Initial Purchasers up to an additional 150,000 shares of Preferred Stock for the purpose of covering over-allotments, if any. Such 150,000 shares of Preferred Stock are hereinafter referred to as the "Option Shares," and the Firm Shares and the Option Shares are hereinafter collectively referred to as the "Shares." The Shares will be convertible into shares of the Company's common stock, par value $.01 per share (the "Common Stock"), and are exchangeable at the option of the Company for the Company's 8.125% Convertible Subordinated Notes due 2005 (the "Notes"). The Notes will be issued pursuant to an indenture to be entered into between the Company and Keycorp Shareholder Services, Inc. or an equivalent trustee selected by the Company, as trustee (the "Trustee"), substantially in the form of, and having the terms and conditions contained in, the form of indenture (the "Indenture") attached to the Certificate of Designations referred to below. The Shares, the Notes and the shares of Common Stock issuable upon conversion of the Shares or Notes (the "Conversion Shares") are hereinafter referred to sometimes collectively as the "Securities." The Company hereby confirms its agreement with the Initial Purchasers with respect to the sale by the Company and the purchase by the Initial Purchasers of the Shares, as set forth herein.

The Shares will be offered and sold to the Initial Purchasers without being registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on an exemption therefrom. The Company has prepared a preliminary offering memorandum dated October 17, 1995 as supplemented by Supplement No. 1 thereto dated October 26, 1995 (such preliminary offering memorandum, as so supplemented, being hereinafter referred to as the "Preliminary Offering Memorandum"), and a final offering memorandum dated October 31, 1995 (such offering memorandum being hereinafter referred to as the "Offering Memorandum"), setting forth information regarding the Company and the Securities. The Company hereby confirms that it has authorized the use of the Preliminary Offering Memorandum and the Offering Memorandum in connection with the offering and sale of the Shares (the "Offering").

Holders (including subsequent transferees) of the Securities will have the registration rights set forth in the Registration Rights Agreement (the "Registration Rights Agreement") between the Initial Purchasers and the Company, dated concurrently herewith. Pursuant to the Registration Rights Agreement, the Company has

agreed to file with the Securities and Exchange Commission (the "Commission") a shelf registration statement pursuant to Rule 415 under the Securities Act (the "Shelf Registration Statement") to cover public resales of the Securities by the holders thereof.

Capitalized terms used herein without definition have the respective meanings specified therefor in the Offering Memorandum. For purposes hereof, "Rules and Regulations" means the rules and regulations adopted by the Commission under the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), as applicable.

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and agrees with, the Initial Purchasers of the date hereof, and as of the Closing Date and each Option Closing Date (as defined in Section 2(b) hereof), if any, as follows:

(a) The Offering Memorandum, as of its date, together with each amendment or supplement thereto, as of its date, contains all the information that, if requested by a prospective purchaser, would be required to be provided pursuant to Rule 144A(d)(4) under the Securities Act. The Offering Memorandum does not, and at the Closing Date and any Option Closing Date will not, and any amendment or supplement thereto, if any, as of its date, will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to information contained in or omitted from the Preliminary Offering Memorandum or the Offering Memorandum (or any supplement or amendment thereto) in reliance upon and in conformity with written information furnished to the Company by or on behalf of either Initial Purchaser specifically for use therein (the "Initial Purchasers' Information"). The parties acknowledge and agree that the Initial Purchasers' Information consists solely of the last paragraph at the bottom of the front cover page concerning the terms of the offering by the Initial Purchasers, the legends concerning over-allotment and trading activities of the Initial Purchasers and their affiliates on the inside front cover page and the paragraphs under the caption "Plan of Distribution" in the Offering Memorandum. No order suspending or preventing the sale of the Securities in any jurisdiction has been issued or threatened or, to the knowledge of the Company, is contemplated.

(b) The Company is subject to Section 13 or 15(d) of the Exchange Act. The documents incorporated by reference into the Offering Memorandum (the "Incorporated Documents"), when they were filed with the Securities and Exchange Commission (the "Commission") (or, if any amendment with respect to any such document was filed, when such amendment was filed), complied in all material respects with the requirements of the Exchange Act and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and any Incorporated Documents filed subsequent to the date of the Offering Memorandum shall, when filed with the Commission, conform in all respects to the requirements of the Securities Act, the Rules and Regulations and the Exchange Act, as applicable. All reports and statements required to be filed by the Company under the Securities Act and the Exchange Act have been filed, together with all exhibits required to be filed therewith. The documents and agreements so filed which are described in the Offering Memorandum are in full force and effect on the date hereof and neither the Company nor any of the Subsidiaries nor, to the knowledge of the Company, any other party thereto is in breach of or default under a material provision of any such document or agreement.

(c) The Company and each of its direct and indirect subsidiaries identified on Annex I hereto (collectively, the "Subsidiaries"), has been duly organized and is validly existing as a corporation in good standing under the laws of the state of its incorporation. Each of the Company and the Subsidiaries is duly qualified and licensed and in good standing as a foreign corporation in each jurisdiction in which its ownership or leasing of any properties or the character of its operations require such qualification or licensing (each of which jurisdictions is designated on Annex I hereto), except where the failure to be so qualified or licensed would not have a material adverse effect on the condition, financial or otherwise, results of operations, business or prospects of the Company and the Subsidiaries, taken as a whole (a "Material Adverse Effect"). Each Subsidiary which accounted for more than 5% of the Company's consolidated assets at June 30, 1995 or more than 10% of the Company's consolidated revenues during the 12 months then ended or which is reasonably expected to exceed such percentages with respect

to the Company's next four fiscal quarters ending after the date hereof are indicated on Annex I hereto, and all such Subsidiaries are hereinafter referred to collectively as the "Significant Subsidiaries." The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the Subsidiaries. None of the Subsidiaries owns or controls directly or indirectly, any corporation, association or other entity. Except as set forth on Annex I, the Company owns, either directly or through other Subsidiaries, all of the outstanding capital stock of each Subsidiary, in each case free and clear of all liens, charges, claims, encumbrances, pledges, security interests defects or other restrictions or equities of any kind whatsoever other than those created pursuant to that certain Amended and Restated Revolving Credit and Term Loan Agreement, dated as of July 6, 1994, among the Company and certain of its subsidiaries as borrowers, Bank One, Texas, N.A. as agent and Bank One, Texas N.A. and Texas Commerce Bank National Association as lenders (the "Bank One Loan Agreement"), and the instruments, documents and agreements executed in connection therewith; and all outstanding capital stock of the Subsidiaries has been duly authorized and validly issued and is fully paid and non-assessable and not issued in violation of any preemptive rights or applicable securities laws. Each of the Company and the Subsidiaries has all requisite power and authority (corporate, partnership and other), and has obtained any and all necessary authorizations, approvals, orders, licenses, certificates, franchises and permits of and from all governmental or regulatory officials and bodies, to own or lease its properties and conduct its business as described in the Offering Memorandum; each of the Company and the Subsidiaries is and has been doing business in compliance with all such authorizations, approvals, orders, licenses, certificates, franchises and permits and all federal, foreign, state and local laws, rules and regulations; and neither the Company nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such authorization, approval, order, license, certificate, franchise or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(d) The Company has an authorized capitalization as set forth in the Offering Memorandum and will have the adjusted capitalization as of the period indicated therein, based upon the assumptions set forth therein. Neither the Company nor any of the Subsidiaries is a party to or bound by any instrument, agreement or other arrangement, including, but not limited to, any voting trust agreement, stockholders' agreement or other agreement or instrument, affecting the securities or rights or obligations of securityholders of the Company or any of the Subsidiaries or providing for any of them to issue, sell, transfer or acquire any capital stock, rights, warrants, options or other securities of the Company or any of the Subsidiaries, except for this Agreement, the certificate of designations relating to the Company's 7 1/2% Convertible Exchangeable Preferred Stock outstanding on the date hereof (the "Existing Preferred") and the indenture related thereto, the certificate of designations relating to the Preferred Stock (the "Certificate of Designations"), the Indenture and as set forth in the Offering Memorandum (including the notes to the financial statements set forth therein). The Company's capital stock and the Notes conform in all material respects to all statements with respect thereto contained in the Offering Memorandum. All issued and outstanding securities of each of the Company or any of the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable, as applicable; the holders thereof have no rights of rescission with respect thereto and are not subject to personal liability by reason of being such holders; and none of such securities were issued in violation of the preemptive rights of any securityholder of the Company or any of the Subsidiaries or similar contractual rights granted by the Company or any of the Subsidiaries.

(e) The Preferred Stock has been duly authorized and, when validly issued, delivered and paid for in the manner contemplated by this Agreement, will be duly authorized, validly issued, fully paid and non-assessable. The shares of Common Stock issuable upon conversion of the Preferred Stock or the Notes will, upon such issuance, be duly authorized, validly issued, fully paid and non-assessable, and the Company has duly authorized and reserved for issuance upon conversion of the Preferred Stock or the Notes the shares of Common Stock issuable upon such conversion. The Preferred Stock and the Conversion Shares are not and will not be subject to any preemptive or other similar rights of any securityholder of the Company or any of the Subsidiaries; all corporate action required to be taken for the authorization, issue and sale of the Preferred Stock and the Conversion Shares has been duly and validly taken; and the certificates representing the Preferred Stock and the Conversion Shares will be in due and proper form. Upon the issuance and delivery pursuant to the terms of this Agreement of the Preferred Stock to be sold by the Company hereunder, the Initial Purchasers will acquire good and marketable title thereto free and clear of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever.

(f) The Notes, if issued, will be issued pursuant to the terms and conditions of the Indenture, and the Indenture and the Registration Rights Agreement each conform to the description thereof contained in the Offering Memorandum. At the Closing Date, the Indenture will conform in all material respects to the requirements of the Trust Indenture Act and the Rules and Regulations applicable to an indenture which is qualified thereunder. The Notes have been duly authorized and, when validly authenticated, issued, delivered and paid for in the manner contemplated by the Indenture, will be duly authorized, validly issued and outstanding obligations of the Company entitled to the benefits of the Indenture. The Notes are not and will not be subject to any preemptive or other similar rights of any securityholder of the Company or any of the Subsidiaries; all corporate action required to be taken for the authorization and issue of the Notes has been duly and validly taken; and the certificates representing the Notes will be in due and proper form.

(g) The consolidated historical financial statements of the Company and the Subsidiaries together with the related notes thereto included in the Preliminary Offering Memorandum and the Offering Memorandum fairly present the financial position, income, changes in stockholders' equity, cash flow and results of operations of the Company and the Subsidiaries at the respective dates and for the respective periods to which they apply and such historical financial statements have been prepared in conformity with generally accepted accounting principles and the Rules and Regulations, consistently applied throughout the periods involved; the pro forma financial information included in each Preliminary Offering Memorandum and the Offering Memorandum presents fairly the information shown therein in accordance with Article 11 of Regulation S-X. Except as described in the Offering Memorandum, there has been no material adverse change or development involving a material prospective change in the condition, financial or otherwise, or in the earnings, business prospects, or results of operations of the Company or any of the Subsidiaries, whether or not arising in the ordinary course of business, since the date of the financial statements included in the Offering Memorandum and the outstanding debt, the property, both tangible and intangible, and the businesses of each of the Company and the Subsidiaries conform in all material respects to the descriptions thereof contained in the Offering Memorandum. Financial information set forth in the Offering Memorandum under the headings "Summary Financial, Operating and Reserve Information," "Selected Historical and Pro Forma Financial Data," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" fairly present, on the basis stated in the Offering Memorandum, the information set forth therein and have been derived from or compiled on a basis consistent with that of the audited financial statements included in the Offering Memorandum.

(h) Each of the Company and the Subsidiaries has filed all income and franchise tax returns required to be filed by it in any jurisdiction, and has paid all taxes shown to be due on such returns or claimed to be due from such entities, other than those being contested in good faith. All tax liabilities, including those being contested by the Company or the Subsidiaries are adequately reserved for in the Company's financial statements (in accordance with generally accepted accounting principles). No tax deficiency has been asserted and no tax proceedings are pending or is threatened against the Company or any of the Subsidiaries, and to the knowledge of the Company, no such deficiency or proceeding is contemplated.

(i) No transfer tax, stamp duty or other similar tax is payable by or on behalf of the Initial Purchasers in connection with (i) the issuance by the Company of the Securities, (ii) the purchase by the Initial Purchaser of the Preferred Stock from the Company or (iii) the consummation by the Company of any of its obligations under this Agreement.

(j) Each of the Company and the Subsidiaries maintains liability, casualty and other insurance (subject to customary deductions and retentions) with responsible insurance companies against such risk of the types and in the amounts customarily maintained by independent oil companies of comparable size to the Company engaged in the acquisition, development and exploration of oil and gas properties (which may include self-insurance in comparable form to that maintained by such responsible companies), all of which insurance is in full force and effect.

(k) There is no action, suit, proceeding, litigation or governmental proceeding pending or threatened or, to the knowledge of the Company, contemplated against (or circumstances that are reasonably likely to give rise to the same), or involving the properties or businesses of, the Company or any of the Subsidiaries

which (i) questions the validity of the capital stock of the Company or any of the Subsidiaries, this Agreement, the Indenture, the Registration Rights Agreement or of any action taken or to be taken by the Company or any of the Subsidiaries pursuant to or in connection with this Agreement, the Indenture or the Registration Rights Agreement or (ii) except as disclosed in the Offering Memorandum, would have a Material Adverse Effect.

(l) The Company has full legal right, power and authority to authorize, issue, deliver and sell the Preferred Stock, the Notes upon exchange of the Preferred Stock and the Conversion Shares upon conversion of the Preferred Stock or the Notes, as applicable, to enter into this Agreement, the Indenture and the Registration Rights Agreement and to consummate the transactions provided for in such agreements; and this Agreement has been duly and properly authorized, executed and delivered by the Company and when the Company has duly executed and delivered the Registration Rights Agreement (assuming the due execution and delivery thereof by the Initial Purchasers) and the Indenture (assuming the due execution and delivery thereof by the Trustee), this Agreement, the Registration Rights Agreement and the Indenture each will constitute a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms. None of the Company's issue and sale of the Preferred Stock, the Notes upon exchange of the Preferred Stock and the Conversion Shares upon the conversion of the Preferred Stock or the Notes, as applicable, the execution or delivery of this Agreement, the Indenture and the Registration Rights Agreement, its performance hereunder and thereunder, its consummation of the transactions contemplated herein and therein or the conduct by it and the Subsidiaries of their businesses as described in the Offering Memorandum or any amendments or supplements thereto conflicts or will conflict with or results or will result in any breach or violation of any of the terms or provisions of, or constitutes or will constitute a default under, or results or will result in the creation or imposition of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever upon any property or assets of the Company or any of the Subsidiaries pursuant to the terms of, (i) the certificate of incorporation or by-laws of the Company or any of the Subsidiaries, (ii) any license, contract, indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which it or any Subsidiary is or may be bound or to which its or any of the Subsidiaries' properties or assets is or may be subject, or any indebtedness, or (iii) any statute, judgment, decree, order, rule or regulation applicable to the Company or any of the Subsidiaries of any arbitrator, court, regulatory body or administrative agency or other governmental agency or body, having jurisdiction over the Company or any of the Subsidiaries or any of their respective activities or properties.

(m) Neither the Company nor any of the Subsidiaries (i) is in violation of its certificate of incorporation or by-laws, (ii) is in default in the performance of any obligation, agreement or condition contained in any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement, purchase order, agreement or instrument evidencing an obligation for borrowed money or other material agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries may be bound or to which the property or assets of the Company or any of the Subsidiaries is subject or affected or (iii) is in violation in any respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject, except any violation or default under the foregoing clauses (ii) or (iii) as would not have a Material Adverse Effect.

(n) No consent, approval, authorization or order of, and no filing with, any court, arbitrator, regulatory body, government agency or other body, domestic or foreign, is required for the execution, delivery or performance of this Agreement, the Indenture, the Registration Rights Agreement or the transactions contemplated hereby or thereby, except such as have been or may be obtained under the Securities Act or may be required under state securities or Blue Sky laws.

(o) Subsequent to the respective dates as of which information is set forth in the Offering Memorandum, and except as may otherwise be indicated or contemplated herein or therein, neither the Company nor any of the Subsidiaries has (i) issued any securities (other than upon exercise of options outstanding on the date hereof pursuant to the Company's Stock Option Plan, 1994 Outside Directors Stock Option Plan and 1994 Stock Purchase Plan or upon conversion of the Existing Preferred or the exercise of warrants outstanding on such respective dates, or incurred any material liability or obligation, direct or contingent, for borrowed money not in

the ordinary course of business, (ii) entered into any material transaction other than in the ordinary course of business or (iii) declared or paid any dividend or made any other distribution on or in respect of its capital stock of any class and there has not been any change in the capital stock (excluding changes contemplated by clause (i) hereof) or long term debt of the Company and the Subsidiaries taken as a whole or any material adverse change in or affecting the general affairs, business management, financial conditions, stockholders' equity or results of operation of the Company or any of the Subsidiaries.

(p) The Company and the Subsidiaries is in compliance with all federal, state, local and foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours. There are no pending investigations involving the Company or any of the Subsidiaries by the U.S. Department of Labor or any other governmental agency responsible for the enforcement of such federal, state, local or foreign laws and regulations. There is no unfair labor practice charge or complaint against the Company or any of the Subsidiaries pending before the National Labor Relations Board or any strike, picketing, boycott, dispute, slowdown or stoppage pending or threatened against or involving the Company or any of the Subsidiaries. No representation question exists respecting the employees of the Company or any of the Subsidiaries, and no collective bargaining agreement or modification thereof is currently being negotiated by the Company or any of the Subsidiaries. No grievance or arbitration proceeding is pending under any expired or existing collective bargaining agreements of the Company or any of the Subsidiaries. No material labor dispute with the employees of the Company or any of the Subsidiaries exists or, to the knowledge of the Company, is imminent.

(q) Except as identified on Schedule II attached hereto, neither the Company nor any of the Subsidiaries maintains, sponsors or contributes to any program or arrangement that is an "employee pension benefit plan" an "employee welfare benefit plan" or a "multi-employer plan" ("ERISA Plans") as such terms are defined in Sections 3(2), 3(1) and 3(37), respectively, of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Except as identified on Schedule II attached hereto, neither the Company nor any of the Subsidiaries maintains or contributes to, now or at any time previously, a defined benefit plan as defined in Section 3(35) of ERISA. No ERISA Plan (or any trust created thereunder) has engaged in a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Code which could subject the Company or any of the Subsidiaries to any tax penalty on prohibited transactions and which has not adequately been corrected. No "accumulated funding deficiency" (as defined in Section 302 of ERISA) or any of the events set forth in Section 4043(b) of ERISA (other than events with respect to which the 30-day notice under Section 4043 of ERISA has been waived) has occurred with respect to any employee benefit plan which might reasonably be expected to have a Material Adverse Effect. Each ERISA Plan is in compliance with all material reporting, disclosure and other requirements of the Code and ERISA as they relate to such ERISA Plan. Determination letters have been received from the Internal Revenue Service with respect to each ERISA Plan which is intended to comply with Code Section 401(a) stating that such ERISA Plan and the attendant trust are qualified thereunder. Neither the Company nor any of the Subsidiaries has ever completely or partially withdrawn from a "multi-employer plan" as so defined.

(r) Neither the Company or any of the Subsidiaries, nor any of its affiliates has taken or will take, directly or indirectly, any action designed to or which has constituted or which might be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Preferred Stock or otherwise.

(s) Each of the Company and the Subsidiaries (i) owns or has the right to use, free and clear of all liens, claims, encumbrances, pledges, security interests, and other adverse interests of any kind whatsoever, all patents, trademarks, service marks, trade names, copyrights, technology, and all licenses and rights with respect to the foregoing, used in the conduct of its business as now conducted or proposed to be conducted without, to the best knowledge of the Company and the Subsidiaries, infringing upon or otherwise acting adversely to the right or claimed right of any person, corporation or other entity, (ii) is not obligated or under any liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, any patent, trademark, service mark, trade name, copyright, know-how, technology or other intangible asset, with respect to the use thereof or in connection with the conduct of its business or otherwise and (iii) has not received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing

which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, might have a Material Adverse Effect.

(t) Except as to its interests in oil and gas leases, each of the Company and the Subsidiaries has good and marketable title to, or valid and enforceable leasehold estates in, all items of real and personal property which are material to its business and/or reflected as owned by it in the financial statements included in the Offering Memorandum, in each case free and clear of all liens, charges, claims, encumbrances, pledges, security interests, defects and other restrictions except those disclosed in the Offering Memorandum or those which are not material in amount and do not materially adversely affect the use made or proposed to be made of such property. Each of the Company and the Subsidiaries has good and defensible title to its interests in oil and gas leases, free and clear of any liens, charges, claims, encumbrances, pledges, security interests, defects and other restrictions of any kind, other than those created pursuant to the Bank One Loan Agreement and the instruments, documents and agreements executed in connection therewith, and liens and encumbrances under operating agreements, unitization and pooling arrangements and gas sales contracts that secure payment of amounts not yet due and payable and which are of a nature and scope customary in connection with similar oil and gas drilling and producing operations, and except those which are not material in amount and do not materially adversely affect the use made and proposed to be made of such oil and gas leases. The Company and each of the Subsidiaries has conducted such title investigations and has acquired its interest in oil and gas leases in such manner as is customary in the oil and gas industry for the respective regions in which the property subject to such leases is located. The Company and each of the Subsidiaries has complied in all material respects with the terms of oil and gas leases in which each purports to own an interest, and no claim of any sort has been asserted by any person or entity adverse to the rights of the Company or any of the Subsidiaries as lessee or sublessee under any of such leases or questioning its rights to the continued possession of the leased premises under any such lease, except with respect to claims which do not materially adversely affect the use made and proposed to be made of such oil and gas leases by the Company or any of the Subsidiaries. The concessions, reservations, licenses, permits and rights to hydrocarbons held by the Company and each of the Subsidiaries are valid, subsisting and enforceable with such exceptions which do not materially adversely affect the use made and proposed to be made of such oil and gas leases. Except as set forth in the Offering Memorandum, neither the Company nor any of the Subsidiaries owns or leases any material real or personal property, the loss of which would have a Material Adverse Effect.

(u) Ernst & Young LLP and Arthur Andersen LLP are independent certified public accountants of the Company as required by the Securities Act and the Rules and Regulations.

(v) The Preferred Stock and the Notes satisfy the eligibility requirements of Rule 144A(d)(3) under the Securities Act. The Common Stock of the Company is registered pursuant to Section 12(g) of the Exchange Act, and is approved for trading on the Nasdaq National Market ("Nasdaq") under the symbol "LOMK". The Company has taken no action that was designed to terminate, or that is likely to have the affect of terminating, trading of the Common Stock on the Nasdaq, nor has the Company received any notification that the Commission or Nasdaq is contemplating terminating such trading.

(w) The information provided by the Company or any of the Subsidiaries to the Petroleum Consultants (as hereinafter defined) for the preparation of the estimates or reserves in the reserve reports for the oil and gas properties of the Company prepared by H.J. Gruy & Associates, Harper & Associates, Inc., Clay, Holt & Klammer, Long Consultants, Inc. and Wright & Company, Inc., independent petroleum consultants (collectively the "Petroleum Consultants"), were at the time of delivery thereof to the Petroleum Consultants complete and accurate in all material respects. The Petroleum Consultants are each independent petroleum consulting firms as required by the Securities Act and the Rules and Regulations. Except as expressly stated in the Preliminary Offering Memorandum and the Offering Memorandum, information in the Preliminary Offering Memorandum and in the Offering Memorandum regarding estimates of reserves, future net cash flows and present values of proved reserves comply in all material respects with the applicable requirements of Rule 4-10 of Regulation S-X and Industry Guide 2 under the Securities Act.

(x) Neither the Company nor any of the Subsidiaries has, nor to the knowledge of the Company, has any officer, director or employee of the Company or any of the Subsidiaries or any other person

acting on behalf of the Company or any of the Subsidiaries, for the benefit of the Company or any such Subsidiaries at any time during the last five years, (i) made any unlawful gift or contribution to any candidate for federal, state, local or foreign political office, or failed to disclose fully any such gift or contribution in violation of law, or (ii) made any payment to any federal, state, local or foreign governmental officer or official, which would be reasonably likely to subject the Company or any of the Subsidiaries to any damage or penalty in any civil, criminal or governmental litigation or proceeding (domestic or foreign). Each of the Company's and the Subsidiaries' internal accounting controls are sufficient to cause the Company and the Subsidiaries to comply with the Foreign Corrupt Practices Act of 1977, as amended.

(y) Except as set forth in the Offering Memorandum, no officer, director or 5% or greater stockholder of the Company or any of the Subsidiaries, or any "affiliate" or "associate" (as these terms are defined in Rule 405 promulgated under the Rules and Regulations) of any of the foregoing persons or entities, has or has had, either directly or indirectly, (i) a material interest in any person or entity which (A) furnishes or sells services or products which are furnished or sold or are proposed to be furnished or sold by the Company or any of the Subsidiaries or (B) purchases from or sells or furnishes to the Company or any of the Subsidiaries any goods or services or (ii) a material beneficiary interest in any contract or agreement to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries may be bound or affected. Except as set forth in the Offering Memorandum under the caption "Certain Transactions," there are no existing agreements, arrangements, understandings or transactions, or proposed agreements, arrangements, understandings or transactions, between or among the Company or any of the Subsidiaries and any such officer, director, 5% or greater stockholder, "affiliate" or "associate." For the purpose of this subsection (y), interests which may be excluded from disclosure pursuant to the instructions to items of Regulation S-K shall be deemed to be per se not material.

(z) The minute books of each of the Company and the Subsidiaries have been made available to the Initial Purchasers, contain a complete summary of all meetings and actions of the directors and stockholders of each of the Company and the Subsidiaries since the time of their respective incorporation and reflect all transactions referred to in such minutes accurately in all respects.

(aa) Neither the Company nor any of the Subsidiaries has been notified or is otherwise aware that it is liable with respect to obligations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any similar law ("Environmental Laws"), and it is not aware of any facts or circumstances which could reasonably be expected to result in any such liability. The Company and the Subsidiaries are in substantial compliance with all applicable existing Environmental Laws, except for such instances of non-compliance which would not have a Material Adverse Effect. The term "Hazardous Material" means (i) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (ii) any "hazardous waste" as defined by the Resource Conservation and Recovery Act, as amended, (iii) any petroleum or petroleum product, (iv) any polychlorinated biphenyl and (v) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material, waste or substance regulation under or within the meaning of any other Environmental Law. To the best of the Company's knowledge, no disposal, release or discharge of "Hazardous Material" has occurred on, in, at or about any of the facilities or properties of the Company or any of the Subsidiaries. Except as described in the Offering Memorandum, to the best of the Company's knowledge: (i) there has been no storage, disposal, generation, transportation, handling or treatment of hazardous substances or solid wastes by the Company or any of the Subsidiaries (or to the knowledge of the Company, any of its predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company or any of the Subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action which has not been taken, under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for such violations and failures to take remedial action which would not result in, singularly or in the aggregate, a Material Adverse Effect; (ii) there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property by the Company or any of the Subsidiaries of any solid waste or Hazardous Materials, except for such spills, discharges, leaks, emissions, injections, escapes, dumping or releases which would not result in, singularly or in the aggregate, a Material Adverse Effect.

(bb) The Company is not an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(cc) Neither the Company nor any affiliate (as such term is defined in Rule 501(b) under the Securities Act) of the Company has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any "security" (as defined in the Securities Act), which is or will be integrated with the sale of the Preferred Stock in a manner that would require the registration of the Preferred Stock under the Securities Act.

(dd) None of the Company, any affiliate (as such term is defined in Rule 501(b) under the Securities Act) of the Company and any other person acting on its or their behalf has engaged, in connection with the Offering, in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act.

(ee) Assuming the accuracy of the Initial Purchasers' representations in Section 2(c) hereof and its compliance with the agreements set forth therein, it is not necessary, in connection with the issuance and sale of the Preferred Stock and the offer, resale and delivery of the Preferred Stock in the manner contemplated by this Agreement and the Offering Memorandum, to register the Preferred Stock, the Notes or the Conversion Shares under the Securities Act or to qualify the Indenture under the Trust Indenture Act.

2. Purchase by the Initial Purchasers.

(a) On the basis of the representations, warranties and agreements contained herein, and subject to the terms and conditions set forth herein, the Company agrees to issue and sell to the Initial Purchasers, and the Initial Purchasers agree to purchase from the Company, the Firm Shares at a purchase price equal to $24.15625 per share.

(b) In addition, on the basis of the representations, warranties and agreements contained herein, and subject to the terms and conditions set forth herein, the Company hereby grants an option to the Initial Purchasers to purchase any or all of the Option Shares at a price equal to $24.15625 per share. Such option will expire 30 days after the date hereof, and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Firm Shares upon notice by the Initial Purchasers to the Company setting forth the aggregate principal amount of Option Shares as to which the Initial Purchasers are then exercising the option and the time and date of delivery and payment therefor. Any such time and date of delivery and payment (an "Option Closing Date") shall be determined by the Initial Purchasers, but shall not be later than five full business days after the exercise of such option unless otherwise agreed by the Company and the Initial Purchasers.

(c) The Initial Purchasers have advised the Company that it is their intention, as promptly as they deem appropriate after the Company shall have furnished the Initial Purchasers with copies of the Offering Memorandum, to resell the Preferred Stock pursuant to the procedures and upon the terms set forth in the Offering Memorandum, including not to solicit any offer to buy or offer to sell the Preferred Stock by means of any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act. The Initial Purchasers warrant and agree with the Company that they have solicited and will solicit offers (the "Exempt Resales") for Preferred Stock only from, and will offer Preferred Stock only to, persons that they reasonably believe to be (i) QIBs in transactions that meet the requirements for an exemption from the registration requirements of the Securities Act under Rule 144A or (ii) to a limited number of Institutional Accredited Investors that execute and deliver a letter containing certain representations and agreements in the form attached as Annex A of the Offering Memorandum. The QIBs and the Institutional Accredited Investors are referred to herein as "Eligible Purchasers." Each of the Initial Purchasers represents and warrants that it is an Institutional Accredited Investor with such knowledge and experience in financial and business matters as are necessary to evaluate the merits and risks of an investment in the Preferred Stock, and is acquiring its interest in the Preferred Stock not with a view to the

distribution or resale thereof, except resales in compliance with the registration requirements or exemption provisions of the Securities Act and that neither it, nor anyone acting on its behalf, will offer the Preferred Stock so as to bring the issuance and sale of the Preferred Stock within the provisions of Section 5 of the Securities Act. The Company acknowledges and agrees that the Initial Purchasers may sell Preferred Stock to any affiliate of either of the Initial Purchasers and any such affiliate may sell Preferred Stock purchased by it to the Initial Purchasers. Each of the Initial Purchasers agrees that, prior to or simultaneously with the confirmation of sale by it to any purchaser of any of the Preferred Stock purchased from the Company pursuant hereto, such Initial Purchaser shall furnish to that purchaser a copy of the Offering Memorandum (and any amendment thereof or supplement thereto that the Company shall have furnished to the Initial Purchasers prior to the date of such confirmation of sale).

3. DELIVERY OF AND PAYMENT FOR THE PREFERRED STOCK. Delivery of, and payment for, the Firm Shares shall be made at 10:00 A.M., New York City time, on November 3, 1995, or at such other date or time as shall be agreed by the Initial Purchasers and the Company (such date and time being referred to herein as the "Closing Date"). Delivery of, and payment for, the Firm Shares and the Option Shares shall be made at the offices of Kelley Drye & Warren, New York, New York, or any such other place as shall be agreed by the Initial Purchasers and the Company. On the Closing Date, the Company shall deliver or cause to be delivered to the Initial Purchasers certificates for the Firm Shares against payment to or upon the order of the Company of the purchase price by wire or book-entry transfer of immediately available funds. On each Option Closing Date, the Company shall deliver or cause to be delivered to the Initial Purchasers certificates for the Option Shares purchased thereat against payment to or upon the order of the Company of the purchase price by wire or book-entry transfer of immediately available funds. Upon delivery, the Preferred Stock shall be in global form, in such denominations and registered in such names, or otherwise, as the Initial Purchasers shall have requested in writing not less than two full business days prior to the Closing Date. The Company shall make the certificates for the Preferred Stock available for inspection by the Initial Purchasers in New York, New York, not later than one full business day prior to the Closing Date.

4. COVENANTS AND AGREEMENTS OF THE COMPANY. The Company covenants and agrees with the Initial Purchasers as follows:

(a) during the period ending 90 days after the date hereof to advise the Initial Purchasers promptly and, if requested, confirm such advice in writing, of the happening of any event which makes any statement of a material fact made in the Offering Memorandum untrue or that requires the making of any additions to or changes in the Offering Memorandum (as amended or supplemented from time to time) in order to make the statements therein, in light of the circumstances under which they were made, not misleading; to advise the Initial Purchasers promptly of any order preventing or suspending the use of the Preliminary Offering Memorandum or the Offering Memorandum, of the suspension of the qualification of the Preferred Stock for offering or sale in any jurisdiction and of the initiation or threatening of any proceeding for any such purpose; and to use its reasonable best efforts to prevent the issuance of any such order preventing or suspending the use of the Preliminary Offering Memorandum or of the Offering Memorandum or suspending any such qualification and, if any such suspension is issued, to use its reasonable best effort to obtain the lifting thereof at the earliest possible time;

(b) to furnish promptly to the Initial Purchasers and counsel for the Initial Purchasers, without charge, as many copies of the Preliminary Offering Memorandum and the Offering Memorandum (and of any amendments or supplements thereto) as may be reasonably requested; to furnish to the Initial Purchasers on the date hereof a copy of the independent accountants' report included in the Offering Memorandum signed by the accountants rendering such report; and the Company hereby consents to the use of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments and supplements thereto, in connection with Exempt Resales of the Preferred Stock;

(c) if the delivery of the Offering Memorandum is required at any time in connection with the sale of the Preferred Stock and if at such time any events shall have occurred as a result of which the Offering Memorandum as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when the Offering Memorandum is delivered, not misleading, or if for any other

reason it shall be necessary at such time to amend or supplement the Offering Memorandum in order to comply with any law, to notify the Initial Purchasers immediately thereof, and to promptly prepare and furnish to the Initial Purchasers an amended Offering Memorandum or a supplement to the Offering Memorandum so that statements in the Offering Memorandum, as so amended or supplemented, will not, in light of the circumstances under which they were made when it is so delivered, be misleading, or so that the Offering Memorandum will comply with applicable law. The Initial Purchasers' delivery of any such amendment or supplement shall not constitute a waiver of any of the conditions set forth in Section 5 hereof;

(d) during the five-year period following the Closing Date, provided any of the Preferred Stock or the Notes remain outstanding, to furnish to the Initial Purchasers all public reports and all reports, documents, information and financial statements furnished by the Company to the Commission pursuant to the Trust Indenture Act, the Exchange Act or the Rules and Regulations;

(e) during the three-year period following the Closing Date, for so long as and at any time that it is not subject to Section 13 or 15(d) of the Exchange Act, upon request of any holder of the Preferred Stock or the Notes, to furnish to such holder, and to any prospective purchaser or purchasers of the Preferred Stock or the Notes designated by such holder, information satisfying the requirements of subsection (d)(4) of Rule 144(A) under the Securities Act. This covenant is intended to be for the benefit of the holders from time to time of the Preferred Stock and the Notes, and prospective purchasers of the Preferred Stock or the Notes designated by such holders;

(f) to use the proceeds from the sale of the Preferred Stock in the manner described in the Offering Memorandum under the caption "Use of Proceeds";

(g) in connection with the Offering, to make its officers, employees, independent accountants and legal counsel reasonably available upon request by the Initial Purchasers;

(h) to use its reasonable best efforts to do and perform all things required to be done and performed under this Agreement by it that are within its control prior to or after the Closing Date and to use reasonable efforts to satisfy all conditions precedent on its part to the delivery of the Securities;

(i) except following the effectiveness of the Shelf Registration Statement, to not authorize or knowingly permit any person acting on its or their behalf to, solicit any offer to buy or offer to sell the Preferred Stock by means of any form of general solicitation or general advertising (as such terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act;

(j) to not, and to use its reasonable best efforts to ensure that no affiliate (as such term is defined in Rule 501(b) under the Securities Act) of the Company will, offer, sell or solicit offers to buy or otherwise negotiate in respect of any "security" (as defined in the Securities Act) which could be integrated with the sale of the Preferred Stock in a manner that would require the registration of the Preferred Stock under the Securities Act;

(k) to not, so long as the Preferred Stock or the Notes are outstanding, be or become, or be or become owned by, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act, and to not be or become, or be or become owned by, a closed-end investment company required to be registered, but not registered thereunder;

(l) to cooperate with the Initial Purchasers and counsel for the Initial Purchasers to qualify the Preferred Stock for offering and sale under the securities laws of such jurisdictions as the Initial Purchasers may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Preferred Stock; provided, however, that in connection therewith the Company shall not be required to qualify as a foreign corporation or to

file a general consent to service of process or to subject it to taxation in any jurisdiction where it is not so qualified or so subject;

(m) to comply with the Registration Rights Agreement and all agreements set forth in the representation letters of the Company to The Depository Trust Company relating to the approval of the Preferred Stock and/or the Notes for "book-entry" transfers;

(n) in connection with the Offering, until the Initial Purchasers shall have notified the Company of the completion of the resale of the Preferred Stock, to not and use its reasonable best efforts to not permit any affiliated purchasers (as defined in Rule 10b-6 under the Exchange Act), either alone or with one or more other persons, to bid for or purchase, for any account in which it or any of its affiliated purchasers has a beneficial interest, any Preferred Stock, or attempt to induce any person to purchase any Preferred Stock; and to not and use its reasonable best efforts to not permit any of its affiliated purchasers to make bids or purchases for the purpose of creating actual, or apparent, active trading in or of raising the price of the Preferred Stock;

(o) prior to the Closing Date, to not issue any press release or other communication directly or indirectly or hold any press conference with respect to the Company, its condition, financial or otherwise, or earnings, business affairs or business prospects, without the prior consent of the Initial Purchasers, unless in the judgment of the Company and its counsel, and after notification to the Initial Purchasers, such press release or communication is required by law;

(p) to not take any action prior to the execution and delivery of the Indenture which, if taken after such execution and delivery, would have violated any of the covenants contained in the Indenture;

(q) to not take any action prior to the Closing Date which in the Company's reasonable judgment would require the Offering Memorandum to be amended or supplemented pursuant to Section 4(c) hereof;

(r) to maintain a transfer agent and, if necessary under the laws of the jurisdiction of incorporation of the Company, a registrar (which may be the same entity as the transfer agent) for the Common Stock; and

(s) for a period of five (5) years from the date hereof, to use its best efforts to maintain the Private Offerings, Resale and Trading through Automated Linkages ("Portal") Market (or after the Shelf Registration Statement, Nasdaq Stock Market or national securities exchange listing) listing of the Preferred Stock or the Notes, to the extent outstanding, and the Nasdaq Stock Market (or national securities exchange) listing of the Common Stock.

5. Payment of Expenses.

(a) The Company hereby agrees to pay all of the following expenses and fees incident to the performance of the obligations of the Company under this Agreement, the Indenture and the Registration Rights Agreement, including, regardless of whether any sale of the Preferred Stock to the Initial Purchasers is consummated (subject to paragraph (b) below): (i) the fees and expenses of accountants and counsel for the Company (subject to the limitation set forth in Section 6(i) hereof), (ii) all costs and expenses incurred in connection with the preparation, duplication, printing (including mailing and handling charges), delivery and mailing (including the payment of postage with respect thereto) of each Preliminary Offering Memorandum and the Offering Memorandum and any amendments and supplements thereto, in quantities as hereinabove stated, (iii) the printing, engraving, issuance and delivery of the certificates representing the Preferred Stock and the Notes, (iv) costs and expenses of travel, food and lodging of Company personnel in connection with the "road show," information meetings and presentations, (v) fees and expenses of the transfer agent and registrar, (vi) fees and expenses of the Trustee, including the Trustee's counsel, in connection with the Indenture and the Notes and (vii) the fees payable to the NASD, CUSIP Service Bureau and DTC incurred in connection with the listing of the Preferred Stock, the Notes and the Conversion Shares for trading in the PORTAL Market, (viii) the fees payable to the Securities and Exchange Commission and Nasdaq in connection with the filing of a registration statement with respect to the

Preferred Stock, the Notes and the Underlying Shares and the listing of the same on Nasdaq and (ix) all other costs and expenses incident to the performance of its obligations hereunder which are not specifically otherwise provided for in this Section. In addition, no later than at the Closing the Company will pay or reimburse up to $25,000 of the Initial Purchasers' reasonable and accountable out-of-pocket due diligence expenses, including but not limited to travel and lodging expenses in connection with the Offering, in connection with the offering, purchase and sale of the Preferred Stock. The Company shall not be responsible for any promotional or tombstone expenses, if any, related to the Offering, lodging and travel expenses of the Initial Purchasers' personnel on the "road show" or expenses of counsel for the Initial Purchasers.

(b) If this Agreement is terminated for any reason, the Company shall reimburse and indemnify the Initial Purchasers for their actual accountable out-of-pocket expenses, less any amounts already paid pursuant to Section 5(a) hereof.

6. CONDITIONS OF THE INITIAL PURCHASERS' OBLIGATIONS. The obligations of the Initial Purchasers hereunder shall be subject to the continuing accuracy of the representations and warranties of the Company herein as of the date hereof and as of the Closing Date and each Option Closing Date, if any, as if they had been made on and as of the Closing Date or each Option Closing Date, as the case may be; and the performance by the Company on and as of the Closing Date and each Option Closing Date, if any, of its covenants and obligations hereunder and to the following further conditions:

(a) The Initial Purchasers shall not have advised the Company that the Offering Memorandum, or any supplement or amendment thereto, contains an untrue statement of fact which, in the Initial Purchasers' opinion, is material, or omits to state a fact which, in the Initial Purchasers' opinion, is material and is required to be stated therein or is necessary to make the statements, in light of the circumstances under which they were made, not misleading. No order suspending the sale of the Securities in any jurisdiction shall have been issued on either the Closing Date or the relevant Option Closing Date, if any, and no proceedings for that purpose shall have been instituted or shall be contemplated.

(b) On or prior to the Closing Date, the Initial Purchasers shall have received from Kelley Drye & Warren such opinion or opinions with respect to the organization of the Company, the validity of the Preferred Stock, the Notes, the Conversion Shares, the Offering Memorandum and other related matters as the Initial Purchasers may request and Kelley Drye & Warren shall have received such papers and information as they request to enable it to pass upon such matters.

(c) At Closing Date, the Initial Purchasers shall have received the favorable opinion of Rubin Baum Levin Constant & Friedman, counsel to the Company, dated the Closing Date, addressed to the Initial Purchasers and in form and substance satisfactory to the Initial Purchasers and Kelley Drye & Warren, to the effect that:

i) (A) the Company and each of the Subsidiaries has been duly organized and the Company and each of the Subsidiaries is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, (B) the Company and each of the Significant Subsidiaries is duly qualified and in good standing as a foreign corporation in each jurisdiction identified in a schedule to such opinion and (C) the Company and each of the Subsidiaries has all requisite power and authority to own or lease its properties and conduct its business as described in the Offering Memorandum;

ii) the Company's authorized capital stock is as set forth under the heading "Capitalization" in the Offering Memorandum, subject to such adjustments therein as are expressly contemplated by the Offering Memorandum; all of the outstanding shares of capital stock of each of the Subsidiaries are owned by the Company, directly or through one or more Subsidiaries, in each case free and clear of any liens, charges, claims, pledges, security interests or encumbrances of any kind whatsoever other than as disclosed in the Offering Memorandum;

iii) except as disclosed in the Offering Memorandum, to the best of such counsel's knowledge, neither the Company nor any of the Subsidiaries is a party to or bound by any instrument, agreement or other arrangement providing for it to issue any capital stock, rights, warrants, options or other securities of the Company or any of the Subsidiaries, except for this Agreement and as described in the Offering Memorandum; the Certificate of Designations, the Indenture, the Securities and all other securities issued or issuable by each of the Company or any of the Subsidiaries which are described in the Offering Memorandum conform, or when issued and paid for, will conform in all material respects to the descriptions thereof contained in the Offering Memorandum; all issued and outstanding capital stock of the Company or any of the Subsidiaries has been duly authorized and validly issued and is fully paid and non-assessable; to the best of such counsel's knowledge, none of such securities were issued in violation of the preemptive rights of any securityholder of the Company or any of the Subsidiaries or similar contractual rights granted by the Company or any of the Subsidiaries or applicable securities laws; the Preferred Stock has been duly authorized and, when paid for by the Initial Purchasers in the manner contemplated by this Agreement, will be validly issued, fully paid and nonassessable; the Notes issuable upon exchange of the Preferred Stock in accordance with the Certificate of Designations have been duly authorized and, when executed and authenticated in the manner contemplated by the Indenture, will be valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except to the extent that enforceability thereof may be limited by (1) bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally; or (2) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity); the shares of Common Stock issuable upon conversion of the Preferred Stock or the Notes have been duly authorized and reserved for issuance upon conversion and, when issued, delivered and paid for in accordance with the terms of the Indenture, will be validly issued, fully paid and nonassessable; and the holders of outstanding securities of the Company are not entitled to any preemptive rights with respect to the Securities; all corporate action required to be taken for the authorization, issue and sale of the Securities has been duly and validly taken; and the certificates representing the Securities are in due and proper form; upon the issuance and delivery pursuant to this Agreement of the Preferred Stock to be sold by the Company hereunder, the Initial Purchasers will acquire good and marketable title thereto free and clear of any pledge, lien, charge, claim, encumbrance, pledge, security interest or other restriction or equity of any kind whatsoever;

iv) the descriptions in the Offering Memorandum of agreements and documents to which the Company or any of the Subsidiaries is a party or by which any of them or their respective properties are bound, including any such agreement or document incorporated by reference into the Offering Memorandum, or of any statutes, are accurate in all material respects and fairly present the subject matter thereof; to the best of such counsel's knowledge, there is no action, suit, or other proceeding pending or threatened in writing or any judgments outstanding against the Company or any of the Subsidiaries which (A) questions the validity of the capital stock of the Company or any of the Subsidiaries or of this Agreement, the Certificate of Designations, the Indenture, the Registration Rights Agreement or of any action taken or to be taken by the Company or any of the Subsidiaries pursuant to or in connection with any of the foregoing or (B) except as disclosed in the Offering Memorandum, could have a Material Adverse Effect;

v) the Company has the corporate power and authority to execute, deliver and perform each of this Agreement, the Certificate of Designations, the Indenture and the Registration Rights Agreement and to consummate the transactions provided for herein and therein; the execution and delivery of this Agreement, the Indenture (if and when executed) and the Registration Rights Agreement have been duly authorized by all requisite corporate action on the part of the Company and each of this Agreement and the Registration Rights Agreement has been duly executed and delivered by the Company, and assuming due authorization, execution and delivery by each other party thereto, constitutes a valid and binding agreement of the Company enforceable against the

Company in accordance with its terms; except to the extent that enforcement thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity) and except to the extent that rights to indemnification and contribution contained in this Agreement and the Registration Rights Agreement may be limited by federal or state securities laws or public policy relating thereto; the Certificate of Designations has been filed with the Secretary of State of the State of Delaware;

vi) the execution and delivery by the Company of the Purchase Agreement, the Indenture (if and when executed) and the Registration Rights Agreement, the performance by the Company thereunder, the compliance by the Company with the provisions thereof and the consummation of the transactions contemplated thereby, each in accordance with its terms, do not and will not conflict with or result in any breach or violation of, constitute a default under or result in the creation or imposition of any lien, charge, claim, pledge, security interest or other encumbrance upon any property or assets of the Company or the Subsidiaries pursuant to the terms of (A) the charter or by-laws of the Company or any of the Subsidiaries, (B) any license, contract, indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement or other agreement or instrument known to such counsel to which the Company or any of the Subsidiaries is a party or by which any of them is or may be bound or to which any of their respective properties or assets is or may be subject, except for such conflicts, breaches, violations, defaults and creations or impositions which in the aggregate would not have a Material Adverse Effect, or (C) any statute, rule or regulation (other than federal or state securities laws) or, to the best of such counsel's knowledge, any judgment, decree or order applicable to the Company or any of the Subsidiaries of any arbitrator, court, regulatory body or administrative agency or other governmental agency or body having jurisdiction over the Company or any of the Subsidiaries or any of their respective activities or properties, except with respect to this clause (C) for such conflicts, breaches, violations, defaults and creations or impositions which in the aggregate would not have a Material Adverse Effect. Such counsel need express no opinion in this paragraph (vi) as to (A) state securities or Blue Sky laws or (B) with respect to matters of fact relating to compliance with any financial covenants, ratios or tests or any aspect of the financial condition or results of operations of the Company;

vii) to the knowledge of such counsel, the Company and the Subsidiaries are not in violation of their charters or by- laws; neither the Company nor any of the Subsidiaries is in breach of, or in default with respect to, any provisions of any license, contract, indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement or other agreement or instrument known to such counsel to which the Company or any of the Subsidiaries is a party or by which any of them is or may be bound or to which any of their respective properties or assets is or may be subject, except for such breaches or defaults as would not have a Material Adverse Effect, and to the knowledge of such counsel, the Company and the Subsidiaries are in material compliance with all judgments, decrees and orders of any judicial or governmental authority to which the Company or any of the Subsidiaries or by which any of them is or may be bound or to which any of their respective properties or assets is or may be subject, except for such noncompliance as would not have a Material Adverse Effect;

viii) no consent, approval, authorization or order of, and no filing with, any court, regulatory body, government agency or other body (other than such as may have been made or obtained and such as may be required under state securities or Blue Sky laws, as to which no opinion need be rendered) is required in connection with the issuance of the Securities as contemplated by the Offering Memorandum, the performance of this Agreement, the Certificate of Designations, the Indenture and the Registration Rights Agreement, and the transactions contemplated hereby and thereby; to the knowledge of such counsel, the Company and each of the Subsidiaries holds all licenses, certificates, permits, franchises, consents, authorizations and

approvals from all state and federal regulatory authorities that are required for the Company and the Subsidiaries to conduct their business as described in the Offering Memorandum, except for such licenses, certificates, permits, franchises, consents, authorizations and approvals the loss of which or the failure to maintain would not have a Material Adverse Effect;

ix) the statements in the Offering Memorandum under the caption "Federal Income Tax Considerations" have been reviewed by such counsel, and insofar as they refer to statements of law, or descriptions of statutes, licenses, rules or regulations or legal conclusions, are correct in all material respects;

x) assuming the (A) accuracy of the representations, warranties and agreements of the Company contained in Section 1(z) and (aa) of this Agreement and of the Initial Purchasers in Section 2 of this Agreement and in the Purchase Letter, if any, and (B) the due performance by the Company of the agreements set forth in Section 4 of this Agreement and of the Initial Purchasers in Section 3 this Agreement, neither the registration of the Securities under the Securities Act, nor the qualification of the Indenture under the Trust Indenture Act with respect thereto is required for the offer, sale and initial resale of the Preferred Stock in the manner contemplated by this Agreement and the Offering Memorandum, it being understood that such counsel need express no opinion as to any subsequent resale of any of the Securities; and

xi) the Company is not an "investment company," within the meaning of, is not registered or otherwise required to be registered under, and is not "controlled" by a company which is required to be registered under, the Investment Company Act of 1940, as amended.

In rendering such opinion, such counsel may rely: (A) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance satisfactory to the Initial Purchasers and Kelley Drye & Warren) of other counsel acceptable to the Initial Purchasers and Kelley Drye & Warren, familiar with the applicable laws; and (B) as to matters of fact, to the extent they deem proper, on certificates and written statements of responsible officers of the Company and certificates or other written statements of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company and the Subsidiaries, provided, that copies of any such statements or certificates shall be delivered to the Initial Purchasers and Kelley Drye & Warren, if requested. In addition, such counsel shall state in such opinion that they have conducted such investigation as they deem reasonable in support of the opinions referred to above and in satisfaction of their due diligence obligations to the Company . The opinion of such counsel for the Company shall state that the opinion of any such other counsel is in form satisfactory to such counsel and that the Initial Purchasers and they are justified in relying thereon.

(d) Rubin Baum Levin Constant & Friedman shall state in the opinion letter contemplated by Section 6(c) that such counsel has participated in conferences with officers and other representatives of each of the Company and the Subsidiaries and representatives of the independent public accountants for the Company and the Subsidiaries and the Initial Purchasers, at which conferences the contents of the Offering Memorandum and related matters were discussed, and, although such counsel is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Offering Memorandum, on the basis of the foregoing, no facts have come to the attention of such counsel which has lead them to believe that the Offering Memorandum, as of its date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except that such counsel express no opinion or belief with respect to the financial statements and related notes, the pro forma financial information and other financial, statistical or accounting data included in the Offering Memorandum or excluded therefrom);

(e) On or prior to the Closing Date, Kelley Drye & Warren shall have been furnished such documents, certificates and opinions as they may reasonably require for the purpose of enabling them to review

or pass upon the matters referred to in subsection (c) of this Section 6 or in order to evidence the accuracy, completeness or satisfaction of any of the representations, warranties or conditions of the Company herein contained.

(f) Prior to the Closing Date: (i) there shall have been no adverse change involving a prospective change in the condition, financial or otherwise, prospects, stockholders' equity or the business activities of the Company and the Subsidiaries taken as a whole, whether or not in the ordinary course of business, from the latest dates as of which such condition is set forth in the Offering Memorandum; (ii) there shall have been no transaction, not in the ordinary course of business, entered into by the Company or any of the Subsidiaries, from the latest date as of which the financial condition of the Company and the Subsidiaries is set forth in the Offering Memorandum which is materially adverse to the Company and the Subsidiaries taken as a whole; (iii) neither the Company nor any of the Subsidiaries shall be in default under any provision of any instrument relating to any material outstanding indebtedness; (iv) no material amount of the assets of the Company or any of the Subsidiaries shall have been pledged or mortgaged, except as set forth in the Offering Memorandum; (v) no action, suit or proceeding, at law or in equity, shall have been pending, threatened or, to the knowledge of the Company, contemplated against the Company or any of the Subsidiaries, or affecting any of their respective properties or businesses, before or by any court or federal, state or foreign commission, board or other administrative agency wherein an unfavorable decision, ruling or finding may have a Material Adverse Effect, except as set forth in the Offering Memorandum; and (vi) no stop order shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened or, to the knowledge of the Company, contemplated by the Commission or any state regulatory authority.

(g) At the Closing Date, the Initial Purchasers shall have received a certificate of the Company signed by the principal executive officer and by the chief financial or chief accounting officer of the Company, in their capacities as such, dated the Closing Date, to the effect that each of such persons has carefully examined the Offering Memorandum, this Agreement and the Indenture, and that:

i) the representations and warranties of the Company in this Agreement, the Indenture and the Registration Rights Agreement are true and correct, as if made on and as of the Closing Date or such Option Closing Date, as the case may be, and the Company has complied with all agreements and covenants and satisfied all conditions contained in this Agreement, the Indenture and the Registration Rights Agreement on its part to be performed or satisfied at or prior to the Closing Date;

ii) no stop order suspending the qualification or exemption from qualification of the Securities shall have been issued and no proceedings for that purpose shall have been commenced or, to the knowledge of the Company, be contemplated;

iii) since the date of the most recent financial statements included in the Offering Memorandum, there has been no material adverse change in the condition, financial or otherwise, business, prospects or results of operation of the Company and the Subsidiaries, taken as a whole, except as set forth in the Offering Memorandum;

iv) none of the Offering Memorandum or any amendment or supplement thereto includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

v) subsequent to the respective dates as of which information is given in the Offering Memorandum: (a) neither the Company nor any of the Subsidiaries has incurred up to and including the Closing Date or the Option Closing Date, as the case may be, other than in the ordinary course of its business, any material liabilities or obligations, direct or contingent, except as disclosed in the Offering Memorandum; (b) neither the Company nor any of the Subsidiaries has paid or declared any dividends or other distributions on its capital stock; (c) neither the Company nor any of the Subsidiaries has entered into any material transactions not in the ordinary

course of business, except as disclosed in the Offering Memorandum; (d) there has not been any change in the capital stock (other than pursuant to the Company's Stock Option Plan, 1994 Outside Directors Stock Option Plan or 1994 Stock Repurchase Plan or upon conversion of the Existing Preferred or the exercise of Warrants outstanding on such respective dates) or the long term debt of the Company or any of the Subsidiaries; (e) neither the Company nor any of the Subsidiaries has sustained any material loss or damage to its property or assets, whether or not insured; (f) there is no litigation which is pending, threatened or, to the best of the Company's knowledge, contemplated against the Company, any of the Subsidiaries or any affiliated party of any of the foregoing which would have a Material Adverse Effect and which is required to be set forth in an amended or supplemented Offering Memorandum which has not been set forth; and (g) there has occurred no event which would be required to be set forth in an amended or supplemented prospectus if the Offering Memorandum were a prospectus included in a registration statement on Form S-3, which has not been set forth in an amendment or supplement to the Offering Memorandum.

(h) On or before the date hereof the Initial Purchasers shall have received a letter, dated such date, addressed to the Initial Purchasers in form and substance satisfactory in all respects to the Initial Purchasers and Kelley Drye & Warren, from Arthur Andersen LLP:

i) confirming that they are independent certified public accountants with respect to the Company within the meaning of the Securities Act and the Exchange Act and the applicable Rules and Regulations;

ii) stating that it is their opinion that the consolidated financial statements and supporting schedules of the Company and the Subsidiaries included in the Offering Memorandum or incorporated by reference therein comply as to form in all material respects with the applicable accounting requirements of the Securities Act;

iii) stating that they have compared specific dollar amounts, numbers of shares, percentages of revenues and earnings, statements and/or other financial information pertaining to the Company and the Subsidiaries set forth in the Offering Memorandum in each case to the extent that such amounts, numbers, percentages, statements and information may be derived from the general accounting records, including work sheets, of the Company and/or the Subsidiaries and excluding any questions requiring an interpretation by legal counsel, with the results obtained from the application of specified readings, inquiries and other appropriate procedures (which procedures need not constitute an examination in accordance with generally accepted auditing standards) set forth in the letter and found them to be in agreement; and

iv) statements as to such other matters incident to the transaction contemplated hereby as the Initial Purchasers may reasonably request.

(i) At the Closing Date and each Option Closing Date, if any, the Initial Purchasers shall have received from Arthur Andersen LLP a letter, dated as of the Closing Date or such Option Closing Date, as the case may be, to the effect that they reaffirm that statements made in the letter furnished pursuant to subsection (h) of this Section 6, except that the specified date referred to shall be a date not more than five (5) days prior to the Closing Date or such Option Closing Date, as the case may be, to the further effect that they have carried out procedures as specified in clause (iii) of subsection (h) of this Section 6 with respect to certain amounts, percentages and financial information as specified by the Initial Purchasers and deemed to be a part of the Offering Memorandum and have found such amounts, percentages and financial information to be in agreement with the records specified in such clause (iii). If there is more than one Option Closing, the obligations of the Company pursuant to this Section 6(i) shall be conditioned upon the payment by the Initial Purchasers of the fees and expenses of Arthur Andersen LLP incurred to provide the foregoing letter at any Option Closing after the initial Option Closing.

(j) On each of the Closing Date and each Option Closing Date, if any, there shall have been duly tendered to the Initial Purchasers the appropriate number of shares of Preferred Stock.

(k) The Preferred Stock and the Notes shall have been approved by the National Association of Securities Dealers, Inc. for trading in the PORTAL market.

(l) Trading in the Common Stock shall not have been suspended by Nasdaq at any time after October 1, 1995.

(m) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the over-the-counter market shall have been suspended or limited, or minimum prices shall have been established on either of such exchanges or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, or trading in securities of the Company on any exchange or in the over-the-counter market shall have been suspended or (ii) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (iii) an outbreak or escalation of hostilities or a declaration by the United States of a national emergency or war or such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Initial Purchasers, impracticable or inadvisable to proceed with the offering or the delivery of the Preferred Stock on the terms and in the manner contemplated in the Offering Memorandum.

(n) The Company and the Initial Purchasers shall have executed and delivered the Registration Rights Agreement on the date of this Agreement.

(o) The Certificate of Designations shall have been duly executed and filed by the Company with the Secretary of State of the State of Delaware.

(p) If any event shall have occurred that requires the Company under Section 4(c) hereof to prepare an amendment or supplement to the Offering Memorandum, such amendment or supplement shall have been prepared, the Initial Purchasers shall have been given a reasonable opportunity to comment thereon, and copies thereof delivered to the Initial Purchasers.

(q) There shall not have occurred any invalidation of Rule 144A under the Securities Act by any court or any withdrawal or proposed withdrawal of any rule or regulation under the Securities Act or the Exchange Act by the Commission or any amendment or proposed amendment thereof by the Commission which in the judgment of the Initial Purchasers would materially impair the ability of the Initial Purchasers to purchase, hold or effect resales of the Preferred Stock as contemplated hereby.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to the Initial Purchasers.

If any condition to the Initial Purchasers' obligations hereunder to be fulfilled prior to or at the Closing Date or the relevant Option Closing Date, as the case may be, is not so fulfilled, the Initial Purchasers may terminate this Agreement or, if the Initial Purchasers so elect, they may waive any such conditions which have not been fulfilled or extend the time for their fulfillment.

7. Indemnification.

(a) The Company agrees to indemnify and hold harmless the Initial Purchasers (for purposes of this Section 7, "Initial Purchasers" shall include the officers, directors, partners, employees and agents, and each person, if any, who controls either of the Initial Purchasers ("controlling person") within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, from and against any and all losses, claims,

damages, expenses or liabilities, joint or several (and actions, proceedings, suits and litigation in respect thereof), whatsoever, as the same are incurred, to which the Initial Purchasers or any such controlling person may become subject, under the Securities Act, the Exchange Act or any other statute or at common law or otherwise insofar as such losses, claims, damages, expenses or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Memorandum or the Offering Memorandum (as from time to time amended and supplemented) or arise out of or are based upon the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made, not misleading; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, expense or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Memorandum or the Offering Memorandum or any such amendment or supplement in reliance upon and in conformity with Initial Purchasers Information and provided, further, that the Company shall not be liable to the Initial Purchasers under the indemnity agreement in this subsection (a) (i) with respect to any Preliminary Offering Memorandum to the extent that any such loss, liability, claim, damage or expense of the Initial Purchasers arises out of a sale of the Preferred Stock by such Initial Purchaser to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Offering Memorandum (or of the Offering Memorandum as then amended or supplemented) if the Company has previously furnished sufficient copies thereof to the Initial Purchasers a reasonable time in advance and the loss, liability, claim, damage or expense of such Initial Purchaser results from an untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in the Preliminary Offering Memorandum which was corrected in the Offering Memorandum (or the Offering Memorandum as amended or supplemented) or (ii) to the extent that any such loss, claim, damage, expense or liability arises out of or is based upon any action or failure to act by the Initial Purchasers, that is found in a final judicial determination (or a settlement tantamount thereto) to constitute bad faith, willful misconduct or gross negligence on the part of the Initial Purchasers. The indemnity agreement in this subsection (a) shall be in addition to any liability which the Company may have at common law or otherwise.

(b) The Initial Purchasers agree severally and not jointly to indemnify and hold harmless the Company, each of its directors, each of its officers, and each other person, if any, who controls the Company within the meaning of the Securities Act, to the same extent as the foregoing indemnity from the Company to the Initial Purchasers, but only with respect to statements or omissions made in conformity with the Initial Purchasers Information in any Preliminary Offering Memorandum or the Offering Memorandum or any amendment thereof or supplement thereto.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, suit or proceeding, such indemnified party shall, if a claim in respect thereof is to be made against one or more indemnifying parties under this Section 7, notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure to notify an indemnifying party shall not relieve it from any liability which it may have under this paragraph (a) or (b) of Section 7 unless and to the extent that it has been prejudiced in a material respect by such failure or from the forfeiture of substantial rights and defenses). In case any such action, suit or proceeding is brought against any indemnified party, and it notifies an indemnifying party or parties of the commencement thereof, the indemnifying party or parties will be entitled to participate therein, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party, which may be the same counsel as counsel to the indemnifying party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such case but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action at the expense of the indemnifying party, (ii) the indemnifying parties shall not have employed counsel reasonably satisfactory to such indemnified party to take charge of the defense of such action within a reasonable time after notice of commencement of the action or (iii) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses of one additional counsel shall be borne by the

indemnifying parties. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. Anything in this Section 7 to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent.

(d) In order to provide for just and equitable contribution in any case in which (i) an indemnified party makes claim for indemnification pursuant to this Section 7, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of this Section 7 provide for indemnification in such case, or (ii) contribution under the Securities Act may be required, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid as a result of such losses, claims, damages, expenses or liabilities (or actions, suits, proceedings or litigation in respect thereof) (A) in such proportion as is appropriate to reflect the relative benefits received by each of the contributing parties, on the one hand, and the party to be indemnified on the other hand, from the offering of the Securities or (B) if the allocation provided by clause (A) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each of the contributing parties, on the one hand, and the party to be indemnified, on the other hand, in connection with the statements or omissions that resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Initial Purchasers, on the other, shall be deemed to be in the same proportion as the total net proceeds from the offering of the Preferred Stock (before deducting expenses) bear to the total discounts received by the Initial Purchasers hereunder, in each case as set forth in the table on the Cover Page of the Offering Memorandum. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Initial Purchasers, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, expenses or liabilities (or actions, suits, proceedings or litigation in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating, preparing or defending any such action, claim, suit, proceeding or litigation. Notwithstanding the provisions of this subsection (d), the Initial Purchasers shall not be required to contribute any amount in excess of the discount applicable to the Preferred Stock purchased by the Initial Purchasers hereunder. No person guilty of fraudulent misrepresentation (within the meaning of Section 12(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7, each person, if any, who controls the Company within the meaning of the Securities Act, each executive officer of the Company and each director of the Company shall have the same rights to contribution as the Company, subject in each case to this subsection (d). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit, proceeding or litigation against such party in respect to which a claim for contribution may be made against another party or parties under this subsection (d), notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have hereunder or otherwise than under this subsection (d), or to the extent that such party or parties were not adversely affected by such omission. The contribution agreement set forth above shall be in addition to any liabilities which any indemnifying party may have at common law or otherwise.

8. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements contained in this Agreement or contained in certificates of officers of the Company submitted pursuant hereto shall be deemed to be representations, warranties and agreements at the Closing Date and each Option Closing Date, as the case may be, and the agreements of the Company and the provisions with respect to the payment of expenses contained in Sections 5 and 9 and the respective indemnity agreements contained in Section 7 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Initial Purchasers, the Company, any of the Subsidiaries or any controlling person, and shall survive termination of this Agreement or the issuance and delivery of the Preferred Stock to the Initial Purchasers.

9. TERMINATION.

(a) Subject to subsection (b) of this Section 9, the Initial Purchasers shall have the right to terminate this Agreement (i) if any domestic or international event or act or occurrence has disrupted, or in the Initial Purchasers' opinion will in the immediate future disrupt the financial markets, or (ii) if any material adverse change in the financial markets shall have occurred or (iii) if trading on the New York Stock Exchange, the American Stock Exchange or in the over-the-counter market shall have been suspended, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required on the over-the-counter market by the NASD or by order of the Commission or any other government authority having jurisdiction; or (iv) if the United States shall have become involved in a war or major hostilities, or there shall have been an escalation in an existing war or major hostilities, or a national emergency shall have been declared in the United States; or (v) if a banking moratorium has been declared by a state or federal authority; or (vi) if a moratorium in foreign exchange trading has been declared; or (vii) if the Company or any of the Subsidiaries shall have sustained a loss material or substantial to the Company or any of the Subsidiaries by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not such loss shall have been insured, will, in the Initial Purchasers' opinion, make it inadvisable to proceed with the delivery of the Securities; or (viii) if there shall have been such a material adverse change in the general market, political or economic conditions in the United States or elsewhere, as in the Initial Purchasers' judgment would make it inadvisable to proceed with the offering, sale and/or delivery of the Preferred Stock.

(b) If this Agreement is terminated by the Initial Purchasers in accordance with the provisions of Section 9(a) due to any events or circumstances specifically applicable to the Company (as opposed to events or circumstances having a general effect upon market, politcal or economic conditions) or if this Agreement shall not be carried out within the time specified herein, or any extension thereof granted to the Initial Purchasers, by reason of any failure on the part of the Company to perform any undertaking or satisfy any condition of this Agreement by it to be performed or satisfied (including, without limitation, pursuant to Section 6, 9 or 10 hereof), then the Company shall promptly reimburse and indemnify the Initial Purchasers for all of their out-of-pocket expenses, including the fees and disbursements of counsel for the Initial Purchasers (less amounts previously paid pursuant to Section 5). If the amount previously paid pursuant to Section 5(a) above exceeds the Initial Purchasers' out-of-pocket expenses, the Initial Purchasers shall refund such excess to the Company. Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement (including, without limitation, pursuant to Sections 6, 9 and 10 hereof), and whether or not this Agreement is otherwise carried out, the provisions of Section 5 and Section 7 shall not be in any way affected by such election or termination or failure to carry out the terms of this Agreement or any part hereof.

10. DEFAULT BY THE COMPANY. If the Company shall fail at the Closing Date or any Option Closing Date, as applicable, to sell and deliver the number of Securities which it is obligated to sell hereunder on such date, then this Agreement shall terminate (or, if such default shall occur with respect to any Option Securities to be purchased on an Option Closing Date, the Initial Purchasers may, at its option, by notice from the Initial Purchasers to the Company, terminate the Initial Purchasers' obligation to purchase Option Preferred Stock from the Company on such date) without any liability on the part of any non-defaulting party other than pursuant to Sections 5, 7 and 9 hereof. No action taken pursuant to this Section 10 shall relieve the Company from liability, if any, in respect of such default.

11. NOTICES. All notices and communications hereunder, except as herein otherwise specifically provided, shall be given in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Initial Purchasers shall be directed to it at Forum Capital Markets L.P., 53 Forest Avenue, Old Greenwich, Connecticut 06870, Attention: Mr. Keith Hartley, with a copy to Hanifen, Imhoff Inc., 1125 17th Street, Suite 1600, Denver, Colorado 80202, Attention: General Counsel, and with an additional copy to Kelley Drye & Warren, Two Stamford Plaza, Stamford, Connecticut 06901, Attention: Jay R. Schifferli, Esq. Notices to the Company shall be directed to the Company at 500 Throckmorton Street, Fort Worth, Texas 76102, Attention: President, with a copy to Rubin Baum Levin Constant & Friedman, 30 Rockefeller Plaza, New York, New York 10112, Attention: Walter M. Epstein, Esq.

12. PARTIES. This Agreement shall inure solely to the benefit of and shall be binding upon the Initial Purchasers, the Company and the controlling persons, directors and officers referred to in Section 7 hereof, and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained. No purchaser of Preferred Stock from the Initial Purchasers shall be deemed to be a successor by reason merely of such purchase.

13. CONSTRUCTION. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to choice of law or conflict of laws principles.

14. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which taken together shall be deemed to be one and the same instrument.

15. ENTIRE AGREEMENT; AMENDMENTS. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior written or oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may not be amended except in a writing signed by the Initial Purchasers and the Company.

If the foregoing correctly sets forth the understanding between the Initial Purchasers and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

LOMAK PETROLEUM, INC.

By:_____
Name:
Title:

Confirmed and accepted as of
the date first above written.

FORUM CAPITAL MARKETS L.P.

By:_____
Name:
Title:

HANIFEN, IMHOFF INC.

By:_____
Name:
Title:

CT01/SCHIJ/68169.34

ANNEX I

Subsidiaries

Name	State of Incorporation	Ownership Percentage	Jurisdictions in which Qualified to Conduct Business

ANNEX II

ERISA Plans

EXHIBIT 4.1(q)

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:01 AM 07/08/1993
931895584 - 889546

CERTIFICATE

OF

DESIGNATION, VOTING POWERS, PREFERENCES AND RIGHTS OF THE PREFERRED STOCK

OF

LOMAK PETROLEUM, INC.
TO BE DESIGNATED
SERIAL PREFERRED STOCK -- 7 1/2% CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK SERIES A

Lomak Petroleum, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), pursuant to Section 151 of the General Corporation Law of the State of Delaware, certifies that the Board of Directors of said Corporation at a meeting thereof duly called and held on April 29, 1993, at which meeting a quorum was present and acting throughout, duly adopted the following resolution providing for the issuance of a series of preferred stock to be designated "Serial Preferred Stock -- 7 1/2% Cumulative Convertible Exchangeable Preferred Stock Series A" and to consist of 87,400 shares;

"RESOLVED, that pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation, as amended, there is hereby created a Series of Preferred Stock consisting of 87,400 shares of Serial Preferred Stock -- 7 1/2% Cumulative Convertible Exchangeable Preferred Stock Series A, par value $1.00 per share (such Preferred Stock being hereinafter referred to as the "7 1/2% Convertible A Preferred Stock") with the designations, powers, preferences and relative, participating, optional and other special rights, qualifications, limitations and restrictions set forth in the Certificate of Incorporation, as amended, which are applicable to Preferred Stock"; as follows:

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1. DESIGNATION OF SERIES: NUMBER OF SHARES. The distinctive designation of this series of Preferred Stock shall be "7 1/2% Convertible Exchangeable Preferred Stock Series A", the number of shares which shall constitute such series shall be 87,400 shares.

2. DIVIDENDS. The annual rate of cash dividends payable on shares of 7 1/2% Convertible B Preferred Stock shall be $1.875, payable quarterly on the last day of September, December, March, and June, respectively in each year (each a "Dividend Payment Date") commencing June 30, 1993, with respect to the quarterly period ending on such respective Dividend Payment Date. Dividends on shares of the 7 1/2% Convertible A Preferred Stock shall commence to accrue and shall be cumulative from and after the date that the Corporation collects from each purchaser of shares of 7 1/2 % Convertible A Preferred Stock funds in payment of such shares. If and so long as any dividends have not been paid in full pursuant to this Section 2 on shares of 7 1/2% Convertible A Preferred Stock and/or shares of 7 1/2% Convertible Exchangeable Preferred Stock Series B (individually referred to as "7 1/2% Convertible B Preferred Stock" and collectively as the "7 1/2% Preferred Series"), the Corporation agrees that it will not (x) redeem any shares of preferred stock convertible into Common Stock or any other shares of capital stock of the Corporation which rank junior to shares of the 7 1/2% Preferred Series as to dividends and liquidation preference or (y) pay dividends on shares of Preferred Stock convertible into Common Stock or any other shares of capital stock of the Corporation which rank junior to shares of the 7 1/2% Preferred Series as to dividends and liquidation preference.

3. REDEMPTION. (a) To the extent the Corporation shall have funds legally available for such payment, the Corporation may redeem at its option the 7 1/2% Convertible A Preferred Series, at any time in whole or from time to time in part after July 1, 1996 at the redemption prices set forth below plus an amount per share equal to all unpaid dividend thereon, including accrued dividends to the redemption date.

Period	Redemption Price
July 1, 1996 - December 31,1996	107.50%
1997	105.00%
1998	102.50%
1999 and Thereafter	100.00%

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The Corporation will provide the holders with a minimum advance notice of 10 days prior to any redemption, within which period conversion under Section 6 can be effected by the holders.

(b) If any proposed redemption of shares of the 7 1/2% Preferred Series shall be of less than all then outstanding shares of the 7 1/2% Preferred Series, the shares of the 7 1/2% Series to be redeemed will be selected by lot or pro rata or by any other method as may be determined by the Board of Directors of the Corporation in its sole discretion to be equitable.

4. LIQUIDATION RIGHTS. The amount payable to the holders of shares of the 7 1/2% Preferred Series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation shall be $25.00 per share plus accrued and unpaid dividends to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up of the affairs of the Corporation. Shares of the 7 1/2% Preferred Series shall have preference over all shares of Common Stock as to distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation. The Corporation agrees that except for the issuance of shares of the 7 1/2% Preferred Series, it will not issue any shares of preferred stock which are convertible into shares of Common Stock of the Corporation which rank senior to shares of the 7 1/2% Preferred Series as to liquidation preference without the consent of the holders of a majority of the shares of the 7 1/2% Preferred Series.

5. VOTING RIGHTS. (a) The holders of shares of the 7 1/2% Preferred Series shall be entitled to 2 votes for each such share on all matters presented to the Corporation's stockholders' and, except as otherwise provided herein or required by law, the holders of shares of the 7 1/2% Preferred Series and the holders of shares of Common Stock and any other shares having voting rights shall vote together as one class on all matters. On any matter requiring the holders of the 7 1/2% Preferred Series as a class, said holders shall be treated as a single class.

(b) If at any time or times dividends payable on the 7 1/2% Preferred Series shall be in arrears and unpaid in an amount equal to eight (8) full quarterly dividends, then the number of directors constituting the Board of Directors of the Corporation shall be increased by two (2) and the holders of 7 1/2% Preferred Series shall have the exclusive right, voting separately as a class, to elect the directors of the Corporation to fill such newly created directorships, the remaining directors to be elected by the other class or classes of stock entitled to vote therefore, at each meeting of stockholders

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held for the purpose of electing directors.

6. CONVERSION. Each share of the 7 1/2% Convertible A Preferred Stock may be converted at any time, at the option of the holder hereof, into shares of Common Stock on the terms and conditions set forth below in Section 6 (a) subject to the adjustments provided in Section 6 (b). The Corporation may cause the 7 1/2% Convertible B Preferred Stock to be converted at any time on or after July 1, 1995 on the terms and conditions set forth below in Section 6 (a) subject to the adjustments provided in Section 6 (b) if, but only if: (i) the Corporation's shares of Common Stock, $.01 par value per share ("Common Stock") are then listed on a national securities exchange or authorized for quotation on NASDAQ; and (ii) the closing price of a share of Common Stock on a national securities exchange (including NASDAQ) has exceeded $8.80 subject to adjustment as provided in this Section 6, by 35% or more for at least twenty of the thirty preceding trading days.

(a) Subject to the provisions for adjustment hereinafter set forth, each share of the 7 1/2% Convertible A Preferred Stock shall be convertible into 2.9412 fully paid and nonassessable shares of Common Stock equal to a conversion price ("Conversion Price") of $8.50 per share. In lieu of issuing a partial share, the shares of Common Stock issuable shall be rounded up or down, as the case may be, to the nearest whole share;

(b) The number of shares of Common Stock into which each share of the 7 1/2% Convertible A Preferred Stock is convertible shall be adjusted from time to time as follows:

(i) In case the Corporation shall at any time or from time to time declare or pay any dividend on its Common Stock payable in its Common Stock or effect a subdivision of the outstanding shares of Common Stock (by reclassification, split or otherwise than by payment of a dividend in its Common Stock), then, and in each such case, the number of shares of Common Stock into which each share of the 7 1/2% Convertible A Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Common Stock determined by multiplying (a) the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event by (b) a fraction, the numerator of which is the sum of (I) the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event plus (II) the number of shares of Common Stock which such holder would have been entitled to receive in connection with the occurrence of such event had such

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share been converted immediately prior thereto, and the denominator of which is the number of shares of Common Stock determined in accordance with clause (I) above. An adjustment made pursuant to this subparagraph (B) (i) shall become effective (a) in the case of any such dividend, immediately after the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend, or (b) in the case of any such subdivision, at the close of business on the day immediately prior to the day upon which such corporate action became effective;

(ii) In case the Corporation at any time or from time to time shall combine or consolidate the outstanding shares of its Common Stock into a lesser number of shares of Common Stock, by reverse split, reclassification or otherwise, then, and in each such case, the number of shares of Common Stock into which each share of the 7 1/2% Convertible A Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Common Stock determined by multiplying (a) the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event by (b) a fraction, the numerator of which is the number of shares which the holder would have owned after giving effect to such event had such share been converted immediately prior to the occurrence of such event and the denominator of which is the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event. An adjustment made pursuant to this subparagraph (B) (ii) shall become effective at the close of business on the day immediately prior to the day upon which such corporate action becomes effective;

(iii) In case of any capital reorganization or reclassification of the capital stock of the Corporation or in case of the consolidation or merger of the Corporation with another corporation or in the case of any sale or conveyance of all or substantially all of the property of the Corporation, each share of 7 1/2% Convertible A Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or cash or other property receivable upon such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance, as the case may be, by a holder of the number of shares of Common Stock into which such share of 7 1/2% Convertible A Preferred Stock was convertible immediately prior to such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance;

7. RIGHTS DISTRIBUTIONS. If the Corporation after the date hereof shall

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distribute to all holders of the Corporation's Common Stock rights ("Rights") to subscribe or purchase shares of Common Stock of the Corporation and in the event that prior to the record date for such distribution of Rights the holders of shares of 7 1/2% Convertible A Preferred Stock have not converted such shares into shares of Common Stock pursuant to Section 6 of this Certificate of Designation, the Corporation agrees that it will also distribute such Rights to holders of shares of 7 1/2% Convertible A Preferred Stock as if such holder had converted shares of 7 1/2% Convertible A Preferred Stock for shares of Common Stock.

8. EXCHANGE. The shares of 7 1/2% Convertible A Preferred Stock are exchangeable, at the option of the Corporation, in whole (but not in part), on any dividend payment date for the Corporation's 7 1/2% Convertible Subordinated Notes due July 1, 2003 (the "Notes") in a principal amount equal to $25.00 per share. The Notes will be convertible into Common Stock on the same basis as if the exchange had not occurred. The Notes will bear interest from the date of issuance, payable semi-annually in arrears on June 30, and December 31 of each year, commencing on the first such interest payment date following the date of exchange. At the Corporation's option, the Notes will be redeemable, in whole or in part, at the redemption prices set forth above under "Optional Redemption" plus accrued and unpaid interest. The Notes are not subject to mandatory sinking fund payments. The Notes will be subordinated to all senior indebtedness of the Corporation.

9. REGISTRATION RIGHTS.

A. DEMAND RIGHTS. Upon receipt of the written request of holders ("Registration Holders") of 100,000 or more shares of the 7 1/2% Preferred Series, the Corporation will take, as promptly as possible, the actions set forth below with respect to the underlying shares of Common Stock into which the 7 1/2% Preferred Series are convertible (such shares of Common Stock referred to herein as "Registrable Shares"):

(a) notify all holders of the 7 1/2% Preferred Series and permit all such holders to include their Registrable Shares in a Registration Statement;

(b) prepare and file with the Securities and Exchange Commission (the "SEC") a Registration Statement with respect to such Registrable Shares and use its best efforts to cause such Registration Statement to become and remain effective for a period of at least three months;

(c) prepare and file with the SEC such amendments and supplements to

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such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for a period of not less than three months and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all such Registration Holder's Registrable Shares covered by such Registration Statement;

(d) furnish to such Registration Holder such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as such Registration Holder may reasonably request in order to facilitate the public sale or other disposition of such Registrable Shares owned by such Registration Holder;

(e) register or qualify the Registrable Shares covered by such Registration Statement under the securities or Blue sky laws of such states as the Corporation shall determine and perform any and all other acts and things which may be necessary or advisable to enable such Registration Holder to consummate the public sale or other disposition in such jurisdictions of such Registrable Shares owned by such Registration Holder; PROVIDED, HOWEVER, that the Corporation shall not be required to qualify to do business as a foreign corporation in any state where it is not then so qualified, nor take any action which will subject it to general service or process in any state where it is not then so subject;

(f) notify such Registration Holder, at any time when a prospectus relating to such Registration Holder's Registrable Shares covered by such Registration Statement is required to be delivered under the Securities Act within the appropriate period mentioned in clause (c) above, of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at such Registration Holder's request, prepare and furnish to such Registration Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; and

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(g) furnish, at such Registration Holder's request, on the date that such Registration Holder's Registrable Shares are delivered to the underwriters for sale pursuant to a Registration Statement or, if such registrable Shares are not being sold through underwriters, on the date the Registration Statement becomes effective, an opinion, dated such date, of the counsel representing the Corporation for the purposes of such Registration Statement, stating that such Registration Statement has become effective under the Securities Act and that (i) to the knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act; (ii) the Registration Statement, the related prospectus, and each amendment or supplement thereto, comply as to form in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the SEC thereunder (except that such counsel need express no opinion as to financial statements contained therein); (iii) the descriptions in the Registration Statement or the prospectus, or any amendment or supplement thereto, of all legal documents or instruments present the information required to be shown in compliance with the Securities Act; and (iv) such counsel does not know of any legal or governmental proceedings, pending or contemplated, required to be described in the Registration statement or prospectus, or any amendment or supplement thereto, or to be filed as exhibits to the Registration Statement which are not described and filed as required; such opinion of counsel shall additionally cover such other legal matter with respect to the registration in respect of which such opinion is being given as such Registration Holder may reasonably request.

(h) EXPENSES. All expenses incurred by the Corporation in complying with this Section, including, without limitation, all registration and filing fees (including all expenses incident to filing with a principal stock exchange or the National Association of Securities Dealers, Inc.), printing expenses, fees and disbursements of counsel for the Corporation, the expense of any special audits incident to or required by any such registration, and the expense (including counsel fees) of complying with securities or Blue Sky laws of such states as shall be necessary by the Corporation. The Registration Holder shall bear the cost of any underwriters discount with respect to the sale of its Registrable Shares.

(i) INDEMNIFICATION BY CORPORATION. In the event of any registration of any of a Registration Holder's Registrable Shares under the Securities Act pursuant to this Section, the Corporation will indemnify and hold harmless such Registration Holder, its attorneys and accountants, each underwriter of such Registrable Shares and each other person, if any, who controls such

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Registration Holder or such underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Registration Holder, such underwriter or such controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained (on the effective date thereof) in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing; and will reimburse such Registration Holder, such underwriter and each such controlling person for reasonable legal or any other expenses reasonably incurred by such Registration Holder, such underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the Corporation will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or omission or alleged omission made in said Registration Statement, said preliminary prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished to the Corporation through an instrument duly executed by such Registration Holder or such underwriter, as the case may be, specifically for use in the preparation thereof.

(j) INDEMNIFICATION BY REGISTRATION HOLDERS. In the event of any registration of any of a Registration Holder's Registrable Shares pursuant to this Section, such Registration Holder will indemnify and hold harmless the Corporation, its attorneys, accountants and each other person, if any, who controls the Corporation within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which the Corporation or such controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement of alleged untrue statement of any material fact contained (on the effective date thereof) in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

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in each case to the extent and only to the extent that any such loss, claim, damage or liability arises out of or is based upon untrue statement or alleged untrue statement or omission or alleged omission made in said Registration Statement, said preliminary prospectus or said prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished to the Corporation through an instrument duly executed by such Registration Holder will reimburse the Corporation and each such controlling person for reasonable legal or any other expenses reasonably incurred by the Corporation or such controlling persons in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that each Registration Holder shall only be liable for any losses, claims, damages or liabilities pursuant to this Section 9 (i) for an amount up to the amount of proceeds of such Registration Holder receives from the sale of this Registrable Shares in a Registration.

(k) NOTICE OF CLAIM. In the event of any claim for which indemnity is sought under Section 9 (i) or 9 (j) above, the party seeking indemnification shall give prompt notice of its claim to the other party and shall permit the other party to engage counsel and to defend against the same.

(l) LIMITATION ON REGISTRATION. (i) The Registration Holder's right to request registration of Registrable Shares under this Section shall cease and terminate as to any particular Registrable Shares when such Registrable Shares shall have been effectively registered and sold under the Securities Act or have been transferred in a disposition exempt from such registration requirement. For purposes of this Certificate of Designation, shares of Common Stock shall cease to be Registrable Shares when such shares have been sold pursuant to an effective Registration Statement under the Securities Act or pursuant to an exemption from registration thereunder. No demand for registration under Section 9 can be made by a Registration Holder for a period of 90 days following the end of the effectiveness of any effective Registration Statement in which the Registration Holders had been given the opportunity to include all Registrable Shares therein.

(m) The obligation of the Corporation with regard to demand registration rights shall be limited to two Registrations in the aggregate for the 7 1/2% Preferred Series.

B. PIGGY-BACK RIGHTS. If the Corporation at any time after the date hereof proposes to register any of its securities under the Securities Act (except with respect to any registration filed on Form S-8 or Form S-4 or such other similar form then in effect under the Securities Act), it will at each

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such time promptly give written notice to each Registration Holder of its intention to do so and, upon the written request of any Registration Holder given within 10 calendar days after receipt of any such notice, the Corporation will use its best efforts to cause Registrable Shares held by such Registration Holder as to which registration is so requested, to be registered under the Securities Act, all to the extent requisite to permit the sale or other disposition by such Registration Holder (each such registration under the Securities Act being referred to herein as a "Registration"); PROVIDED; HOWEVER; that (A) the Corporation may at any time withdraw or cease proceeding with any such Registration if it shall at the same time withdraw or cease proceeding with the registration of such other securities originally proposed to be registered and, (B) if the underwriter of any offering shall state in writing that in its opinion the inclusion of such Registrable Shares in the proposed Registration Statement would have a material adverse effect on he proposed offering, then at the Corporation's request (i) the Registration Statement shall include only that number of Registrable Shares, if any, which the managing underwriter believes may be offered without causing such adverse effect, and the number of Registrable Shares shall be allocated among all Registration Holders requesting to participate in such Registration Statement in proportion (as nearly as practicable) to the number of Registrable Shares requested to be included by each Registration Holder or (ii) the Registration Statement shall provided that the effective date of the Registration Statement with respect to the Registrable Shares shall be delayed for ninety (90) days. The Piggy-Back Rights shall also be governed by the provisions of Section 9A hereof in all respects other than as otherwise specifically limited by the terms of Section 9B.

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IN WITNESS WHEREOF, Lomak Petroleum, Inc. has caused this certificate to be signed by John M. Pinkerton, its President and Chief Executive Officer and Walter M. Epstein, its Assistant Secretary, this 8th day of July 1993.

LOMAK PETROLEUM, INC.

By: _____

John H. Pinkerton
President and Chief
Executive Officer

By: _____

Walter M. Epstein
Assistant Secretary

13

IN WITNESS WHEREOF, Lomak Petroleum, Inc. has caused this certificate to be signed by John M. Pinkerton, its President and Chief Executive Officer and Walter M. Epstein, its Assistant Secretary, this 8th day of July 1993.

LOMAK PETROLEUM, INC.

By: _____
John H. Pinkerton
President and Chief
Executive Officer

By: _____
Walter M. Epstein
Assistant Secretary

EXHIBIT 4.1(r)

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:01 AM 07/08/1993
931895584 - 889546

CERTIFICATE

OF

DESIGNATION, VOTING POWERS,
PREFERENCES AND RIGHTS OF
THE PREFERRED STOCK

OF

LOMAK PETROLEUM, INC.
TO BE DESIGNATED
SERIAL PREFERRED STOCK --
7 1/2% CUMULATIVE CONVERTIBLE EXCHANGEABLE
PREFERRED STOCK SERIES B

Lomak Petroleum, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), pursuant to Section 151 of the General Corporation Law of the State of Delaware, certifies that the Board of Directors of said Corporation at a meeting thereof duly called and held on April 29, 1993, at which meeting a quorum was present and acting throughout, duly adopted the following resolution providing for the issuance of a series of preferred stock to be designated "Serial Preferred Stock -- 7 1/2% Cumulative Convertible Exchangeable Preferred Stock Series B" and to consist of 112,600 shares;

"RESOLVED, that pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation, as amended, there is hereby created a Series of Preferred Stock consisting of 112,600 shares of Serial Preferred Stock -- 7 1/2% Cumulative Convertible Exchangeable Preferred Stock Series B, par value $1.00 per share (such Preferred Stock being hereinafter referred to as the "7 1/2% Convertible B Preferred Stock") with the designations, powers, preferences and relative, participating, optional and other special rights, qualifications, limitations and restrictions set forth in the Certificate of Incorporation, as amended, which are applicable to Preferred Stock"; as follows:

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1. DESIGNATION OF SERIES: NUMBER OF SHARES. The distinctive designation of this series of Preferred Stock shall be "7 1/2% Convertible Exchangeable Preferred Stock Series B", the number of shares which shall constitute such series shall be 112,600 shares.

2. DIVIDENDS. The annual rate of cash dividends payable on shares of 7 1/2% Convertible B Preferred Stock shall be $1.875, payable quarterly on the last day of September, December, March, and June, respectively in each year (each a "Dividend Payment Date") commencing September 30, 1993, with respect to the quarterly period ending on such respective Dividend Payment Date. Dividends on shares of the 7 1/2% Convertible B Preferred Stock shall commence to accrue and shall be cumulative from and after the date that the Corporation collects from each purchaser of shares of 7 1/2 % Convertible B Preferred Stock funds in payment of such shares. If and so long as any dividends have not been paid in full pursuant to this Section 2 on shares of 7 1/2% Convertible B Preferred Stock and/or shares of 7 1/2% Convertible Exchangeable Preferred Stock Series A (individually referred to as "7 1/2% Convertible A Preferred Stock" and collectively as the "7 1/2% Preferred Series"), the Corporation agrees that it will not (x) redeem any shares of preferred stock convertible into Common Stock or any other shares of capital stock of the Corporation which rank junior to shares of the 7 1/2% Preferred Series as to dividends and liquidation preference or (y) pay dividends on shares of Preferred Stock convertible into Common Stock or any other shares of capital stock of the Corporation which rank junior to shares of the 7 1/2% Preferred Series as to dividends and liquidation preference.

3. REDEMPTION. (a) To the extent the Corporation shall have funds legally available for such payment, the Corporation may redeem at its option the 7 1/2% Convertible B Preferred Series, at any time in whole or from time to time in part after July 1, 1996 at the redemption prices set forth below plus an amount per share equal to all unpaid dividend thereon, including accrued dividends to the redemption date.

Period	Redemption Price
July 1, 1996 - December 31,1996	107.50%
1999 and Thereafter	105.00%
1997	102.50%
1998	100.00%
1999 and Thereafter	

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The Corporation will provide the holders with a minimum advance notice of 10 days prior to any redemption, within which period conversion under Section 6 can be effected by the holders.

(b) If any proposed redemption of shares of the 7 1/2% Preferred Series shall be of less than all then outstanding shares of the 7 1/2% Preferred Series, the shares of the 7 1/2% Series to be redeemed will be selected by lot or pro rata or by any other method as may be determined by the Board of Directors of the Corporation in its sole discretion to be equitable.

4. LIQUIDATION RIGHTS. The amount payable to the holders of shares of the 7 1/2% Preferred Series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation shall be $25.00 per share plus accrued and unpaid dividends to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up of the affairs of the Corporation. Shares of the 7 1/2% Preferred Series shall have preference over all shares of Common Stock as to distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation. The Corporation agrees that except for the issuance of shares of the 7 1/2% Preferred Series, it will not issue any shares of preferred stock which are convertible into shares of Common Stock of the Corporation which rank senior to shares of the 7 1/2% Preferred Series as to liquidation preference without the consent of the holders of a majority of the shares of the 7 1/2% Preferred Series.

5. VOTING RIGHTS. (a) The holders of shares of the 7 1/2% Preferred Series shall be entitled to 2 votes for each such share on all matters presented to the Corporation's stockholders' and, except as otherwise provided herein or required by law, the holders of shares of the 7 1/2% Preferred Series and the holders of shares of Common Stock and any other shares having voting rights shall vote together as one class on all matters. On any matter requiring the holders of the 7 1/2% Preferred Series as a class, said holders shall be treated as a single class.

(b) If at any time or times dividends payable on the 7 1/2% Preferred Series shall be in arrears and unpaid in an amount equal to eight (8) full quarterly dividends, then the number of directors constituting the Board of Directors of the Corporation shall be increased by two (2) and the holders of 7 1/2% Preferred Series shall have the exclusive right, voting separately as a class, to elect the directors of the Corporation to fill such newly created directorships, the remaining directors to be elected by the other class or classes of stock entitled to vote therefore, at each meeting of stockholders

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held for the purpose of electing directors.

6. CONVERSION. Each share of the 7 1/2% Convertible B Preferred Stock may be converted at any time, at the option of the holder hereof, into shares of Common Stock on the terms and conditions set forth below in Section 6 (a) subject to the adjustments provided in Section 6 (b). The Corporation may cause the 7 1/2% Convertible B Preferred Stock to be converted at any time on or after July 1, 1995 on the terms and conditions set forth below in Section 6 (a) subject to the adjustments provided in Section 6 (b) if, but only if: (i) the Corporation's shares of Common Stock, $.01 par value per share ("Common Stock") are then listed on a national securities exchange or authorized for quotation on NASDAQ; and (ii) the closing price of a share of Common Stock on a national securities exchange (including NASDAQ) has exceeded $8.80 subject to adjustment as provided in this Section 6, by 35% or more for at least twenty of the thirty preceding trading days.

(a) Subject to the provisions for adjustment hereinafter set forth, each share of the 7 1/2% Convertible B Preferred Stock shall be convertible into 2.8409 fully paid and nonassessable shares of Common Stock equal to a conversion price ("Conversion Price") of $8.80 per share. In lieu of issuing a partial share, the shares of Common Stock issuable shall be rounded up or down, as the case may be, to the nearest whole share;

(b) The number of shares of Common Stock into which each share of the 7 1/2% Convertible B Preferred Stock is convertible shall be adjusted from time to time as follows:

(i) In case the Corporation shall at any time or from time to time declare or pay any dividend on its Common Stock payable in its Common Stock or effect a subdivision of the outstanding shares of Common Stock (by reclassification, split or otherwise than by payment of a dividend in its Common Stock), then, and in each such case, the number of shares of Common Stock into which each share of the 7 1/2% Convertible B Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Common Stock determined by multiplying (a) the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event by (b) a fraction, the numerator of which is the sum of (I) the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event plus (II) the number of shares of Common Stock which such holder would have been entitled to receive in connection with the occurrence of such event had such

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share been converted immediately prior thereto, and the denominator of which is the number of shares of Common Stock determined in accordance with clause (I) above. An adjustment made pursuant to this subparagraph (B) (i) shall become effective (a) in the case of any such dividend, immediately after the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend, or (b) in the case of any such subdivision, at the close of business on the day immediately prior to the day upon which such corporate action became effective;

(ii) In case the Corporation at any time or from time to time shall combine or consolidate the outstanding shares of its Common Stock into a lesser number of shares of Common Stock, by reverse split, reclassification or otherwise, then, and in each such case, the number of shares of Common Stock into which each share of the 7 1/2% Convertible B Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Common Stock determined by multiplying (a) the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event by (b) a fraction, the numerator of which is the number of shares which the holder would have owned after giving effect to such event had such share been converted immediately prior to the occurrence of such event and the denominator of which is the number of shares of Common Stock into which such share was convertible immediately prior to the occurrence of such event. An adjustment made pursuant to this subparagraph (B) (ii) shall become effective at the close of business on the day immediately prior to the day upon which such corporate action becomes effective;

(iii) In case of any capital reorganization or reclassification of the capital stock of the Corporation or in case of the consolidation or merger of the Corporation with another corporation or in the case of any sale or conveyance of all or substantially all of the property of the Corporation, each share of 7 1/2% Convertible B Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or cash or other property receivable upon such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance, as the case may be, by a holder of the number of shares of Common Stock into which such share of 7 1/2% Convertible B Preferred Stock was convertible immediately prior to such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance;

7. RIGHTS DISTRIBUTIONS. If the Corporation after the date hereof shall

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distribute to all holders of the Corporation's Common Stock rights ("Rights") to subscribe or purchase shares of Common Stock of the Corporation and in the event that prior to the record date for such distribution of Rights the holders of shares of 7 1/2% Convertible B Preferred Stock have not converted such shares into shares of Common Stock pursuant to Section 6 of this Certificate of Designation, the Corporation agrees that it will also distribute such Rights to holders of shares of 7 1/2% Convertible B Preferred Stock as if such holder had converted shares of 7 1/2% Convertible B Preferred Stock for shares of Common Stock.

8. EXCHANGE. The shares of 7 1/2% Convertible B Preferred Stock are exchangeable, at the option of the Corporation, in whole (but not in part), on any dividend payment date for the Corporation's 7 1/2% Convertible Subordinated Notes due July 1, 2003 (the "Notes") in a principal amount equal to $25.00 per share. The Notes will be convertible into Common Stock on the same basis as if the exchange had not occurred. The Notes will bear interest from the date of issuance, payable semi-annually in arrears on June 30, and December 31 of each year, commencing on the first such interest payment date following the date of exchange. At the Corporation's option, the Notes will be redeemable, in whole or in part, at the redemption prices set forth above under "Optional Redemption" plus accrued and unpaid interest. The Notes are not subject to mandatory sinking fund payments. The Notes will be subordinated to all senior indebtedness of the Corporation.

9. REGISTRATION RIGHTS.

A. DEMAND RIGHTS. Upon receipt of the written request of holders ("Registration Holders") of 22,520 or more shares of the 7 1/2% Convertible B Preferred Stock, the Corporation will take, as promptly as possible, the actions set forth below with respect to the underlying shares of Common Stock into which the 7 1/2% Preferred Series are convertible (such shares of Common Stock referred to herein as "Registrable Shares"):

(a) notify all holders of the 7 1/2% Preferred Series and permit all such holders to include their Registrable Shares in a Registration Statement;

(b) prepare and file with the Securities and Exchange Commission (the "SEC") a Registration Statement with respect to such Registrable Shares and use its best efforts to cause such Registration Statement to become and remain effective for a period of at least three months;

(c) prepare and file with the SEC such amendments and supplements to

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such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for a period of not less than three months and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all such Registration Holder's Registrable Shares covered by such Registration Statement;

(d) furnish to such Registration Holder such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as such Registration Holder may reasonably request in order to facilitate the public sale or other disposition of such Registrable Shares owned by such Registration Holder;

(e) register or qualify the Registrable Shares covered by such Registration Statement under the securities or Blue sky laws of such states as the Corporation shall determine and perform any and all other acts and things which may be necessary or advisable to enable such Registration Holder to consummate the public sale or other disposition in such jurisdictions of such Registrable Shares owned by such Registration Holder; provided, however, that the Corporation shall not be required to qualify to do business as a foreign corporation in any state where it is not then so qualified, nor take any action which will subject it to general service or process in any state where it is not then so subject;

(f) notify such Registration Holder, at any time when a prospectus relating to such Registration Holder's Registrable Shares covered by such Registration Statement is required to be delivered under the Securities Act within the appropriate period mentioned in clause (c) above, of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at such Registration Holder's request, prepare and furnish to such Registration Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; and

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(g) furnish, at such Registration Holder's request, on the date that such Registration Holder's Registrable Shares are delivered to the underwriters for sale pursuant to a Registration Statement or, if such registrable Shares are not being sold through underwriters, on the date the Registration Statement becomes effective, an opinion, dated such date, of the counsel representing the Corporation for the purposes of such Registration Statement, stating that such Registration Statement has become effective under the Securities Act and that (i) to the knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act; (ii) the Registration Statement, the related prospectus, and each amendment or supplement thereto, comply as to form in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the SEC thereunder (except that such counsel need express no opinion as to financial statements contained therein); (iii) the descriptions in the Registration Statement or the prospectus, or any amendment or supplement thereto, of all legal documents or instruments present the information required to be shown in compliance with the Securities Act; and (iv) such counsel does not know of any legal or governmental proceedings, pending or contemplated, required to be described in the Registration statement or prospectus, or any amendment or supplement thereto, or to be filed as exhibits to the Registration Statement which are not described and filed as required; such opinion of counsel shall additionally cover such other legal matter with respect to the registration in respect of which such opinion is being given as such Registration Holder may reasonably request.

(h) EXPENSES. All expenses incurred by the Corporation in complying with this Section, including, without limitation, all registration and filing fees (including all expenses incident to filing with a principal stock exchange or the National Association of Securities Dealers, Inc.), printing expenses, fees and disbursements of counsel for the Corporation, the expense of any special audits incident to or required by any such registration, and the expense (including counsel fees) of complying with securities or Blue Sky laws of such states as shall be necessary by the Corporation. The Registration Holder shall bear the cost of any underwriters discount with respect to the sale of its Registrable Shares.

(i) INDEMNIFICATION BY CORPORATION. In the event of any registration of any of a Registration Holder's Registrable Shares under the Securities Act pursuant to this Section, the Corporation will indemnify and hold harmless such Registration Holder, its attorneys and accountants, each underwriter of such Registrable Shares and each other person, if any, who controls such

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Registration Holder or such underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Registration Holder, such underwriter or such controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained (on the effective date thereof) in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing; and will reimburse such Registration Holder, such underwriter and each such controlling person for reasonable legal or any other expenses reasonably incurred by such Registration Holder, such underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Corporation will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or omission or alleged omission made in said Registration Statement, said preliminary prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished to the Corporation through an instrument duly executed by such Registration Holder or such underwriter, as the case may be, specifically for use in the preparation thereof.

(j) INDEMNIFICATION BY REGISTRATION HOLDERS. In the event of any registration of any of a Registration Holder's Registrable Shares pursuant to this Section, such Registration Holder will indemnify and hold harmless the Corporation, its attorneys, accountants and each other person, if any, who controls the Corporation within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which the Corporation or such controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement of alleged untrue statement of any material fact contained (on the effective date thereof) in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

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in each case to the extent and only to the extent that any such loss, claim, damage or liability arises out of or is based upon untrue statement or alleged untrue statement or omission or alleged omission made in said Registration Statement, said preliminary prospectus or said prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished to the Corporation through an instrument duly executed by such Registration Holder will reimburse the Corporation and each such controlling person for reasonable legal or any other expenses reasonably incurred by the Corporation or such controlling persons in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that each Registration Holder shall only be liable for any losses, claims, damages or liabilities pursuant to this Section 9 (i) for an amount up to the amount of proceeds of such Registration Holder receives from the sale of this Registrable Shares in a Registration.

(k) NOTICE OF CLAIM. In the event of any claim for which indemnity is sought under Section 9 (i) or 9 (j) above, the party seeking indemnification shall give prompt notice of its claim to the other party and shall permit the other party to engage counsel and to defend against the same.

(l) LIMITATION ON REGISTRATION. (i) The Registration Holder's right to request registration of Registrable Shares under this Section shall cease and terminate as to any particular Registrable Shares when such Registrable Shares shall have been effectively registered and sold under the Securities Act or have been transferred in a disposition exempt from such registration requirement. For purposes of this Certificate of Designation, shares of Common Stock shall cease to be Registrable Shares when such shares have been sold pursuant to an effective Registration Statement under the Securities Act or pursuant to an exemption from registration thereunder. No demand for registration under Section 9 can be made by a Registration Holder for a period of 90 days following the end of the effectiveness of any effective Registration Statement in which the Registration Holders had been given the opportunity to include all Registrable Shares therein.

(m) The obligation of the Corporation with regard to demand registration rights shall be limited to two Registrations in the aggregate for the 7 1/2% Preferred Series.

B. PIGGY-BACK RIGHTS. If the Corporation at any time after the date hereof proposes to register any of its securities under the Securities Act (except with respect to any registration filed on Form S-8 or Form S-4 or such other similar form then in effect under the Securities Act), it will at each

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such time promptly give written notice to each Registration Holder of its intention to do so and, upon the written request of any Registration Holder given within 10 calendar days after receipt of any such notice, the Corporation will use its best efforts to cause Registrable Shares held by such Registration Holder as to which registration is so requested, to be registered under the Securities Act, all to the extent requisite to permit the sale or other disposition by such Registration Holder (each such registration under the Securities Act being referred to herein as a "Registration"); provided; however; that (A) the Corporation may at any time withdraw or cease proceeding with any such Registration if it shall at the same time withdraw or cease proceeding with the registration of such other securities originally proposed to be registered and, (B) if the underwriter of any offering shall state in writing that in its opinion the inclusion of such Registrable Shares in the proposed Registration Statement would have a material adverse effect on he proposed offering, then at the Corporation's request (i) the Registration Statement shall include only that number of Registrable Shares, if any, which the managing underwriter believes may be offered without causing such adverse effect, and the number of Registrable Shares shall be allocated among all Registration Holders requesting to participate in such Registration Statement in proportion (as nearly as practicable) to the number of Registrable Shares requested to be included by each Registration Holder or (ii) the Registration Statement shall provided that the effective date of the Registration Statement with respect to the Registrable Shares shall be delayed for ninety (90) days. The Piggy-Back Rights shall also be governed by the provisions of Section 9A hereof in all respects other than as otherwise specifically limited by the terms of Section 9B.

12

IN WITNESS WHEREOF, Lomak Petroleum, Inc. has caused this certificate to be signed by John M. Pinkerton, its President and Chief Executive Officer and Walter M. Epstein, its Assistant Secretary, this 8th day of July 1993.

LOMAK PETROLEUM, INC.

By: _____

John H. Pinkerton
President and Chief
Executive Officer

By: _____

Walter M. Epstein
Assistant Secretary

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IN WITNESS WHEREOF, Lomak Petroleum, Inc. has caused this certificate to be signed by John M. Pinkerton, its President and Chief Executive Officer and Walter M. Epstein, its Assistant Secretary, this 8th day of July 1993.

LOMAK PETROLEUM, INC.

By: _____

John H. Pinkerton
President and Chief
Executive Officer

By: _____

Walter M. Epstein
Assistant Secretary

EXHIBIT 4.1(s)

CERTIFICATE OF DESIGNATIONS
OF
PREFERRED STOCK
OF
LOMAK PETROLEUM, INC.

TO BE DESIGNATED

$2.03 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK, SERIES C

Pursuant to Section 151(g) of the
General Corporation Law of the State of Delaware

The undersigned DO HEREBY CERTIFY that the following resolution was duly adopted by the Board of Directors of Lomak Petroleum, Inc., a Delaware corporation (the "Corporation"), at a meeting duly convened and held, at which a quorum was present and acting throughout:

"RESOLVED, that pursuant to the authority conferred on the Board of Directors of the Corporation by the Corporation's Certificate of Incorporation, the issuance of a series of preferred stock, $1 par value per share, of the Corporation which shall consist of 1,150,000 shares of preferred stock be, and the same hereby is, authorized; and the President and Secretary or Assistant Secretary of the Corporation be, and they hereby are, authorized and directed to execute and file with the Secretary of State of the State of Delaware the Certificate of Designations of Preferred Stock of the Corporation fixing the designations, powers, preferences and rights of the shares of such series, and the qualifications, limitations or restrictions thereof (in addition to the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Company's Preferred Stock), as follows:

1. NUMBER OF SHARES; DESIGNATION. A total of 1,150,000 shares of Preferred Stock, par value $1.00 per share, of the Corporation are hereby designated as $2.03 Convertible Exchangeable Preferred Stock, Series C (the "Series"). The number of authorized shares of the Series may be reduced by the Board of Directors of the Corporation by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware (the "GCL") stating that the reduction has been so authorized. In addition, the number of authorized shares of the Series may be increased by the Board of Directors of the Corporation, but it shall be a condition to the issuance of any additional shares of the Series so authorized that such shares be registered under the Securities Act of 1933, as amended, and admitted to trading on the Private Offerings, Resale and Trading through Automated Linkages ("Portal") Market,

if the shares of the Series are then listed on Portal, or listed on the Nasdaq Stock Market or other national securities exchange on which shares of the Series may then be listed.

2. RANK. The Series shall, with respect to payment of dividends, redemption payments and rights upon liquidation, dissolution or winding up of the affairs of the Corporation, rank (a) senior and prior to (i) the Common Stock, par value $.01 per share, of the Corporation (the "Common Stock"), and (ii) any series of preferred stock of the Corporation which is stated to be junior to the Series with respect to the payment of dividends or redemption, payment and rights upon liquidation, dissolution or winding up of the affairs of the Corporation (all shares identified in this clause (a) which are junior to the shares of the Series with respect to the payment of dividends are hereinafter referred to as "Junior Dividend Shares" and all shares identified in this clause (a) which are junior to the shares of the Series with respect to redemption, payment and rights upon liquidation, dissolution or winding up of the affairs of the Corporation being hereinafter referred to as "Junior Liquidation Shares"); (b) pari passu with (i) the Corporation's issued and outstanding shares of 7 1/2% Cumulative Convertible Exchangeable Preferred Stock Series A and 7 1/2% Cumulative Convertible Exchangeable Preferred Stock Series B (collectively, the "Existing Preferred Shares"), (ii) any additional series of convertible preferred stock that may in the future be issued by the Corporation, except and to the extent any such convertible preferred stock is stated to be junior to the series in the related Certificate of Designations or amendment to the Company's Certificate of Incorporation and (iii) any Series of preferred stock that is not convertible for other securities of the Corporation but only to the extent such preferred stock is stated to be pari passu with the Series in the related Certificate of Designations or amendments to the Corporation's Certificate of Incorporation (all shares identified in this clause (b) which are pari passu with the shares of the Series with respect to the payment of dividends are hereinafter referred to as "Parity Dividend Shares" and all shares identified in this clause (b) which are pari passu with the shares of the Series with respect to redemption, payment and rights upon liquidation, dissolution or winding up of the affairs of the Corporation being hereinafter referred to as "Parity Liquidation Shares"); and (c) junior and subordinate to any additional series of preferred stock which may in the future be issued by the Corporation that is not convertible for other securities of the Corporation, except and to the extent any such non-convertible preferred stock is stated to be junior to or pari passu with the Series in the related Certificate of Designations or amendment to the Company's Certificate of Incorporation (all shares identified in this clause (c) which are senior to the shares of the Series with respect to the payment of dividends are hereinafter referred to as "Senior Dividend Shares" and all shares identified in this clause (c) which are senior to the shares of the Series with respect to redemption, payment and rights upon liquidation, dissolution or winding up of the affairs of the Corporation being hereinafter referred to as "Senior Liquidation Shares").

3. DIVIDENDS. (a) The cash dividend rate on shares of the Series shall be $2.03 per share per annum. Dividends on shares of the Series shall be fully cumulative, accruing, without interest, from the date of original issuance of the Series, and shall be payable quarterly in arrears, when, as and if declared by the Board of Directors out of funds legally available for the payment of dividends, on March 31, June 30, September

30 and December 31 of each year, commencing December 31, 1995, except that if such date is not a business day then the dividend shall be payable on the first immediately succeeding business day (as used herein, the term "business day" shall mean any day except a Saturday, Sunday or day on which banking institutions are legally authorized to close in New York, New York) (each such period being hereinafter referred to as a "Quarterly Dividend Period"). Each dividend shall be paid to the holders of record of shares of the Series as they appear on the stock register of the Corporation on the record date, not less than 10 nor more than 60 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation. Dividends payable for each Quarterly Dividend Period shall be computed by dividing the annual dividend by four (rounded to the nearest cent). Dividends payable for any partial Quarterly Dividend Period shall be computed on the basis of a 360-day year of twelve 30-day months. Dividends on account of arrearages for any past Quarterly Dividend Period may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation. No interest shall be payable with respect to any dividend payment that may be in arrears. Holders of Shares of the Series called for redemption between the close of business on a dividend payment record date and the close of business on the corresponding dividend payment date shall, in lieu of receiving such dividend on the dividend payment date fixed therefor, receive such dividend payment on the date fixed for redemption together with all other accrued and unpaid dividends to the date fixed for redemption. The holders of shares of the Series shall be not be entitled to any dividends other than the cash dividends provided for in this paragraph 3.

(b) No dividends, except as described in the next succeeding sentence, shall be declared or paid or set apart for payment on any Parity Dividend Shares for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and set aside for payment for all accrued dividends with respect to the Series through the most recent Quarterly Dividend Period ending on or prior to the date of payment, or setting apart for payment, of such dividends on such Parity Dividend Shares. Unless dividends accrued and payable but unpaid on shares of the Series and any Parity Dividend Shares at the time outstanding have been paid in full, all dividends declared by the Corporation upon shares of the Series or Parity Dividend Shares shall be declared pro rata with respect to all such shares, so that the amounts of any dividends declared on shares of the Series and the Parity Dividend Shares shall in all cases bear to each other the same ratio that, at the time of the declaration, all accrued but unpaid dividends on shares of the Series and the other Parity Dividend Shares, respectively, bear to each other.

(c) If at any time the Corporation has failed to pay or set apart for payment all accrued dividends on any shares of the Series through the then most recent Quarterly Dividend Period, the Corporation shall not, and shall not permit any corporation or other entity directly or indirectly controlled by the Corporation to:

(i) declare or pay or set aside for payment any dividend or other distribution on or with respect to any Junior Dividend Shares, whether in cash, securities,

obligations or otherwise (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares which are both Junior Dividend Shares and Junior Liquidation Shares); or

(ii) redeem, purchase or otherwise acquire, or set apart money for a sinking or other analogous fund for the redemption, purchase or other acquisition of, any shares of the Series (unless all of the shares of the Series are concurrently redeemed), Parity Dividend Shares, Junior Dividend Shares, Parity Liquidation Shares or Junior Liquidation Shares for any consideration (except by conversion into or exchange for shares which are both Junior Liquidation Shares and Junior Dividend Shares)

unless, in each such case, all dividends accrued on shares of the Series through the most recent Quarterly Dividend Period and on any Parity Dividend Shares have been or contemporaneously are declared and paid in full or declared and a sum sufficient for the payment thereof set aside for such payment.

(d) Any reference to "distribution" contained in this paragraph 3 shall not be deemed to include any distribution made in connection with any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

4. LIQUIDATION. (a) The liquidation value of shares of the Series, in case of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, shall be $25.00 per share, plus an amount equal to the dividends accrued and unpaid thereon, whether or not declared, to the payment date (such aggregate amount being hereinafter referred to as the "Liquidation Amount").

(b) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of shares of the Series (i) shall not be entitled to receive the liquidation value of the shares held by them until the liquidation value of all Senior Liquidation Shares shall have been paid in full and (ii) shall be entitled to receive the liquidation value of such shares held by them in preference to and in priority over any distributions upon the Junior Liquidation Shares. Upon payment in full of the liquidation value to which the holders of shares of the Series are entitled, the holders of shares of the Series will not be entitled to any further participation in any distribution of assets by the Corporation. If the assets of the Corporation are not sufficient to pay in full the liquidation value payable to the holders of shares of the Series and the liquidation value payable to the holders of any Parity Liquidation Shares, the holders of all such shares shall share ratably in such distribution of assets in accordance with the amounts that would be payable on the distribution if the amounts to which the holders of shares of the Series and the holders of Parity Liquidation Shares are entitled were paid in full.

(c) Neither a consolidation or merger of the Corporation with or into any other entity, nor a merger of any other entity with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities or other property shall be considered a liquidation, dissolution or winding-up of the Corporation within the meaning of this paragraph 4.

(d) Written notice of any liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when and the place or places where the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage prepaid, not less than 30 days prior to any payment date stated therein, to the holders of record of shares of the Series at their respective addresses as the same shall appear on the books of the transfer agent with respect to the Series.

5. OPTIONAL REDEMPTIONS FOR CASH. (a) The shares of the Series are not redeemable by the Corporation prior to November 1, 1998. Subject to the restrictions in paragraph 3 above, shares of the Series will be redeemable at the option of the Corporation, in whole or in part, from and after November 1, 1998 at the following redemption prices per share:

During the 12-month period commencing November 1,	Redemption Price
1998	$26.25
1999	$26.00
2000	$25.75
2001	$25.50
2002	$25.25
2003 and thereafter	$25.00

in each case, together with an amount equal to the dividends accrued and unpaid thereon, whether or not declared, to the redemption date.

(b) Not less than 30 nor more than 60 days prior to the date fixed for any redemption of shares of the Series pursuant to this paragraph 5, a notice specifying the time and place of the redemption and the number of shares to be redeemed shall be given by first class mail, postage prepaid, to the holders of record of the shares of the Series to be redeemed at their respective addresses as the same shall appear on the books of the transfer agent for the Series, calling upon each holder of record to surrender to the Corporation at such place as shall be designated in such notice on the redemption date such holder's certificate or certificates representing the number of shares specified in the notice of redemption. Neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to any other holder. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice. On or after the redemption date, each holder of shares of the Series to be redeemed shall present and surrender such holder's certificate or certificates for such shares to the Corporation at the place designated in the redemption notice and thereupon the redemption price of the shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled. In case less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued to the holder representing the unredeemed shares of the Series.

(c) If a notice of redemption has been given pursuant to this paragraph 5 and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares of the Series so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of the Series to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to those shares, shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect thereto, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the redemption price. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(d) If a notice of redemption has been given pursuant to this paragraph 5, and any holder of shares of the Series shall, prior to the close of business on the date fixed for redemption, give written notice to the Corporation pursuant to paragraph 7 or 11 below of the conversion of any or all of the shares to be redeemed held by the holder, then such redemption shall not become effective as to such shares to be converted and such conversion shall become effective as provided in paragraph 7 or 11 below, whereupon any funds deposited by the Corporation, or on its behalf, with a payment agent or segregated and held in trust by the Corporation for the redemption of such shares shall (subject to any right of the holder of such shares to receive the dividend payable thereon as provided in paragraph 7 or 11 below) immediately upon such conversion be returned to the Corporation or, if then held in trust by the Corporation, shall be discharged from the trust.

(e) In every case of redemption of less than all of the outstanding shares of the Series pursuant to this paragraph 5, the shares to be redeemed shall be selected pro rata or by lot or in such other manner as the Board of Directors may determine, as may be prescribed by resolution of the Board of Directors of the Corporation, provided that only whole shares shall be selected for redemption. Notwithstanding the foregoing, the Corporation shall not redeem any of the shares of the Series at any time outstanding until all dividends accrued and in arrears upon all shares of the Series then outstanding shall have been paid for all past dividend periods.

6. NOTE EXCHANGE. (a) Subject to the restrictions in paragraph 5 above and paragraph 6(e) below, shares of the Series shall be exchangeable at the option of the Corporation, in whole but not in part, on any March 31, June 30, September 30 or December 31 on or after December 31, 1996 and prior to December 31, 2004 through the issuance, in redemption of and in exchange for the shares of the Series, of the Corporation's 8.125% Convertible Subordinated Notes due 2005 (the "Notes") in the

manner provided in this paragraph 6. The Notes will be subject to the terms and conditions of an indenture (the "Indenture") with Keycorp Shareholder Services, Inc., as Trustee, in substantially the form attached hereto as Exhibit A and incorporated by reference herein. The Notes shall be convertible into Common Stock of the Corporation at the Conversion Price (as determined pursuant to paragraph 7 below) applicable to the Series at the time of exchange, subject to further adjustment as provided in the Indenture. If, for any reason, prior to the execution and delivery of the Indenture, either the Corporation or Keycorp Shareholder Services, Inc. does not desire that Keycorp Shareholder Services, Inc. act as Trustee under the Indenture, the Corporation may, in its sole discretion, appoint another entity to act as Trustee under the Indenture, provided that the other entity meets the qualification requirements to act as Trustee under the Indenture and the Trust Indenture Act of 1939, as amended.

(b) The Notes will be issued solely in redemption of and in exchange for shares of the Series at the rate of $25 principal amount of Notes for each share of the Series outstanding on the Note Exchange Date (as defined in paragraph 6(c)).

(c) Not less than 30 nor more than 60 days prior to the date fixed for the issue of Notes in redemption of and in exchange for shares of the Series pursuant to this paragraph 6, a notice shall be given by first class mail, postage prepaid, to the holders of record of shares of the Series at their respective addresses as the same shall appear on the books of the transfer agent for the Series, specifying the effective date of the exchange for the Notes (the "Note Exchange Date") and the place where certificates for shares of the Series are to be surrendered for Notes and stating that dividends on shares of the Series will cease to accrue on the Note Exchange Date. Neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings for redemption and exchange with respect to any other holder. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

(d) If notice of redemption and exchange has been given pursuant to this paragraph 6 then (unless the Corporation shall default in issuing Notes in redemption of and in exchange for shares of the Series or shall fail to pay or set aside accrued and unpaid dividends on shares of the Series as provided in paragraph 6(e) and notwithstanding that any certificates for shares of the Series have not been surrendered for exchange), on the Note Exchange Date, the holders of such shares shall cease to be stockholders with respect to the shares and shall have no interest in or claims against the Corporation by virtue thereof (except the right to receive Notes in exchange therefor and such accrued and unpaid dividends thereon to the Note Exchange Date), shall have no voting, conversion or other rights with respect to such shares, and the shares of the Series shall no longer be outstanding. Upon the surrender (and endorsement, if required by the Corporation) of the certificates for shares of the Series in accordance with such notice, such certificates shall be exchanged for Notes and such accrued and unpaid dividends in accordance with this paragraph 6. If notice of redemption and exchange has been given pursuant to this paragraph 6 and any holder of shares of the Series shall, prior to the close of business on the Note Exchange Date, gives written notice to the

Corporation pursuant to paragraph 7 or 11 below of the conversion of any or all of the shares to be redeemed and exchanged held by the holder, then the redemption and exchange shall not become effective as to the shares to be converted and the conversion shall become effective as provided in paragraph 7 or 11 below, whereupon any funds deposited by the Corporation, or on its behalf, with a paying agent or segregated and held in trust by the Corporation for the redemption and exchange of such shares shall, subject to any right of the holder of the shares to receive the dividend payable thereon (as provided in paragraph 7 or 11 below) immediately upon the conversion be returned to the Corporation or, if then held in trust by the Corporation, shall be discharged from the trust.

(e) Prior to giving notice of intention to exchange, the Corporation and the Trustee shall execute and deliver the Indenture, with such changes therein as may be required by law, Nasdaq National Market rule or the rules of any securities exchange on which the Notes are to be listed. The Corporation will cause the Notes to be authenticated on or before the Note Exchange Date. Additionally, prior to giving notice of intention to exchange the Corporation shall (i) register the Notes for trading through the Depository Trust Company, (ii) list the Notes for inclusion in the principal trading market in which the shares of the Series were trading immediately prior to such exchange, (iii) arrange for the qualification of the Notes under applicable securities and blues sky laws, to the extent necessary under such laws, and (iv) if the exchange is to be consummated prior to November 6, 1998, register the Notes for public resale pursuant to the Securities Act on an appropriate form. If on the Note Exchange Date the Corporation has failed to pay or set aside, separate and apart from its other funds, in trust for the pro rata benefit of the holders of shares of the Series, all dividends accrued and unpaid on the shares of the Series to the Note Exchange Date then no shares of the Series shall be redeemed or exchanged for Notes.

7. CONVERSION. (a) Holders of shares of the Series will have the right, exercisable at any time prior to redemption or exchange of such shares (as described in paragraphs 5 or 6 above), to convert shares of the Series into shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) at the conversion price of $9.50, subject to adjustment as described below (the "Conversion Price"). The number of shares of Common Stock into which each share of the Series shall be convertible shall be determined by dividing the Liquidation Preference of such share by the Conversion Price then in effect. In the case of shares of the Series called for redemption or to be exchanged for the Notes, conversion rights will expire at the close of business on the redemption date or the Note Exchange Date, as the case may be. No payment or adjustment for accrued dividends on the shares of the Series is to be made on conversion, but holders of record of shares of the Series on a record date fixed for the payment of a dividend on such shares shall be entitled to receive the dividend notwithstanding the conversion of the shares prior to the dividend payment date. A share of the Series may not be converted in part.

(b) In order to exercise the conversion right, the holder of each share of the Series to be converted shall surrender the certificate representing such share, duly endorsed or assigned to the Corporation or in blank, at the office of the transfer agent

for the Series in New York, New York and shall give written notice to the Corporation in the form set forth on the reverse of the stock certificates for the shares of the Series that such holder elects to convert the shares represented by such certificate or a portion thereof. Such notice shall also state the name or names (with address) in which the certificate or certificates for the shares of Common Stock which shall be issuable upon such conversion shall be issued, and shall be accompanied by funds in an amount sufficient to pay any transfer or similar tax required by the provisions of paragraph 7(e) below. Each share surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the name in which such share of the Series is registered, be duly endorsed by, or be accompanied by instruments of transfer (in each case, in form reasonably satisfactory to the Corporation), duly executed by the holder or such holder's duly authorized attorney-in-fact.

(c) As promptly as practicable after the surrender of certificates for shares of the Series for conversion and the receipt of such notice and funds, if any, as aforesaid, the Corporation shall issue and shall deliver to such holder, or on such holder's written order, a certificate or certificates for the number of shares of Common Stock issuable upon the conversion of such shares of the Series in accordance with the provisions of this paragraph 7, and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, as provided in paragraph 7(d) below. Each conversion with respect to any shares of the Series shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of the Series shall have been surrendered (accompanied by the funds, if any, required by paragraph 7(e) below) and such notice shall have been received by the Corporation as aforesaid, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be deemed for all purposes to be the record holder or holders of such Common Stock upon that date.

(d) No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon conversion of shares of the Series. If more than one share of the Series shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series so surrendered. Instead of any fractional share of Common Stock otherwise issuable upon conversion of any shares of the Series, the Corporation shall pay a cash adjustment in respect to such fraction in an amount equal to the same fraction of the Current Market Price (as defined in paragraph 12 below) of the Common Stock at the close of business on the day of conversion.

(e) If a holder converts shares of the Series, the Corporation shall pay any and all documentary, stamp or similar issue or transfer tax payable in respect of the issue or delivery of the shares of the Series (or any other securities issued on account thereof pursuant hereto) or Common Stock upon the conversion; provided, however, the Corporation shall not be required to pay any such tax that may be payable because any such shares are issued in a name other than the name of the holder.

(f) The Corporation shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit the conversion of all of the outstanding shares of the Series. The Corporation shall from time to time, in accordance with the GCL, increase the authorized amount of its Common Stock if at any time the authorized amount of its Common Stock remaining unissued shall not be sufficient to permit the conversion of all shares of the Series at the time outstanding. If any shares of Common Stock required to be reserved for issuance upon conversion of shares of the Series hereunder require registration with or approval of any governmental authority under any federal or state law before the shares may be issued upon conversion, the Corporation shall in good faith and as expeditiously as possible endeavor to cause the shares to be so registered or approved. All shares of Common Stock delivered upon conversion of the shares of the Series will, upon delivery, be duly authorized and validly issued, fully paid and nonassessable, free from all taxes, liens and charges with respect to the issue thereof.

(g) The Conversion Price shall be subject to adjustment from time to time as follows:

(i) In the event that the Corporation shall (A) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (B) split or subdivide its outstanding Common Stock into a greater number of shares, (C) combine its outstanding Common Stock into a smaller number of shares or (D) issue any shares of Capital Stock by reclassification of its Common Stock, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of each share of the Series thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock or other securities of the Corporation that such holder would have owned or have been entitled to receive after the occurrence of any of the events described above had such share of the Series been converted immediately prior to the occurrence of such event. An adjustment made pursuant to this paragraph 7(g)(i) shall become effective immediately after the close of business on the record date in the case of a dividend or distribution (except as provided in paragraph 7(k) below) and shall become effective immediately after the close of business on the effective date in the case of a subdivision, split, combination or reclassification. Any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock under clauses (ii) and (iii) below.

(ii) In the event that the Corporation shall commit to issue or distribute Capital Stock or issue rights, warrants or options entitling the holder thereof to subscribe for or purchase Capital Stock at a price per share less than the Current Market Price per share on the earliest of (i) the date the Corporation shall enter into a firm contract for such issuance or distribution, (ii) the record date for the determination of stockholders entitled to receive any such rights, warrants or options, if applicable, or (iii) the date of actual issuance or distribution of any such Capital Stock or rights, warrants or options, (provided that the issuance of

Capital Stock upon the exercise of warrants or options will not cause an adjustment in the Conversion Price if no such adjustment would have been required at the time such warrant or option was issued), then the Conversion Price in effect immediately prior to such earliest date shall be adjusted so that the Conversion Price shall equal the price determined by multiplying the Conversion Price in effect immediately prior to such earliest date by:

(x) if such Capital Stock is Common Stock, the fraction whose numerator shall be the number of shares of Common Stock outstanding on such date plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price (such amount, with respect to any such rights, warrants or options, determined by multiplying the total number of shares subject thereto by the exercise price of such rights, warrants or options and dividing the product so obtained by the Current Market Price), and of which the denominator shall be the number of shares of Common Stock outstanding on such date plus the number of additional shares of Common Stock to be issued or distributed or receivable upon exercise of any such warrant, right or option; or

(y) if such Capital Stock is other than Common Stock, the fraction whose numerator shall be the Current Market Price per share of Common Stock on such date minus an amount equal to (A) the sum of (I) the Current Market Price per share of such class of Capital Stock multiplied by the number of shares of such class of Capital Stock to be so issued minus (II) the offering price per share of such Capital Stock multiplied by the number of shares of such class of Capital Stock to be so issued (B) divided by the number of shares of Common Stock outstanding on such date and whose denominator is the Current Market Price of the Common Stock on such date.

Such adjustment shall be made successively whenever any such Capital Stock, rights, warrants or options are issued or distributed at a price below the Current Market Price therefor as in effect on the date of issuance or distribution. In determining whether any rights, warrants or options entitle the holders to subscribe for or purchase shares of Capital Stock at less than such Current Market Price, and in determining the aggregate offering price of shares of Capital Stock so issued or distributed, there shall be taken into account any consideration received by the Corporation for such Capital Stock, rights, warrants or options, the value of such consideration, if other than cash, to be determined by the Board of Directors, whose determination shall be conclusive and described in a certificate filed with the Trustee. If any right, warrant or option to purchase Capital Stock, the issuance of which resulted in an adjustment in the Conversion Price pursuant to this subsection (b), shall expire and shall not have been exercised, the Conversion Price shall immediately upon such expiration be recomputed to the Conversion Price which would have been in effect had the adjustment of the Conversion Price made upon the issuance of such right, warrant

or option been made on the basis of offering for subscription or purchase only that number of shares of Capital Stock actually purchased upon the actual exercise of such right, warrant or option.

(iii) In the event that the Corporation shall pay as a dividend or other distribution to holders of any class of its Capital Stock generally or to holders of any class of Capital Stock of any Subsidiary which is not wholly owned by the Corporation evidences of indebtedness or assets (including, without limitation, shares of Capital Stock, cash or other securities, but excluding dividends, rights, warrants, options and distributions for which adjustment is made as described in subsections (i) and (ii) above, then in each such case the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the Current Market Price per share of Common Stock on the record date mentioned below less the fair market value on such record date (as determined by the Board of Directors, whose determination shall be conclusive and described in a certificate filed with the Trustee) of the portion of the Capital Stock or assets or evidences of indebtedness so distributed or of such rights or warrants attributable to one share of Common Stock (the amount so attributable equaling the aggregate fair market value of such indebtedness or assets, as so determined by the Board of Directors, divided by the number of shares of Common Stock outstanding on such record date), and the denominator shall be the Current Market Price of the Common Stock on such record date. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution, except as provided in paragraph 7(k) below.

(iv) No adjustment in the Conversion Price shall be required unless the adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments that by reason of this paragraph 7(g)(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph 7(g)(i) shall be made to the nearest cent or nearest 1/100th of a share.

(v) Notwithstanding anything to the contrary set forth in this paragraph 7(g), no adjustment shall be made to the Conversion Price upon (A) the issuance of shares of Common Stock pursuant to any compensation or incentive plan for officers, directors, employees or consultants of the Corporation which plan has been approved by the Compensation Committee of the Board of Directors (or if there is no such committee then serving, by the majority vote of the Directors then serving who are not employees or officers of the Corporation, a 5% or greater stockholder of the Corporation or an officer, employee or Affiliate or Associate (as defined in paragraph 12) of any such 5% or greater stockholder) and, if required by law, the requisite vote of the stockholders of the Corporation (unless the exercise price thereof is changed after the date hereof other than solely by operation of the anti-dilution provisions thereof or by the Compensation Committee of the Board of Directors or, if applicable, the Board of Directors

and, if required by law, the stockholders of the Corporation as provided in this clause (A)) or (B) the issuance of Common Stock upon the conversion or exercise of the Existing Preferred Shares or warrants of the Corporation outstanding on October 31, 1995, unless the conversion or exercise price thereof is changed after October 31, 1995 (other than solely by operaion of the anti-dilution provisions thereof) or (C) the declaration, setting aside or payment of dividends for payment to the Shares, any Parity Dividend Shares or Senior Dividend Shares in accordance with paragraph 3 or (D) after giving effect to the payment or setting aside of any dividends previously or concurrently declared with respect to the Shares, any Parity Dividend Shares or Senior Dividend Shares, the declaration, setting aside or payment of dividends solely out of the retained earnings of the Corporation.

(vi) The Corporation from time to time may reduce the Conversion Price by any amount for any period of time in the discretion of the Board of Directors. A voluntary reduction of the Conversion Price does not change or adjust the conversion price otherwise in effect for purposes of this paragraph 7(g).

(vii) In the event that, at any time as a result of an adjustment made pursuant to paragraph 7(g)(i) through 7(g)(iii) above, the holder of any share of the Series thereafter surrendered for conversion shall become entitled to receive any shares of the Corporation other than shares of the Common Stock, thereafter the number of such other shares so receivable upon conversion of any share of the Series shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in paragraphs 7(g)(i) through 7(g)(v) above, and the other provisions of this paragraph 7(g)(vii) with respect to the Common Stock shall apply on like terms to any such other shares.

(h) In case of any reclassification of the Common Stock (other than in a transaction to which paragraph 7(g)(i) applies), any consolidation of the Corporation with, or merger of the Corporation into, any other entity, any merger of another entity into the Corporation (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Corporation), any sale or transfer of all or substantially all of the assets of the Corporation or any compulsory share exchange, pursuant to which share exchange the Common Stock is converted into other securities, cash or other property, then lawful provision shall be made as part of the terms of such transaction whereby the holder of each share of the Series then outstanding shall have the right thereafter, during the period such share shall be convertible, to convert such share only into the kind and amount of securities, cash and other property receivable upon the reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock of the Corporation into which a share of the Series might have been converted immediately prior to the reclassification, consolidation, merger, sale, transfer or share exchange. As a condition to any such transaction, the Corporation, the person formed by the consolidation or resulting from the merger or which acquires such assets or which acquires the Corporation's shares, as the case may be, shall make provisions in its

certificate or articles of incorporation or other constituent document to establish such right. The certificate or articles of incorporation or other constituent document shall provide for adjustments which, for events subsequent to the effective date of the certificate or articles of incorporation or other constituent document, shall be as nearly equivalent as may be practicable to the adjustments provided for in this paragraph 7. The provisions of this paragraph 7(h) shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

(i) If:

(i) the Corporation shall take any action which would require an adjustment in the Conversion Price pursuant to Section 7(g); or

(ii) the Corporation shall authorize the granting to the holders of its Common Stock generally of rights or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(iii) there shall be any reclassification or change of the Common Stock (other than a subdivision or combination of its outstanding Common Stock or a change in par value) or any consolidation, merger or statutory share exchange to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or the sale or transfer of all or substantially all of the assets of the Corporation; or

(iv) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then, except as provided otherwise in paragraph 11, the Corporation shall cause to be filed with the transfer agent for the Series and shall cause to be mailed to the holders of shares of the Series at their addresses as shown on the books of the transfer agent for the Series, as promptly as possible, but at least 30 days prior to the applicable date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or granting of rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (B) the date on which such reclassification, change, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, change, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in this paragraph 7(i).

(j) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly file with the transfer agent for the Series a certificate of an officer of the Corporation setting forth the Conversion Price after the adjustment and

setting forth a brief statement of the facts requiring such adjustment and a computation thereof. The Corporation shall promptly cause a notice of the adjusted Conversion Price to be mailed to each registered holder of shares of the Series.

(k) In any case in which paragraph 7(g) provides that an adjustment shall become effective immediately after a record date for an event and the date fixed for such adjustment pursuant to paragraph 7(g) occurs after such record date but before the occurrence of such event, the Corporation may defer until the actual occurrence of such event (i) issuing to the holder of any shares of the Series converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of any fraction pursuant to paragraph 7(d).

(l) In case the Corporation shall take any action affecting the Common Stock, other than actions described in this paragraph 7, which in the opinion of the Board of Directors would materially adversely affect the conversion right of the holders of the shares of the Series, the Conversion Price may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances; provided, however, that in no event shall the Board of Directors be required to take any such action.

(m) The Corporation will endeavor to list the shares of Common Stock required to be delivered upon conversion of shares of the Series, prior to delivery, upon each national securities exchange, the Nasdaq National Market or any similar system of automated dissemination of securities prices, if any, upon which the Common Stock is listed at the time of delivery.

8. STATUS OF SHARES. All shares of the Series that are at any time redeemed pursuant to paragraphs 5 or 6 above or converted pursuant to paragraph 7 above or paragraph 11 below, and all shares of the Series that are otherwise reacquired by the Corporation and subsequently canceled by the Board of Directors, shall have the status of authorized but unissued shares of preferred stock, without designation as to series, subject to reissuance by the Board of Directors as shares of any one or more other series.

9. VOTING RIGHTS.

(a) GENERAL. Except as set forth below or otherwise required by law, holders of shares of the Series shall vote together with the holders of the Common Stock (and together with any other class of capital stock of the Corporation which is stated to vote with the holders of Common Stock as a class) with respect to all matters submitted to the stockholders of the Corporation for vote or consent. In connection with any right to vote or give consent, each holder of shares of the Series will have one vote for each share held; provided, however, any shares of the Series held by the Corporation or any entity controlled by the Corporation shall not have voting rights hereunder and shall not be counted in determining the presence of a quorum.

(b) Dividend Defaults.

(i) If and whenever accrued dividends on the shares of the Series shall not have been paid in an aggregate amount equal to or greater than the equivalency of six quarterly dividends (whether or not consecutive) on shares of the Series, or if any class of Parity Dividend Shares or Senior Dividend Shares (together with the Series, but excluding the Existing Preferred Shares, the "Preferred Class") shall become entitled to elect directors to the Corporation's Board of Directors based upon actual missed and unpaid dividends, then upon such event, without the requirement of any additional action by the Board of Directors or stockholders of the Corporation, the number of directors constituting the Board of Directors of the Corporation shall automatically be increased by the number of directorships equal to one-half of the number of directorships constituting the whole Board of Directors of the Corporation immediately prior to such event (rounded upwards in the event of a fraction), but by not less than three, and the holders of shares of the Preferred Class, voting together as a single class, shall be entitled to elect the directors to fill the resulting vacancies on the Board of Directors; provided, however, that there shall be counted as directors elected by the Preferred Class up to two directors elected by the Existing Preferred Shares pursuant to the terms of the Certificates of Designations related thereto. At elections for such directors, each holder of shares of the Preferred Class shall be entitled to one vote for each share of the Preferred Class held. Such right to vote as a single class to elect directors shall, when vested, continue until all dividends in default on the shares of the Preferred Class shall have been paid in full and, when so paid, such right to elect directors separately as a class shall cease, subject to the same provisions for the vesting of such right to elect directors separately as a class in the case of future dividend defaults. If at any time after the election of directors by the Preferred Class, the holders of Existing Preferred Shares exercise their right to elect up to two directors, a special meeting shall be held to vote upon the persons who shall be the remaining directors elected by the Preferred Class.

(ii) Whenever such voting right shall have vested, such right may be exercised initially either, at a special meeting of the holders of shares of the Preferred Class called as hereinafter provided or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at such meetings or by the written consent of such holders pursuant to Section 228 of the GCL.

(iii) At any time when the voting right granted by this paragraph 9(b) shall have vested in the holders of shares of the Preferred Class entitled to vote thereon, and if such right shall not already have been initially exercised, an officer of the Corporation shall, upon written request of holders of record of 10% in the aggregate, of shares of any series of preferred stock of the Corporation then outstanding, addressed to the Chief Financial Officer of the Corporation, call a special meeting of holders of shares of the Preferred Class. Such meeting shall be held at the earliest practicable date upon the notice required for annual

meetings of stockholders at the place for holding annual meetings of stockholders of the Corporation or, if none, at a place designated by the Chief Financial Officer of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after such written request is mailed to the Chief Financial Officer of the Corporation, by registered mail, addressed to the Chief Financial Officer of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10% of the shares of the Preferred Class then outstanding may designate in writing any person to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided in this paragraph 9(b)(iii). Any holder of shares of the Preferred Class then outstanding that would entitled to vote at such meeting shall have access to the stock record books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph 9(b)(iii). Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called or held during a period within 30 days immediately preceding the date fixed for the next annual meeting of stockholders.

(iv) The directors elected pursuant to this paragraph 9(b) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify. Any director elected by the holders of shares of the Preferred Class may be removed by, and shall not be removed otherwise than by, the vote of the holders of a majority of the outstanding shares of the Preferred Class who were entitled to participate in such election of directors, voting as a special class, at a meeting called for such purpose or by written consent as permitted by law and the Certificate of Incorporation and By-laws of the Corporation. If the office of any director elected by the holders of the shares of the Preferred Class, voting as a class, becomes vacant by reason of death, resignation, retirement, disqualification or removal from office or otherwise, the remaining director elected by the holders of shares of the Preferred Class, voting as a class, may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred. Upon any termination of the right of the holders of the Preferred Stock to vote for directors as herein provided, the term of office of all directors then in office elected by holders of the Preferred Class, voting as a class, shall terminate immediately. Whenever the terms of office of the directors elected by the holders of powers vested in the holders of the Preferred Class shall have expired, the number of directors shall be such number as may be provided for pursuant to the By-laws of the Corporation irrespective of any increase made pursuant to the provisions of this paragraph 9(b).

(v) So long as any shares of the Series are outstanding, the By-laws shall contain no provisions that would restrict the exercise, by the holders of shares of the Preferred Class or the Existing Preferred Shares, of the right to elect directors under the circumstances provided in paragraph 9(b)(i) above.

(c) So long as any shares of the Series remain outstanding, the consent of the holders of at least a majority of the shares of the Series outstanding at the time, given in person or by proxy either in writing (as permitted by law and the Certificate of Incorporation and By-laws of the Corporation) or at any special or annual meeting, shall be necessary to permit, effect or validate any one or more of the following:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount of any class or series of stock, or any security convertible into stock of such class of series, ranking prior to the Series as to dividends or the distribution of assets upon liquidation, dissolution or winding up, other than preferred stock which is not convertible into or exchangeable for any other securities of the Corporation;

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Certificate of Incorporation (including this Certificate) or the By-laws of the Corporation which would adversely affect any right, preference, privilege or voting power of the Series or of the holders thereof; provided, however, that any action permitted under the preceding clause (i) with respect to Preferred Stock which is not convertible into or exchangeable for any other securities of the Corporation shall not be deemed to adversely affect such rights, preferences, privileges or voting powers; or

(iii) the authorization of any reclassification of the shares of the Series; or

(iv) make any change in the Indenture in a manner that adversely affects or would adversely affect the rights of the holders of Notes issued thereunder.

10. MANDATORY REDEMPTION. The shares of the Series are not subject to mandatory redemption or sinking fund requirements.

11. SPECIAL CONVERSION RIGHTS OF HOLDERS UPON CERTAIN EVENTS FOLLOWING A FUNDAMENTAL CHANGE OR A CHANGE OF CONTROL OF THE CORPORATION.

(a) CHANGE OF CONTROL. If a Change of Control (as defined in paragraph 11(e) below) with respect to the Corporation shall occur, and if at the time of such occurrence the Current Market Price of the Common Stock is less than the Conversion Price in effect at the time of such occurrence, then each holder of shares of the Series shall have the right, at the holder's option, for a period of 45 days after the mailing of a notice by the Corporation that a Change of Control has occurred, to convert all, but not less than all, of such holder's shares of the Series into Common Stock at an adjusted Conversion Price per share equal to the Special Conversion Price. The Corporation may, at its option, in lieu of providing Common Stock upon any such special conversion, provide the holders who have elected to convert their shares under this paragraph 11(a) with cash equal to the Market Value (as defined in paragraph 11(e) below) of the Common Stock multiplied by the number of shares of Common Stock into which shares of the Series would have been convertible immediately prior to the Change of Control at an adjusted conversion price equal to the Special Conversion Price, but only if the Corporation, in

its notice to holders that a Change of Control has occurred, has notified the holders of the Corporation's election to provide such holder with cash in lieu of such Common Stock; provided, however, that any such election by the Corporation shall apply to all shares of the Series for which the special conversion was elected by the holders thereof. Shares of the Series that becomes convertible pursuant to a special conversion right shall, unless so converted, remain convertible in accordance with paragraph 7 into the number of shares of Common Stock that the holders of the shares would have owned immediately after the Change of Control if the holders had converted the shares immediately before the effective date of the Change of Control.

(b) FUNDAMENTAL CHANGE. If a Fundamental Change (as defined in paragraph 11(e) below) with respect to the Corporation shall occur, and if at the time of such occurrence the Current Market Price of the Common Stock is less than the Conversion Price in effect at the time of such occurrence, then each holder of shares of the Series shall have a special conversion right, at the holder's option, for a period of 45 days after the mailing of a notice by the Corporation that a Fundamental Change has occurred, to convert all, but not less than all, of the holder's shares into the kind and amount of cash, securities, property or other assets receivable upon the Fundamental Change by a holder of the number of shares of Common Stock into which such shares of the Series would have been convertible immediately prior to the Fundamental Change at an adjusted Conversion Price equal to the Special Conversion Price. The Corporation or a successor corporation, as the case may be, may, at its option and in lieu of providing the consideration as required above upon such conversion, provide the holders who have elected to convert their shares under this paragraph 11(b) with cash equal to the Market Value of the Common Stock multiplied by the number of shares of Common Stock into which such shares of the Series would have been convertible immediately prior to the Fundamental Change at an adjusted Conversion Price equal to the Special Conversion Price but only if the Corporation, in its notice to holders that a Change of Control has occurred, has notified the holders of the Corporation's election to provide such holder with cash in lieu of such Common Stock; provided, however, that any such election by the Corporation shall apply to all shares of the Series for which the special conversion was elected by the holders thereof. Shares of the Series that becomes convertible pursuant to a special conversion right shall, unless so converted, remain convertible in accordance with paragraph 7 into the kind and amount of cash, securities, property or other assets that the holders of the shares would have owned immediately after the Fundamental Change if the holders had converted the shares immediately before the effective date of the Fundamental Change.

(c) NOTICE. Within 30 days after the occurrence of a Change in Control or Fundamental Change, the Corporation shall mail to each registered holder of shares of the Series a notice of the occurrence (the "Special Conversion Notice") setting forth the following:

(i) the event constituting the Change of Control or Fundamental Change and that such event entitles the holders of shares of the Series to the special conversion right;

(ii) the Special Conversion Price;

(iii) the Conversion Price then in effect under paragraph 7 and the continuing conversion rights, if any, thereunder;

(iv) the name and address of the paying agent and conversion agent;

(v) that the holders who elect to convert shares of the Series must satisfy the requirements of paragraph 11(d) and must exercise their conversion right within the 45 day period after the mailing of the Special Conversion Notice by the Corporation;

(vi) the conversion date upon exercise of the applicable special conversion right;

(vii) the exercise of such conversion right shall be irrevocable and no dividends on shares of the Series (or portions thereof) tendered for conversion shall accrue from and after the conversion date; and

(viii) whether the Corporation (or a successor corporation, if applicable) has exercised its option to pay cash (specifying the amount thereof per share) for all shares of the Series tendered for conversion.

The Special Conversion Notice shall be given by first class mail, postage prepaid, to the holders of record of the shares of the Series at their respective addresses as the same shall appear on the books of the transfer agent for the Series. No failure of the Corporation to give the foregoing notice shall limit any holder's right to exercise the special conversion right hereunder.

(d) EXERCISE PROCEDURES. A holder of shares of the Series must exercise a special conversion right within the 45 day period after the mailing of the Special Conversion Notice. Such right must be exercised in accordance with paragraph 7(b) to the extent the procedures therein are consistent with the provisions of this paragraph 11. Exercise of such conversion right shall be irrevocable, to the extent permitted by applicable law, and dividends on shares of the Series tendered for conversion shall cease to accrue from and after the conversion date. The conversion date with respect to the exercise of a special conversion right arising upon a Change of Control or Fundamental Change shall be the 45th day after the mailing of the Special Conversion Notice. In taking any action in connection with any Change of Control or Fundamental Change or related special conversion right, the Corporation will comply with all applicable federal securities laws and regulations.

(e) DEFINITIONS. The following definitions shall apply to terms used in this paragraph 11:

(i) a "Change of Control" with respect to the Corporation shall be deemed to have occurred at such time as any person (within the meaning of Sections 13(d)

and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), including a group (within the meaning of Rule 13d-5 under the Exchange Act), together with any of its Affiliates or Associates (as defined in paragraph 12), is or becomes the direct or indirect beneficial owner (as defined below) of shares of capital stock of the Corporation entitled to vote in the election of directors of the Corporation under ordinary circumstances or to elect a majority of the Board of Directors of the Company. Notwithstanding the foregoing, a Change of Control will be deemed not to have occurred if (A) 85% or more of the consideration receivable by holders of shares of the Series upon conversion thereof immediately after such occurrence consists of Marketable Stock or (B) immediately after such occurrence (I) the Current Market Price of the shares of the Series or (II) the sum of the Current Market Price of any such Marketable Stock receivable upon conversion of shares of the Series plus any cash receivable upon such conversion has a value on each of the five trading days immediately after such Change of Control equal to or in excess of 105% of the Liquidation Amount. Notwithstanding the foregoing, a Change of Control will not be deemed to have occurred with respect to any transaction that constitutes a Fundamental Change.

For purposes of the foregoing definition, a person shall be deemed to have "beneficial ownership" with respect to, and shall be deemed to "beneficially own," any securities of the Corporation in accordance with Section 13 of the Exchange Act and the rules and regulations (including Rule 13d-3, Rule 13d-5 and any successor rules) promulgated by the Securities and Exchange Commission thereunder.

(ii) a "Fundamental Change" with respect to the Corporation means (A) the occurrence of any transaction or series of related transactions or event in connection with which a majority of the outstanding Common Stock of the Corporation or shares of the Series shall be exchanged for, converted into, acquired for or converted solely into the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) or (B) the conveyance, sale, lease, assignment, transfer or other disposal of a majority of the Corporation's property, business or assets; provided, however, a Fundamental Change will not include any transaction or series of related transactions or events in which (x) 85% or more of the consideration (I) received by the holders of the shares of the Series directly for their shares or (II) receivable upon conversion of their shares immediately after such transaction (if their shares are not exchanged in connection with such Fundamental Change) or upon the conversion or exchange immediately after such transaction of any convertible or exchangeable securities received directly for their shares (if their shares are exchanged in connection with such Fundamental Change) consists of Marketable Stock or (B) immediately after the consummation of such transaction (I) the Current Market Price of the shares of the Series (if such shares are not exchanged in connection with such Fundamental Change), (II) the sum of the Current Market Price of any securities for which such shares are exchanged plus

any cash received in connection with such exchange or (III) the sum of the Current Market Price of any securities into which such shares or securities identified in the preceding clauses (i) and (ii) may be converted into or exchanged for plus any cash received in connection with such conversion or exchange has a value on each of the five consecutive trading days preceding such transaction equal to or in excess of 105% of the Liquidation Amount.

(iii) the "Special Conversion Price" shall mean the higher of the Market Value of the Common Stock or $5.21 per share; provided, however, that each time the then prevailing Conversion Price shall be adjusted as provided elsewhere herein, such dollar amount shall likewise be adjusted so that the ratio of such dollar amount to the then prevailing Conversion Price, after giving effect to any such adjustment, shall always be the same as the ratio of $5.21 to the initial Conversion Price (without giving effect to any adjustment).

(iv) the "Market Value" of the Common Stock or any other Marketable Stock shall be the average of the last reported sales price of the Common Stock or such other Marketable Stock, as the case may be, for the five business days ending on the last business day preceding the date of the Change of Control or Fundamental Change; provided, however, that if the Marketable Stock is not traded on any national securities exchange or similar quotation system as described in the definition of "Marketable Stock" during such period, then the Market Value of such Marketable Stock shall be the average of the last reported sales price per share of such Marketable Stock during the first five business days commencing with the first day after the date on which such Marketable Stock was first distributed to the general public and traded on the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market or any similar system of automated dissemination of quotations of securities prices in the United States; and

(v) "Marketable Stock" shall mean Common Stock or common stock of any corporation that is the successor to all or substantially all of the business or assets of the Corporation as a result of a Fundamental Change (or of the ultimate parent of such successor), which is (or will, upon distribution thereof, be) listed or quoted on the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market or any similar system of automated dissemination of quotation securities prices in the United States.

12. CERTAIN DEFINITIONS. As used in this Certificate, the following terms shall have the following respective meanings:

"AFFILIATE" of any specified person means any other person directly or indirectly controlling or controlled by or under common control with such specified person. For purposes of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities or otherwise; and the term "controlling" and "controlled" having meanings correlative to the foregoing.

An "ASSOCIATE" of a person means (A) any corporation or organization, other than the Corporation or any subsidiary of the Corporation, of which the person is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities; (B) any trust or estate in which the person has a substantial beneficial interest or as to which the person serves as trustee or in a similar fiduciary capacity; and (C) any relative or spouse of the person, or any relative of the spouse, who has the same home as the person or who is a director or officer of the person or any of its parents or subsidiaries.

"COMMON SHARES" shall mean any stock of the Corporation which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation and which is not subject to redemption by the Corporation. However, Common Shares issuable upon conversion of shares of this series shall include only shares of the class designated as Common Shares as of the original date of issuance of shares of the Series, or shares of the Corporation of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation and which are not subject to redemption by the Corporation; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from such reclassifications bears to the total number of shares of all classes resulting from all such reclassifications. Unless the context otherwise specifies or requires, all references in this certificate to "Common Shares" include the Common Stock.

"CURRENT MARKET PRICE" means, when used with respect to any security as of any date, the last sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, in either case as reported for consolidated transactions on the New York Stock Exchange or, if the security is not listed or admitted to trading on the New York Stock Exchange, as reported for consolidated transactions with respect to securities listed on the principal national securities exchange on which such security is listed or admitted to trading or, if the security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the

over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use or, if the security is not quoted by any such organization, the average of the closing bid and asked prices furnished by a New York Stock Exchange member firm selected by the Company.

IN WITNESS WHEREOF, the Corporation has caused this

Certificate to be duly executed on its behalf by its undersigned President and

attested to by its Secretary this day of November, 1995

Corporate Seal

_____
John H. Pinkerton
President and Chief Executive Officer

ATTEST:

_____
Jeffrey A. Bynum, Secretary

CT01/SCHIJ/69316.34

EXHIBIT 4.1(t)

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LOMAK PETROLEUM, INC.

Company

and

KEYCORP SHAREHOLDER SERVICES, INC.,

Trustee

INDENTURE

Dated as of [_____]

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[$_____]

8.125% Subordinated Convertible Notes Due 2005

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INDENTURE dated as of [_____], between Lomak Petroleum, Inc., a Delaware corporation (the "Company"), and [Keycorp Shareholder Services, Inc.], as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 8.125% Subordinated Convertible Notes due December 31, 2005 (the "Notes"):

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1. DEFINITIONS.

"AFFILIATE" of any specified Person means (i) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (ii) any Person who is a director or officer (a) of such specified Person, (b) of any Subsidiary of such specified Person or (c) of any Person described in clause (i) above. For purpose of this definition, control of a person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such person whether by contract or otherwise; and the terms "controlling" or "controlled" have meanings correlative to the foregoing.

"AGENT" means any Registrar, Paying Agent, Conversion Agent or co-registrar or any successor thereto.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any committee of the Board duly authorized to act under the Indenture.

"BUSINESS DAY" means any day other than a Legal Holiday.

"CAPITAL STOCK" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in the common or preferred equity (however designated) of such Person, including, without limitation, partnership interests.

"CAPITALIZED LEASE OBLIGATION" means, with respect to any person for any period, an obligation of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP; and the amount of such obligation shall be the capitalized amount shown on the balance sheet of such Person as determined in accordance with GAAP.

"CHANGE OF CONTROL" means the occurrence of any of the following events: (i) any person (as the term "person" is used in Section 13(d) or Section 14(d) of the Exchange Act) is or becomes the direct or indirect beneficial owner of shares of the Company's Capital Stock

representing greater than 50% of the total voting power of all shares of Capital Stock of the Company entitled to vote in the election of directors under ordinary circumstances or sufficient to elect a majority of the Board of Directors or (ii) the Company sells, transfers or otherwise disposes of all or substantially all of the assets of the Company. Notwithstanding the foregoing, a Change of Control will not include any transaction or series of related transactions in which (a) 85% or more of the consideration receivable by the Holders upon conversion of their Notes immediately after the occurrence of such Change of Control consists of Common Stock that is listed on a national securities exchange or approved for quotation on the Nasdaq Stock Market or (b) immediately after the occurrence of such Change of Control (i) the Current Market Price of the Notes or (ii) the sum of the Current Market Price of any such Common Stock receivable upon conversion of the Notes immediately after such occurrence that is listed on a national securities exchange or approved for quotation on the Nasdaq Stock Market plus any cash receivable upon such conversion has a value on each of the five trading days immediately after the occurrence of such Change of Control equal to or in excess of 105% of the principal amount of such Notes.

"COMMON STOCK" as applied to the Capital Stock of any corporation, means the common equity (however designated) of such Person, and with respect to the Company, means the Common Stock, par value $.01 per share, or any successor class of common equity into which either such class of common stock may hereafter be converted.

"COMPANY" means Lomak Petroleum, Inc., a Delaware corporation, until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter "COMPANY" shall mean such successor.

"CONVERSION AGENT" means the Trustee or any successor entity thereto.

"CURRENT MARKET PRICE" means, when used with respect to any security as of any date, the last sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, in either case as reported for consolidated transactions on the New York Stock Exchange or, if the security is not listed or admitted to trading on the New York Stock Exchange, as reported for consolidated transactions with respect to securities listed on the principal national securities exchange on which such security is listed or admitted to trading or, if the security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use or, if the security is not quoted by any such organization, the average of the closing bid and asked prices furnished by a New York Stock Exchange member firm selected by the Company. "CURRENT MARKET PRICE" means, when used with respect to any Property other than a security as of any date, the market value of such Property on such date as determined by the Board of Directors of the Company in good faith, which shall be entitled to rely for such purposes on the advice of any firm of investment bankers or appraisers having familiarity with such Property.

"DEBT" with respect to any Person as of any date means and includes (without duplication) (i) the principal of and premium, if any, in respect of indebtedness of such Person, contingent or otherwise, for borrowed money, including, without limitation, all interest, fees and expenses owed with respect thereto (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), or evidenced by bonds, notes, debentures or similar instruments, or representing the deferred and unpaid balance of the purchase price of any property or interest therein or services, if and to the extent such indebtedness would appear as a liability (other than a liability for accounts payable and accrued expenses incurred in the ordinary course of business) upon a balance sheet of such Person prepared on a consolidated basis in accordance with GAAP, (ii) all obligations issued or contracted for as payment in consideration of the purchase by such Person of Capital Stock or substantially all of the assets of another Person or as a result of a merger or a consolidation (other than any earn-outs or installment payments), (iii) all Capitalized Lease Obligations of such Person, (iv) all obligations of such Person in respect of letters of credit or similar instruments or reimbursement of letters of credit or similar instruments (whether or not such items would appear on the balance sheet of such Person), (v) all net obligations of such Person in respect of interest rate protection and foreign currency hedging arrangements, (vi) all guarantees by such Person of items that would constitute Debt under this definition (whether or not such items would appear on such balance sheet), and (vii) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock, but only to the extent such obligations arise on or prior to March 31, 2006; provided, however, that Debt issued at a discount from par shall be treated as if issued at par. The amount of Debt of any person at any date shall be the outstanding balance on such date of all unconditional obligations as described above and the maximum determinable liability, upon the occurrence of the liability giving rise to the obligation, of any contingent obligations referred to in clauses (i), (iv), (vi) and (vii) above at such date.

"DEFAULT" means any event which is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"DEPOSITARY" means, with respect to the Notes issued in global form, the Person specified in Section 2.3 as the Depositary with respect to the Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and, thereafter "DEPOSITARY" shall mean or include such successor.

"DISQUALIFIED STOCK" means any Capital Stock which, by its terms or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof or mandatorily (except to the extent that such exchange or conversion right cannot be exercised or such mandatory conversion cannot occur prior to March 31, 2006), is, or upon the happening of an event or the passage of time would be, (a) required to be redeemed or repurchased by the Company or any of its Subsidiaries, including at the option of the holder, in whole or in part, or has, or upon the happening of an event or passage of time would have, a redemption or similar payment due prior to March 31, 2006 or (b) exchangeable or convertible into debt securities of the Company or any of its Subsidiaries at the option of the holder thereof

or mandatorily, except to the extent that such exchange or conversion right cannot be exercised or such mandatory conversion cannot occur on or prior to March 31, 2006.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GAAP" means, as of any date, generally accepted accounting principles in the United States and does not include any interpretations or regulations that have been proposed but that have not become effective.

"HOLDER" means a Person in whose name a Note is registered on the Register.

"INDENTURE" means this Indenture, as amended or supplemented from time to time.

"INTEREST PAYMENT DATE" means March 31, June 30, September 30 and December 31 of each year.

"LEGAL HOLIDAY" means a Saturday, Sunday or any day on which banking institutions in the state in which the principal corporate trust office of the Trustee are required or authorized by law or other governmental action to be closed.

"NOTES CUSTODIAN" means, with respect to the Notes issued in global form, initially, the Trustee and any successor entity thereto or such other Person as appointed by the Company from time to time in accordance with the provisions of this Indenture.

"OFFICER" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice President of such Person.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers, one of whom must be the Chairman of the Board, the President, the Treasurer or a Vice-President of the Company, that meets the requirements of Sections 12.4 and 12.5 hereof.

"OPINION OF COUNSEL" means a written opinion from legal counsel who is reasonably acceptable to the Trustee that meets the requirements of Sections 12.4 and 12.5 hereof. The counsel may be an employee of or counsel to the Company or the Trustee.

"PERMITTED DEBT" means (i) Debt owed by the Company to any wholly owned Subsidiary of the Company, (ii) Debt owed by any wholly owned Subsidiary of the Company to the Company or any wholly owned Subsidiary of the Company and (iii) Refinancing Debt.

"PERSON" means any individual, corporation, partnership, association, trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"PREFERRED STOCK" means, with respect to any Person, Capital Stock of such Person of any class or classes (however designated) which is preferred as to the payments of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of the Capital Stock of such Person.

"PRINCIPAL" of a debt security means the principal of the security plus the premium, if any, on the security.

"PROPERTY" of any Person means all types of real, personal, tangible, intangible or mixed property owned by such Person whether or not included on the most recent consolidated balance sheet of such Person in accordance with GAAP.

"QUALIFIED STOCK" means Capital Stock of the Company that is not Disqualified Stock.

"REFINANCING DEBT" means Debt that refunds, refinances or extends any Notes or other Debt existing on the date hereof or hereafter incurred by the Company or its Subsidiaries pursuant to the terms of this Indenture, but only to the extent that (i) the Refinancing Debt is subordinated to the Notes to the same extent as the Debt being refunded, refinanced or extended, if at all, (ii) the Refinancing Debt is scheduled to mature either (a) no earlier than the Debt being refunded, refinanced or extended or (b) after the maturity date of the Notes, (iii) the portion, if any, of the Refinancing Debt that is scheduled to mature on or prior to the maturity date of the Notes has a Weighted Average Life to Maturity at the time such Refinancing Debt is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Debt being refunded, refinanced or extended that is scheduled to mature on or prior to the maturity date of the Notes, (iv) such Refinancing Debt is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Debt being refunded, refinanced or extended, plus customary fees and expenses associated with refinancing and (v) such Refinancing Debt is incurred by the same Person that initially incurred the Debt being refunded, refinanced or extended, except that (a) the Company may incur Refinancing Debt to refund, refinance or extend Debt of any Subsidiary of the Company, and (b) any Subsidiary of the Company may incur Refinancing Debt to refund, refinance or extend Debt of any other wholly owned Subsidiary of the Company.

"REGULAR RECORD DATE" means March 15, June 15, September 15 and December 15 of each year.

"REPRESENTATIVE" means the indenture trustee or other trustee, agent or representative for an issue of Senior Indebtedness.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"SENIOR INDEBTEDNESS" means the principal of and premium, if any, and interest on (a) indebtedness or other obligations under the Amended and Restated Revolving Credit and Term Loan Agreement dated as of July 6, 1994, among the Company and certain of its Subsidiaries, as borrowers, Bank One, Texas, N.A., as agent, and Bank One, Texas, N.A. and Texas Commerce Bank National Association, as lenders; (b) indebtedness for money borrowed (including purchase money obligations) evidenced by notes or other written obligations, including letters of credit and bankers acceptances, (c) indebtedness evidenced by notes, debentures, bonds or other securities issued under the provisions of an indenture or similar instrument, (d) obligations as lessee under capitalized leases and under leases of property made as part of any sale and leaseback transactions, (e) indebtedness of others of any of the kinds described in the preceding clauses (a) through (d) assumed or guaranteed and (f) amendments, renewals, extensions, modifications and refundings of any obligations or indebtedness described in the foregoing clauses (a) through (e); provided, however, that the following will not constitute Senior Indebtedness: (i) any indebtedness or obligation as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is expressly provided that such indebtedness or obligation is subordinate in right of payment to all other indebtedness, (ii) any indebtedness or obligation which refers explicitly to the Notes and states that the indebtedness or obligation shall not be senior in right of payment thereto, (iii) any indebtedness or obligation of the Company to any Affiliate and (iv) obligation of the Company for compensation to employees or for items purchased or services rendered in the ordinary course of business.

"SUBSIDIARY" of any Person means a corporation or other entity a majority of whose Capital Stock with voting power, under ordinary circumstances, entitling holders of such Capital Stock to elect the board of directors or other governing body, is at the time, directly or indirectly, owned by such Person and/or a Subsidiary or Subsidiaries of such Person.

"TIA" means the Trust Indenture Act of 1939 (U.S. Code Section Section 77aaa-77bbbb) as in effect on the date of execution of this Indenture; provided, however, that in the event the TIA is amended after such date, "TIA" means, to the extent required by any such amendments, to the TIA as so amended.

"TRANSFER RESTRICTED SECURITIES" means Notes that bear or are required to bear the legend set forth in Section 2.6(g) hereof.

"TRUSTEE" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter "TRUSTEE" shall mean such successor.

"TRUST OFFICER" means any officer or corporate trust officer or assistant corporate trust officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"U.S. GOVERNMENT OBLIGATIONS" means non-callable (i) direct obligations (or certificates representing an ownership interest in such obligations) of the United States for which its full faith and credit are pledged and (ii) obligations of a person controlled or supervised by, and

acting as an agency or instrumentality of, the United States, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States.

"WEIGHTED AVERAGE LIFE TO MATURITY" means, when applied to any Debt or Preferred Stock or portions thereof (if applicable) at any date, the number of years obtained by dividing (i) the then outstanding principal amount or liquidation amount of such Debt or Preferred Stock or portions thereof (if applicable) into (ii) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

SECTION 1.2. OTHER DEFINITIONS.

TERM	DEFINED IN SECTION
"Agent Members"	2.1
"Bankruptcy Law"	6.1
"Change of Control Date"	4.7
"Change of Control Offer"	4.7
"Change of Control Notice"	4.7
"Change of Control Payment"	4.7
"Change of Control Payment Date"	4.7
"Conversion Price"	10.1
"Custodian"	6.1
"Definitive Securities"	2.1
"Event of Default"	6.1
"Global Security"	2.1
"Paying Agent"	2.3
"Register"	2.3
"Registrar"	2.3
"Restricted Payment"	4.5
"Rule 144A"	2.1

SECTION 1.3. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

This Indenture is subject to the mandatory provisions of the TIA, which are incorporated by reference in and made part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"INDENTURE SECURITIES" means the Notes;

"INDENTURE SECURITY HOLDER" means a Holder;

"INDENTURE TO BE QUALIFIED" means this Indenture;

"INDENTURE TRUSTEE" or "institutional trustee" means the Trustee;

"OBLIGOR" on the Notes means the Company and any successor obligor upon the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.4. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular; and

(5) provisions apply to successive events and transactions.

(6) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time.

ARTICLE 2.

THE DEBENTURES

SECTION 2.1. FORM AND DATING.

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). Each Note shall be dated the date of its authentication. The terms of the Notes set forth in Exhibit A are part of the terms of this Indenture. The Notes are general unsecured obligations of the Company limited to $___ million in aggregate principal amount, subject to Section 2.7.

(a) GLOBAL SECURITIES. The Notes are being issued by the Company pursuant to the provisions of paragraph 6 of the Certificate of Designations of Preferred Stock of Lomak Petroleum, Inc. to be designated $2.03 Convertible Exhangeable Preferred Stock, Series C.

Notes issued to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) whose interests in the $2.03 Convertible Exchangeable Preferred Stock were represented by interests in a global certificate held by Person who is the Depositary, or, if different, The Depository Trust Company or similar institution, shall be issued initially in the form of one or more permanent global securities in definitive, fully registered form without interest coupons and with the Global Securities Legend and, unless removed in accordance with Section 2.6(g) hereof, the Restricted Securities Legend set forth in Exhibit A hereto (each, a "Global Security"), which shall be deposited on behalf of such qualified institutional buyers with the Trustee, at its New York, New York office, as custodian for the Depositary, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

(b) BOOK-ENTRY PROVISIONS. This Section 2.1(b) shall apply only to any Global Security deposited with or on behalf of the Depositary.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(b), authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of the Depositary for such Global Security or Global Securities or the nominee of the Depositary and (ii) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instructions or held by the Trustee as custodian for the Depositary.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or by the Trustee as the custodian of the Depositary or under such Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of the Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

(c) CERTIFICATED SECURITIES. Except as provided in Section 2.10, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of certificated Notes. Notes issued to Persons who are not "qualified institutional buyers" shall be issued certificated Notes in definitive, fully registered form without interest coupons, with the Restricted Securities Legend and, if such Person is an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), the Institutional Accredited

Investor Legend, but without the Schedule of Exchanges of Global Security for Definitive Securities, set forth in Exhibit A hereto ("Definitive Securities"); provided, however, that upon transfer of such Definitive Securities to a "qualified institutional buyer," such Definitive Securities will, unless the Global Security has previously been exchanged, be exchanged for an interest in a Global Security pursuant to the provisions of Section 2.6 hereof.

After a transfer of any Notes during the period of the effectiveness of a registration statement under the Securities Act with respect to the Notes, all requirements pertaining to legends on such Notes will cease to apply, the requirements requiring any such Notes issued to certain Holders be issued in global form will cease to apply, and a certificated Note without legends will be available to the transferee of the Holder of such Notes upon exchange of such transferring Holder's certificated Notes or directions to transfer such Holder's interest in the Global Security, as applicable.

SECTION 2.2. EXECUTION AND AUTHENTICATION.

Two Officers shall sign the Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Notes and may be in facsimile form.

If an Officer whose signature is on a Note no longer holds that office at the time such Note is authenticated, such Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall authenticate Notes for original issue up to the aggregate principal amount stated in Paragraph 4 of the Notes, upon a written order of the Company signed by an Officer to a Trust Officer directing the Trustee to authenticate the Notes and certifying that all conditions precedent to the issuance of the Notes contained herein have been complied with. The aggregate principal amount of Notes outstanding at any time may not exceed such amount, except as provided in Section 2.7 hereof.

The Trustee may appoint an authenticating agent reasonably acceptable to and at the expense of the Company to authenticate Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company.

SECTION 2.3. REGISTRAR AND PAYING AGENT.

The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Notes may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Notes (the "Register") and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any

co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. The Company or any of its Subsidiaries may act as Paying Agent or Registrar. If the Company fails to appoint or maintain itself or another entity as Registrar or Paying Agent, the Trustee shall act as such.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-registrar not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7. The Company or any of its wholly owned Subsidiaries may act as Paying Agent, Registrar, co-registrar or transfer agent.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Security.

The Company initially appoints the Trustee to act as Registrar and Paying Agent with respect to the Global Security.

SECTION 2.4. PAYING AGENT TO HOLD MONEY IN TRUST.

The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and account for any money disbursed by it. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any money disbursed by it. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary of the Company) shall have no further liability for the money delivered to the Trustee. If the Company or a Subsidiary of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.5. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresseS of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least three Business Days before each Interest Payment Date and, at such other times as the Trustee may request in writing, within five Business Days after such request a list in such form

and as of such date as the Trustee may reasonably require, and which the Trustee may conclusively rely upon, of the names and addresses of Holders, and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.6. TRANSFER AND EXCHANGE.

(a) TRANSFER AND EXCHANGE OF DEFINITIVE SECURITIES. When Definitive Securities are presented to the Registrar with the request:

(x) to register the transfer of the Definitive Securities; or

(y) to exchange such Definitive Securities for an equal principal amount of Definitive SecuritieS of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; provided, however, that the Definitive Securities presented or surrendered for register of transfer or exchange:

i) shall be duly endorsed or accompanied by a written instruction of transfer in form and substance satisfactory to the Registrar duly executed by the Holder thereof or by his or her attorney, duly authorized in writing; and

ii) in the case of Transfer Restricted Securities that are Definitive Securities, shall be accompanied by the following additional information and documents, as applicable:

(A) if such Transfer Restricted Security is being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in the form set forth on the reverse of the Notes); or

(B) if such Transfer Restricted Security is being transferred to the Company or a "qualified institutional buyer" (as defined in Rule 144A) in accordance with Rule 144A, a certification to that effect (in the form set forth on the reverse of the Notes); or

(C) if such Transfer Restricted Securities are being transferred (w) pursuant to an exemption from registration in accordance with Rule 144 or Regulation S under the Securities Act; or (x) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is acquiring the security for its own account, or for the account of such an institutional accredited investor, in each case in a minimum principal amount of Notes of $250,000 for investment purposes and not with a view to, or for offer or sale in connection with, any

distribution in violation of the Act; or (y) in reliance on another from the registration requirements of the Securities Act: (i) a certification to that effect (in the form set forth on the reverse of the Notes), (ii) if the Company, Trustee or Registrar so requests, an Opinion of Counsel reasonably acceptable to the Company, Trustee and Registrar to the effect that such transfer is in compliance with the Securities Act and (iii) in the case of clause (x), a signed letter in substantially the form of Exhibit B hereto.

(b) RESTRICTIONS ON TRANSFER OF A DEFINITIVE SECURITY FOR A BENEFICIAL INTEREST IN A GLOBAL SECURITY. A Definitive Security may not be exchanged for a beneficial interest in a Global Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

i) if such Definitive Security is a Transfer Restricted Security, certification, substantially in the form of Exhibit B hereto, that such Definitive Security is being transferred to a "qualified institutional buyer" (as defined in Rule 144A) in accordance with Rule 144A; and

ii) whether or not such Definitive Security is a Transfer Restricted Security, written instructions directing the Trustee to make, or to direct the Notes Custodian to make, an endorsement on the Global Security to reflect an increase in the aggregate principal amount of the Notes represented by the Global Security,

then the Trustee shall cancel such Definitive Security in accordance with Section 2.11 hereof and cause, or direct the Notes Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Notes Custodian, the aggregate principal amount of Notes represented by the Global Security to be increased accordingly. If no Global Security is then outstanding, the Company shall issue and the Trustee shall authenticate a new Global Security in the appropriate principal amount.

(c) TRANSFER AND EXCHANGE OF GLOBAL SECURITY. The transfer and exchange of a Global Security or beneficial interests therein shall be effected through the Depositary in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depositary therefor.

(d) TRANSFER OF A BENEFICIAL INTEREST IN A GLOBAL SECURITY FOR A DEFINITIVE SECURITY.

i) Any Person having a beneficial interest in a Global Security that is being exchanged or transferred pursuant to an effective registration statement under the Securities Act or pursuant to clause (A), (B) or (C) below may upon request, and if accompanied by the information specified below,

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exchange such beneficial interest for a Definitive Security of the same aggregate principal amount. Upon receipt by the Trustee of written instructions or such other form of instructions as is customary for the Depositary, from the Depositary, or its nominee on behalf of any Person having a beneficial interest in a Global Security, and upon receipt by the Trustee of a written order or such other form of instructions, and, in the case of a Transfer Restricted Security only, the following additional information and documents (all of which may be submitted by facsimile):

(A) if such beneficial interest is being transferred to the Person designated by the Depositary as being the beneficial owner, a certification from such Person to that effect (in the form set forth on the reverse of the Notes) or

(B) if such beneficial interest is being transferred to a "qualified institutional buyer" (as defined in Rule 144A) in accordance with Rule 144A, a certification to that effect from the transferor (in the form set forth on the reverse of the Notes); or

(C) if such beneficial interest is being transferred (w) pursuant to an exemption from registration in accordance with Rule 144 or Regulation S under the Securities Act; or (x) to an institutional "accredited investor" within the meaning of Rule 501 (a)(1), (2), (3) or (7) under the Securities Act that is acquiring the security for its own account, or for the account of such an institutional accredited investor, in each case in a minimum principal amount of Notes of $250,000 for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Notes; or (y) in reliance on another exemption from the registration requirements of the Securities Act: (i) a certification to that effect from the transferee or transferor (in the form set forth on the reverse of the Notes), (ii) if the Company, Trustee or Registrar so requests, an Opinion of Counsel from the transferee or transferor reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act, and (iii) in the case of clause (x), a signed letter in substantially the form of Exhibit B hereto,

then the Trustee or the Notes Custodian, at the direction of the Trustee, will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Notes Custodian, the aggregate principal amount of the Global Security to be reduced on its books and records and, following such reduction, the Company will execute and, upon receipt of an authentication order in the form of an Officers' Certificate in accordance with Section 2.2 hereof, the Trustee will

authenticate and deliver to the transferee a Definitive Security in the appropriate principal amount.

ii) Definitive Notes issued in exchange for a beneficial interest in a Global Security pursuant to this Section 2.6(d) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from the Agent Members or otherwise, shall instruct the Trustee. The Trustee shall deliver such Definitive Securities to the Persons in whose names such Notes are so registered.

(e) RESTRICTIONS ON TRANSFER AND EXCHANGE OF GLOBAL SECURITY. Notwithstanding any other provisions of this Indenture (other than the provisions set forth in Section 2.6(f)), a Global Security may not be transferred as a whole or in part except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(f) AUTHENTICATION OF DEFINITIVE SECURITIES IN ABSENCE OF DEPOSITARY. If at any time:

i) the Depositary notifies the Company that the Depositary is unwilling or unable to continue as Depositary for the Global Securities and a successor Depositary for the Global Securities is not appointed by the Company within 90 days after delivery of such notice; or

ii) the Company, at its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Securities under this Indenture,

then the Company will execute, and the Trustee, upon receipt of an Officers' Certificate, in accordance with Section 2.2 hereof, requesting the authentication and delivery of Definitive Securities, will authenticate and deliver Definitive Securities, in an aggregate principal amount equal to the principal amount of the Global Securities, in exchange for such Global Securities.

(g) LEGENDS.

i) Except as permitted by the following paragraph (ii), each Note certificate evidencing the Global Securities and the Definitive Securities (and all Notes issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form:

"THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED, IN THE ABSENCE OF SUCH REGISTRATION OR

UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

"THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (IV) TO THE COMPANY OR (V) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE FEDERAL OR STATE SECURITIES LAWS AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Security) pursuant to Rule 144 under the Securities Act or an effective registration statement under the Securities Act:

(A) in the case of any Transfer Restricted Security that is a Definitive Security, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Definitive Security that does not bear the legends set forth above and rescind any restriction on the transfer of such Transfer Restricted Security; and

(B) any such Transfer Restricted Security represented by a Global Security shall not be subject to the provisions set forth in (i) above (such sales or transfers being subject only to the provisions of Section 2.6(e)); provided, however, that with respect to any request for an exchange of a Transfer Restricted Security that is represented by a Global Security for a Definitive Security that does not bear a legend, which request is made in reliance upon Rule 144 under the Securities Act, the Holder thereof shall certify in writing to the Registrar that such request is being made pursuant

to Rule 144 under the Securities Act (such certification to be in the form set forth on the reverse of the Notes).

(h) CANCELLATION AND/OR ADJUSTMENT OF GLOBAL SECURITY. At such time as all beneficial interests in a Global Security have either been exchanged for Definitive Securities, redeemed, repurchased or cancelled, such Global Security shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for Definitive Securities, redeemed, repurchased or cancelled, the principal amount of Notes represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security, by the Trustee or the Notes Custodian, at the direction of the Trustee, to reflect such reduction.

(i) OBLIGATIONS WITH RESPECT TO TRANSFERS AND EXCHANGES OF DEFINITIVE SECURITIES.

i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Definitive Securities and a Global Security at the Registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments or similar governmental charge payable in connection therewith.

(iii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any Definitive Security selected for redemption in whole or in part pursuant to Article 3, except the unredeemed portion of any Definitive Security being redeemed in part, or (b) any Note during the 15 day period preceding the mailing of a notice of redemption or an offer to repurchase or redeem Notes or the 15 day period preceding an Interest Payment Date.

(iv) Prior to the due presentation for registration of transfer of any Note, the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(v) All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

(j) NO OBLIGATION OF THE TRUSTEE.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in the Depositary or other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) or any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among the Agent Members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.7. REPLACEMENT NOTES.

If any mutilated Note is surrendered to the Trustee, the Registrar or Notes Custodian, or if the Holder of a Note claims that such Note has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee, upon the written order of the Company signed by an Officer, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond shall be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss which any of them may suffer if a Note is replaced. The Company may charge the Holder for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and shall be entitled to all benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

SECTION 2.8. OUTSTANDING NOTES.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Security effected by the Trustee hereunder, and those described in this Section 2.8 as not outstanding. Except as set forth in Section 2.9 hereof, a Note does not cease to be outstanding because the Company or an Affiliate holds the Note.

If a Note is replaced pursuant to Section 2.7 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.1 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary of the Company or an Affiliate of any thereof) segregates and holds interest, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay Notes payable on that date, and is not prohibited from paying such money to the Holders thereof pursuant to the terms of this Indenture, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

SECTION 2.9. TREASURY NOTES.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any Affiliate of the Company shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes as to which a Trust Officer of the Trustee knows are so owned shall be so disregarded.

SECTION 2.10. TEMPORARY SECURITIES.

(a) Until Definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon a written order of the Company signed by an Officer and delivered or cause to be delivered to a Trust Officer. Temporary Notes shall be substantially in the form of Definitive Securities but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate, upon receipt of a written order of the Company signed by two Officers which shall specify the amount of the temporary Notes to be authenticated and the date on which the temporary Notes are to be authenticated, Definitive Securities in exchange for temporary Notes.

(b) A Global Security deposited with the Depositary or with the Trustee as custodian for the Depositary pursuant to Section 2.1 shall be transferred to the beneficial owners thereof

only if such transfer complies with Section 2.6 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days after such notice or (ii) an Event of Default has occurred and is continuing.

(c) Any Global Security that is transferable to the beneficial owners thereof pursuant to this Section 2.10 shall be surrendered by the Depositary to the Trustee located in New York, New York, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of Initial Notes of authorized denominations. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 and any integral multiple thereof and registered in such names as the Depository shall direct. Any Note delivered in exchange for an interest in the Global Security shall, except as otherwise provided by Section 2.6(b) bear the restricted securities legend set forth in Exhibit A hereto.

(d) Subject to the provisions of Section 2.10(c), the registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

(e) In the event of the occurrence of either of the events specified in Section 2.10(b), the Company will promptly make available to the Trustee, at the Company's expense, a reasonable supply of certificated Notes in definitive, fully registered form without interest coupons.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and certification of their destruction (subject to the record retention requirements of the Exchange Act) shall be delivered to the Company unless, by a written order, signed by an Officer, the Company shall direct that cancelled Notes be returned to it. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

SECTION 2.12. DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Notes, the Company shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Company shall pay the defaulted interest to the Persons who are Holders on a subsequent special record date. The Company shall fix or cause to be fixed (or upon the

Company's failure to do so the Trustee shall fix) any such special record date and payment date to the reasonable satisfaction of the Trustee, which specified record date shall not be less than 10 days prior to the payment date for such defaulted interest, and shall promptly mail or cause to be mailed to each Holder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such defaulted interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment such money when deposited to be held in trust for the benefit of the Person entitled to such defaulted interest as in this subsection provided.

SECTION 2.13. DEPOSIT OF MONEYS.

Prior to 10:00 a.m. New York City time on each Interest Payment Date and the maturity date, the Company shall have deposited with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such Interest Payment Date or maturity date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such Interest Payment Date or maturity date, as the case may be.

ARTICLE 3.

REDEMPTION

SECTION 3.1. NOTICES TO TRUSTEE.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of paragraph 5 of the Notes, it shall notify the Trustee of the redemption date, the principal amount of Notes to be redeemed and the redemption price at least 15 days prior to mailing any notice of redemption to the Holders (unless the Trustee consents to a shorter period). Such notice shall be accompanied by an Officers' Certificate from the Company to the effect that such redemption will comply with the conditions herein.

The Company shall give notice to the Holders of any redemption pursuant to this Article 3 at least 30 days but not more than 60 days before the redemption date. If fewer than all the Notes are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee, which record date shall be not less than 15 days after the date of notice to the Trustee.

SECTION 3.2. SELECTION OF NOTES TO BE REDEEMED.

If less than all the Notes are to be redeemed, the Trustee shall select the Notes to be redeemed in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are quoted or listed or, if the Notes are not listed, on a pro rata basis,

by lot or by such other method that complies with applicable legal requirements and that the Trustee considers fair and appropriate. The Trustee shall make the selection not more than 60 days and not less than 30 days before the redemption date from Notes outstanding and not previously called for redemption. The Trustee may select for redemption portions of the principal amount of Notes that have denominations larger than $1,000. Notes and portions of them it selects shall be in amounts of $1,000 or integral multiples of $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Company promptly of the Notes or portions of Notes to be called for redemption.

SECTION 3.3. NOTICE OF REDEMPTION.

At least 30 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first class mail to each Holder whose Notes are to be redeemed.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date, upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued;

(d) the Conversion Price (as defined in the Note);

(e) the name and address of the Paying Agent and Conversion Agent;

(f) that Notes called for redemption may be converted at any time before the close of business on the redemption date, in accordance with Article 10;

(g) that Holders who want to convert Notes must satisfy the requirements in paragraph 8 of the Notes;

(h) that unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price; and

(i) that interest on Notes called for redemption ceases to accrue on and after the redemption date.

At the Company's request, the Trustee shall give notice of redemption in the Company's name and at its expense. In such event, the Company shall provide the Trustee with the information required by this Section 3.3.

SECTION 3.4. EFFECT OF NOTICE OF REDEMPTION.

Notice of redemption shall be deemed to be given when mailed to each Holder at its last registered address, whether or not the Holder receives such notice. Once notice of redemption is mailed, Notes called for redemption become due and payable on the redemption date at the redemption price set forth in the Notes. A notice of redemption may not be conditional. Upon surrender to the Trustee or Paying Agent, such Notes called for redemption shall be paid at the redemption price, plus accrued but unpaid interest thereon to the redemption date. If the redemption date is after an Interest Payment Date but prior to the next succeeding Regular Record Date, interest with respect to any Note converted after delivery of the related notice of redemption shall be paid to the Holder so converting for the period from the last Interest Payment Date to the date of such conversion. If the redemption date is after a Regular Record Date and on or prior to the related Interest Payment Date, the accrued interest shall be payable to Holders of record on such Regular Record Date.

SECTION 3.5. DEPOSIT OF REDEMPTION PRICE.

On or before 10:00 a.m. New York City time on any redemption date, the Company shall deposit with the Trustee or with the Paying Agent available funds sufficient to pay the redemption price of and accrued interest (if payable under the Notes) on all Notes to be redeemed on that date other than Notes or portions of Notes called for redemption which prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted. The Trustee or the Paying Agent shall return to the Company any money not required for that purpose.

SECTION 3.6. NOTES REDEEMED IN PART.

Upon surrender of a Note that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

ARTICLE 4.

COVENANTS

SECTION 4.1. PAYMENT OF NOTES.

The Company shall pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes or pursuant to this Indenture. Principal and interest shall be considered paid on the date due if the Paying Agent (other than the Company or a Subsidiary

of the Company) on that date holds money in accordance with this Indenture designated for and sufficient to pay in cash all principal and interest then due and the Paying Agent is not prohibited from paying such money to Holders on that date pursuant to the terms of this Indenture.

To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on (i) overdue principal at the rate borne by the Notes and (ii) overdue installments of interest at the same rate.

SECTION 4.2. STAY EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.3. CONTINUED EXISTENCE.

Subject to Article 5 hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a corporation and will refrain from taking any action that would cause its existence as a corporation to cease, including without limitation any action that would result in its liquidation, winding up or dissolution.

SECTION 4.4. SEC REPORTS.

The Company shall file with the SEC annual reports and information, documents and other reports which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Within 15 days after each such filing, the Company shall deliver copies of the materials so filed to the Trustee and the Holders (at their addresses as set forth in the Register) or cause the Trustee to deliver copies of such materials to the Holders at the Company's expense. If at any time the Company ceases to be required to file information, documents and other reports pursuant to Section 13 or 15(d) of the Exchange Act, the Company shall continue to prepare all such information, documents and other reports it would be required to prepare and file with the Commission if it were so required to file with the Commission, in each case within the filing periods required by such Sections 13 or 15(d), and the Company shall deliver copies of such materials to the Trustee and the Holders (at their addresses as set forth in the Register) or cause the Trustee to deliver copies of such materials to the Holders at the Company's expense. The Company also shall comply with the other provisions of TIA Section 314(a). The Company shall timely comply with its reporting and filing obligations under the applicable federal securities laws.

SECTION 4.5. LIMITATION ON RESTRICTED PAYMENTS.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, declare or pay any distribution or dividend on or in respect of any class of its Capital Stock (except dividends or distributions payable by wholly owned Subsidiaries of the Company and dividends or distributions payable in Qualified Stock of the Company or in options, warrants or other rights to purchase Qualified Stock of the Company) (a "Restricted Payment"); unless (a) at the time of and after giving effect to a proposed Restricted Payment no Event of Default (and no event that, after notice or lapse of time, or both, would become an Event of Default) shall have occurred and be continuing and (b) such Restricted Payment is made in cash and in an amount that, together with the sum of the aggregate of all other Restricted Payments made by the Company and its Subsidiaries after the date of this Indenture plus the aggregate amount of all dividends paid with respect to the Company's Preferred Stock after the date of the Indenture, does not exceed the cumulative retained earnings of the Company arising from and after the date of this Indenture. Notwithstanding the foregoing, the Company will be permitted to pay dividends on Preferred Stock of the Company outstanding on the date of the Indenture in an amount not greater than that specifically provided for in the Company's certificate of incorporation or the related certificate of designations.

Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.6 were computed, which calculations may be based upon the Company's latest available financial statements.

SECTION 4.6. TAXES.

The Company shall, and shall cause each of its Subsidiaries to, pay or discharge prior to delinquency all taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings.

SECTION 4.7. CHANGE OF CONTROL.

(a) In the event of a Change of Control, the time of such Change of Control being referred to as the "Change of Control Date," then the Company shall give written notice (the "Change of Control Notice") to the Holders in writing of such occurrence and shall make an offer to purchase (as the same may be extended in accordance with applicable law, the "Change of Control Offer") all then outstanding Notes at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the Change of Control Payment Date, if any. The Change of Control Offer shall be mailed by the Company not more than 30 days following any Change of Control Date, unless the Company has previously mailed a notice of optional redemption by the Company of all of the Notes, to each Holder at such Holder's last address on the Note Register by first class mail with a copy to the Trustee and the Paying Agent and shall set forth:

(i) that a Change of Control has occurred and that the Company is offering to repurchase all of such Holder's Notes;

(ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, information with respect to pro forma income, cash flow and capitalization of the Company after giving effect to such Change of Control);

(iii) the repurchase price (the "Change of Control Payment");

(iv) the expiration date of the Change of Control Offer, which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed;

(v) the date such purchase shall be effected, which shall be no later than 30 days after expiration date of the Change of Control Offer (the "Change of Control Payment Date");

(vi) that any Notes not accepted for payment pursuant to the Change of Control Offer shall continue to accrue interest;

(vii) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(viii) the Conversion Price;

(ix) the name and address of the Paying Agent and Conversion Agent;

(x) that Notes must be surrendered to the Paying Agent to collect the repurchase price; and

(xi) any other information required by applicable law to be included therein and any other procedures that a Holder must follow in order to have such Notes repurchased.

(b) The Change of Control Offer shall remain open until the close of business on the last day of the Change of Control Offer. If the Change of Control Payment Date is on or after a Regular Record Date and on or before the related Interest Payment Date, accrued interest through such Interest Payment Date will be paid to each Person in whose name a Note repurchased in the Change of Control Offer is registered at the close of business on such Regular Record Date, and no additional interest will be payable to Holders who tender Notes pursuant to the Change of Control Offer.

(c) In the event that the Company is required to make a Change of Control Offer, the Company will comply with any applicable securities laws and regulations, including, to the

extent applicable, Section 14(e), Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable in connection with any offer by the Company to purchase Notes at the option of the Holders thereof.

(d) On the Change of Control Payment Date, the Company shall, to the extent lawful:

(i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Notice,

(ii) deposit with the Paying Agent in immediately available funds an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so accepted, and

(iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof tendered to the Company.

(e) The Paying Agent shall promptly mail to each Holder of Notes so accepted payment in an amount equal to the purchase price for the Notes, and the Trustee shall promptly authenticate and mail to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered by such Holder, if any; provided, that each such new Note shall be in principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of any redemptions by Holders pursuant to this Section 4.9 on or as soon as practicable after the Change of Control Payment Date.

SECTION 4.8. LIMITATION ON STOCK SPLITS, CONSOLIDATIONS AND RECLASSIFICATIONS.

The Company shall not effect a stock split, consolidation or reclassification of any class of its Capital Stock unless (a) an equivalent stock split, consolidation or reclassification is simultaneously made with respect to each other class of Capital Stock of the Company and all securities exchangeable or exercisable for or convertible into any Capital Stock of the Company, and (b) after such stock split, consolidation or reclassification all of the relative voting, dividend and other rights and preferences of each class of Capital Stock of the Company are identical to those in effect immediately preceding such stock split, consolidation or reclassification.

SECTION 4.9. LIMITATION ON DIVIDEND RESTRICTIONS AFFECTING SUBSIDIARIES.

The Company shall not, and shall not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction of any kind on the ability of any Subsidiary of the Company to (a) pay to the Company dividends or make to the Company any other distribution on its Capital Stock, (b) pay any Debt owed to the Company or any of the Company's Subsidiaries, (c) make loans or advances to the Company or any of the Company's Subsidiaries or (d) transfer any of its property or assets to the Company or any of the Company's Subsidiaries, other than such encumbrances or restrictions

existing or created under or by reason of (i) applicable law, (ii) this Indenture, (iii) covenants or restrictions contained in any instrument governing Debt of the Company or any of its Subsidiaries existing on the date of this Indenture, (iv) customary provisions restricting subletting, assignment and transfer of any lease governing a leasehold interest of the Company or any of its Subsidiaries or in any license or other agreement entered into in the ordinary course of business, (v) any agreement governing Debt of a Person acquired by the Company or any of its Subsidiaries in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrances or restrictions are not applicable to any Person, or the property or assets of any Person, other than the Person, or the property or assets of the Person so acquired or (vi) any restriction with respect to a Subsidiary imposed pursuant to an agreement entered into in accordance with the terms of this Indenture for the sale or disposition of Capital Stock or property or assets of such Subsidiary, pending the closing of such sale or disposition.

SECTION 4.10. LIMITATION ON ADDITIONAL DEBT AFTER DEFAULT.

The Company shall not, and shall not permit any of its Subsidiaries to, incur any additional Debt (other than Permitted Debt) or Senior Indebtedness following the occurrence of an Event of Default unless such Event of Default (and all other Events of Default then pending) is cured or waived; provided, however, that the Company shall be permitted to incur up to $5.0 million of Senior Indebtedness after the occurrence of an Event of Default notwithstanding that such Event of Default (or any other Event of Default) is then outstanding.

SECTION 4.11. COMPLIANCE CERTIFICATE.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Events of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto), and that, to the best of his or her knowledge, no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes are prohibited.

The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, within five Business Days after becoming aware of (i) any Default, Event of Default or default in the performance of any covenant, agreement or condition in this Indenture or (ii) any event of default under any other instrument of Debt to which Section 6.1(d) applies, an Officers' Certificate specifying such Default, Event of Default or default, describing its status and what action the Company is taking or proposes to take with respect thereto.

So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of this Article 4, or if any such violation has occurred, specifying the nature and, if known, the period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

SECTION 4.12. FURTHER ASSURANCE TO THE TRUSTEE.

The Company shall, upon request of the Trustee, execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the provisions of this Indenture.

ARTICLE 5.

SUCCESSORS

SECTION 5.1. WHEN COMPANY MAY MERGE OR SELL ASSETS.

The Company shall not consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets to, any Person, without the consent of each Holder, unless:

(a) the Company is the continuing corporation or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, lease, conveyance or other disposition of assets shall have been made, is organized and existing under the laws of the United States, any state thereof or the District of Columbia and such Person (if other than the Company) assumes by supplemental indenture executed and delivered to the Trustee and in a form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and this Indenture including, without limitation, conversion rights in accordance with Article 11 hereof;

(b) immediately after giving effect to the transaction no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing;

(c) immediately after giving effect to such transaction, the Notes and this Indenture will be a valid and enforceable obligation of the Company or such successor; and

(d) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such proposed transaction and such supplemental indenture comply with the applicable provisions of this Indenture.

SECTION 5.2. SUCCESSOR SUBSTITUTED.

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the Person formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person has been named as the Company herein; provided, however, that the predecessor Company in the case of a sale, lease, conveyance or other disposition shall not be released from the obligation to pay the principal of and interest on the Notes.

ARTICLE 6.

DEFAULTS AND REMEDIES

SECTION 6.1. EVENTS OF DEFAULT.

The following shall constitute an "Event of Default":

(a) failure to pay principal of or premium, if any, on any Note when due and payable at maturity, upon redemption, upon a Change of Control Offer or otherwise, whether or not such payment is prohibited by the subordination provisions of this Indenture;

(b) failure to pay any interest on any Note when due and payable, which failure continues for 30 days, whether or not such payment is prohibited by the subordination provisions of this Indenture;

(c) failure to perform the other covenants of the Company in this Indenture, which failure continues for 60 days after written notice as provided in this Indenture;

(d) failure to perform any covenants of the Company to the holders of Senior Indebtedness as required by the terms of such Senior Indebtedness unless waived by said holders;

(e) a default occurs (after giving effect to any applicable grace periods or any extension of any maturity date) in the payment when due of principal of and/or acceleration of, any indebtedness for money borrowed by the Company or any of its Subsidiaries in excess of $5 million, individually or in the aggregate, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after written notice as provided in this Indenture;

(f) the Company pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of it or for all or substantially all of its property, and such Custodian is not discharged within 30 days,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is unable to pay its debts as the same become due; and

(g) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any Subsidiary of the Company in an involuntary case,

(ii) appoints a Custodian of the Company or any Subsidiary of the Company or for all or substantially all of its property, or

(iii) orders the liquidation of the Company or any Subsidiary of the Company,

and, in each case, the order or decree remains unstayed and in effect for 60 days.

The term "Bankruptcy Law" means title 11, U.S. Code or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

A Default under clause (c) (other than a Default under Section 5.1, which Default shall be an Event of Default with the notice but without the passage of time specified in this Section 6.1), (d) or (e) shall not be an Event of Default until the Trustee notifies the Company or the Holders of at least 25% in principal amount of the then outstanding Notes notify the Company and the Trustee of the Default and the Company does not cure the Default under such clause (c) within 60 days after receipt of the notice, or under clause (d) within 10 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

SECTION 6.2. ACCELERATION.

If an Event of Default (other than an Event of Default specified in clauses (e) and (f) of Section 6.1) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes by notice to the Company and

the Trustee, may declare the unpaid principal of and accrued interest on all the Notes to be due and payable. Upon such declaration the principal and interest shall be due and payable immediately. If an Event of Default specified in clause (f) or (g) of Section 6.1 occurs, such a an amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of a majority in principal amount of the then outstanding Notes by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration. No such recision shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.3. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal or interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.4. WAIVER OF EXISTING AND PAST DEFAULTS.

The Holders of a majority in principal amount of the then outstanding Notes by written notice to the Trustee may waive an existing Default or Event of Default and its consequences, except (i) a continuing Default or Event of Default in the payment of the principal of, or the interest on, any Note or (ii) a Default or Event of Default in respect of a provision that under Section 9.2 cannot be amended without the consent of each Holder affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.5. CONTROL BY MAJORITY.

The Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with applicable law or this Indenture, that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

In the event the Trustee takes any action or follows any direction pursuant to this Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against any loss or expense caused by taking such action or following such direction.

SECTION 6.6. LIMITATION ON SUITS.

A Holder may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder gives to the Trustee notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.7. RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal and interest on the Note, on or after the respective due dates expressed in the Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to bring suit for the enforcement of the right to convert the Note shall not be impaired or affected without the consent of the Holder.

SECTION 6.8. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.1(a) or (b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest remaining unpaid on the Notes and interest on overdue principal and interest, and such further amount as shall be sufficient to cover the costs and, to the extent lawful, expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.9. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property. Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 6.8 or 7.7;

Second: to holders of Senior Indebtedness to the extent required by Article 11;

Third: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

Fourth: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders.

At least 15 days before the record date, the Company shall mail to the Trustee and each Holder (at such Holder's address as it appears on the Register, a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7.

TRUSTEE

SECTION 7.1. DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties that are specifically set forth in this Indenture or the TIA and no others.

(ii) In the absence of negligence, misconduct or bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture, but the Trustee need not verify the contents thereof.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b) of this Section.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to the provisions of the TIA, paragraphs (a), (b), (c) and (e) of this Section 7.1 and Section 7.2.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds held in trust except to the extent required by law.

SECTION 7.2. RIGHTS OF TRUSTEE.

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters to the extent reasonably deemed necessary by it, and if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled upon reasonable notice, to examine the books and records and premises of the Company, personally or by agent, authorized representative or attorney.

(b) Before the Trustee acts or refrains from acting pursuant to the terms of the Indenture or otherwise, it may require an Officers' Certificate or an Opinion of Counsel, or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any Agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

SECTION 7.3. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to and must comply with Sections 7.10 and 7.11.

SECTION 7.4. TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Company in the Indenture or any statement in the Notes other than its authentication.

SECTION 7.5. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is actually known to the Trustee, the Trustee shall mail to each Holder a notice of the Default or Event of Default within 90 days after it occurs, unless such Default or Event of Default shall have been cured or waived. Except in the case of a Default or Event of Default in payment on any Note under Section 6.1(a) or (b), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the best interests of Holders. The second sentence of this Section 7.5 shall be in lieu of the proviso to Section

315(b) of the TIA, which proviso is hereby expressly excluded from this Indenture, as permitted by the TIA.

SECTION 7.6. REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each July 1, commencing July 1, 1996, the Trustee shall mail to Holders, at the Company's expense, a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2) to the extent applicable. The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each stock exchange or market on which the Notes are listed or quoted. The Company shall notify the Trustee when the Notes are listed on any stock exchange or quoted on any market.

SECTION 7.7. COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee (in its capacities as Trustee, Notes Custodian, Conversion Agent, Paying Agent and Registrar) from time to time such compensation as may be agreed in writing between the Company and the Trustee for its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses may include the reasonable compensation and out-of-pocket expenses of the Trustee's Agents and counsel, except such disbursements, advances and expenses as may be attributable to its negligence, misconduct or bad faith.

The Company shall indemnify and hold harmless the Trustee (in its capacities as Trustee, Paying Agent and Registrar) against any claim, demand, expense (including reasonable attorney's fees and expenses), loss or liability incurred by it in connection with the administration of this trust and the performance of its duties hereunder, except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. In the event that a conflict of interest or conflict of defenses would arise in connection with representation of the Company and the Trustee by the same counsel, the Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through misconduct, negligence or bad faith.

To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(f) or (g) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

The Company's payment obligations pursuant to this Section 7.7 shall survive the discharge of this Indenture.

SECTION 7.8. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.8.

The Trustee may resign by so notifying the Company in writing at least 30 days prior to the date of the proposed resignation; provided, however, that no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 7.8. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company. The Company shall remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee is not appointed or does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7. Notwithstanding the replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 hereof shall continue for the benefit of the retiring trustee with respect to expenses and liabilities incurred by it prior to such replacement.

SECTION 7.9. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION.

This indenture shall always have a Trustee who satisfies the requirements of TIA Section Section 310(a)(1) and 310(a)(2). The Trustee shall always have a combined capital and surplus as stated in its most recent published annual report of condition of at least $150 million. The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9). The provisions of TIA Section 310 shall apply to the Company, as obligor of the Notes.

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein. The provisions of TIA Section 311 shall apply to the Company, as obligor of the Notes.

ARTICLE 8.

DISCHARGE OF INDENTURE

SECTION 8.1. TERMINATION OF COMPANY'S OBLIGATIONS.

This Indenture shall cease to be of further effect (except that the Company's obligations under Section 7.7 and 8.3 shall survive) when all outstanding Notes theretofore authenticated and issued (other than destroyed, lost or stolen Notes which have been replaced or paid) have been delivered to the Trustee for cancellation and the Company has paid all sums payable hereunder. In addition, the Company shall be discharged from all of its obligations under Section 2.13 and Sections 4.3 through 4.19 while the Notes remain outstanding if all outstanding Notes will

become due and payable at their scheduled maturity within one year and the following conditions have been satisfied:

(a) the Company has deposited, or caused to be deposited, irrevocably with the Trustee as trust funds specifically pledged as security for, and dedicated solely for, such purpose, (i) money in an amount, (ii) non-callable U.S. Government Obligations which through the payment of principal, premium, if any, and interest in accordance with their terms (without the reinvestment of such interest or principal) will provide not later than one day before the due date of any payment money in an amount, or (iii) a combination thereof, sufficient with respect to clauses (ii) and (iii) in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee at or prior to the time of such deposit, to pay the principal of, premium, if any, and discharge each installment of interest on the outstanding Notes, together with all other amounts payable by the Company under this Indenture.

(b) no Default or Event of Default with respect to the Notes has occurred and is continuing on the date of such deposit or shall occur as a result of such deposit or at any time during the period ending on the 91st day after the date of such deposit, as evidenced to the Trustee by an Officer's Certificate delivered to the Trustee concurrently with such deposit.

(c) such defeasance does not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound, and is not prohibited by Article 11, as evidenced to the Trustee by an Officers' Certificate delivered to the Trustee concurrently with such deposit,

(d) the Company has delivered to the Trustee a private Internal Revenue Service ruling or an opinion of counsel that Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner, and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred,

(e) the Company has delivered to the Trustee an Opinion of Counsel to the effect that the deposit shall not result in the Company, the Trustee or the trust being deemed to be an "investment company" under the Investment Company Act of 1940, as amended,

(f) 91 days pass after the deposit is made and during such 91 day period no event of Default specified in Section 6.1(f) or (g) shall occur and be continuing at the end of such period, and

(g) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the discharge of such provisions of the Indenture have been complied with. Notwithstanding the foregoing, the Company's obligations to pay principal, premium, if any, and interest on the Notes shall continue until the Internal Revenue Service ruling or Opinion of Counsel referred to in clause (d) above is provided.

If the Company exercises such option to discharge such provisions of the Indenture, payment of the Notes may not be accelerated because of an event of default specified in Sections 6.1(c) with respect to the failure to perform any of the covenants set forth in Section 2.13 and Section 4.3 through 4.19, or Section 6.1(d).

After a deposit made pursuant to this Section 8.1, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations specified above under this Indenture.

SECTION 8.2. APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.1. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal and interest on the Notes. Money and securities so held in trust are not subject to Article 11.

SECTION 8.3. REPAYMENT TO COMPANY.

Subject to Section 7.7, the Trustee and the Paying Agent shall promptly pay to the Company upon request any excess money or securities held by them at any time.

The Trustee and the Paying Agent shall pay to the Company upon written request by the Company any money held by them for the payment of principal or interest that remains unclaimed for two years after the date upon which such payment shall have become due; provided, however, that the Company shall have first caused notice of such payment to the Company to be mailed to each Holder entitled thereto no less than 30 days prior to such payment. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

SECTION 8.4. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any money in accordance with Section 8.2 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.1 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.2; provided, however, that if the Company makes any payment of interest on or principal of any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9.

AMENDMENTS

SECTION 9.1. WITHOUT CONSENT OF HOLDERS.

The Company and the Trustee may amend this Indenture or the Notes without the consent of any Holder:

(a) to cure any ambiguity, defect or inconsistency; provided that such amendment does not in the opinion of the Trustee adversely affect the rights of any Holder;

(b) to comply with Section 5.1;

(c) to provide for uncertificated Notes in addition to or in lieu of certificated Notes;

(d) to make any change that does not adversely affect the legal rights hereunder of any Holder; or

(e) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

provided, however, that, in each case, the Company has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate, each stating that such amendment complies with the provisions of this Section 9.1.

SECTION 9.2. WITH CONSENT OF HOLDERS.

Subject to the provisions of Sections 6.4 and 6.7, the Company and the Trustee may amend or modify this Indenture or the Notes with the written consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and the Holders of a majority in principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes; provided, however, that, without the consent of each Holder affected, an amendment, modification or waiver under this Section 9.2 may not (with respect to any Notes held by a non-consenting Holder):

(a) change the stated maturity of, or any installment of interest on, any Note;

(b) reduce the principal amount of any Note or reduce the rate or extend the time of payment of interest on any Note;

(c) increase the conversion price (other than in connection with a reverse stock split as provided in this Indenture);

(d) change the place or currency of payment of principal of, or premium or repurchase price, if any, or interest on, any Note;

(e) impair the right to institute suit for the enforcement of any payment on or with respect to any Note;

(f) adversely affect the right to exchange or convert Notes;

(g) reduce the percentage of the aggregate principal amount of outstanding Notes, the consent of the Holders of which is necessary to modify or amend this Indenture;

(h) reduce the percentage of the aggregate principal amount of outstanding Notes, the consent of the Holders of which is necessary for waiver of compliance with certain provisions of this Indenture or for waiver of certain defaults;

(i) modify the provisions of this Indenture with respect to the subordination of the Notes in a manner adverse to the Holders;

(j) modify the provisions of this Indenture with respect to the right to require the Company to repurchase Notes in a manner adverse to the Holders; or

(k) modify the provisions of this Indenture with respect to the vote necessary to amend this Section 9.2.

To secure a consent of the Holders under this Section 9.2, it shall not be necessary for the Holders to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment or waiver under this Section 9.2 becomes effective, the Company shall mail to Holders a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notices, or any defect therein, shall not, however, in any way, impair or affect the validity of any such amendment or waiver.

SECTION 9.3. COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment to this Indenture or the Notes shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 9.4. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplemental indenture or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by such Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as such consenting Holder's Note, even if notation of the consent is not made on any Note. However, prior to becoming effective,

any such Holder or subsequent Holder may revoke the consent as to its Notes or a portion thereof if the Trustee receives written notice of revocation before the consent of Holders of the requisite aggregate principal amount of Notes has been obtained and not revoked.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of Notes required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment or waiver becomes effective it shall bind every Holder, unless it is of the type described in any of clauses (a) through (k) of Section 9.2. In such case, the amendment or waiver shall bind each Holder of a Note who has consented to it and every subsequent Holder of a Note that evidences the same debt as the consenting Holder's Note.

SECTION 9.5. NOTATION ON OR EXCHANGE OF NOTES.

The Trustee (in accordance with the written direction of the Company) may (at the Company's expense) place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment or waiver. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.6. TRUSTEE PROTECTED.

The Trustee shall sign all supplemental indentures, except that the Trustee need not sign any supplemental indenture that adversely affects its rights. In signing or refusing to sign such supplemental Indenture, the Trustee shall be entitled to receive an Officer's Certificate and Opinion of Counsel to the effect that such supplemental Indenture is authorized or permitted by this Indenture and will be valid and binding on the Company in accordance with its terms.

ARTICLE 10.

CONVERSION

SECTION 10.1. CONVERSION PRIVILEGE.

Each Holder may, at such Holder's option, at any time prior to the close of business on December 31, 2005, unless earlier redeemed or repurchased, convert such Holder's Notes, in

whole or in part (in denominations of $1,000 or multiples thereof), at 100% of the principal amount so converted, into fully paid and non- assessable shares of the Company's Common Stock at a conversion price per share equal to $____, as such conversion price may be adjusted from time to time in accordance with Section 10.4 (the "Conversion Price").

SECTION 10.2. CONVERSION PROCEDURE.

To convert a Note, a Holder must (1) complete and sign the notice on the reverse of the Note, (2) surrender such Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Registrar or Conversion Agent and (4) pay any transfer or similar tax if required by Section 10.6. The Company's delivery to the Holder of a fixed number of shares of Common Stock (and any cash in lieu of fractional shares of Class A Common Stock into which such Note is converted) shall be deemed to satisfy the Company's obligation to pay the principal amount of such Note and, subject to the provisions of Section 3.4, unless such Note is converted after a Regular Record Date and prior to the related Interest Payment Date, all accrued interest that has not previously been paid. If such Note is converted after a Regular Record Date and prior to the related Interest Payment Date, the interest installment on such Note scheduled to be paid on such Interest Payment Date shall be payable on such Interest Payment Date to the Holder of record at the close of business on such Regular Record Date through such date of conversion.

As promptly as practicable after the surrender of such Note in compliance with this Section 10.2, the Company shall issue and deliver at such office or agency to such Holder, or on such Holder's written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Note or portion thereof in accordance with the provisions of this Article 10 and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, as provided in Section 10.3. In case any Note of a denomination greater than $1,000 shall be surrendered for partial conversion, subject to Article 2, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of the Note so surrendered, without charge to such Holder, a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note.

Each conversion shall be deemed to have been effected on the date on which such Note shall have been surrendered in compliance with this Section 10.2, and the Person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided, however, that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the Person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such Note shall have been surrendered.

If the last day on which a Note may be converted is a Legal Holiday in a place where a Conversion Agent is located, the Note may be surrendered to that Conversion Agent on the next succeeding day that is not a Legal Holiday.

Provisions of this Indenture that apply to conversion of all of a Note also apply to conversion of a portion of such Note.

SECTION 10.3. CASH PAYMENTS IN LIEU OF FRACTIONAL SHARES.

No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon conversion of Notes. If more than one Note shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted hereby) so surrendered. If any fractional share of Common Stock would be issuable upon the conversion of any Note or Notes, the Company shall make an adjustment therefor in cash at the Current Market Price of the Common Stock as of the close of business on the Business Day prior to such conversion.

SECTION 10.4. ADJUSTMENT OF CONVERSION PRICE.

(a) In the event that the Company shall (i) pay a dividend or other distribution, in shares of its Common Stock, on any class of Capital Stock of the Company or any Subsidiary which is not wholly owned by the Company, (ii) subdivide its outstanding Common Stock into a greater number of shares or (iii) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the Holder of any Note thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Company that such Holder would have owned or have been entitled to receive after the happening of any of the events described above had such Note been converted immediately prior to the happening of such event. An adjustment made pursuant to this subsection (a) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of subdivision or combination.

(b) In the event that the Company shall issue or distribute Capital Stock or issue rights, warrants or options entitling the holder thereof to subscribe for or purchase Capital Stock at a price per share less than the Current Market Price per share on the date of issuance or distribution (provided that the issuance of Capital Stock upon the exercise of warrants or options will not cause an adjustment in the Conversion Price if no such adjustment would have been required at the time such warrant or option was issued), then at the earliest of (i) the date the Company shall enter into a firm contract for such issuance or distribution, (ii) the record date for the determination of stockholders entitled to receive any such rights, warrants or options, if applicable, or (iii) the date of actual issuance or distribution of any such Capital Stock or rights, warrants or options, the Conversion Price in effect immediately prior to such earliest date shall be adjusted so that the Conversion Price shall equal the price determined by multiplying the Conversion Price in effect immediately prior to such earliest date by:

(x) if such Capital Stock is Common Stock, the fraction whose numerator shall be the number of shares of Common Stock outstanding on such date plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price (such amount, with respect to any such rights, warrants or options, determined by multiplying the total number of shares subject thereto by the exercise price of such rights, warrants or options and dividing the product so obtained by the Current Market Price), and of which the denominator shall be the number of shares of Common Stock outstanding on such date plus the number of additional shares of Common Stock to be issued or distributed or receivable upon exercise of any such warrant, right or option; or

(y) if such Capital Stock is other than Common Stock, the fraction whose numerator shall be the Current Market Price per share of Common Stock on such date minus an amount equal to (A) the sum of (I) the Current Market Price per share of such class of Capital Stock multiplied by the number of shares of such class of Capital Stock to be so issued minus (II) the offering price per share of such Capital Stock multiplied by the number of shares of such class of Capital Stock to be so issued (B) divided by the number of shares of Common Stock outstanding on such date and whose denominator is the Current Market Price of the Common Stock on such date.

Such adjustment shall be made successively whenever any such Capital Stock, rights, warrants or options are issued or distributed at a price below the Current Market Price therefor as in effect on the date of issuance or distribution. In determining whether any rights, warrants or options entitle the holders to subscribe for or purchase shares of Capital Stock at less than such Current Market Price, and in determining the aggregate offering price of shares of Capital Stock so issued or distributed, there shall be taken into account any consideration received by the Company for such Capital Stock, rights, warrants or options, the value of such consideration, if other than cash, to be determined by the Board of Directors, whose determination shall be conclusive and described in a certificate filed with the Trustee. If any right, warrant or option to purchase Capital Stock, the issuance of which resulted in an adjustment in the Conversion Price pursuant to this subsection (b), shall expire and shall not have been exercised, the Conversion Price shall immediately upon such expiration be recomputed to the Conversion Price which would have been in effect had the adjustment of the Conversion Price made upon the issuance of such right, warrant or option been made on the basis of offering for subscription or purchase only that number of shares of Capital Stock actually purchased upon the actual exercise of such right, warrant or option.

(c) In the event that the Company shall pay as a dividend or other distribution to holders of any class of its Capital Stock generally or to holders of any class of Capital Stock of any Subsidiary which is not wholly owned by the Company evidences of indebtedness or assets (including, without limitation, shares of Capital Stock, cash or other securities, but excluding dividends, rights, warrants, options and distributions for which adjustment is made as described in subsections (a) and (b) above and further excluding cash dividends paid out of cumulative retained earnings of the Company arising after the date hereof and determined in accordance with GAAP), then in each such case the Conversion Price shall be adjusted so that the same

shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the Current Market Price per share of Common Stock on the record date mentioned below less the fair market value on such record date (as determined by the Board of Directors, whose determination shall be conclusive and described in a certificate filed with the Trustee) of the portion of the Capital Stock or assets or evidences of indebtedness so distributed or of such rights or warrants attributable to one share of Common Stock (the amount so attributable equaling the aggregate fair market value of such indebtedness or assets, as so determined by the Board of Directors, divided by the number of shares of Common Stock outstanding on such record date), and the denominator shall be the Current Market Price of the Common Stock on such record date. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution, except as provided in subsection (f) below.

(d) Notwithstanding anything contained herein to the contrary, no adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this subsection (d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be and the Trustee shall be entitled to rely thereon. Anything in this Section 10.4 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 10.4, as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its stockholders shall not be taxable. Notwithstanding any provision of this Article 10 to the contrary, no adjustment in the Conversion Price shall be made upon (i) the issuance of Common Stock of the Company pursuant to any compensation or incentive plan for officers, directors, employees or consultants of the Company, which plan has been approved by the Compensation Committee of the Board of Directors (or if there is no such committee then serving, by the majority vote of the Directors then serving on the Company's Board of Directors who are not an employee or officer of the Company, a 5% or greater stockholder of the Company, an officer, employee or Affiliate of any such 5% or greater stockholder of the Company or any relative or spouse of any such Person or of such Person's spouse who has the same home as such Person), and, if required by law, the requisite vote of the stockholders of the Company (unless the exercise price thereof is changed after the date hereof other than solely by operation of the anti-dilution provisions thereof or by the Compensation Committee, if applicable, the Board of Directors and, if required by law, the stockholders of the Company as provided in this clause (i)), (ii) the issuance of Common Stock upon the conversion or exercise of Preferred Stock or warrants of the Company outstanding on the date of this Indenture, unless the conversion or exercise price thereof is changed after the date of this Indenture (other than solely by operation of the anti-dilution provisions thereof) or (iii) the declaration, setting aside or payment of dividends out of the Company's cumulative retained earnings (as evidenced by the quarterly financial statements of the Company, certified by an Officer's Certificate delivered to the Trustee) from and after January 1, 1997. Except as provided in this Article 10, no adjustment in the Conversion Price

will be made for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock, or carrying the right to purchase any of the foregoing.

(e) Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly file with the Trustee and any conversion agent other than the Trustee an Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which such adjustment becomes effective and shall mail or cause to be mailed such notice to each Holder at his last address appearing on the Note Register.

(f) In any case in which this Section 10.4 provides that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustments and (ii) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 10.3 :hereof.

SECTION 10.5. EFFECT OF RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE.

In the event of (i) any reclassification or change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation, merger or combination of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive securities or other Property (including cash) with respect to or in exchange for such Common Stock or (iii) any sale or conveyance of the Property of the Company as, or substantially as, an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive securities or other Property (including cash) with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing corporation, as the case may be, shall enter into a supplemental indenture providing that each Note shall be convertible into the kind and amount of securities or other Property (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance by a holder of a number of shares of Common Stock issuable upon conversion of such Notes immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 10.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at his address appearing on the Register.

The above provisions of this Section 10.5 shall similarly apply to successive reclassification, changes, consolidations, mergers, combinations, sales and conveyances.

SECTION 10.6. TAXES ON SHARES ISSUED.

The issuance of stock certificates on conversions of Notes shall be made without charge to the converting Holder for any tax in respect of the issuance thereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of a stock certificate in any name other than that of the Holder of any Note converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

SECTION 10.7. RESERVATION OF SHARES; SHARES TO BE FULLY PAID; COMPLIANCE WITH GOVERNMENT REQUIREMENTS; LISTING OF COMMON STOCK.

The Company shall reserve, out of its authorized but unissued Common Stock or its Common Stock held in treasury, sufficient shares of Common Stock to provide for the conversion of the Notes that are outstanding from time to time.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Notes, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of Common Stock at such adjusted Conversion Price.

The Company covenants that all shares of Common Stock which may be issued upon conversion of Notes will upon issuance be fully paid and nonassessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

The Company covenants that if any shares of Common Stock to be provided for the purpose of conversion of Notes hereunder require registration with or approval of any governmental authority under any applicable federal or state law (excluding federal or state securities laws) before such shares may be validly issued upon conversion, the Company will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be.

The Company further covenants that if at any time Common Stock shall be listed on the American Stock Exchange or any other national securities exchange or on the Nasdaq Stock Market the Company will, if permitted by the rules of such exchange or market, list and keep listed so long as the Common Stock shall be so listed on such exchange or market, all Common Stock issuable upon conversion of the Notes.

SECTION 10.8. RESPONSIBILITY OF TRUSTEE REQUIREMENTS.

The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any fact exists which may require any

adjustment of the Conversion Price or other adjustment or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or other Property, which may at any time be issued or delivered upon the conversion of any Note; and neither the Trustee nor any other Conversion Agent makes any representations with respect thereto. Subject to the provisions of Section 8.1 hereof, neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or other Property (including cash) upon the surrender of any Note for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article 10. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 10.5 hereof relating either to the kind or amount of securities or other Property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in Section 10.5 hereof or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 8.1 hereof, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

SECTION 10.9. NOTICE TO HOLDERS PRIOR TO CERTAIN ACTIONS.

In the event that:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock (other than in cash out of retained earnings); or

(b) the Company shall authorize the granting to the holders of its Common Stock generally of rights or warrants to subscribe for or purchase any shares of any class of its Capital Stock or any other rights or warrants; or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, in each such case, the Company shall file or cause to be filed with the Trustee and to be mailed to each Holder at his address appearing on the Register, as promptly as possible but in any event at least 15 days prior to the applicable date hereinafter specified, a notice prepared

by the Company stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occurring and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other Property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up.

ARTICLE 11.

SUBORDINATION

SECTION 11.1. AGREEMENT TO SUBORDINATE.

The Company agrees, and each Holder by accepting a Note agrees, that the indebtedness evidenced by the Notes is subordinated in right of payment, to the extent and in the manner provided in this Article 11, to the prior payment in full of all Senior Indebtedness, and that the subordination is for the benefit of the holders of Senior Indebtedness. All provisions of this Article 11 shall be subject to Section 11.13.

SECTION 11.2 LIQUIDATION; DISSOLUTION; BANKRUPTCY.

Upon any payment or distribution to creditors of the Company in a liquidation, dissolution or winding up of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property:

(a) holders of Senior Indebtedness shall be entitled to receive payment in full of all Senior Indebtedness before Holders shall be entitled to receive any payments of principal of or premium, if any, or interest on the Notes; and

(b) until the Senior Indebtedness is paid in full, any distribution to which Holders would be entitled but for this Article 11 shall be made to holders of Senior Indebtedness as their interests may appear, except that Holders may receive securities that are subordinated to Senior Indebtedness to at least the same extent as the Notes; provided that no such default will prevent any payment on, or in respect of, the Notes for more than 120 days unless the maturity of such Senior Indebtedness has been accelerated.

A distribution may consist of cash, securities or other property.

SECTION 11.3 COMPANY NOT TO MAKE PAYMENT WITH RESPECT TO NOTES IN CERTAIN CIRCUMSTANCES.

(a) Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, all principal thereof, premium, if any, and interest thereon and any other amounts owing in respect thereof shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Indebtedness before any payment is made on account of the principal of or premium, if any, or interest on the Notes or to acquire any of the Notes.

(b) Upon the happening of an event of default (or if any event of default would result upon any payment upon or with respect to Notes) with respect to any Senior Indebtedness as such event of default is defined therein or in the instrument under which it is outstanding, permitting holders to accelerate the maturity thereof, and, if the default is other than default in payment of the principal of, premium, if any, or interest on or any other amount owing in respect of such Senior Indebtedness, upon written notice thereof given to the Company and the Trustee by the holders of Senior Indebtedness or their Representative, then, unless (i) such an event of default shall have been cured or waived or shall have ceased to exist or (ii) the Company and the Trustee receive written notice from the Representatives of the Senior Indebtedness with respect to which such event of default relates approving payment on the Notes, no payment shall be made by the Company with respect to the principal of or premium, if any, or interest on the Notes or to acquire any of the Notes; provided that no such default will prevent any payment on, or in respect of, the Notes for more than 120 days unless the maturity of such Senior Indebtedness has been accelerated. Not more than one such 120 day delay may be made in any consecutive 360 day period, irrespective of the number of defaults with respect to Senior Indebtedness during such period.

SECTION 11.4 ACCELERATION OF NOTES.

If payment of the Notes is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Indebtedness of the acceleration.

SECTION 11.5 WHEN DISTRIBUTION MUST BE PAID OVER.

If a distribution is made to Holders that, because of this Article 11, should not have been made to them, the Holders who receive the distribution shall hold it in trust for holders of Senior Indebtedness and pay it over to them as their interests may appear.

SECTION 11.6 NOTICE BY COMPANY.

The Company shall promptly notify the Trustee and the Paying Agent of any facts known to the Company that would cause a payment of principal of or premium, if any, or interest on the Notes to violate this Article 11.

SECTION 11.7 SUBROGATION.

After all Senior Indebtedness is paid in full and until the Notes are paid in full, Holders shall be subrogated to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness to the extent that distributions otherwise payable to the Holders have been applied to the payment of Senior Indebtedness. A distribution made under this Article 11 to holders of Senior Indebtedness which otherwise would have been made to Holders is not, as between the Company and Holders, a payment by the Company on Senior Indebtedness.

SECTION 11.8 RELATIVE RIGHTS.

This Article 11 defines the relative rights of Holders and holders of Senior Indebtedness. Nothing in this Indenture shall:

(a) impair, as between the Company and Holders, the obligation of the Company, which is absolute and unconditional, to pay principal of and premium, if any, and interest on the Notes in accordance with their terms;

(b) affect the relative rights of Holders and creditors of the Company, other than holders of Senior Indebtedness; or

(c) prevent the Trustee or any Holder from exercising its available remedies upon a Default, subject to the rights of holders of Senior Indebtedness to receive distributions otherwise payable to Holders.

If the Company fails because of this Article 11 to pay principal of or premium, if any, or interest on a Note on the date, such failure shall nevertheless be deemed a Default. Nothing in this Article 11 shall have any effect on the right of the Holders or the Trustee to accelerate the maturity of the Notes.

SECTION 11.9 SUBORDINATION MAY NOT BE IMPAIRED BY COMPANY.

No right of any holder of Senior Indebtedness to enforce the subordination of the indebtedness evidenced by the Notes shall be impaired by any act or failure to act by the Company or by its failure to comply with the terms of this Indenture.

SECTION 11.10 DISTRIBUTION OF NOTICE TO REPRESENTATIVE.

Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness, the distribution may be made and the notice given to their Representative, if any.

SECTION 11.11 RIGHTS OF TRUSTEE AND PAYING AGENT.

Notwithstanding any provisions of this Indenture to the contrary, the Trustee and any Paying Agent may continue to make payments on the Notes and shall not at any time be charged

with knowledge of the existence of any facts which would prohibit the making of such payments until it receives written notice (received by a Trust Officer, in the case of the Trustee) reasonably satisfactory to it that payments may not be made under this Article 11 and, prior to the receipt of any such notice, the Trustee, subject to the provisions of Article 7, and any agent shall be entitled to assume conclusively that no such facts exist. The Company, an Agent, a Representative or a holder of Senior Indebtedness may give the notice. If an issue of Senior Indebtedness has a Representative, only the Representative (or any Representative, if more than one) may give the notice with respect to such Senior Indebtedness.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a Representative) to establish that such notice has been given by a holder of Senior Indebtedness (or a Representative), and shall be entitled to rely on any written notice by a Person representing himself to be a holder of a Senior Indebtedness to the effect that such issue of Senior Indebtedness has no Representative.

Any deposit of moneys by the Company with the Trustee or any Paying Agent (whether or not in trust) for the payment of the principal of or premium, if any, or interest on, or a payment on account of a Change of Control or Net Worth Deficiency, if any, of, any Notes shall be subject to the provisions of this Article 11, except that if, at least three business days prior to the date on which by the terms of this Indenture any such moneys may become payable for any purpose (including without limitation, the payment of principal of or premium, if any, or interest on any Note), the Trustee shall not have received with respect to such moneys the notice provided for in this Section 11.11, then the Trustee shall have full power and authority to receive such moneys and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it within three business days prior to or on or after such date. This Section 11.11 shall be construed solely for the benefit of the Trustee and Paying Agent and shall not otherwise affect the rights of holders of Senior Indebtedness. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article 11, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of the Senior Indebtedness held by such Person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 11, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive payment.

The Trustee shall not be deemed to owe any fiduciary duty to holders of Senior Indebtedness by virtue of the provisions of this Article 11. The Trustee's responsibilities to the holders of Senior Indebtedness are limited to those set forth in this Article 11 and no implied covenants or obligations shall be read into this Indenture. The Trustee shall not become liable to holders of Senior Indebtedness if it makes a payment prohibited by this Article 11 in good faith.

The Trustee in its individual or any other capacity may hold Senior Indebtedness with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 11.12 EFFECTUATION OF SUBORDINATION BY TRUSTEE.

Each Holder of Notes, by acceptance thereof, authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 11 and appoints the Trustee his attorney-in-fact for any and all such purposes.

SECTION 11.13 TRUST MONEYS NOT SUBORDINATED.

Notwithstanding anything contained herein to the contrary, payments from money or the proceeds of U.S. Government Obligations held in trust under Article 8 by the Trustee for the payment of principal of and interest on the Notes shall not be subordinated to the prior payment of any Senior Indebtedness or subject to the restrictions set forth in this Article 11, and none of the Holders shall be obligated to pay over any such amount to the Company or any holder of Senior Indebtedness of the Company or any other creditor of the Company.

ARTICLE 12.

MISCELLANEOUS

SECTION 12.1. TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 12.2. NOTICES.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery addressed as follows:

if to the Company:

Lomak Petroleum, Inc.
500 Throckmorton Street, Suite 2104
Fort Worth, Texas 76102
Fax No. (817) 870-2316
Attention: President

if to the Trustee:

Keycorp Shareholder Services, Inc.
_____
Fax. No. _____
Attention: Corporate Trust Department

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

All other notices or communications shall be in writing.

SECTION 12.3. COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 12.4. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) at the Trustee's reasonable request, an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 12.5. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION OF COUNSEL.

Each Officers' Certificate or Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that the individual making such Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(c) a statement that, in the opinion of such individual, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such individual, such condition or covenant has been complied with; provided, however, that, with respect to certain matters of fact not involving any legal conclusion, an Opinion of Counsel may, upon the consent of the parties relying on such opinion, rely on an Officers' Certificate or certificates of public officials.

SECTION 12.6. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar, Paying Agent or Conversion Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 12.7. LEGAL HOLIDAYS.

If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding Business Day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 12.8. NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation including with respect to any certificates delivered thereunder or hereunder. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

SECTION 12.9. COUNTERPARTS.

This Indenture may be executed in any number of counterparts and by the 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.

SECTION 12.10. GOVERNING LAW.

The internal laws of the State of New York shall govern this Indenture id the Notes, without regard to the conflict of laws provisions thereof.

SECTION 12.11. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary of the Company. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.12. SUCCESSORS.

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 12.13. SEVERABILITY.

In case any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.14. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table, and headings of the Articles and Sections Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed as of the day and year first above written.

LOMAK PETROLEUM, INC.

By:_____
Name:
Title:

Attest:

_____
Name:

KEYCORP SHAREHOLDER SERVICES, INC.

By:_____
Name:
Title:

Attest:

_____
Name:

Dated: [_____]

CT01/SCHIJ/68118.34

EXHIBIT A

[Face of Note]

LOMAK PETROLEUM

8.125% SUBORDINATED CONVERTIBLE NOTE DUE 2005

[Global Securities legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Securities legend]

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED, IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTIONS OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (IV) TO THE COMPANY OR (V) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH OF CASES FL) THROUGH (V)IN ACCORDANCE WITH ANY APPLICABLE FEDERAL OR STATE SECURITIES LAWS AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

[Institutional Accredited Investor Legend]

IN CONNECTION WITH ANY TRANSFER OF THIS NOTE, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS

SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

CUSIP No. 541509402

$_____

No._____

Lomak Petroleum, Inc., a Delaware corporation, promises to pay to _____ _____ or registered assigns, the principal sum of _____ Dollars on December 31, 2005.

Interest Payment Dates: March 31, June 30, September 30 and December 31.

Record Dates: March 15, June 15, September 15 and December 15.

Reference is made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Dated: _____ LOMAK PETROLEUM, INC.

By:_____
Officer of the Company

(SEAL)

Attest: _____

By:_____
Secretary

Authentication:

This is one of the Notes referred to in the within-mentioned Indenture:

KEYCORP SHAREHOLDER SERVICES, INC., as Trustee

By:_____
Authorized Signature

Dated:_____

CT01/SCHIJ/68118.34

[Reverse Side]

Capitalized terms used herein without definition shall have the meaning ascribed to them in the Indenture, dated as of _____ [Indenture Date] (the "Indenture"), as amended from time to time, between Lomak Petroleum, Inc. (the "Company") and Keycorp Shareholder Services, Inc., as trustee (the "Trustee").

1. INTEREST.

(a) The Company shall pay interest on the outstanding principal amount of this Note at the rate of 8.125% per annum from _____ [Indenture Date] until maturity. The Company will pay interest quarterly on March 31, June 30, September 30 and December 31 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date on which interest has been paid or duly provided for or, if no interest has been paid, from _____ [Indenture Date]; provided, however, that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(b) To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on (i) overdue principal, premium, if any, at the rate borne by the Notes; and (ii) overdue installments of interest at the same rate.

2. METHOD OF PAYMENT. The Company will pay interest (except defaulted interest) on the Notes to the Persons who are registered Holders at the close of business on March 15, June 15, September 15 or December 15 next preceding the applicable Interest Payment Date (each a "Regular Record Date"), even if such Notes are cancelled after such Regular Record Date and on or before such Interest Payment Date. Defaulted interest shall be paid to Holders as of a special record date established for purposes of determining the Holders entitled thereto. The Notes will be payable as to principal and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest on the Global Security. Such payment shall be in currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. PAVING AGENT, REGISTRAR AND CONVERSION AGENT. Initially, the Trustee will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without notice to any Holder. The Company or any of its subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under the Indenture. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Section Section 77aaa-77bbbb) (the "TIA"), as in effect on the date of the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. The Notes are general unsecured obligations of the Company limited to $___ million in aggregate principal amount, subject to Section 2.7 of the Indenture.

5. OPTIONAL REDEMPTION BY THE COMPANY. The Notes shall not be subject to redemption at the option of the Company prior to November 1, 1998. On or after November 1, 1998, the Notes will be redeemable at any time prior to maturity at the option of the Company, in whole or in part from time to time, upon not less than 30 days' nor more than 60 days' prior notice to the Holders at the redemption prices (expressed as percentages of principal amount) set forth below:

AFTER NOVEMBER 1,	PERCENTAGE
1998	105%
1999	104
2000	103
2001	102
2002	101
2003 and thereafter	100

In each case together with accrued but unpaid interest, if any, to the redemption date.

6. MANDATORY REDEMPTION. Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

7. REDEMPTION AT THE OPTION OF HOLDER. Upon a Change of Control, the Company shall offer to repurchase all or any part of the Notes (at each Holder's option) at a repurchase price equal to 100% of the aggregate principal amount thereof, plus accrued but unpaid interest, if any, to the date of repurchase. Within 30 days after a Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture. A Holder may tender or refrain from tendering all or any portion of such Holder's Notes, at such Holder's discretion, by completing the form entitled "Option of Holder to Elect Repurchase" below and delivering such form, together with the Notes with respect to which the repurchase right is being exercised, duly endorsed for transfer to the Company, to the Trustee. Any partial tender of Notes must be in an integral multiple of $1,000.

8. CONVERSION.

(a) Subject to the provisions of the Indenture, the Holder hereof may, at such Holder's option, at any time prior to the close of business on December 31, 2005, unless earlier redeemed or repurchased, convert this Note, in whole or in part (provided partial conversions may only be made in denominations of $1,000 or multiples thereof), at 100% of the principal amount hereof so converted, into shares of Common Stock of the Company, par value $.01 per share, at a conversion price per share of $_____, subject to adjustment as provided in the Indenture.

To convert a Note, a Holder must (i) complete and sign the conversion notice below, (ii) surrender the Note to the Conversion Agent, (iii) furnish appropriate endorsements and transfer documents if required by the Registrar or Conversion Agent and (iv) pay any transfer or similar tax if required by the Indenture. No fractional shares will be issued upon any conversion, but an adjustment in cash will be made, as provided in the Indenture, in respect of any fraction of a share which would otherwise be issuable upon surrender of any Note for conversion. A Holder is not entitled to any rights of a holder of Common Stock until such Holder has converted its Notes into Common Stock as provided in the Indenture.

9. SUBORDINATION. The Notes are subordinated to Senior Indebtedness. To the extent provided in the Indenture, Senior Indebtedness must be paid before the Notes may be paid. The Company agrees, and each Holder by accepting a Note agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give effect to such provisions, and each Holder appoints the Trustee its attorney-in-fact for any and all such purposes.

10. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $25 and integral multiples of $25. A Holder may transfer or exchange Notes as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Definitive Security (or portion thereof selected for redemption). Also,

it need not exchange or register the transfer of any Notes during the 15 day period preceding the mailing of a notice of redemption or an offer to repurchase Notes or the 15 day period preceding an Interest Payment Date.

11. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

12. AMENDMENTS AND WAIVERS. Subject to certain exceptions, the Indenture or the Notes may be amended with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding, and any existing Default (except a payment default) may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding. Without the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to (i) cure any ambiguity, defect or inconsistency, provided that such amendment does not in the opinion of the Trustee adversely affect the rights of any Holder, (ii) provide for uncertificated Notes in addition to or in lieu of certificated Notes, (iii) comply with Section 5.1 of the Indenture, (iv) make any change that does not adversely affect the legal rights of any Holder, or (v) comply with requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA.

13. DEFAULTS AND REMEDIES. Events of Default include: (a) failure to pay principal of or premium, if any, on any Note when due and payable at maturity, upon redemption, upon a Change of Control Offer or otherwise, whether or not such payment is prohibited by the subordination provisions of the Indenture; (b) failure to pay any interest on any Note when due and payable, which failure continues for 30 days, whether or not such payment is prohibited by the subordination provisions of the Indenture; (c) failure to perform the other covenants of the Company in the Indenture, which failure continues for 60 days after written notice as provided in the Indenture; (d) failure to perform any covenants of the Company to the holders of Senior Indebtedness as required by the terms of such Senior Indebtedness unless waived by said holders; (e) a default occurs (after giving effect to any applicable grace periods or any extension of any maturity date) in the payment when due of principal of and/ or acceleration of, any indebtedness for money borrowed by the Company or any of its Subsidiaries in excess of $5,000,000, individually or in the aggregate, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after written notice as provided in the Indenture; and (f) certain events of bankruptcy, insolvency or reorganization of the Company or any Subsidiary. If an Event of Default shall occur and be continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may accelerate the maturity of all Notes, except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes shall immediately so accelerate. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes at the request or direction of any of the Holders. Subject to certain limitations, the Holders of a majority in aggregate principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Company must furnish an annual compliance certificate to the Trustee.

14. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee; provided, however, that if the Trustee acquires any conflicting interest as described in the TIA, it must eliminate such conflict or resign.

15. NO RECOURSE AGAINST OTHERS. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=Custodian), and U/G/M/A (=Uniform Gifts to Minors Act).

18. ADDITIONAL RIGHTS OF HOLDERS OF TRANSFER RESTRICTED SECURITIES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

Lomak Petroleum, Inc.
500 Throckmorton Street, Suite 2104
Fort Worth, Texas 76102
Attn: President

SCHEDULE OF EXCHANGES OF GLOBAL SECURITY
FOR DEFINITIVE SECURITIES

The following exchanges of this Global Security for Definitive Securities have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Security	Amount of increase in Principal Amount of this Global Security	Principal Amount of this Global Security following such decrease or increase	Signature of authorized officer of Trustee or Notes Custodian

FORM OF ELECTION TO CONVERT

I (we) hereby irrevocably exercise the option to convert this Note, or the portion below designated, into shares of Common Stock of Lomak Petroleum, Inc. in accordance with the terms of the Indenture referred to in this Note, and direct that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned registered Holder hereof, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Portion of this Note to be converted (if partial conversion, $1,000 or an integral multiple thereof): $_____

If shares of Common Stock are to be issued and registered otherwise than to the registered Holder named above, please print the name and address, including zip code, and social security or other taxpayer identification number of the person to whom such Common Stock is to be issued.

_____

_____

_____

Your Name:_____
(exactly as your name appears on the face of this Note)

By:_____

Title:_____

Date:_____

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

_____

(Insert assignee's social security or tax I.D. no.)

_____
_____
_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Name:_____
(exactly as your name appears on the face of this Note)

By:_____

Title:_____

Date:_____

Signature Guaranteed:

By:_____
(Bank or trust company having an office or correspondent in the United States or a broker or dealer which is a member of a registered securities exchange or the National Association of Securities Dealers, Inc.)

==========

In connection with any transfer or exchange of any of the Notes evidenced by this certificate occurring prior to the date that is three years after the later of the date of original issuance of such Notes and the last date, if any, on which such Notes were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Notes are being:

[CONTINUED ON NEXT PAGE]

CHECK ONE BOX BELOW:

[ ] (1) acquired for the undersigned's own account, without transfer (in satisfaction of Section 2.6(a)(ii)(A) or Section 2.6(d)(i)(A) of the Indenture; or

[ ] (2) transferred to the Company; or

[ ] (3) transferred pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

[ ] (4) transferred pursuant to id in compliance with Regulation S under the Securities Act of 1933; or

[ ] (5) transferred to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933), that has furnished to the Company and the Trustee a signed letter containing certain representations and agreements (the form of which letter appears as Exhibit C to the Indenture); or

[ ] (6) transferred pursuant to another available exemption from the registration requirements of the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (4), (5) or (6) is checked, the Company, Trustee or Registrar may require, prior to registering any such transfer of the Notes, in their sole discretion, such legal opinions, certifications and other information as the Company, Trustee or Registrar has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, including but not limited to the exemption provided by Rule 144 under such Act.

Your Name:_____
(exactly as your name appears on the face of this Note)

By:_____

Title:_____

Date:_____

Signature Guaranteed:

By:_____
(Bank or trust company having an office or correspondent in the United States or a broker or dealer which is a member of a registered securities exchange or the National Association of Securities Dealers, Inc.)

OPTION OF HOLDER TO ELECT REPURCHASE

1. If you want to elect to have all or any part of this Note repurchased by the Company pursuant to Article IV of the Indenture (in connection with a Change of Control Offer or Deficiency Offer), state the amount you elect to have repurchased (if all, write "ALL"): $

Your Name:_____
(exactly as your name appears on the face of this Note)

By:_____

Title:_____

Date:_____

Signature Guaranteed:

By:_____
(Bank or trust company having an office or correspondent in the United States or a broker or dealer which is a member of a registered securities exchange or the National Association of Securities Dealers, Inc.)

EXHIBIT B

TRANSFEREE LETTER OF REPRESENTATION

Lomak Petroleum, Inc.
c/o [_____]
_____
_____

Dear Sirs:

This Certificate is delivered to request a transfer of $_____ principal amount of the 8.125% Subordinated Convertible Notes due 2005 (the "Notes") of Lomak Petroleum, Inc. (the "Company").

Upon transfer, the Notes would be registered in the name of the new beneficial owner as follows:

Name:_____

Address:_____

Taxpayer ID Number:_____

The undersigned represents and warrant to you that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act")) purchasing for our own account or for the account of such an institutional "accredited investor," and we are acquiring the Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial business matters as to be capable of evaluating the merits and risk of our investment in the Notes and we invest in or purchase securities similar to the Notes in the normal course of our business. We and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

2. We understand that the Notes have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Notes to offer, sell or otherwise transfer such Notes prior to the date which is three years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Notes (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a qualified institutional buyer, as defined in Rule 144A under the Securities Act, (a "QIB") in a transaction complying with the requirements of Rule 144A, (b) in an offshore transaction in accordance with Regulation S under the Securities Act, (c) pursuant to a registration statement which has been declared effective under the Securities Act, (d) to the Company, or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and in compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. Each purchaser acknowledges that the Company, Trustee and Registrar reserve the right prior to any offer, sale or other transfer prior to the Resale Termination Date of the Notes pursuant to clauses (b) or (e) above to require the

delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company, Trustee and Registrar.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[Name]

By:_____

Title:_____

EXHIBIT 4.1(u)

REGISTRATION RIGHTS AGREEMENT

THIS AGREEMENT is made as of October 31, 1995, by and between Lomak Petroleum, Inc., a Delaware corporation (the "Company"), and Forum Capital Markets L.P. and Hanifen, Imhoff, Inc. (together, the "Initial Purchasers"). The Company proposes to issue and sell to the Initial Purchasers, upon the terms set forth in a purchase agreement dated concurrently herewith (the "Purchase Agreement"), up to 1,150,000 shares of its $2.03 Convertible Exchangeable Preferred Stock, par value $1.00 per share (the "Preferred Stock"). The Preferred Stock is exchangeable at the option of the Company for up to $28,750,000 aggregate principal amount of the Company's 8.125% Convertible Subordinated Notes due 2005 (the "Notes"), and the Preferred Stock and the Notes are each convertible into Common Stock (as defined herein) as provided in the Notes and the Indenture (as defined herein). As an inducement to the Initial Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to the Initial Purchasers' obligations thereunder, the Company agrees with the Initial Purchasers, for the benefit of the Initial Purchasers and the other Holders (as defined herein), as follows:

1. Definitions.

As used in this Agreement, the following capitalized terms shall have the following meanings:

"ACT" means the Securities Act of 1933, as amended from time to time.

"CLOSING DATE" has the meaning set forth in the Purchase Agreement.

"COMMON STOCK" means the Common Stock, par value $.01 per share, of the Company, or any successor class thereto, issuable upon conversion of the Preferred Stock or the Notes.

"COMMISSION" means the Securities and Exchange Commission.

"DAMAGES PAYMENT DATE" means March 31, June 30, September 30 and December 31 in each year.

"EFFECTIVENESS PERIOD" has the meaning set forth in Section 2 hereof.

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

"HOLDERS" means Persons owning Transfer Restricted Securities.

"INDENTURE" means the Indenture, to be dated the date hereof, between the Company and Keycorp Shareholder Services, Inc. or other comparable entity selected by the Company, as trustee (the "TRUSTEE"), pursuant to which the Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

"OPTION CLOSING DATE" has the meaning set forth in the Purchase Agreement.

"PERSON" means an individual, partnership, corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"PROSPECTUS" means the prospectus included in the Shelf Registration Statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

"RECORD HOLDER" means (i) with respect to any Damages Payment Date relating to the Preferred Stock, each Person who is a holder of Preferred Stock on the record date with respect to the record date established for purposes of determining the holders entitled to receive the dividend on the Preferred Stock due on such date (if any) or, if no such record date has been established, the day that is 15 days prior to such Damages Payment Date, (ii) with respect to any Damages Payment Date relating to the Notes, each Person who is a holder of Notes on the record date with respect to the interest payment on the Notes due on such date and (iii) with respect to any Damages Payment Date relating to the Common Stock, each Person who is a holder of Common Stock on the day that is fifteen days prior to such Damages Payment Date.

"REGISTRATION DEFAULT" has the meaning set forth in Section 4 hereof.

"SHELF REGISTRATION STATEMENT" has the meaning set forth in Section 2 hereof.

"SUPPLEMENTAL REGISTRATION PAYMENT" has the meaning set forth in Section 4 hereof.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

"TRANSFER RESTRICTED SECURITIES" means each share of Preferred Stock or if the Preferred Stock has been exchanged for Notes, each Note and, if such Preferred Stock or Note has been converted, each share of Common Stock issued in connection with such conversion, until (a) the date on which such Preferred Stock, Note or shares of Common Stock, as applicable, have been effectively registered under the Act and disposed of in accordance with the Shelf Registration Statement or (b) the date on which such Preferred Stock, Note or shares of Common Stock, as applicable, are distributed to the public pursuant to Rule 144 or any other applicable exemption under the Act without additional restriction upon public resale.

"UNDERWRITTEN OFFERING" means a registration in which securities of the Company are sold to an underwriter for reoffering to the public.

2. SHELF REGISTRATION. The Company shall use its reasonable best efforts to file a registration statement with the Commission within 60 days after the Closing Date relating to the offer and sale of the Transfer Restricted Securities by Holders from time to time pursuant to Rule 415 under the Act and in accordance with the methods of distribution set forth therein, which registration statement may be substituted for by one or more subsequent registration statements each relating to the offer and sale of the Transfer Restricted Securities by Holders from time to time (as in effect from time to time, the "Shelf Registration Statement"), and the

Company shall use its reasonable best efforts to cause such Shelf Registration Statement to be declared effective by the Commission within 150 days after the Closing Date, provided, however, that the Company may delay such filing or effectiveness under the circumstances and during the periods described in Section 3 hereof. In addition, the Company shall use its reasonable best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended for a period (the "Effectiveness Period") of not less than three years following the later of the Closing Date or any Option Closing Date or such shorter period that will terminate when all the Preferred Stock, Notes and shares of Common Stock covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement.

3. Delay Periods; Suspension of Sales.

(a) If at any time prior to the expiration of the Effectiveness Period, counsel to the Company (which counsel shall be experienced in securities laws matters) has determined in good faith that the filing of the Shelf Registration Statement or the compliance by the Company with its disclosure obligations in connection with the Shelf Registration Statement would require the disclosure of material information which the Company has a bona fide business purpose for preserving as confidential, then the Company may delay the filing of the Shelf Registration Statement (if not then filed) and shall not be required to maintain the effectiveness thereof or amend or supplement the Shelf Registration Statement for a period (an "Information Delay Period") expiring upon the earlier to occur of (A) the date on which such material information is disclosed to the public or ceases to be material or the Company is able to so comply with its disclosure obligations and Commission requirements or (B) 30 days after counsel to the Company makes such good faith determination. There shall not be more than four Information Delay Periods during the Effectiveness Period, and there shall not be two Information Delay Periods during any contiguous 90 day period.

(b) If at any time prior to the expiration of the Effectiveness Period, the Company is advised by a nationally recognized investment banking firm selected by the Company that, in such firm's written reasonable opinion addressed to the Company (a copy of which shall be delivered to each Holder of Transfer Restricted Securities registered under the Shelf Registration Statement), sales of Preferred Stock of the Company or Common Stock pursuant to the Shelf Registration Statement at such time would materially adversely affect any immediately planned underwritten public equity financing by the Company of at least $5 million, the Company shall not be required to maintain the effectiveness of the Shelf Registration Statement or amend or supplement the Shelf Registration Statement for a period (a "Transaction Delay Period") commencing on the date of pricing of such equity financing and expiring upon the earliest to occur of (i) the abandonment of such financing or (ii) 90 days after the completion of such financing. There shall not be more than two Transaction Delay Periods during the Effectiveness Period.

(c) A Transaction Delay Period and an Information Delay Period are hereinafter collectively referred to as "Delay Periods" or a "Delay Period." The Company will give prompt written notice, in the manner prescribed by Section 10(a) hereof, to each Holder of each Delay Period. Such notice shall be given (i) in the case of a Transaction Delay Period, 30 days in advance of the commencement of such Delay Period and (ii) in the case of an Information Delay

Period, as soon as practicable after the circumstances giving rise thereto are identified. Such notice shall state to the extent, if any, as is practicable, an estimate of the duration of such Delay Period. Each Holder, by his acceptance of any Transfer Restricted Securities, agrees that (i) upon receipt of such notice of an Information Delay Period it will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement, (ii) upon receipt of such notice of a Transaction Delay Period it will forthwith discontinue disposition of the Common Stock pursuant to the Shelf Registration Statement and (iii) in either such case, will not deliver any prospectus forming a part of the Shelf Registration Statement in connection with any sale of Transfer Restricted Securities or Common Stock, as applicable until the expiration of such Delay Period.

4. SUPPLEMENTAL REGISTRATION PAYMENT. (a) Except as provided in Section 4(b), if (i) the Shelf Registration Statement is not filed with the Commission within 60 days after the Closing Date, (ii) the Shelf Registration Statement has not been declared effective by the Commission within 150 days after the Closing Date (the "Effectiveness Target Date"), or (iii) at any time prior to the third anniversary of the later of the Closing Date or any Option Closing Date, the Shelf Registration Statement is filed and declared effective but shall thereafter cease to be effective (other than as a result of the effectiveness of a successor registration statement) or fail to be useable for its intended purpose without being succeeded promptly by a post-effective amendment to the Shelf Registration Statement that cures such failure and that is itself declared effective within 75 days after the Shelf Registration Statement ceases to be effective (each such event referred to in clauses (i) through (iii), a "Registration Default"), the Company will pay supplemental registration payments (a "Supplemental Registration Payment") to each Holder who has complied with its obligations under this Agreement. During the first 90-day period immediately following the occurrence of such Registration Default, the amount of such Supplemental Registration Payment per $1,000 principal amount of Notes and, if applicable, $.0005 per week per share of Common Stock constituting Transfer Restricted Securities registered under the Shelf Registration Statement (subject to adjustment in the event of stock splits, stock consolidations, stock dividends and the like). During each subsequent 90-day period following the occurrence of such Registration Default, the amount of the Supplemental Registration Payment shall increase by an additional $.00125 per week per share of Preferred Stock or $.05 per week per $1,000 principal amount of Notes and $.0005 per week per share of Common Stock constituting Transfer Restricted Securities registered under the Shelf Registration Statement (subject to adjustment as set forth above); provided, however, the maximum amount of the Supplemental Registration Payment shall be $.005 per week per share of Preferred Stock or $.20 per week per $1,000 principal amount of Notes and $.0002 per week per share of Common Stock constituting Transfer Restricted Securities registered under the Shelf Registration Statement (subject to adjustment as set forth above). All accrued Supplemental Registration Payments shall be paid by the Company to Record Holders entitled thereto on the next succeeding Damages Payment Date by wire transfer of immediately available funds or by federal funds check. Following the cure of all Registration Defaults, the accrual of Supplemental Registration Payments will cease, but any Supplemental Registration Payments accrued through the date of cure shall be paid to Record Holders on the next succeeding Damages Payment Date. If the Registration Defaults described in either of clauses (i) or (ii) above arose solely because the applicable Holder or Holders failed to provide the Company with certain information within 20 business days after request therefor pursuant to Section 5(m),

Supplemental Registration Payments in respect thereof will not begin to accrue until five business days after such information has been provided to the Company.

All of the Company's obligations set forth in the preceding paragraph which are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such security shall have been satisfied in full.

(b) Notwithstanding the foregoing, the time periods specified in Section 4(a) shall be tolled during the pendency of any circumstances beyond the Company's control that prevent performance by the Company of its obligations hereunder despite the Company's best efforts. Such matters include events affecting issuers generally, such as the temporary closure of federal agencies, and events directly affecting the Company, such as the Company's inability to obtain all information regarding an acquisition entity within a time period that would permit independent auditors to prepare any required audited financial information on a timely basis.

5. Registration Procedures.

In connection with the Shelf Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities, the following provisions shall apply:

(a) The Company shall furnish to each Holder, prior to the filing thereof with the Commission, a copy of the Shelf Registration Statement and each amendment thereto or each amendment or supplement to the Prospectus included therein, and shall use its reasonable best efforts to reflect in each such document, when so filed with the Commission, such comments as any Holder reasonably may propose.

(b) The Company shall take such action as may be necessary so that (i) the Shelf Registration Statement and any amendment thereto and any Prospectus forming a part thereof and any supplement or amendment thereto complies in all material respects with the Act and the rules and regulations thereunder, (ii) the Shelf Registration and any amendment thereto (in either case, other than with respect to written information furnished to the Company by or on behalf of any Holder specifically for inclusion therein) does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make any statement therein not misleading and (C) the Prospectus and any supplement thereto (in either case, other than with respect to such information from Holders), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) The Company shall promptly advise the Holders of Transfer Restricted Securities registered under the Shelf Registration Statement (which advice pursuant to clauses (ii) - (iv) shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) and, if requested by such Persons, to confirm such advice in writing;

(i) when the Shelf Registration Statement and any amendment thereto has been filed with the Commission and when the Shelf Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes; and

(iv) of the happening of any event that requires the making of any changes in the Shelf Registration Statement or the Prospectus so that, as of such date, the Shelf Registration Statement and the Prospectus do not contain an untrue statement of a material fact and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading.

(d) If at any time the Commission shall issue any stop order suspending the effectiveness of the Shelf Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company shall use its reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(e) The Company shall furnish to each Holder of Transfer Restricted Securities included under the Shelf Registration Statement, without charge, at least one copy of the Shelf Registration Statement and each post-effective amendment thereto, including all financial statements and schedules, documents incorporated by reference therein and, if the Holder so requests in writing, all exhibits (including exhibits incorporated therein by reference).

(f) The Company shall, during the Effectiveness Period, deliver to each Holder of Transfer Restricted Securities included under the Shelf Registration Statement, without charge, as many copies of the Prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such Holder may reasonably request; and the Company consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto during the Effectiveness Period.

(g) Prior to any public offering pursuant to the Shelf Registration Statement, the Company shall use its reasonable best efforts to register or qualify or cooperate with the Holders of Transfer Restricted Securities registered thereunder, the underwriter(s), if any, and their

respective counsel in connection with the registration and qualification of such Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as such Holders or underwriters reasonably request in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of such Transfer Restricted Securities; provided, however, that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(h) Unless any Transfer Restricted Securities shall be in book-entry form only, the Company shall cooperate with the Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold under the Shelf Registration Statement, free of any restrictive legends and in such denominations and registered in such names as the Holders or the underwriter(s), if any, may request in connection with the sales of Transfer Restricted Securities pursuant to the Shelf Registration Statement.

(i) Upon the occurrence of any event contemplated by Section 5(c)(ii) - (iv), the Company shall file (and use its reasonable best efforts to have declared as soon as possible) a post-effective amendment to the Shelf Registration Statement or an amendment or supplement to the Prospectus or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities registered under the Shelf Registration Statement, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading. Each Holder of Transfer Restricted Securities registered under the Shelf Registration Statement agrees by acquisition of such Transfer Restricted Securities that, upon receipt of any notice from the Company of the existence of any fact of the kind described in Section 5(c)(ii) - (iv) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement until such Holder receives copies of the supplemented or amended Prospectus contemplated by this Section 5(i), or until such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and such Holder has received copies of any additional or supplemental filings which are incorporated by reference in the Prospectus. If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the time period regarding the Company's obligations to maintain the effectiveness of the Shelf Registration Statement set forth in Section 2 hereof shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 5(c) hereof to and including the date when such Holder shall have received the copies of the supplemented or amended Prospectus contemplated by this Section 5(i).

(j) The Company shall provide CUSIP numbers for all Transfer Restricted Securities registered under the Shelf Registration Statement, in the event of and at the time of any distribution thereof to Holders, not later than the effective date of the Shelf Registration Statement and provide the Trustee and the transfer agent for the Common Stock with printed

certificates for such Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company.

(k) The Company shall use its reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders or otherwise provide in accordance with Section 11(a) of the Act, as soon as practicable after the effective date of the Shelf Registration Statement an earnings statement satisfying the provisions of Section 11(a) of the Act.

(l) If the Company elects to exchange the Preferred Stock for Notes, the Company shall cause the Indenture to be qualified under the TIA in a timely manner not later than the effective date of the exchange of the Preferred Stock for Notes, and, in connection therewith, cooperate with the Trustee and the Holders of Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA.

(m) The Company may require each Holder of Transfer Restricted Securities to be registered under the Shelf Registration Statement to furnish to the Company such information regarding such Holder and the distribution of such Holder's securities thereunder as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement and the Company may exclude from such registration the Transfer Restricted Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request.

(n) The Company shall, if requested by the Holders of Transfer Restricted Securities being sold in an Underwritten Offering or the underwriter(s) thereof, promptly incorporate in the Shelf Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment, if necessary, such information as such underwriters and Holders reasonably agree should be included therein and to which the Company does not reasonably object including, without limitation, information relating to the plan of distribution of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and with respect to any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and shall make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(o) The Company shall enter into such customary agreements (including an underwriting agreement in customary form, if applicable) and take all such other appropriate actions in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to the Shelf Registration Statement, and in connection therewith, the Company shall (1) make such representations and warranties to the Holders of Transfer Restricted Securities registered thereunder and the underwriter(s), if any, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings; (2) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to such underwriters and the Holders of a majority of the Transfer Restricted Securities being sold) addressed to each such Holder and

underwriter covering such matters as are customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters; (3) if and to the extent permitted by Statement of Auditing Standards No. 72, obtain comfort letters and updates thereof from the Company's independent certified public accountants addressed to the underwriters requesting the same, such letters to be in customary form and covering matters of the type customarily covered in comfort letters in connection with primary underwritten offerings; (4) in connection with an Underwritten Offering only, set forth in full or incorporate by reference in the underwriting agreement the indemnification provisions and procedures of Section 6 hereof with respect to all parties to be indemnified pursuant to said Section; and (5) deliver such documents and certificates as may be reasonably requested by such Holders or underwriters to evidence compliance with Section 5(i) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company pursuant to this Section 5(o). The foregoing actions set forth in clauses (1), (2), (3) and (5) of this Section 5(o) shall be performed at each closing under any underwriting or similar agreement as and to the extent required thereunder.

(p) The Company shall make available at reasonable times for inspection by the Holders of the Transfer Restricted Securities, any underwriter participating in any disposition pursuant to the Shelf Registration Statement, and any attorney or accountant retained by any such Holders or underwriters, all financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries; and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with the Shelf Registration Statement subsequent to the filing thereof as is customary for similar due diligence examinations; provided, however, that any information that is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by such Holders or any such underwriter, attorney or accountant, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality; and provided, further that the foregoing inspection and information gathering shall, to the greatest extent possible, be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by and on behalf of such Holders and other parties.

(q) The Company shall use its reasonable best efforts, subject to any applicable rules thereto, to cause all Common Stock included among the Transfer Restricted Securities to be listed on each securities exchange on which the Common Stock is listed and, if requested by the Holders of a majority of the outstanding shares of Preferred Stock of a majority in aggregate principal amount of Notes, to list the Preferred Stock or the Notes registered under the Shelf Registration Statement on a national securities exchange or the Nasdaq Stock Market.

6. Registration Expenses.

(a) Except as otherwise provided in Section 8, the Company shall bear all expenses incurred in connection with the performance of or compliance with its obligations under Sections 2, 4 and 5 hereof, including without limitation all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery

expenses and fees and disbursements of counsel for the Company and all independent certified public accountants, and other persons retained by the Company (all such expenses being herein called "Registration Expenses"). Registration Expenses shall also include the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed or on the Nasdaq Stock Market. The Company will reimburse the Holders for the reasonable fees and disbursements of one firm of attorneys chosen by the Holders of a majority of the shares of Preferred Stock or a majority in aggregate principal amount of the Notes to be sold pursuant to the Shelf Registration Statement to act as counsel therefor in connection therewith.

(b) Each Holder will pay any discounts and commissions incurred upon the sale of securities by it under the Shelf Registration Statement.

7. Indemnification and Contribution.

(a) In connection with any Shelf Registration Statement, the Company shall indemnify and hold harmless each Holder, its officers and directors and each Person who controls such Holder within the meaning of the Act against any and all losses, claims, damages or liabilities and expenses whatsoever as incurred, insofar as such losses, claims, damages, liabilities and expenses arise out of or are based upon any untrue or alleged untrue statement of material fact contained in the Shelf Registration Statement, or any Prospectus or preliminary Prospectus or any amendment thereof or supplement thereto or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified Person, as incurred, for any legal or other expense reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that (i) the Company will not be liable in any case to the extent that any loss, claim, damage, liability or expense arises out of or is based upon any such untrue or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any such Holder specifically for inclusion therein and (ii) the foregoing indemnity with respect to any untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus relating to the Shelf Registration Statement shall not inure to the benefit of any Holder (or any person controlling such Holder) from whom the person asserting any such loss, claim, damage or liability purchases any of the Transfer Restricted Securities that are the subject thereof if such person did not receive a copy of the final prospectus (or the final prospectus as supplemented) at or prior to the written confirmation of the sale of such Transfer Restricted Securities to such person and the untrue statement or alleged omission contained in the preliminary prospectus was corrected in the final prospectus (or the final prospectus as supplemented).

The Company also agrees to indemnify or contribute to losses of, as provided in Section 7(d), any underwriters of Transfer Restricted Securities registered under the Shelf Registration Statement, their officers and directors and each Person, if any, who controls any such

underwriter (within the meaning of the Act) on substantially the same basis as that of the indemnification of the Holders provided in this Section 7(a) and shall, if requested by any Holder, enter into an underwriting agreement reflecting such agreement, as provided in Section 5(o) hereof.

(b) Each Holder shall indemnify and hold harmless the Company, its directors and officers and each Person, if any, who controls the Company (within the meaning of the Act) against any and all losses, claims, damages, liabilities and expenses described in the indemnity contained in Section 7(a) hereof, as incurred, resulting from any untrue or alleged untrue statement of material fact contained in the Shelf Registration Statement or any amendment thereof or supplement thereto or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading to the extent, but only to the extent, that such loss, claim, damage, liability or expense relates to or arises from information relating to such Holder furnished in writing by such Holder specifically for use in the Shelf Registration Statement; provided, however, that the obligation to indemnify will be individual to each Holder and will be limited to the amount of net proceeds received by such Holder from the sale of Transfer Restricted Securities pursuant to the Shelf Registration Statement.

(c) Any Person entitled to indemnification hereunder shall give notice as promptly as reasonably practicable to each indemnifying party of any claim or action commenced against it in respect of which indemnity may be sought hereunder; provided, however, that failure to so notify an indemnifying party shall not relieve such indemnifying party from any obligation that it may have pursuant to this Section except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; provided further, however, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than on account of this indemnity agreement. If any such claim or action shall be brought against an indemnified party, the indemnified party shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 6 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof; provided, however, that an indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (3) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (4) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which

cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm of attorneys (in addition to any local counsel) at any one time for all such indemnified party or parties. Each indemnified party, as a condition to the indemnity agreements contained in Sections 7(a) and 7(b), shall use all reasonable efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall be liable for any settlement or any such action effected without its written consent, but if settled with its written consent or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) If a claim by an indemnified party for indemnification under this Section 7 is found unenforceable in a final judgment by a court of competent jurisdiction (not subject to further appeal or review) even though the express provisions hereof provide for indemnification in such case, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions, statements or omissions that resulted in such losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any losses shall be deemed to include, subject to the limitations set forth in Section 7(c), any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceedings.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 7(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 7(d), an indemnifying party that is a Holder shall not be required to contribute any amount in excess of the amount by which the total price at which the Transfer Restricted Securities sold by such indemnifying party and distributed to the public were offered to the public exceeds the amount of any damages that such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent

misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled any contribution from any person who was not guilty of such fraudulent misrepresentation.

8. RULES 144 AND 144A. The Company shall use commercially reasonable efforts to file the reports required to be filed by it under the Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the written request of any Holder of Transfer Restricted Securities, make publicly available other information so long as necessary to permit sales of such Holder's securities pursuant to Rules 144 and 144A. The Company covenants that it will take such further action as any Holder of Transfer Restricted Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell securities without registration under the Act within the limitation of the exemptions provided by Rules 144 and 144A (including the requirements of Rule 144A(d)(4)).

9. UNDERWRITTEN REGISTRATIONS. If any of the Transfer Restricted Securities included under the Shelf Registration Statement are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority of the shares of Common Stock included among such Transfer Restricted Securities (calculated as if all of the then outstanding Preferred Stock or Notes were converted into Common Stock at the time of such selection), provided, however, that such managing underwriters shall be reasonably satisfactory to the Company and the Company shall not be obligated to arrange for more than one underwritten offering during the Effectiveness Period.

No Person may participate in any underwritten registration hereunder unless such Person (i) agrees to sell such Person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents reasonably required under the terms of such underwriting arrangements and (iii) at least 20% of the outstanding Transfer Restricted Securities are included in such underwritten offering. The Holders participating in any underwritten offering shall be responsible for any expenses customarily borne by selling securityholders, including underwriting discounts and commissions and fees and expenses of counsel to the selling securityholders.

10. Miscellaneous.

(a) AMENDMENTS AND WAIVERS. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of Holders of a majority of the Common Stock issued or issuable upon conversion of the Notes (calculated as if all of the then outstanding Notes were converted into Common Stock at the time of such consent). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of the Holders of Transfer Restricted Securities being sold pursuant to the Shelf Registration Statement and that does not

directly or indirectly affect the rights of other Holders may be given by Holders of a majority of the shares of Common Stock included among such Transfer Restricted Securities.

(b) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier, or air courier guaranteeing overnight delivery:

(1) if to a Holder, at the address of such Holder maintained by the Registrar under the Indenture;

(2) if to the Initial Purchaser, at the address set forth in the Purchase Agreement;

(3) if to the Company, at its address set forth in the Purchase Agreement;

or to such other addresses as the recipient party has specified to the sending party by prior written notice to the sending party.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; one business day after being delivered to a next-day air courier; five business days after being deposited in the mail; when answered back, if faxed; and when receipt is acknowledged by the recipient's telecopier machine, if telecopied.

(c) REMEDIES. In the event of a breach by the Company or by a Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(d) SEVERABILITY. The remedies provided herein are cumulative and not exclusive of any remedies provided by law. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(e) NO INCONSISTENT AGREEMENTS. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the Holders in this Agreement.

(f) SUCCESSORS AND ASSIGNS. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of their respective heirs,

executors, administrators, successors, legal representatives and assigns. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of Holders are also for the benefit of, and enforceable by, any subsequent Holder.

(g) COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same Agreement.

(h) DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) GOVERNING LAW. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

LOMAK PETROLEUM, INC.

By: _____

Its: _____

Acting on behalf of themselves and as the representatives of the Holders:

FORUM CAPITAL MARKETS L.P.

By: _____

Its:_____

HANIFEN, IMHOFF INC.

By: _____

Its:_____

EXHIBIT 5

RUBIN BAUM LEVIN CONSTANT & FRIEDMAN

30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK 10112
(212) 698-7700
FAX: (212) 698-7825

NEW YORK DIRECT DIAL NUMBER
(212) 698-7700

November 15, 1995

Lomak Petroleum, Inc.
1160 Sunnyside
P.O. Box 556
Hartville, OH 44632

Re: Registration Statement on Form S-3 of Lomak Petroleum, Inc. (the "Registration Statement")

Dear Sirs:

In connection with the Registration Statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), and the rules and regulations promulgated under the Act (the "Rules"), we have been requested to give our opinion as to the legality of the following securities of Lomak Petroleum, Inc., a Delaware corporation (the "Company") being registered thereunder:

(i) 1,350,000 shares of $2.03 Convertible Exchangeable Preferred Stock, Series C, $1 par value (the "$2.03 Preferred");

(ii) 87,400 shares of 7 1/2% Cumulative Convertible Exchangeable Preferred Stock, Series A, $1 par value (the "Series A Preferred");

(iii) 112,600 shares of 7 1/2% Cumulative Convertible Exchangeable Preferred Stock, $1 par value (the "Series B Preferred") (the Series A Preferred and the Series B Preferred are collectively referred to herein as the "7 1/2% Preferred" and the $2.03 Preferred and the 7 1/2/% Preferred are collectively referred to herein as the "Preferred Stock");

(iv) $33,750,000 of 8.125% Convertible Subordinated Notes due 2005 (the "Notes"); and

(v) 6,715,617 shares of Common Stock, $.01 par value per share (the "Common Stock").

Of the foregoing securities, 200,000 shares of the $2.03 Preferred (the "Preferred Shares"), 3,026,316 shares of the Common Stock (the "Common Shares") and $5,000,000 of the Notes may be issued by the Company from time to time. The Common Shares include the 526,315 shares of the Common Stock issuable upon conversion of the 200,000 shares of the $2.03 Preferred. Each of the foregoing securities may be offered by the Company from time to time. The balance consists of (i) 1,150,000 shares of the $2.03 Preferred, (ii) $28,750,000 of the Notes into which such 1,150,000 shares of the $2.03 Preferred are exchangeable, (iii) the 3,026,316 shares of the Common Stock into which such 1,150,000 shares of the $2.03 Preferred or $28,750,000 of the Notes, as the case may be, are convertible, (iv) 86,040 shares of the Common Stock, (v) 87,400 Shares of the Series A Preferred, (vi) 112,600 Shares of the Series B Preferred and (vii) 576,945 shares of the Common Stock issuable upon conversion of the 7 1/2% Preferred. Each of the securities referenced in subsections (i) through (vii) of this paragraph may be offered for sale from time to time for the accounts of certain stockholders and noteholders of the Company.

In connection with this opinion, we have reviewed the Certificate of Incorporation and By-Laws of the Company as amended to date, the resolutions adopted by the Company's Board of Directors, the Registration Statement, the Certificate of Designations of the $2.03 Preferred Stock, the Certificate of Designations of the Series A Preferred Stock, the Certificate of Designations of the Series B Preferred Stock, the form of Indenture between Keycorp Shareholder Services, Inc. (the "Trustee") and the Company (the "Indenture"), and such other documents and proceedings as we have deemed appropriate.

Based on the foregoing, we are of the opinion that:

1. The Preferred Stock is duly authorized and each Certificate of Designations of the Preferred Stock has been duly adopted by the Board of Directors of the Company and duly filed in accordance with Delaware law. The outstanding Preferred Stock is validly issued, fully paid and nonassessable and the balance of the Preferred Stock, when issued in accordance to the terms and conditions of its respective Certificate of Designations, will be valildly issued, fully paid and nonassessable.

2. The Common Stock has been duly authorized and, when issued in accordance with the terms and conditions of the

Registration Statement and/or the Certificates of Designations will, assuming the Company at such time has authorized but unissued Shares remaining under its Certificate of Incorporation, be validly issued, fully paid and nonassessable.

3. The Notes have been duly authorized and the form of Indenture has been duly adopted by the Board of Directors of the Company and its execution and delivery has been validly authorized. When the Indenture is duly executed and delivered, it will constitute a valid and binding obligation of the Company in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization, or other laws relating to or affecting the enforcement of creditor's rights or by general equity principles. The Notes, when duly executed on behalf of the Company, authenticated by or on behalf of the Trustee, issued and sold as described in the Registration Statement and delivered by the Company in accordance to the terms and conditions of the Indenture, will constitute valid and binding obligations of the Company in accordance with their respective terms and the terms of the Indenture except as limited by bankruptcy, insolvency, reorganization, or other laws affecting the enforcement of creditor's rights or by general equity principles.

We consent to the use of this opinion as an exhibit to the Registration Statement and to the reference to our name under the caption "Legal Matters."

Rubin Baum Levin Constant & Friedman

Exhibit 12.

COMPUTATION OF EARNINGS TO FIXED CHARGES
(In Thousands, except ratios)

	Year Ended December 31,						Nine Months Ended September 30,	
	1990	1991	1992	1993	1994	Pro Forma 1994	1995	Pro Forma 1995
Ratio of earnings to fixed charges								
Income before taxes	$320	$552	$878	$1,310	$2,758	$10,961	$3,616	$6,348
Fixed charges	418	672	952	1,120	2,807	4,504	3,822	4,769
	738	1,224	1,830	2,430	5,565	15,465	7,438	11,117
Fixed charges	418	672	952	1,120	2,807	4,504	3,822	4,769
Ratio of earnings to fixed charge	1.77	1.82	1.92	2.17	1.98	3.43	1.95	2.33
Ratio of earnings to fixed charges and preferred dividends								
Income before taxes	$ 320	$ 552	$ 878	$ 1,310	$ 2,758	$ 10,961	$ 3,616	$ 6,348
Fixed charges	418	672	952	1,120	2,807	4,504	3,822	4,769
	738	1,224	1,830	2,430	5,565	15,465	7,438	11,117
Fixed charges	418	672	952	1,120	2,807	4,504	3,822	4,769
Preferred dividends	270	370	294	329	375	2,250	281	1,801
	688	1,042	1,246	1,449	3,182	6,754	4,103	6,570
Ratio of earnings to fixed charges and preferred dividends	1.07	1.17	1.47	1.68	1.75	2.29	1.81	1.69

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3) and related Prospectus of Lomak Petroleum, Inc. for the registration of 6,715,617 shares of common stock, 1,350,000 shares of $2.03 Convertible Exchangeable Preferred Stock, 87,400 shares of 7 1/2% Convertible Exchangeable Preferred Stock - Series A, 112,600 shares of 7 1/2% Convertible Exchangeable Preferred Stock - Series B and $33,750,000 of its 8.125% Convertible Subordinated Notes due 2005 and to the incorporation by reference therein of our report dated March 8, 1994 with respect to the consolidated financial statements of Lomak Petroleum, Inc. at December 31, 1993 and for each of the two years in the period then ended, included in its Annual Report (Form 10-K) for the year ended December 31, 1994, filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

Cleveland, Ohio
November 13, 1995

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm incorporated by reference in this Registration Statement/Prospectus on Form S-3.

ARTHUR ANDERSEN LLP

Cleveland, Ohio
November 13, 1995

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-3 of our report dated May 15, 1995, on our audit of the consolidated financial statements of Red Eagle Resources Corporation and its subsidiaries as of and for the nine month period ended September 30, 1994. We also consent to the reference to our firm under the caption "Experts".

COOPERS & LYBRAND LLP

Oklahoma City, Oklahoma
November 13, 1995

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Lomak Petroleum, Inc. on Form S-3 of the report of Deloitte & Touche dated March 25, 1994, appearing in and incorporated by reference in the Annual Report on Form 10-K of Red Eagle Resources Corporation for the year ended December 31, 1993. We also consent to the reference to Deloitte & Touche LLP under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

DELOITTE & TOUCHE LLP
Oklahoma City, Oklahoma
November 14, 1995

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement/Prospectus of Lomak Petroleum, Inc. on Form S-3 of our report dated October 13, 1995, on the statements of assets (other than productive oil and gas properties) and liabilities as of December 31, 1994 and 1993 of Transfuel Interests and the statements of revenues and direct operating expenses for each of the two years in the period ending December 31, 1994 appearing in the Form 8-K/A dated November 8, 1995 of Lomak Petroleum, Inc. We also consent to the reference to us under the heading "Experts" in this Registration Statement/Prospectus, which is part of this Registration Statement.

DELOITTE & TOUCH LLP
Houston, Texas
November 13, 1995