

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 28, 1996

W. R. GRACE & CO.

(Exact name of registrant as specified in its charter)

Delaware

(State or other
jurisdiction of
incorporation)

1-12139

(Commission File
Number)

65-0654331

(IRS Employer
Identification No.)

One Town Center Road, Boca Raton, Florida 33486-1010

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 561/362-2000

GRACE HOLDING, INC.

(Former Name)

Item 5. Other Events.

On September 28, 1996, W. R. Grace & Co. ("Grace New York," renamed Fresenius National Medical Care Holdings, Inc.), a New York corporation and the sole stockholder of W. R. Grace & Co. (formerly Grace Holding, Inc.), a Delaware corporation ("Company"), distributed all of the shares of the Company's outstanding common stock to the holders of common stock of Grace New York on a one-for-one basis. As a result of the distribution, Grace New York's principal remaining asset was 100% of the outstanding capital stock of National Medical Care, Inc. ("NMC"). On September 29, 1996, a wholly owned subsidiary of Fresenius Medical Care AG, a German corporation, merged with and into Grace New York, resulting in the combination of NMC with the worldwide dialysis business of Fresenius AG, a German health care corporation and the principal shareholder of Fresenius Medical Care AG. For further information, see the Joint Proxy Statement-Prospectus dated August 2, 1996 included in a Registration Statement on Form S-4 (Registration No. 333-9497) filed by Grace New York.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

Pro forma financial information with respect to the Company was set forth at pages 29-32 of the Company's Prospectus dated August 2, 1996 included in a Registration Statement on Form S-1 (Registration No. 333-9495) and is incorporated herein by reference.

The following are filed as exhibits to this Report:

- Amended and Restated Certificate of Incorporation of W. R. Grace & Co., a Delaware corporation
- Amended and Restated By-laws of W. R. Grace & Co.
- Rights Agreement by and between W. R. Grace & Co. and The Chase Manhattan Bank, as Rights Agent
- Supplemental Indenture dated as of September 24, 1996, among W. R. Grace & Co.-Conn., W. R. Grace & Co. (renamed "Fresenius National Medical Care Holdings, Inc."), Grace Holding, Inc. (renamed "W. R. Grace & Co."), and Bankers Trust Company, to Indenture dated as of September 29, 1992
- Supplemental Indenture dated as of September 24, 1996, among W. R. Grace & Co.-Conn., W. R. Grace & Co. (renamed "Fresenius National Medical Care Holdings, Inc."), Grace Holding, Inc. (renamed "W.R. Grace & Co."), and Bank of New York, to Indenture dated as of January 28, 1993
- W. R. Grace & Co. 1996 Stock Incentive Plan

- W. R. Grace & Co. 1996 Stock Retainer Plan for Nonemployee Directors
- W. R. Grace & Co. 1981 Stock Incentive Plan, as amended
- W. R. Grace & Co. 1986 Stock Incentive Plan, as amended
- W. R. Grace & Co. 1989 Stock Incentive Plan, as amended
- W. R. Grace & Co. 1994 Stock Incentive Plan, as amended
- Amendment dated August 9, 1996 to Employment Agreement, dated as of May 1, 1995, between W. R. Grace & Co. and Albert J. Costello
- Option Agreement between W. R. Grace & Co. and Albert J. Costello dated as of May 1, 1995, as amended
- Agreement dated September 23, 1996 between W. R. Grace & Co. and Donald H. Kohnken
- "PRO FORMA FINANCIAL INFORMATION" and "NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AND STATEMENT OF OPERATIONS" sections of the Prospectus dated August 2, 1996 included in a Registration Statement on Form S-1 (Registration No. 333-9495) filed by the Company

SIGNATURES

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

W. R. GRACE & CO.

(Registrant)

By /s/Robert B. Lamm

Robert B. Lamm
Vice President and Secretary

Dated: October 10, 1996

W. R. GRACE & CO.

Current Report on Form 8-K

Exhibit Index

Exhibit No. -----	Description -----
4.1	Amended and Restated Certificate of Incorporation of W. R. Grace & Co., a Delaware corporation
4.2	Amended and Restated By-laws of W. R. Grace & Co.
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10.5	W. R. Grace & Co. 1989 Stock Incentive Plan, as amended
10.6	W. R. Grace & Co. 1994 Stock Incentive Plan, as amended

- 10.7 Amendment dated August 9, 1996 to Employment Agreement, dated as of May 1, 1995, between W. R. Grace & Co. and Albert J. Costello

- 10.8 Option Agreement between W. R. Grace & Co. and Albert J. Costello dated as of May 1, 1995, as amended

- 10.9 Agreement dated September 23, 1996 between W. R. Grace & Co. and Donald H. Kohnken

- 99.1 "PRO FORMA FINANCIAL INFORMATION" and "NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AND STATEMENT OF OPERATIONS" sections of the Prospectus dated August 2, 1996 included in a Registration Statement on Form S-1 (Registration No. 333-9495) filed by the Company

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
W. R. GRACE & CO.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

* * * * *

ARTICLE I

The name of the corporation (the "Corporation") is:

W. R. Grace & Co.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is The Prentice-Hall Corporation System, Inc., 1013 Centre Road, Wilmington, Delaware, County of New Castle. The name of the Corporation's registered agent at such address is The Prentice-Hall Corporation System, Inc.

ARTICLE III

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

ARTICLE IV

(a) The total number of shares of stock which the Corporation shall have authority to issue is Three Hundred and Fifty-Three Million (353,000,000), consisting of Fifty-Three Million (53,000,000) shares of Preferred Stock, par value \$.01 per share (hereinafter referred to as "Preferred Stock"), and Three Hundred Million (300,000,000) shares of Common Stock, par value \$.01 per share (hereinafter referred to as "Common Stock").

(b) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized to provide for the issuance of shares of Preferred Stock in series and, by filing a certificate pursuant to the applicable law of the State of Delaware ("Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restric-

tions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

- (1) The designation of the series, which may be by distinguishing number, letter or title.
- (2) The number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding).
- (3) Whether dividends, if any, shall be cumulative or noncumulative and the dividend rate of the series.
- (4) The dates on which dividends, if any, shall be payable.
- (5) The redemption rights and price or prices, if any, for shares of the series.
- (6) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.
- (7) The amounts payable on, and the preferences, if any, of shares of, the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.
- (8) Whether the shares of the series shall be convertible into shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series of such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible and all other terms and conditions upon which such conversion may be made.
- (9) Restrictions on the issuance of shares of the same series or of any other class or series.
- (10) The voting rights, if any, of the holders of shares of the series.

(c) The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. Each share of Common Stock shall be equal to each other share of Common Stock. The holders of shares of Common Stock shall be entitled to one vote for each such share upon all questions presented to the stockholders.

Except as may be provided in this Amended and Restated Certificate of Incorporation or in a Preferred Stock Designation, or as may be required by law, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote.

(d) The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

(e) There shall be designated a series of the Corporation's Preferred Stock, as follows:

(1) Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 3,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

(2) Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Payment Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in

shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share of a fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in subparagraph (a) of this paragraph (2) immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared

thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(3) Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(4) Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in paragraph (2) are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to

dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock, and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock, or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series of classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under subparagraph (a) of this paragraph (4), purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

(6) Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by re-classification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the

number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(8) No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

(9) Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

(10) Amendment. This Amended and Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

ARTICLE V

The Board of Directors is hereby authorized to create and issue, whether or not in connection with the issuance and sale of any of its stock or other securities or property, rights entitling the holders thereof to purchase from the Corporation shares of stock or other securities of the Corporation or any other corporation. The times at which and the terms upon which such rights are to be issued will be determined by the Board of Directors and set forth in the contracts or instruments that evidence such rights. The authority of the Board of Directors with respect to such rights shall include, but not be limited to, determination of the following:

(1) The initial purchase price per share or other unit of the stock or other securities or property to be purchased upon exercise of such rights.

(2) Provisions relating to the times at which and the circumstances under which such rights may be exercised or sold or otherwise transferred, either together with or separately from, any other stock or other securities of the Corporation.

(3) Provisions which adjust the number or exercise price of such rights or amount or nature of the stock or other securities or property receivable upon exercise of such rights in the event of a combination, split or recapitalization of any stock of the Corporation, a change in ownership of the Corporation's stock or other securities or a reorganization, merger, consolidation, sale of assets or other occurrence relating to the Corporation or any stock of the Corporation, and provisions

restricting the ability of the Corporation to enter into any such transaction absent an assumption by the other party or parties thereto of the obligations of the Corporation under such rights.

(4) Provisions which deny the holder of a specified percentage of the outstanding stock or other securities of the Corporation the right to exercise such rights and/or cause the rights held by such holder to become void.

(5) Provisions which permit the Corporation to redeem or exchange such rights.

(6) The appointment of a rights agent with respect to such rights.

ARTICLE VI

In furtherance of, and not in limitation of, the powers conferred by law, the Board of Directors is expressly authorized and empowered:

(1) to adopt, amend or repeal the By-laws of the Corporation; provided, however, that the By-laws adopted by the Board of Directors under the powers hereby conferred may be amended or repealed by the Board of Directors or by the stockholders having voting power with respect thereto, provided further that in the case of amendments by stockholders, the affirmative vote of the holders of at least 80 percent of the voting power of the then outstanding Voting Stock, voting together as a single class, shall be required to alter, amend or repeal any provision of the By-laws; and

(2) from time to time to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Corporation, or any of them, shall be open to inspection of stockholders; and, except as so determined or as expressly provided in this Amended and Restated Certificate of Incorporation or in any Preferred Stock Designation, no stockholder shall have any right to inspect any account, book or document of the Corporation other than such rights as may be conferred by applicable law.

The Corporation may in its By-laws confer powers upon the Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law. Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80 percent of the voting power of the then outstanding Voting Stock, voting together as a single class, shall be required to amend, repeal or adopt any provision

inconsistent with paragraph (1) of this Article VI. For the purposes of this Amended and Restated Certificate of Incorporation, "Voting Stock" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

ARTICLE VII

Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock as set forth in this Amended and Restated Certificate of Incorporation to elect additional directors under specific circumstances, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing in lieu of a meeting of such stockholders. Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of at least 80 percent of the voting power of the then outstanding Voting Stock, voting together as a single class, shall be required to amend, repeal or adopt any provision inconsistent with this Article VII.

ARTICLE VII

Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock as set forth in this Amended and Restated Certificate of to elect additional directors under specified circumstances, the number of directors of the Corporation shall be fixed, and may be increased or decreased from time to time, in such manner as may be prescribed by the By-laws.

Unless and except to the extent that the By-laws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

The directors, other than those who may be elected by the holders of any series of Preferred Stock or any other series or class of stock as set forth in this Amended and Restated Certificate of Incorporation, shall be divided into three classes, as nearly equal in number as possible. One class of directors shall be initially elected for a term expiring at the annual meeting of stockholders to be held in 1997, another class shall be initially elected for a term expiring at the annual meeting of stockholders to be held in 1998, and another class shall be initially elected for a term expiring at the annual meeting of stockholders to be held in 1999. Members of each class shall hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Corporation, the successors of the class of directors whose term expires at that meeting shall be elected by a plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock as set forth in this Amended and Restated Certificate of Incorporation to elect additional directors under specified circumstances, any director may be removed from office at any time by the shareholders, but only for cause.

Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80 percent of the voting power of the then outstanding Voting Stock, voting together as a single class, shall be required to amend, repeal or adopt any provision inconsistent with this Article VIII.

ARTICLE IX

Each person who is or was or has agreed to become a director or officer of the Corporation, or each such person who is or was serving or who has agreed to serve at the request of the Board of Directors or an officer of the Corporation as an employee or agent of the Corporation or as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (including the heirs, executor, administrators or estate of such person), shall be indemnified by the Corporation, in accordance with the By-laws of the Corporation, to the fullest extent permitted from time to time by the GCL as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted prior to such amendment) or any other applicable laws as presently or hereafter in effect. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater than or different from that provided in this Article IX. Any amendment or repeal of this Article IX shall not adversely affect any right or protection existing hereunder in respect of any act or omission occurring prior to such amendment or repeal.

ARTICLE X

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the GCL, or (4) for any transaction from which the director derived an improper personal benefit. Any amendment or repeal of this Article X shall not adversely affect any right or protection of a director of the Corporation existing hereunder in respect of any act or omission occurring prior to such amendment or repeal.

ARTICLE XI

Except as may be expressly provided in this Amended and Restated Certificate of Incorporation, the Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation or a Preferred Stock Designation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed herein or by applicable law, and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Amended and Restated Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article XI; provided, however, that any amendment or repeal of Article IX or Article X of this Amended and Restated Certificate of Incorporation shall not adversely affect any right or protection existing hereunder in respect of any act or omission occurring prior to such amendment or repeal; and provided further that no Preferred Stock Designation shall be amended after the issuance of any shares of the series of Preferred Stock created thereby, except in accordance with the terms of such Preferred Stock Designation and the requirements of applicable law.

AMENDED AND RESTATED
BY-LAWS
OF
W. R. GRACE & CO.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

ARTICLE I

OFFICES AND RECORDS

Section 1.1. Delaware Office. The principal office of the Corporation in the State of Delaware shall be located in Wilmington, Delaware, and the name and address of its registered agent is The Prentice-Hall Corporation System, Inc., 1013 Centre Road, Wilmington, Delaware.

Section 1.2. Other Offices. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

Section 1.3. Books and Records. The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

ARTICLE II

STOCKHOLDERS

Section 2.1. Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held annually (a) on the tenth day of May, or (b) if such day be a Saturday, Sunday or a holiday at the place where the meeting is to be held, on the last business day preceding or on the first business day after such tenth day of May, as may be fixed by the Board of Directors, or (c) on such other date as may be fixed by the Board of Directors.

Section 2.2. Special Meeting. Subject to the rights of the holders of any series of stock having a preference over the Common Stock of the Corporation as to dividends or upon liquidation ("Preferred Stock") with respect to such series of Preferred Stock, special meetings of the stockholders may be called only by the Chairman, by the President or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board").

Section 2.3. Place of Meeting. The Chairman, the President or the Board of Directors, as the case may be, may designate the place of meeting for any annual meeting or for any special meeting of the stockholders called by the Chairman, the President or the Board of Directors. If no designation is so made, the place of meeting shall be the principal office of the Corporation.

Section 2.4. Notice of Meeting. Written or printed notice, stating the place, date and time of the meeting and the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Section 6.4 of these By-laws. Any previously scheduled meeting of the stockholders may be postponed, and (unless the Certificate of Incorporation otherwise provides) any special meeting of the stockholders may be cancelled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Section 2.5. Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the outstanding shares of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the voting power of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The chairman of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.6. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in any other manner permitted by law) by the stockholder, or by his duly authorized attorney-in-fact.

Section 2.7. Notice of Stockholder Business and Nominations. (A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of

Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 2.7, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.7.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 2.7, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 2.7 to the contrary, in the event that the number of directors to be elected to

the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for election as director or specifying the size of the increased Board of Directors at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.7 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.7, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.7. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 2.7 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(C) General. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.7 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.7. Except as otherwise provided by law, the Certificate of Incorporation or these By-laws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.7 and, if any proposed nomination or business

is not in compliance with this Section 2.7, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 2.7, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 2.7, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this by-law. Nothing in this Section 2.7 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

Section 2.8. Procedure for Election of Directors; Required Vote. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, a plurality of the votes cast thereat shall elect directors. Except as otherwise provided by law, the Certificate of Incorporation, or these By-laws, in all matters other than the election of directors, the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

Section 2.9. Inspectors of Elections; Opening and Closing the Polls. The Board of Directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at meetings of stockholders and make written reports thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law.

The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities by these By-laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws required to be exercised or done by the stockholders.

Section 3.2. Number, Tenure and Qualifications. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the number of directors shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board. The directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as is reasonably possible, designated Class I, Class II and Class III, with the initial term of office of the Class I directors to expire at the 1997 annual meeting of stockholders, the initial term of office of the Class II directors to expire at the 1998 annual meeting of stockholders and the initial term of office of the Class III directors to expire at the 1999 annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified. No person shall be nominated for election as a director if such person will have attained the age of 70 prior to the expiration of his or her term of office. At each annual meeting of stockholders, commencing with the 1997 annual meeting, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified.

Section 3.3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Section 3.3 immediately after, and at the same place as, the Annual Meeting of Stockholders. The Board of Directors may fix the time and place for the holding of additional regular meetings without notice.

Section 3.4. Special Meetings. Special meetings of the Board of Directors shall be called at the request of the Chairman, the President or a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of such meetings.

Section 3.5. Notice. Notice of any special meeting or notice of a change in the time or place of any regular meeting of the Board of Directors shall be given to each

director at his or her business or residence in writing by hand delivery, first-class or overnight mail or courier service, telegram or facsimile transmission, or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the U.S. mails so addressed, with postage thereon prepaid, at least five (5) days before such meeting. If by telegram, overnight mail or courier service, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company or the notice is delivered to the overnight mail or courier service company at least twenty-four (24) hours before such meeting. If by facsimile transmission, such notice shall be deemed adequately delivered when the notice is transmitted at least twelve (12) hours before such meeting. If by telephone, the notice shall be communicated to the director or his or her representative or answering machine. If by telephone or by hand delivery, the notice shall be given at least twenty-four (24) hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these By-laws, as provided under Section 8.1. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Section 6.4 of these By-laws.

Section 3.6. Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 3.7. Conference Telephone Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.8. Quorum. Subject to Section 3.9, a number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.9. Vacancies. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, and

unless the Board of Directors otherwise determines, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the whole Board shall shorten the term of any incumbent director.

Section 3.10. Committees. The Board of Directors may establish one or more committees. Each Committee shall consist of two or more directors of the Corporation designated by the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee may to the extent permitted by law exercise such powers and shall have such responsibilities as shall be specified in the designating resolution. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board of Directors when requested.

A majority of any committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 3.5 of these By-laws. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board of Directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board of Directors.

The term of office of a committee member shall be as provided in the resolution of the Board designating him or her but shall not exceed his or her term as a director. If prior to the end of his term, a committee member should cease to be a director, he or she shall cease to be a committee member. Any member of a committee may resign at any time by giving written notice to the Board of Directors, the Chairman, the President or the Secretary. Such resignation shall take effect as provided in Section 6.6 of these By-laws in the case of resignations by directors. Any member of a committee may be removed from such committee, either with or without cause, at any

time, by resolution adopted by a majority of the whole Board. Any vacancy in a committee shall be filled by the Board of Directors in the manner prescribed by these By-Laws for the original designation of the members of such committee.

Section 3.11. Committee on Officers' Compensation. Pursuant to Section 3.10 of these By-laws, the Board of Directors shall designate a committee to evaluate the performance of, and to recommend the appropriate level of compensation for, officers of the Corporation. Such committee shall have access to an advisor not otherwise serving the Corporation. Each member of such committee shall be an "independent director", as that term is defined in the following sentence. For purposes of this Section 3.11, an "independent director" shall mean a person who (a) has not been employed by the Corporation within the past five years; (b) is not, and is not affiliated with, a firm that is an advisor or consultant to the Corporation; (c) is not affiliated with any customer or supplier of the Corporation whose purchases from and/or sales to the Corporation exceed 3% of the sales and revenues of such customer or supplier for its most recently completed fiscal year; (d) has no personal services contract with the Corporation; (e) is not affiliated with a tax-exempt entity, not otherwise affiliated with the Corporation, that receives contributions from the Corporation that exceed 3% of such entity's gross contributions for its most recently completed fiscal year; and (f) is not a member of the "immediate family" (as defined in Item 404(a) of Securities and Exchange Commission Regulation S-K) of any person described in clauses (a) through (e).

Section 3.12. Removal. Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any director, or the entire Board of Directors, may be removed from office at any time by the shareholders, but only for cause.

Section 3.13. Records. The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board of Directors and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

ARTICLE IV

OFFICERS

Section 4.1. Elected Officers. The elected officers of the Corporation shall be a Chairman, a President, a Secretary, a Treasurer, and such other officers (including, without limitation, a Chief Financial Officer) as the Board of Directors may deem proper from time to time. The Chairman shall be chosen from among the directors.

Each officer elected by the Board of Directors shall have such powers and duties as generally pertain to his or her respective office, subject to the specific provisions of this ARTICLE IV. Such officers shall also have such powers and duties as may be conferred from time to time by the Board of Directors. The Board of Directors may from time to time elect, or the Chairman or President may appoint, such assistant officers (including one or more Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controllers) as may be necessary or desirable for the conduct of the business of the Corporation. Such assistant officers shall have such duties and shall hold their offices for such terms as shall be provided in these By-laws or as may be prescribed by the Board of Directors or by the Chairman or President, as the case may be.

Section 4.2. Election and Term of Office. The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held after the annual meeting of the stockholders or at any other time as the Board of Directors may deem proper. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign, but any officer may be removed from office at any time by the affirmative vote of a majority of the Whole Board or, except in the case of an officer elected by the Board of Directors, by the Chairman or President. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

Section 4.3. Chairman. The Chairman shall preside at all meetings of the stockholders and of the Board of Directors and shall be the Chief Executive Officer of the Company. The Chairman shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to his office which may be required by law and all such other duties as are properly required of him by the Board of Directors. He shall make reports to the Board of Directors and the stockholders, and shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chairman may also serve as President, if so elected by the Board of Directors.

Section 4.4. President. The President shall act in a general executive capacity and shall assist the Chairman in the administration and operation of the Corporation's business and the general supervision of its policies and affairs. In the absence of or the inability to act of the Chairman, the President shall perform all duties of the Chairman and preside at all meetings of stockholders and of the Board of Directors.

Section 4.5. Vice Presidents. Each Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Board of Directors.

Section 4.6. Chief Financial Officer. The Chief Financial Officer (if any) shall be a Vice President and act in an executive financial capacity. He shall assist the

Chairman and the President in the general supervision of the Corporation's financial policies and affairs.

Section 4.7. Treasurer. The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall cause the funds of the Corporation to be deposited in such banks as may be authorized by the Board of Directors, or in such banks as may be designated as depositories in the manner provided by resolution of the Board of Directors. He shall have such further powers and duties and shall be subject to such directions as may be granted or imposed upon him from time to time by the Board of Directors, the Chairman or the President.

Section 4.8. Secretary. The Secretary shall keep or cause to be kept in one or more books provided for that purpose, the minutes of all meetings of the Board of Directors, the committees of the Board of Directors and the stockholders; he shall see that all notices are duly given in accordance with the provisions of these By-laws and as required by law; he shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal; and he shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, he shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman or the President.

Section 4.9. Controller. The Controller shall have general control, charge and supervision of the accounts of the Corporation. He shall see that proper accounts are maintained and that all accounts are properly credited from time to time. He shall prepare or cause to be prepared the financial statements of the Corporation.

Section 4.10. Removal. Any officer elected by the Board of Directors may be removed by the affirmative vote of a majority of the Whole Board whenever, in their judgment, the best interests of the Corporation would be served thereby. Any assistant officer appointed by the Chairman or the President may be removed by him whenever, in his judgment, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of his successor, his death, his resignation or his removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

Section 4.11. Vacancies. A newly created elected office and a vacancy in any elected office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors.

ARTICLE V

STOCK CERTIFICATES AND TRANSFERS

Section 5.1. Stock Certificates and Transfers. The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe. The shares of the stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require.

The certificates of stock shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors or any financial officer may in its or his discretion require.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December of each year.

Section 6.2. Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

Section 6.3. Seal. The corporate seal shall have enscribed thereon the words "Corporate Seal", the year of incorporation and around the margin thereof the words "W. R. Grace & Co."

Section 6.4. Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the General Corporation Law of the State of Delaware or these By-laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. The attendance of any shareholder at a meeting in person or by proxy, without protesting at the beginning of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of such shareholder. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board of Directors or committee thereof need be specified in any waiver of notice of such meeting.

Section 6.5. Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be done annually.

Section 6.6. Resignations. Any director or any officer or assistant officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chairman, the President, or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman, the President, or the Secretary, or at such later time as is specified therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

Section 6.7. Indemnification and Insurance. (A) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving

as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (C) of this Section 6.7, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Section 6.7 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 6.7 or otherwise.

(B) To obtain indemnification under this Section 6.7, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this paragraph (B), a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (ii) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (iii) if a

quorum of Disinterested Directors so directs, by the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board of Directors unless there shall have occurred within two years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a "Change of Control", as defined below, in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

(C) If a claim under paragraph (A) of this Section 6.7 is not paid in full by the Corporation within 30 days after a written claim pursuant to paragraph (B) of this Section 6.7 has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(D) If a determination shall have been made pursuant to paragraph (B) of this Section 6.7 that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to paragraph (C) of this Section 6.7.

(E) The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to paragraph (C) of this Section 6.7 that the procedures and presumptions of this Section 6.7 are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Section 6.7.

(F) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 6.7 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these By-laws, agreement, vote of stockholders or Disinterested Directors or otherwise. No repeal or modification of this Section 6.7 shall in any way diminish or adversely affect the rights of any director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

(G) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in paragraph (H) of this Section 6.7, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

(H) The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Section 6.7 with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

(I) If any provision or provisions of this Section 6.7 shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Section 6.7 (including, without limitation, each portion of any paragraph of this By-law containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Section 6.7 (including, without limitation, each such portion of any paragraph of this By-law containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

(J) For purposes of this Section 6.7:

(1) "Disinterested Director" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(2) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under this Section 6.7.

(3) "Change of Control" has the meaning given such term in the Corporation's 1996 Stock Incentive Plan, as the same may be amended or superseded from time to time.

(K) Any notice, request or other communication required or permitted to be given to the Corporation under this Section 6.7 shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

ARTICLE VII

CONTRACTS, PROXIES, ETC.

Section 7.1. Contracts. Except as otherwise required by law, the Certificate of Incorporation or these By-laws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be general or confined to specific instances as the Board may determine. The Chairman, the President or any Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board of Directors or the Chairman, the President or any Vice President of the Corporation may delegate contractual powers to others under his jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 7.2. Proxies. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman, the President or any Vice President may from time

to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VIII

AMENDMENTS

Section 8.1. Amendments. These By-laws may be altered, amended, or repealed at any meeting of the Board of Directors or of the stockholders, provided notice of the proposed change was given in the notice of the meeting and, in the case of a meeting of the Board of Directors, in a notice given not less than two days prior to the meeting; provided, however, that, in the case of amendments by stockholders, notwithstanding any other provisions of these By-laws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law, the Certificate of Incorporation or these By-laws, the affirmative vote of the holders of at least 80 percent of the voting power of all the then outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal any provision of these By-laws.

GRACE HOLDING, INC.

(TO BE RENAMED W. R. GRACE & CO.)

AND

THE CHASE MANHATTAN BANK, AS

RIGHTS AGENT

* * *

RIGHTS AGREEMENT

DATED AS OF SEPTEMBER 25, 1996

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AGREEMENT, dated as of September 25, 1996, between Grace Holding, Inc., a Delaware corporation which, following the Spin-off (as hereinafter defined), will be renamed W. R. Grace & Co. (the "Company"), and The Chase Manhattan Bank (the "Rights Agent").

WHEREAS, the Board of Directors of the Company has authorized and declared that a dividend of one preferred share purchase right (a "Right") be paid in respect of each Common Share (as hereinafter defined) of the Company outstanding at the moment of consummation of the Spin-off (such moment, the "Record Date") to the holder of record thereof at such moment, each Right representing the right to purchase one hundredth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined).

ACCORDINGLY, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 20% or more of the Common Shares of the Company then outstanding, but shall not include the Company, any Subsidiary (as such term is hereinafter defined) of the Company, any employee benefit plan of the Company or any subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan.

Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 20% or more of the Common Shares of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of 20% or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the

Company, then such Person shall be deemed to be an "". Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(c)(ii)(B)) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding", when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(d) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in New York are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M., New York time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York time, on the next succeeding Business Day.

(f) "Common Shares" when used with reference to the Company shall mean the shares of common stock, par value \$.01 per share, of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(g) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(h) "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.

(i) "Grace New York" shall mean W. R. Grace & Co. a New York corporation, which, in connection with the Spin-off, is to be renamed Fresenius National Medical Care, Inc.

(j) "Grace New York Common Shares" shall mean the shares of common stock, par value \$1.00 per share, of Grace New York.

(k) "Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

(l) "Preferred Shares" shall mean shares of Series A Junior Participating Preferred Stock, par value \$.01 per share, of the Company having the rights and preferences set forth in the Amended and Restated Certificate of Incorporation of the Company.

(m) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(n) "Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(o) "Spin-off" shall mean the distribution by Grace New York of one Common Share of the Company in respect of each Grace New York Common Share.

(p) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable.

Section 3. Issue of Right Certificates. Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth business day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of

the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Common Shares aggregating 20% or more of the then outstanding Common Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit A hereto (a "Right Certificate"), evidencing one Right for each Common Share so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) Until the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date, certificates representing Common Shares of the Company shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement (the "Rights Agreement") between W. R. Grace & Co. (the "Company"), and The Chase Manhattan Bank (the "Rights Agent"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing without charge promptly after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights beneficially owned by an Acquiring Person or any Affiliates or Associates thereof (as such terms are defined in the Rights Agreement), or certain transferees therefor, may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for

transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit A hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of hundredths of a Preferred Share as shall be set forth therein at the price per hundredth of a Preferred Share set forth therein (the "Purchase Price"), but the number of such hundredths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of

the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of hundredths of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Thereupon the Rights Agent shall countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on September 27, 2006 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof

(the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

(b) The Purchase Price for each hundredth of a Preferred Share purchasable pursuant to the exercise of a Right shall initially be \$200, and shall be subject to adjustment from time to time as provided in Section 11 or 13 hereof and shall be payable in lawful money of the U.S. of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) requisition from the depository agent depository receipts representing such number of hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company hereby directs the depository agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the

Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Preferred Shares. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Preferred Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depository receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depository receipts for Preferred Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without

limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the Record Date (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (E) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person, each holder of a Right shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (y) 50% of the then current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event. In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

From and after the occurrence of such event, any Rights that are or were acquired or beneficially owned by any Acquiring Person (or any Associate or Affiliate of such Acquiring Person) shall be void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. No Right Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be cancelled.

(iii) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exercise of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exercise of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred

Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the

event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security; and provided, further, that in the event that the current per share market price of the Common Shares is determined as of a date prior to the expiration of 30 Trading Days following the Record Date, the current per share market price of the Common Shares shall be deemed to be the average of the daily closing prices per Common Share for the period of Trading Days commencing with the Record Date and ending immediately prior to such date. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading 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 in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the 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 ("NASDAQ") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one hundred. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value

per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest millionth of a Preferred Share or ten-thousandth of any other share or security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right 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 Preferred Shares contained in Section 11(a) through (c), inclusive, and the provisions of Sections 7, 9, 10 and 13 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of hundredths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of hundredths of a Preferred Share (calculated to the nearest millionth of a Preferred Share) obtained by (i) multiplying (x) the number of hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of hundredths of a Preferred Share purchasable upon the exercise of a Right.

Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of hundredths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of hundredths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over

and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, dividends on Preferred Shares payable in Preferred Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case (A) the number of hundredths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of hundredths of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (B) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event, directly or indirectly, at any time after a Person has become an Acquiring Person, (a) the Company shall consolidate with, or merge with and into, any other Person, (b) any Person shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly owned Subsidiaries, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied by the number of hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of such other Person (including the Company as successor thereto or as the surviving corporation) as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such other Person (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are 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 NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one hundredth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one hundredth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred

Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer; and

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights

Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises. In no case will the Rights Agent be liable for special, indirect, incidental or consequential loss or damages of any kind whatsoever, even if the Rights Agent has been advised of the possibility of such damages.

The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation into which the Rights Agent or any successor Rights Agent

may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman, the Chief Executive Officer, the President, any Vice President, the Treasurer or the

Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full Authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman, the Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not

be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation, or an Affiliate of such corporation, organized and doing business under the laws of the U.S. or of the State of New York (or of any other state of the U.S. so long as such corporation is authorized to do business as a banking institution in the State of New York), in good standing, having an office in the State of New York, which is authorized under such laws to exercise corporate trust or stock transfer powers and

is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

Section 23. Redemption. The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights, the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the

Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such

action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this paragraph (d), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events. (a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be

fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

W. R. Grace & Co.
One Town Center Road
Boca Raton, FL 33486-1010
Attention: Corporate Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

The Chase Manhattan Bank
Stock Transfer Department
450 West 33rd Street
New York, NY 10001
Attention: Vice President -- Administration

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may from time to time supplement or amend this Agreement without the approval of any holders

of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with respect to the Rights which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights. Without limiting the foregoing, the Company may at any time prior to such time as any Person becomes an Acquiring Person amend this Agreement to lower the thresholds set forth in Sections 1(a) and 3(a) to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan) and (ii) 10%.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterpart shall for all purposes be deemed

to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

Attest: GRACE HOLDING, INC.
(TO BE RENAMED
W. R. GRACE & CO.)

By _____
Title:

By _____
Title:

Attest: THE CHASE MANHATTAN BANK

By _____
Title:

By _____
Title:

Exhibit A

FORM OF RIGHT CERTIFICATE

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER SEPTEMBER 27, 2006 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT \$.01 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

RIGHT CERTIFICATE

W. R. GRACE & CO.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of September 25, 1996 (the "Rights Agreement"), between W. R. Grace & Co., a Delaware corporation (formerly Grace Holding, Inc.) (the "Company"), and The Chase Manhattan Bank (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., New York time, on September 27, 2006 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one hundredth of a fully paid nonassessable share of Series A Junior Participating Preferred Stock, without par value (the "Preferred Shares"), of the Company, at a purchase price of \$200 per hundredth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of hundredths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of _____, 1996, based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of hundredths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of \$.01 per Right or (ii) may be exchanged in whole or in part for Preferred Shares or shares of the Company's Common Stock, par value \$.01 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose to be the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote with respect to the election of directors or upon any matter submitted to shareholder at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of any meeting or other action affecting shareholder (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of _____.

ATTEST: W. R. GRACE & CO.

----- By: -----

Countersigned:

THE CHASE MANHATTAN BANK

By: -----

Authorized Signature

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____
(Please print name and address of transferee)

_____ this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

Form of Reverse Side of Right Certificate -- continued

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To: W. R. Grace & Co.

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: _____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

Form of Reverse Side of Right Certificate -- continued

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

=====

W. R. GRACE & CO.-CONN.,
Issuer,

W. R. GRACE & CO.,
Guarantor,

GRACE HOLDING, INC.

AND

BANKERS TRUST COMPANY,
Trustee

SUPPLEMENTAL INDENTURE

Dated as of September 24, 1996

GUARANTEED DEBT SECURITIES

Supplemental to Indenture Dated as of September 29, 1992.

=====

SUPPLEMENTAL INDENTURE, dated as of September 24, 1996 (the Supplemental Indenture"), among W. R. GRACE & CO.-CONN., a Connecticut corporation (hereinafter called the "Company"), W. R. GRACE & CO., a New York corporation (hereinafter after called "Grace New York"), GRACE HOLDING, INC., a Delaware corporation (hereinafter called "Grace Holding"), and BANKERS TRUST COMPANY, a New York banking corporation (hereinafter called the "Trustee").

W I T N E S S E T H

WHEREAS, the Company, as issuer, Grace New York, as guarantor, and the Trustee, as trustee, have heretofore entered into an indenture, dated as of September 29, 1992 (herein called the "Indenture") providing for the issuance of debt securities in series (herein called the "Notes"), a portion of which are currently outstanding; and

WHEREAS, Grace Holding is a wholly owned subsidiary formed by Grace New York for the purpose of becoming sole shareholder of the Company pursuant to and upon completion of the NMC Separation (as defined in Section 1.02 of this Supplemental Indenture); and

WHEREAS, Grace Holding hereby desires to assume the obligations of the Guarantor under the Indenture; and

WHEREAS, pursuant to and upon completion of the NMC Separation, Grace Holding will change its name to W. R. Grace & Co., and Grace New York will cease to have any ownership interest in the Company, become a subsidiary of Fresenius AG and change its name to Fresenius National Medical Care, Inc.; and

WHEREAS, upon completion of the NMC Separation, Grace Holding desires to succeed to and be substituted for Grace New York under the Indenture; and

WHEREAS, the Company, Grace New York, Grace Holding and the Trustee desire to enter into a supplemental indenture pursuant to the terms of Section 801 of the Indenture.

NOW, THEREFORE, for and in consideration of the sum of one dollar, of the premises and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, it is hereby agreed among the Company, Grace New York, Grace Holding and the Trustee, for the equal and proportionate benefit of the respective holders from time to time of the Notes, as follows:

ARTICLE ONE

DEFINITIONS OF CERTAIN TERMS

Section 1.01. Capitalized terms used in this Supplemental Indenture that have not otherwise been defined herein shall have the meanings assigned thereto in the Indenture.

Section 1.02. For purposes of Section 5.01 of this Supplemental Indenture, "NMC Separation" shall mean the transaction in which all of the following occur: (a) National Medical Care, Inc., a wholly owned indirect subsidiary of the Company ("NMC"), will become a direct subsidiary of the Company, (b) NMC will enter into new bank borrowings and use a portion of the proceeds therefrom, together with other available funds, to repay intercompany debt and make cash distributions to the Company, and will separately refinance debts and obligations previously reflected on the Company's financial statements, in an aggregate amount of approximately \$2.3 billion, (c) the Company will distribute the stock

of NMC to Grace New York, (d) Grace New York will contribute the stock of the Company to Grace Holding, and (e) Grace New York will distribute to its public shareholders the stock of Grace Holding.

ARTICLE TWO

ASSUMPTION OF PAYMENT, PERFORMANCE AND OBSERVANCE

Section 2.01. Grace Holding hereby expressly assumes the due and punctual payment of the Guarantees and the performance of every covenant of the Indenture on the part of the Guarantor to be performed or observed thereunder.

ARTICLE THREE

PARTICULAR REPRESENTATIONS OF GRACE HOLDING

Section 3.01. Grace Holding represents that it is a corporation duly organized and existing under the laws of the State of Delaware.

Section 3.02. Grace Holding represents that immediately after the consummation of the actions contemplated by this Supplemental Indenture, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

ARTICLE FOUR

REPRESENTATION OF THE GUARANTOR

Section 4.01. The Guarantor represents that the NMC Separation shall not cause any Principal Facility of the Guarantor or any Restricted Securities owned by the Guarantor immediately prior to the NMC Separation to become or be subject to any Lien,

other than a Lien, which could be created pursuant to Section 1008 of the Indenture, without equally and ratably securing the Notes or the Guarantees.

ARTICLE FIVE

SUCCESSION AND SUBSTITUTION

Section 5.01. Upon the completion of the NMC Separation, and the delivery to the Trustee of an Officers' Certificate of Grace Holding to such effect, Grace Holding automatically without further act will succeed to and be substituted for Grace New York as the "Guarantor" under the Indenture, with the same effect as if Grace Holding had been named in the Indenture as the Guarantor, and, as provided in Section 802 of the Indenture, Grace New York shall be relieved of any further obligation under the Indenture.

Section 5.02. Upon the succession and substitution of Grace Holding referred to in Section 5.01 hereof, the Indenture shall be deemed to be modified and amended in accordance with this Supplemental Indenture and the respective rights, limitation of rights, obligations, duties and immunities under the Indenture of the Company, Grace Holding, the Trustee, and the holders of the Notes shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modifications and amendments, and all the terms and conditions of this Supplemental Indenture shall be and be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

ARTICLE SIX

MISCELLANEOUS

Section 6.01. Any request, demand, notice or other communication to Grace Holding in connection with the Indenture, as supplemented, shall be sufficient for every purpose hereunder if in writing and mailed, first class postage paid, to Grace Holding addressed as follows:

Grace Holding, Inc.
One Town Center Road
Boca Raton, Florida 33486-1010

Attention: Treasurer

or to any other address hereafter furnished in writing to the Trustee by Grace Holding for such purpose.

Section 6.02. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

Section 6.03. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such state. This Supplemental Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Supplemental Indenture and shall, to the extent applicable, be governed by such provisions.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

(CORPORATE SEAL)
ATTEST:

W. R. GRACE & CO.-CONN.

By _____

Assistant Secretary

(CORPORATE SEAL)
ATTEST:

GRACE HOLDING, INC.

By _____

Assistant Secretary

(CORPORATE SEAL)
ATTEST:

W. R. GRACE & CO.

By _____

Assistant Secretary

(CORPORATE SEAL)
ATTEST:

BANKERS TRUST COMPANY

By _____

Trust Officer

=====

W. R. GRACE & CO.-CONN.,
Issuer,

W. R. GRACE & CO.,
Guarantor,

GRACE HOLDING, INC.

AND

THE BANK OF NEW YORK,
Trustee

SUPPLEMENTAL INDENTURE

Dated as of September 24, 1996

GUARANTEED DEBT SECURITIES

Supplemental to Indenture Dated as of January 28, 1993.

=====

SUPPLEMENTAL INDENTURE, dated as of September 24, 1996 (this "Supplemental Indenture"), among W. R. GRACE & CO.-CONN., a Connecticut corporation (hereinafter called the "Company"), W. R. GRACE & CO., a New York corporation (hereinafter after called "Grace New York"), GRACE HOLDING, INC., a Delaware corporation (hereinafter called "Grace Holding"), and THE BANK OF NEW YORK, a New York banking corporation (hereinafter called the "Trustee").

W I T N E S S E T H

WHEREAS, the Company, as issuer, Grace New York, as guarantor, and NationsBank of Georgia, National Association, predecessor to the Trustee, as trustee, have heretofore entered into an indenture, dated as of January 28, 1993 (herein called the "Indenture") providing for the issuance of debt securities in series (herein called the "Notes"), a portion of which are currently outstanding; and

WHEREAS, Grace Holding is a wholly owned subsidiary formed by Grace New York for the purpose of becoming sole shareholder of the Company pursuant to and upon completion of the NMC Separation (as defined in Section 1.02 of this Supplemental Indenture); and

WHEREAS, Grace Holding hereby desires to assume the obligations of the Guarantor under the Indenture; and

WHEREAS, pursuant to and upon completion of the NMC Separation, Grace Holding will change its name to W. R. Grace & Co., and Grace New York will cease to have any ownership interest in the Company, become a subsidiary of Fresenius AG and change its name to Fresenius National Medical Care, Inc.; and

WHEREAS, upon completion of the NMC Separation, Grace Holding desires to succeed to and be substituted for Grace New York under the Indenture; and

WHEREAS, the Company, Grace New York, Grace Holding and the Trustee desire to enter into a supplemental indenture pursuant to the terms of Section 801 of the Indenture.

NOW, THEREFORE, for and in consideration of the sum of one dollar, of the premises and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, it is hereby agreed among the Company, Grace New York, Grace Holding and the Trustee, for the equal and proportionate benefit of the respective holders from time to time of the Notes, as follows:

ARTICLE ONE

DEFINITIONS OF CERTAIN TERMS

Section 1.01. Capitalized terms used in this Supplemental Indenture that have not otherwise been defined herein shall have the meanings assigned thereto in the Indenture.

Section 1.02. For purposes of Section 4.01 of this Supplemental Indenture, "NMC Separation" shall mean the transaction in which all of the following occur: (a) National Medical Care, Inc., a wholly owned indirect subsidiary of the Company ("NMC"), will become a direct subsidiary of the Company, (b) NMC will enter into new bank borrowings and use a portion of the proceeds therefrom, together with other available funds, to repay intercompany debt and make cash distributions to the Company, and will separately refinance debts and obligations previously reflected on the Company's financial statements, in an aggregate amount of approximately \$2.3 billion, (c) the Company will distribute the stock

of NMC to Grace New York, (d) Grace New York will contribute the stock of the Company to Grace Holding, and (e) Grace New York will distribute to its public shareholders the stock of Grace Holding.

ARTICLE TWO

ASSUMPTION OF PAYMENT, PERFORMANCE AND OBSERVANCE

Section 2.01. Grace Holding hereby expressly assumes the due and punctual payment of the Guarantees and the performance of every covenant of the Indenture on the part of the Guarantor to be performed or observed thereunder.

ARTICLE THREE

PARTICULAR REPRESENTATIONS OF GRACE HOLDING

Section 3.01. Grace Holding represents that it is a corporation duly organized and existing under the laws of the State of Delaware.

Section 3.02. Grace Holding represents that immediately after the consummation of the actions contemplated by this Supplemental Indenture, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

ARTICLE FOUR

SUCCESSION AND SUBSTITUTION

Section 4.01. Upon the completion of the NMC Separation, and the delivery to the Trustee of an Officers' Certificate of Grace Holding to such effect, Grace Holding automatically without further act will succeed to and be substituted for Grace New York as the "Guarantor" under the Indenture, with the same effect as if Grace Holding had been named in

the Indenture as the Guarantor, and, as provided in Section 802 of the Indenture, Grace New York shall be relieved of any further obligation under the Indenture.

Section 4.02. Upon the succession and substitution of Grace Holding referred to in Section 4.01 hereof, the Indenture shall be deemed to be modified and amended in accordance with this Supplemental Indenture and the respective rights, limitation of rights, obligations, duties and immunities under the Indenture of the Company, Grace Holding, the Trustee, and the holders of the Notes shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modifications and amendments, and all the terms and conditions of this Supplemental Indenture shall be and be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

ARTICLE FIVE

MISCELLANEOUS

Section 5.01. Any request, demand, notice or other communication to Grace Holding in connection with the Indenture, as supplemented, shall be sufficient for every purpose hereunder if in writing and mailed, first class postage paid, or delivered, to Grace Holding addressed as follows:

Grace Holding, Inc.
One Town Center Road
Boca Raton, Florida 33486-1010

Attention: Treasurer

or to any other address hereafter furnished in writing to the Trustee by Grace Holding for such purpose.

Section 5.02. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

Section 5.03. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such state. This Supplemental Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Supplemental Indenture and shall, to the extent applicable, be governed by such provisions.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

(CORPORATE SEAL)
ATTEST:

W. R. GRACE & CO.-CONN.

Assistant Secretary

By -----

(CORPORATE SEAL)
ATTEST:

GRACE HOLDING, INC.

Assistant Secretary

By -----

(CORPORATE SEAL)
ATTEST:

W. R. GRACE & CO.

Assistant Secretary

By -----

(CORPORATE SEAL)
ATTEST:

THE BANK OF NEW YORK

Trust Officer

By -----

W. R. GRACE & CO., INC.

1996 STOCK INCENTIVE PLAN

1. Purposes. The purposes of this Plan are (a) to enable Key Persons to have incentives related to Common Stock, (b) to encourage Key Persons to increase their interest in the growth and prosperity of the Company and to stimulate and sustain constructive and imaginative thinking by Key Persons, (c) to further the identity of interests of Key Persons with the interests of the Company's stockholders, and (d) to induce the service or continued service of Key Persons and to enable the Company to compete with other organizations offering similar or other incentives in obtaining and retaining the services of the most highly qualified individuals.

2. Definitions. When used in this Plan, the following terms shall have the meanings set forth in this section 2.

Board of Directors: The Board of Directors of the Company.

cessation of service (or words of similar import): When a person ceases to be an employee of the Company or a Subsidiary. For purposes of this definition, if an entity that was a Subsidiary ceases to be a Subsidiary, persons who immediately thereafter remain employees of that entity (and are not employees of the Company or an entity that is a Subsidiary) shall be deemed to have ceased service.

Change in Control: Shall be deemed to have occurred if (a) the Company determines that any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, has become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 20% or more of the outstanding Common Stock of the Company; (b) individuals who are "Continuing Directors" (as defined below) cease to constitute a majority of any class of the Board of Directors; (c) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "Corporate Transaction"), in each case, with respect to which the stockholders of the Company immediately prior to such Corporate Transaction do not, immediately after the Corporate Transaction, own more than 60% of the combined voting power of the corporation resulting from such Corporate Transaction; or (d) the stockholders of the Company approve a complete liquidation or dissolution of the Company. Notwithstanding any other provision of this Plan, the distribution of all of the shares of Common Stock of the Company to the shareholders of W. R. Grace & Co., a New York corporation, shall not be deemed a Change in Control.

Change in Control Price: The higher of (a) the highest reported sales price, regular way, as reported in The Wall Street Journal or another newspaper of general circulation,

of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (b) if the Change in Control is the result of a tender or exchange offer or a Corporate Transaction, the highest price per share of Common Stock paid in such tender or exchange offer or Corporate Transaction; provided, however, that in the case of Incentive Stock Options, the Change in Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such Incentive Stock Option is exercised. To the extent that the consideration paid in any Corporate Transaction or other transaction described above consists in whole or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board of Directors.

Code: The Internal Revenue Code of 1986, as amended.

Committee: The Compensation, Employee Benefits and Stock Incentive Committee of the Board of Directors of the Company or any other committee designated by the Board of Directors to administer stock incentive and stock option plans of the Company and the Subsidiaries generally or this Plan specifically.

Common Stock: The common stock of the Company, par value \$.01 per share, or such other class of shares or other securities or property as may be applicable pursuant to the provisions of section 8.

Company: W. R. Grace & Co., a Delaware corporation.

Corporate Transaction: The meaning set forth in the definition of "Change in Control" above.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exercise Period: The meaning set forth in section 14(b) of this Plan.

Fair Market Value: (a) The mean between the high and low sales prices of a share of Common Stock in New York Stock Exchange composite transactions on the applicable date, as reported in The Wall Street Journal or another newspaper of general circulation, or, if no sales of shares of Common Stock were reported for such date, for the next preceding date for which such sales were so reported, or (b) the fair market value of a share of Common Stock determined in accordance with any other reasonable method approved by the Committee.

Incentive Stock Option: A stock option that states that it is an incentive stock option and that is intended to meet the requirements of Section 422 of the Code and the regulations thereunder applicable to incentive stock options, as in effect from time to time.

issuance (or words of similar import): The issuance of authorized but unissued Common Stock or the transfer of issued Common Stock held by the Company or a Subsidiary.

Key Person: An employee of the Company or a Subsidiary who, in the opinion of the Committee, has contributed or can contribute significantly to the growth and successful operations of the Company or one or more Subsidiaries. The grant of a Stock Incentive to an employee shall be deemed a determination by the Committee that such person is a Key Person.

Nonstatutory Stock Option: An Option that is not an Incentive Stock Option.

Option: An option granted under this Plan to purchase shares of Common Stock.

Option Agreement: An agreement setting forth the terms of an Option.

Plan: The 1996 Stock Incentive Plan of the Company herein set forth, as the same may from time to time be amended.

service: Service to the Company or a Subsidiary as an employee. "To serve" has a correlative meaning.

Spread: The meaning set forth in section 14(b) of this Plan.

Stock Award: An issuance of shares of Common Stock or an undertaking (other than an Option) to issue such shares in the future.

Stock Incentive: A stock incentive granted under this Plan in one of the forms provided for in section 3.

Subsidiary: A corporation (or other form of business association) of which shares (or other ownership interests) having 50% or more of the voting power regularly entitled to vote for directors (or equivalent management rights) are owned, directly or indirectly, by the Company, or any other entity designated as such by the Board of Directors; provided, however, that in the case of an Incentive Stock Option, the term "Subsidiary" shall mean a Subsidiary (as defined by the preceding clause) that is also a "subsidiary corporation" as defined in section 424(f) of the Code and the regulations thereunder, as in effect from time to time.

3. Grants of Stock Incentives. (a) Subject to the provisions of this Plan, the Committee may at any time and from time to time grant Stock Incentives under this Plan to, and only to, Key Persons.

(b) The Committee may grant a Stock Incentive to be effective at a specified future date or upon the future occurrence of a specified event. For the purposes of this Plan, any such Stock Incentive shall be deemed granted on the date it becomes effective. An agreement or other commitment to grant a Stock Incentive that is to be effective in the future shall not be deemed the grant of a Stock Incentive until the date on which such Stock Incentive becomes effective.

(c) A Stock Incentive may be granted in the form of:

- (i) a Stock Award, or
- (ii) an Option, or
- (iii) a combination of a Stock Award and an Option.

4. Stock Subject to this Plan. (a) Subject to the provisions of paragraph (c) of this section 4 and the provisions of section 8, the maximum number of shares of Common Stock that may be issued pursuant to Stock Incentives granted under this Plan shall not exceed seven million (7,000,000).

(b) Authorized but unissued shares of Common Stock and issued shares of Common Stock held by the Company or a Subsidiary, whether acquired specifically for use under this Plan or otherwise, may be used for purposes of this Plan.

(c) If any shares of Common Stock subject to a Stock Incentive shall not be issued and shall cease to be issuable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance, be reacquired by the Company or a Subsidiary from the recipient of such Stock Incentive, or from the estate of such recipient, for any reason, such shares shall no longer be charged against the limitation provided for in paragraph (a) of this section 4 and may again be made subject to Stock Incentives.

(d) Of the total number of shares specified in paragraph (a) of this section 4 (subject to adjustment as specified therein), during the term of this Plan as defined in section 9, (i) no more than 10% may be subject to Options granted to any one Key Person and (ii) no more than 15% may be subject to Stock Incentives granted to any one Key Person.

5. Stock Awards. Except as otherwise provided in section 12, Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) For purposes of this Plan, all shares of Common Stock subject to a Stock Award shall be valued at not less than 100% of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued pursuant to such Stock Award and whether or not such shares are subject to restrictions affecting their value.

(b) Shares of Common Stock subject to a Stock Award may be issued to a Key Person at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time. In the event that any such issuance shall not be made at the time the Stock Award is granted, the Stock Award may provide for the payment to such Key Person, either in cash or shares of Common Stock, of amounts not exceeding the dividends that would have been payable to such Key Person in respect of the number of shares of Common Stock subject to such Stock Award (as adjusted under section 8) if such shares had been issued to such Key Person at the time such Stock Award was granted. Any Stock Award may provide that the value of any shares of Common Stock subject to such Stock Award may be paid in cash, on each date on which shares would otherwise have been issued, in an amount equal to the Fair Market Value on such date of the shares that would otherwise have been issued.

(c) The material terms of each Stock Award shall be determined by the Committee. Each Stock Award shall be evidenced by a written instrument consistent with this Plan. It is intended that a Stock Award would be (i) made contingent upon the attainment of one or more specified performance objectives and/or (ii) subject to restrictions on the sale or other disposition of the Stock Award or the shares subject thereto for a period of three or more years; provided, however, that (x) a Stock Award may include restrictions and limitations in addition to those provided for herein and (y) of the total number of shares specified in paragraph (a) of section 4 (subject to adjustment as specified therein), up to 3% may be subject to Stock Awards not subject to clause (i) or clause (ii) of this sentence.

(d) A Stock Award shall be granted for such lawful consideration as may be provided for therein.

6. Options. Except as otherwise provided in section 12, Stock Incentives in the form of Options shall be subject to the following provisions:

(a) The purchase price per share of Common Stock shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. The purchase price and any withholding tax that may be due on the exercise of an Option may be paid in cash, or, if so provided in the Option Agreement, (i) in shares of Common Stock (including shares issued

pursuant to the Option being exercised and shares issued pursuant to a Stock Award granted subject to restrictions as provided for in paragraph (c) of section 5), or (ii) in a combination of cash and such shares; provided, however, that no shares of Common Stock delivered in payment of the purchase price may be "immature shares," as determined in accordance with generally accepted accounting principles in effect at the time. Any shares of Common Stock delivered to the Company in payment of the purchase price or withholding tax shall be valued at their Fair Market Value on the date of exercise. No certificate for shares of Common Stock shall be issued upon the exercise of an Option until the purchase price for such shares has been paid in full.

(b) If so provided in the Option Agreement, the Company shall, upon the request of the holder of the Option and at any time and from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the Option so canceled over the purchase price for such shares, or (ii) issue shares of Common Stock to the holder with a Fair Market Value, at such time or times, equal to such excess, or (iii) pay such excess by a combination of money and shares.

(c) Each Option may be exercisable in full at the time of grant, or may become exercisable in one or more installments and at such time or times or upon the occurrence of such events, as may be specified in the Option Agreement, as determined by the Committee. Unless otherwise provided in the Option Agreement, an Option, to the extent it is or becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of such Option.

(d) Each Option shall be exercisable during the life of the holder only by him and, after his death, only by his estate or by a person who acquires the right to exercise the Option by will or the laws of descent and distribution. An Option, to the extent that it shall not have been exercised or canceled, shall terminate as follows after the holder ceases to serve: (i) if the holder shall voluntarily cease to serve without the consent of the Committee or shall have his service terminated for cause, the Option shall terminate immediately upon cessation of service; (ii) if the holder shall cease to serve by reason of death, incapacity or retirement under a retirement plan of the Company or a Subsidiary, the Option shall terminate three years after the date on which he ceased to serve; and (iii) except as provided in the next sentence, in all other cases the Option shall terminate three months after the date on which the holder ceased to serve unless the Committee shall approve a longer period (which approval may be given before or after cessation of service) not to exceed three years. If the holder shall die or become incapacitated during the three-month period (or such longer period as the Committee may approve) referred to in the preceding clause (iii), the Option shall terminate three years after the date on which he ceased to serve. A leave of absence for military or governmental service or other purposes shall not, if approved by the Committee (which approval may be given before or after the leave of absence commences), be deemed a cessation of service within the

meaning of this paragraph (d). Notwithstanding the foregoing provisions of this paragraph (d) or any other provision of this Plan, no Option shall be exercisable after expiration of a period of ten years and one month from the date the Option is granted. Where a Nonstatutory Option granted for a term of less than ten years and one month, the Committee may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years and one month from the date the Option was granted. Such an extension shall not be deemed the grant of a new Option under this Plan.

(e) No Option nor any right thereunder may be assigned or transferred except by will or the laws of descent and distribution and except, in the case of a Nonstatutory Option, pursuant to a qualified domestic relations order (as defined in the Code), unless otherwise provided in the Option Agreement.

(f) An Option may, but need not, be an Incentive Stock Option. All shares of Common Stock that may be made subject to Stock Incentives under this Plan may be made subject to Incentive Stock Options; provided, however, that (i) no Incentive Stock Option may be granted more than ten years after the effective date of this Plan, as provided in section 9; and (ii) the aggregate Fair Market Value (determined as of the time an Incentive Stock Option is granted) of the shares subject to each installment becoming exercisable for the first time in any calendar year under Incentive Stock Options granted on or after January 1, 1987 (under all plans, including this Plan, of his employer corporation and its parent and subsidiary corporations) to the Key Employee to whom such Incentive Stock Option is granted shall not exceed \$100,000.

(g) The material terms of each Option shall be determined by the Committee. Each Option shall be evidenced by a written instrument consistent with this Plan, and shall specify whether the Option is an Incentive Stock Option or a Nonstatutory Option. An Option may include restrictions and limitations in addition to those provided for in this Plan.

(h) Options shall be granted for such lawful consideration as may be provided for in the Option.

7. Combination of Stock Awards and Options. Stock Incentives authorized by paragraph (c)(iii) of section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions: (a) A Stock Incentive may be a combination of any form of Stock Award and any form of Option; provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with section 5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and conditions as may be specified therein, including without limitation a provision terminating in

whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof.

(c) The material terms of each combination Stock Incentive shall be determined by the Committee. Each combination Stock Incentive shall be evidenced by a written instrument consistent with this Plan.

8. Adjustment Provisions. (a) In the event that any reclassification, split-up or consolidation of the Common Stock shall be effected, or the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or a sale by the Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or for shares of the stock or other securities or property of any other corporation or person, or a record date for determination of holders of Common Stock entitled to receive a dividend payable in Common Stock shall occur, (i) the number, kind and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number, kind and class of shares or other securities or property that have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives that are subject to a right of the Company or a Subsidiary to re-acquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Committee.

(b) In the event that there shall occur any spin-off or other distribution of assets of the Company to its shareholders (including without limitation an extraordinary dividend), (i) the number, kind and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number, kind and class of shares or other securities or property that have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives that are subject to a right of the Company or a Subsidiary to re-acquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Committee.

9. Term. This Plan shall be deemed adopted and shall become effective on the date as of which it is approved by W. R. Grace & Co., a New York corporation, as sole shareholder of the Company. No Stock Incentives shall be granted under this Plan after the tenth anniversary of such date.

10. Administration. (a) This Plan shall be administered by the Committee. No director shall be designated as or continue to be a member of the Committee unless he

shall at the time of designation and at all times during service as a member of the Committee be an "outside director" within the meaning of Section 162(m) of the Code. The Committee shall have full authority to act in the matter of selection of Key Persons and in granting Stock Incentives to them and such other authority as is granted to the Committee by this Plan. Notwithstanding any other provision of this Plan, the Board of Directors may exercise any and all powers of the Committee with respect to this Plan, except to the extent that the possession or exercise of any power by the Board of Directors would cause any Stock Incentive to become subject to, or to lose an exemption from, Section 162(m) of the Code or Section 16(b) of the Exchange Act.

(b) The Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to be granted Stock Incentives under this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Company, its Subsidiaries, its shareholders and its directors, officers and employees, and upon their respective legal representatives, beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them.

(c) Members of the Board of Directors and members of the Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability in the performance of their duties, except as otherwise provided by applicable law.

11. General Provisions. (a) Nothing in this Plan or in any instrument executed pursuant hereto shall confer upon any person any right to continue in the service of the Company or a Subsidiary, or shall affect the right of the Company or of a Subsidiary to terminate the service of any person with or without cause.

(b) No shares of Common Stock shall be issued pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance of such shares have, in the opinion of counsel to the Company, been complied with. In connection with any such issuance, the person acquiring the shares shall, if requested by the Company, give assurances, satisfactory to counsel to the Company, in respect of such matters as the Company or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No person (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of this Plan or subject to

any Stock Incentive except as to such shares of Common Stock, if any, as shall have been issued to him.

(d) In the case of a grant of a Stock Incentive to a Key Person who is employed by a Subsidiary, such grant may provide for the issuance of the shares covered by the Stock Incentive to the Subsidiary, for such consideration as may be provided, upon the condition or understanding that the Subsidiary will transfer the shares to the Key Person in accordance with the terms of the Stock Incentive.

(e) In the event the laws of a country in which the Company or a Subsidiary has employees prescribe certain requirements for Stock Incentives to qualify for advantageous tax treatment under the laws of that country (including, without limitation, laws establishing options analogous to Incentive Stock Options), the Committee, may, for the benefit of such employees, amend, in whole or in part, this Plan and may include in such amendment additional provisions for the purposes of qualifying the amended plan and Stock Incentives granted thereunder under such laws; provided, however, that (i) the terms and conditions of a Stock Incentive granted under such amended plan may not be more favorable to the recipient than would be permitted if such Stock Incentive had been granted under this Plan as herein set forth, (ii) all shares allocated to or utilized for the purposes of such amended plan shall be subject to the limitations of section 4, and (iii) the provisions of the amended plan may restrict but may not extend or amplify the provisions of sections 9 and 13.

(f) The Company or a Subsidiary may make such provisions as either may deem appropriate for the withholding of any taxes that the Company or a Subsidiary determines is required to be withheld in connection with any Stock Incentive.

(g) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or benefits to directors, officers or employees generally, or to any class or group of such persons, that the Company or any Subsidiary now has or may hereafter put into effect, including, without limitation, any incentive compensation, retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

12. Acquisitions. If the Company or any Subsidiary should merge or consolidate with, or purchase stock or assets or otherwise acquire the whole or part of the business of, another entity, the Company, upon the approval of the Committee, (a) may assume, in whole or in part and with or without modifications or conditions, any stock incentives granted by the acquired entity to its directors, officers, employees or consultants in their capacities as such, or (b) may grant new Stock Incentives in substitution therefor. Any such assumed or substitute Stock Incentives may contain terms and conditions inconsistent with the provisions of this Plan (including the limitations set forth in paragraph (d) of section 4), including additional benefits for the recipient; provided, however, that if such assumed or substitute Stock Incentives are Incentive Stock Options, such terms and

conditions are permitted under the plan of the acquired entity. For the purposes of any applicable plan provision involving time or a date, a substitute Stock Incentive shall be deemed granted as of the date of grant of the original stock incentive.

13. Amendments and Termination. (a) This Plan may be amended or terminated by the Board of Directors upon the recommendation of the Committee; provided, however, that, without the approval of the stockholders of the Company, no amendment shall be made which (i) causes this Plan to cease to comply with applicable law, (ii) permits any person who is not a Key Person to be granted a Stock Incentive (except as otherwise provided in section 12), (iii) amends the provisions of paragraph (d) of section 4, paragraph (a) of section 5 or paragraph (a) or paragraph (f) of section 6 to permit shares to be valued at, or to have a purchase price of, respectively, less than the percentage of Fair Market Value specified therein, (iv) amends section 9 to extend the date set forth therein, or (v) amends this section 13.

(b) No amendment or termination of this Plan shall adversely affect any Stock Incentive theretofore granted, and no amendment of any Stock Incentive granted pursuant to this Plan shall adversely affect such Stock Incentive, without the consent of the holder thereof.

14. Change in Control Provisions. (a) Notwithstanding any other provision of this Plan to the contrary, in the event of a Change in Control:

(i) Any Options outstanding as of the date on which such Change in Control occurs, and which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant; and

(ii) All restrictions and deferral limitations applicable to Stock Incentives shall lapse, and Stock Incentives shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant.

(b) Notwithstanding any other provision of this Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant, the holder of an Option shall have the right, in lieu of the payment of the purchase price for the shares of Common Stock being purchased under the Option, by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Option to the Company and to receive cash, within 30 days after such notice, in an amount equal to the amount by which the Change in Control Price per share of Common Stock on the date of such election shall exceed the purchase price per share of Common Stock under the Option (the "Spread") multiplied by the number of shares of Common Stock subject to the Option as to which the right subject to this Section 14(b) shall have been exercised.

(c) Notwithstanding any other provision of this Plan, if any right granted pursuant to this Plan to receive cash in respect of a Stock Incentive would make a Change in Control transaction ineligible for pooling-of-interests accounting that, but for the nature of such grant, would otherwise be eligible for such accounting treatment, the Committee shall have ability to substitute for such cash Common Stock with a Fair Market Value equal to the amount of such cash.

W. R. GRACE & CO.

1996 STOCK RETAINER PLAN FOR NONEMPLOYEE DIRECTORS

1. Purposes: The purposes of this Plan are (a) to further the identity of interests of nonemployee directors of the Company with the interests of the Company's shareholders, (b) to stimulate and sustain constructive and imaginative thinking by such nonemployee directors, and (c) to induce the service or continued service of the most highly qualified individuals to serve as nonemployee directors of the Company.

2. Definitions: When used in this Plan, the following terms shall have the meanings set forth in this section 2.

Board of Directors: The Board of Directors of the Company.

Common Stock: The common stock of the Company, par value \$.01 per share, or such other class of shares or other securities or property as may be applicable pursuant to the provisions of section 6.

Company: W. R. Grace & Co., a Delaware corporation.

Fair Market Value: (a) The mean between the high and low sales prices of a share of Common Stock in New York Stock Exchange composite transactions for the applicable date, as reported in The Wall Street Journal or another newspaper of general circulation, or, if no sales of shares of Common Stock were reported for such date, for the next preceding date for which such sales were so reported, or (b) the fair market value of a share of Common Stock determined in accordance with any other reasonable method.

issuance (or words of similar import): The issuance of authorized but unissued Common Stock or the transfer of issued Common Stock held by the Company or a Subsidiary.

Nonemployee Director: An individual, not employed by the Company or a Subsidiary, who is serving as a director of the Company.

Plan: The 1996 Stock Retainer Plan for Nonemployee Directors herein set forth, as the same may from time to time be amended.

service: Service to the Company as a nonemployee director. "To serve" has a correlative meaning.

Stock Retainer: An issuance of shares of Common Stock in payment of an annual retainer for service as a nonemployee director.

Subsidiary: A corporation (or other form of business association) of which shares (or other ownership interests) having 50% or more of the voting power regularly entitled to vote for directors (or equivalent management rights) are owned, directly or indirectly, by the Company.

3. Eligibility and Participation: All nonemployee directors are eligible to participate in the Plan and each such director will participate as described in section 5.

4. Stock Subject to this Plan:

(a) Subject to the provisions of paragraph (c) of this section 4 and the provisions of section 6, the maximum number of shares of Common Stock that may be issued pursuant to Stock Retainers under this Plan shall be 75,000 shares of Common Stock.

(b) Authorized but unissued shares of Common Stock and issued shares of Common Stock held by the Company or a Subsidiary, whether acquired specifically for use under this Plan or otherwise, may be used for purposes of this Plan.

(c) If any shares of Common Stock issued pursuant to a Stock Retainer shall, after issuance, be reacquired by the Company or a Subsidiary from the recipient of such Stock Retainer, or from the estate of such recipient, for any reason, such shares shall no longer be charged against the limitation provided for in paragraph (a) of this section 4 and may be issued pursuant to Stock Retainers.

5. Stock Retainers. Stock Retainers shall be subject to the following provisions:

(a) For the purposes of this Plan, all shares of Common Stock issued pursuant to a Stock Retainer shall be valued at not less than 100% of the Fair Market Value of such shares on the effective date as of which such Stock Retainer is paid, regardless of when such shares are actually issued to the nonemployee director and whether or not such shares are subject to restrictions that affect their value.

(b) Except as provided in paragraph (c) of this section 5, effective as of July 1, 1997, and on each following July 1 through July 1, 2002, each person serving as a nonemployee director on such July 1 will, for service as such, be paid a Stock Retainer consisting of a whole number of shares of Common Stock equal to the quotient obtained by dividing (i) \$24,000 (the "Retainer Amount") by (ii) the Fair Market Value of a share of Common Stock on such July 1. To the extent that such calculation does not result in a whole number of shares, the fractional share shall be rounded upwards to the next whole number so that no fractional shares shall be issued.

(c) (i) In the event that a Stock Retainer is to be paid, effective July 1 of any calendar year, to a person who shall have commenced service as a nonemployee director to January 1 of such calendar year, the Retainer Amount shall be proportionately reduced to reflect the percentage of such calendar year prior to such commencement of service.

(ii) In the event that a Stock Retainer is to be paid, effective July 1 of any calendar year, to a person who shall have commenced service as a nonemployee director prior to January 1 of such calendar year but subsequent to July 1 of the prior calendar year, the Retainer Amount shall be proportionately increased to reflect the percentage of the prior calendar year during which such nonemployee director served as such; provided, however, that this subsection shall not apply with respect to any individual who commenced service as a nonemployee director in 1996 in connection with the distribution of shares of Common Stock by W. R. Grace & Co., a New York corporation.

(d) The shares referred to in paragraph (b) of this section 5 shall be delivered to each nonemployee director as soon as practicable following each July 1 during the term of this Plan. After the delivery of the shares, each nonemployee director shall have all the rights of a shareholder with respect to such shares (including the right to vote such shares and the right to receive all dividends paid with respect to such shares).

(e) No shares will be issued in a calendar year to a nonemployee director who, prior to July 1 of such calendar year, is removed for cause or who voluntarily terminates service prior to retirement under the Company's Retirement Plan for Outside Directors, as the same may be amended.

6. Adjustment Provisions:

(a) In the event that any reclassification, split-up or consolidation of the Common Stock shall be effected, or the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or a sale by Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or for shares of the stock or other securities or property of any other corporation or person, or a record date for determination of holders of Common Stock entitled to receive a dividend payable in Common Stock shall occur, (i) the number, class and kind of shares that may be issued pursuant to Stock Retainers thereafter paid, and (ii) the number, class and kind of shares that have not been issued under effective Stock Retainers, shall in each case be equitably adjusted.

(b) In the event that any spin-off or other distribution of assets of the Company to its shareholders (including without limitation an extraordinary dividend) shall occur, the number, class and kind of shares that may be issued pursuant to Stock Retainers thereafter paid shall be equitably adjusted.

7. Term: This Plan shall be deemed adopted and shall become effective on the date it is approved by the shareholders of the Company. No Stock Retainers shall be paid under this Plan with respect to any period beginning after July 1, 2002.

8. General Provisions:

(a) Nothing in this Plan or in any instrument executed pursuant hereto shall confer upon any person any right to continue to serve as a nonemployee director of the Company.

(b) No shares of Common Stock shall be issued pursuant to a Stock Retainer unless and until all legal requirements applicable to the issuance of such shares have, in the opinion of counsel to the Company, been complied with. In connection with any such issuance, the person acquiring the shares shall, if requested by the Company, give assurances, satisfactory to counsel to the Company, in respect of such matters as the Company or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No person, individually or as a member of a group, and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of this Plan or subject to any Stock Retainer except as to such shares of Common Stock if any, as shall have been issued to him.

(d) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or benefits to nonemployee directors that the Company now has or may hereafter put into effect.

9. Amendments and Termination:

(a) This Plan may be terminated, suspended or amended at any time by the Board of Directors upon the recommendation of its Compensation, Employee Benefits and Stock Incentive Committee; provided, however, that no amendment shall become effective without the approval of the shareholders of the Company to the extent shareholder approval is required by applicable law.

(b) No termination, suspension or amendment of this Plan shall adversely affect any Stock Retainer theretofore paid.

W. R. GRACE & CO.

1981 STOCK INCENTIVE PLAN
(As amended through September 28, 1996)

W. R. GRACE & CO.

1981 STOCK INCENTIVE PLAN

Section 1. PURPOSES: The purposes of this Plan are (a) to secure for the Company the benefits of incentives inherent in ownership of Common Stock by Key Employees, (b) to encourage Key Employees to increase their interest in the future growth and prosperity of the Company and to stimulate and sustain constructive and imaginative thinking by Key Employees, (c) to further the identity of interests of those who hold positions of major responsibility in the Company and its Subsidiaries with the interests of the Company's shareholders, and (d) to induce the employment or continued employment of Key Employees and to enable the Company to compete with other organizations offering similar or other incentives in obtaining and retaining the services of competent executives.

Section 2. DEFINITIONS: Unless otherwise required by the context, the following terms when used in this Plan shall have the meanings set forth in this Section 2.

Board of Directors: The Board of Directors of the Company.

Common Stock: The common stock of the Company, par value \$0.01 per share, or such other class of shares or other securities or property as may be applicable pursuant to the provisions of section 8.

Company: W. R. Grace & Co., a Delaware corporation.

Fair Market Value: As applied to any date, the mean between the high and low sales prices of a share of Common Stock as reported on the Consolidated Transactions Tape for securities listed on the New York Stock Exchange for such date or, if no such sales were reported for such date, on the next preceding date for which sales were so reported.

Grace-Connecticut: W. R. Grace & Co.-Conn., a Connecticut corporation which is a subsidiary of the Company and which was formerly known as "W. R. Grace & Co."

Grace-New York: Fresenius National Medical Care Holdings, Inc., a New York corporation which was formerly the sole shareholder of the Company and was formerly known as "W. R. Grace & Co."

Incentive Committee: The committee designated by the Board of Directors to administer stock incentive and stock option plans of the Company and its subsidiaries.

Incentive Compensation: Bonuses, extra and other compensation payable in addition to a salary or other base amount, whether contingent or not, whether discretionary or required to be paid pursuant to a plan, agreement, resolution or arrangement, and whether payable currently or on a deferred basis, in cash, Common Stock or other

property, awarded by the Company or a Subsidiary prior or subsequent to the date of the approval and adoption of this Plan.

Incentive Stock Option: An option, including an Option as the context may require, intended to meet the requirements of section 422A of the Internal Revenue Code and the regulations thereunder applicable to incentive stock options adopted by the Secretary of the Treasury or his delegate, or any provisions that may be adopted to amend or replace such section or regulations or both.

Key Employee: An employee of the Company or of a Subsidiary, including an officer or director who is an employee, who in the opinion of the Incentive Committee can contribute significantly to the growth and successful operations of the Company or a Subsidiary. The grant of a Stock Incentive to an employee by the Incentive Committee shall be deemed a determination by the Incentive Committee that such employee is a Key Employee.

Non-Statutory Stock Option: An option, including an Option as the context may require, which is not an Incentive Stock Option or another form of statutory stock option (within the meanings of sections 422, 423 and 424 of the Internal Revenue Code and the regulations thereunder as adopted and amended from time to time by the Secretary of the Treasury or his delegate).

Option: An option to purchase shares of Common Stock.

Plan: The 1981 Stock Incentive Plan of the Company herein set forth as the same may from time to time be amended.

Performance Unit: A unit representing a share of Common Stock subject to a Stock Award, the issuance, transfer or retention of which, in whole or in part, is contingent upon or measured by the attainment of a specified performance objective or objectives, including, without limitation, objectives determined (on a consolidated or unconsolidated basis) by reference to or changes in (a) the Fair Market Value, book value or earnings per share of Common Stock, or (b) the sales and revenues, earnings, return on capital employed, asset values or net worth of the Company or one or more of its groups, divisions, Subsidiaries or other units, or (c) a combination of two or more of the foregoing or other factors.

Stock Award: An issuance or transfer of shares of Common Stock at the time the Stock Incentive is granted or as soon thereafter as practicable, or an undertaking (other than an Option) to issue or transfer such shares in the future, including, without limitation, such an issuance, transfer or undertaking with respect to Performance Units.

Stock Incentive: A stock incentive granted under this Plan in one of the forms provided for in section 3.

Subsidiary: A corporation (or other form of business association) of which shares (or other ownership interests) (a) having 50% or more of the voting power regularly entitled to vote for directors (or equivalent management rights) or (b) regularly entitled to receive 50% or more of the dividends (or their equivalents) paid on the common stock (or its equivalent) are owned, directly or indirectly, by the Company; provided, however, that in the case of an Incentive Stock Option, the term "Subsidiary" shall mean a Subsidiary (as defined by the preceding clause) which is also a "subsidiary corporation" as defined in section 425(f) of the Internal Revenue Code and the regulations thereunder adopted by the Secretary of the Treasury or his delegate, or any provisions that may be adopted to amend or replace such section or regulations or both.

Section 3. GRANTS OF STOCK INCENTIVES:

(a) Subject to the provisions of this Plan, the Incentive Committee may at any time, or from time to time, grant Stock Incentives under this Plan to, and only to, Key Employees.

(b) Stock Incentives may be granted in the following forms:

- (i) a Stock Award, or
- (ii) an Option, or
- (iii) a combination of a Stock Award and an Option.

Section 4. STOCK SUBJECT TO THIS PLAN:

(a) Subject to the provisions of paragraphs (c) and (e) of this section 4 and of section 8, (i) the maximum number of shares of Common Stock which may be issued or transferred pursuant to Stock Incentives granted under this Plan shall not exceed 5,000,000 shares of Common Stock, (ii) the maximum number of shares of Common Stock which may be acquired upon exercise of Options granted at any time or from time to time under this Plan to any one Key Employee shall in no event exceed 5% of the maximum number of shares which may be issued or transferred pursuant to Stock Incentives granted under this Plan, and (iii) the maximum number of shares of Common Stock which may be acquired upon exercise of Options granted at any time or from time to time under this Plan to Key Employees serving as directors of the Company at the time they recommend this Plan for approval and adoption by the shareholders of the Company shall in no event exceed 25% of the maximum number of the shares which may be issued or transferred pursuant to Stock Incentives granted under this Plan.

(b) Authorized but unissued shares of Common Stock and shares of Common Stock held in the treasury, whether acquired by the Company specifically for use under this Plan or otherwise, may be used, as the Incentive Committee may from time to time determine, for purposes of this Plan, provided, however, that any shares acquired or held by the Company for the purposes of this Plan shall, unless and until transferred to a Key Employee in accordance with the terms and conditions of a Stock Incentive, be and at all times remain treasury shares of the Company, irrespective of whether such shares are entered in a special account for purposes of this Plan, and shall be available for any corporate purpose.

(c) If any shares of Common Stock subject to a Stock Incentive shall not be issued or transferred and shall cease to be issuable or transferable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance or transfers be reacquired by the Company or a Subsidiary because of an employee's failure to comply with the terms and conditions of a Stock Incentive, the shares not so issued or transferred, or the shares so reacquired by the Company or a Subsidiary, shall no longer be charged against any of the limitations provided for in paragraph (a) of this section 4 and may again be made subject to Stock Incentives.

(d) For purposes of this section 4, Common Stock shall include shares of common stock, par value \$1.00 per share, of Grace-Connecticut issued or transferred pursuant to Stock Incentives granted by Grace-Connecticut under this Plan as in effect prior to its adoption by the Company, except that in determining, for purposes of this section 4, the number of shares so issued or transferred by Grace-Connecticut prior to the two-for-one split of the common stock of Grace-Connecticut which occurred in December 1987, adjustment shall be made to reflect such stock split.

(e) For purposes of this section 4, Common Stock shall include shares of common stock, par value \$1.00 per share, of Grace-New York issued or transferred pursuant to Stock Incentives granted under this Plan as in effect prior to its assumption by the Company; provided that the number of shares of Common Stock that may be issued or transferred following the effective date of the adoption and assumption of this Plan by the Company (as specified in section 9) pursuant to Stock Incentives granted under this Plan shall not exceed 4,347 shares.

Section 5. STOCK AWARDS: Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) A Stock Award shall be granted only in payment of Incentive Compensation that has been earned or as Incentive Compensation to be earned, including, without limitation, Incentive Compensation awarded concurrently with or prior to the grant of the Stock Award.

(b) For the purposes of this Plan, in determining the value of a Stock Award, all shares of Common Stock subject to such Stock Award shall be valued at not less than 100% of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued or transferred to the Key Employee and whether or not such shares are subject to restrictions which affect their value.

(c) Shares of Common Stock subject to a Stock Award may be issued or transferred to the Key Employee at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time, as the Incentive Committee shall determine. In the event that any such issuance or transfer shall not be made to the Key Employee at the time the Stock Award is granted, the Incentive Committee may provide for payment to such Key Employee, either in cash or shares of Common Stock, from time to time or at the time or times such shares shall be issued or transferred to such Key Employee, of amounts not exceeding the dividends which would have been payable to such Key Employee in respect of such shares (as adjusted under section 8) if such shares had been issued or transferred to such Key Employee at the time such Stock Award was granted. Any amount payable in shares of Common Stock under the terms of a Stock Award may, at the discretion of the Company, be paid in cash, on each date on which delivery of shares would otherwise have been made, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered.

(d) A Stock Award shall be subject to such terms and conditions, including, without limitation, restrictions on the sale or other disposition of the Stock Award or of the shares issued or transferred pursuant to such Stock Award, as the Incentive Committee shall determine; provided, however, that upon the issuance or transfer of shares pursuant to a Stock Award, the recipient shall, with respect to such shares, be and become a shareholder of the Company fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Stock Award. Each Stock Award shall be evidenced by a written instrument in such form as the Incentive Committee shall determine provided the Stock Award is consistent with this Plan and incorporates it by reference.

Section 6. OPTIONS: Except as otherwise provided in section 12, Stock Incentives in the form of Options shall be subject to the following provisions:

(a) Subject to the provisions of section 8, the purchase price per share shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. The purchase price shall be paid in cash or, if so provided in the Option or authorized by the Incentive Committee (and subject to such terms and conditions as are specified in the Option or by the Incentive Committee), in shares of Common Stock delivered to the Company or in a combination of cash and such shares. Shares of Common Stock thus delivered shall be valued at their Fair Market Value on the date of exercise.

(b) Each Option may be exercisable in full at the time of grant, or may become exercisable in one or more installments and at such time or times, as the Incentive Committee shall determine. Unless otherwise provided in the Option, an Option, to the extent it is or becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of the Option.

(c) Each Option shall be exercisable during the life of the optionee only by him, and after his death only by his estate or by a person who acquired the right to exercise the Option by will or the laws of descent and distribution. An Option, to the extent that it shall not have been exercised, shall terminate when the optionee ceases to be an employee of the Company or a Subsidiary, unless he ceases to be an employee by reason of his resignation with the consent of the Incentive Committee (which consent may be given before or after resignation), or by reason of his death, incapacity or retirement under a retirement plan of the Company or a Subsidiary. Except as provided in the next sentence, if the optionee ceases to be an employee by reason of such resignation, the Option shall terminate three months after he ceases to be an employee. If the optionee ceases to be an employee by reason of such death, incapacity or retirement, or if he should die during the three-month period referred to in the preceding sentence, the Option shall terminate 15 months after he ceases to be an employee. Where an Option is exercised more than three months after the optionee ceased to be an employee, it may be exercised only to the extent it could have been exercised three months after he ceased to be an employee. A leave of absence for military or governmental service or for other purposes shall not, if approved by the Incentive Committee, be deemed a termination of employment within the meaning of this paragraph (c), provided, however, that an Option may not be exercised during any such leave of absence. Notwithstanding the foregoing provisions of this paragraph (c) or any other provision of this Plan, no Option shall be exercisable after expiration of a period of ten years and one month from the date the Option is granted. Where a Non-Statutory Stock Option is granted for a term of less than ten years and one month, the Incentive Committee may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years and one month from the date the Option was granted. Such an extension shall not be deemed the grant of an Option under this Plan.

(d) Options shall be granted for such lawful consideration as the Incentive Committee may determine.

(e) Neither the Company nor any Subsidiary may directly or indirectly lend any money to any person for the purpose of assisting him to purchase or carry shares of Common Stock issued or transferred upon the exercise of an Option.

(f) No Option nor any right thereunder may be assigned or transferred by the optionee except by will or the laws of descent and distribution. If so provided in the Option or if so authorized by the Incentive Committee and subject to such terms and conditions

as are specified in the Option or by the Incentive Committee, the Company shall, upon or without the request of the holder of the Option and at any time or from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the Option so canceled over the purchase price of such shares, or (ii) issue or transfer shares of Common Stock to the holder with a Fair Market Value, at such time or times, equal to such excess.

(g) An Option granted under the Plan may, but need not, be an Incentive Stock Option. All shares of Common Stock which may be made subject to Stock Incentives under this Plan may be made subject to Incentive Stock Options; provided that, the aggregate Fair Market Value (determined as of the time the option is granted) of the shares subject to each installment becoming exercisable for the first time in any calendar year under Incentive Stock Options granted to any employee on or after January 1, 1987 (under all plans, including this Plan, of his employer corporation and its parent and subsidiary corporation) shall not exceed \$100,000.

(h) Each Option shall be evidenced by a written instrument, which shall contain such terms and conditions, and shall be in such form, as the Incentive Committee shall determine, provided the Option is consistent with this Plan and incorporates it by reference. Notwithstanding the preceding sentence, an Option, if so approved by the Incentive Committee, may include restrictions and limitations in addition to those provided for in this Plan.

Section 7. COMBINATIONS OF STOCK AWARDS AND OPTIONS: Stock Incentives authorized by paragraph (b)(iii) of section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions:

(a) A Stock Incentive may be a combination of any form of Stock Award with any form of Option; provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with section 5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and conditions as the Incentive Committee may determine, including, without limitation, a provision terminating in whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof. Such combination Stock Incentive shall be evidenced by a written instrument in such form as the Incentive Committee shall determine, provided it is consistent with this Plan and incorporates it by reference.

Section 8. ADJUSTMENT PROVISIONS:

(a) In the event that any reclassification, split-up or consolidation of shares of Common Stock shall be effected, or the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or a sale by the Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or for shares of the stock or other securities or property of any other corporation or person, or a record date for determination of holders of Common Stock entitled to receive a dividend payable in Common Stock shall occur, (i) the number and class of shares or other securities or property that may be issued or transferred pursuant to Stock Incentives thereafter granted, (ii) the number and class of shares or other securities or property that have not been issued or transferred under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued or transferred pursuant to Stock Incentives that are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Incentive Committee.

(b) In the event that there shall occur any spin-off or other distribution of assets of the Company to its shareholders (including without limitation an extraordinary dividend), (i) the number and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number and class of shares or other securities or property that have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives that are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Incentive Committee.

Section 9. TERM: This Plan was deemed adopted and became effective on the date it was approved and adopted by the shareholders of Grace-Connecticut. This Plan was deemed adopted as to Grace-New York on the date of the adoption and assumption thereof by Grace-New York's board of directors with the approval of the shareholders of Grace-Connecticut and became effective as to Grace-New York on the effective date of the merger of Grace Merger Corp., a subsidiary of Grace-New York, with and into Grace-Connecticut. This Plan was deemed adopted as to the Company on the date of the adoption and assumption thereof by the Board of Directors and became effective as to the Company on September 28, 1996. No Stock Incentives shall be granted under this Plan after April 30, 1991.

Section 10. ADMINISTRATION:

(a) This Plan shall be administered by the Incentive Committee. No director shall be designated as or continue to be a member of the Incentive Committee unless he shall at the time of designation and service be a "disinterested person" within the meaning of Rule 16b-3 of the Securities and Exchange Commission (or any successor provision at the time in effect). A member of the Incentive Committee shall not be eligible to be granted a Stock Incentive while serving on the Incentive Committee. Grants of Stock Incentives may be made by the Incentive Committee either in or without consultation with employees, but in either case the Incentive Committee shall have full authority to act in the matter of selection of all Key Employees and in granting Stock Incentives to them.

(b) The Incentive Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to participate in this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Incentive Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations, subject to the provisions of section 3.10 of the By-laws of the Company, shall be binding and conclusive upon the Company, its Subsidiaries, its shareholders and all employees, and upon their respective legal representatives, beneficiaries, successors and assigns and upon all other persons claiming under or through any of them.

(c) Any action required or permitted to be taken by the Incentive Committee under this Plan may be taken in accordance with Sections 3.10 and 3.11 of the By-laws of the Company even though, because of a vacancy or vacancies as a result of resignations or otherwise, the total number of directors who are then members of the Incentive Committee shall be less than the number initially designated by the Board of Directors.

(d) Members of the Board of Directors and members of the Incentive Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross negligence or willful misconduct in the performance of their duties.

Section 11. GENERAL PROVISIONS:

(a) Nothing in this Plan nor in any instrument executed pursuant hereto shall confer upon any employee any right to continue in the employ of the Company or a Subsidiary, or shall affect the right of the Company or of a Subsidiary to terminate the employment of any employee with or without cause.

(b) No shares of Common Stock shall be issued or transferred pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance or transfer of such shares have, in the opinion of counsel to the Company, been complied with. In connection with any such issuance or transfer the person acquiring the shares shall, if requested by the Company, give assurances, satisfactory to counsel to the Company, in respect of such matters as the Company or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No employee (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of this Plan or subject to any Stock Incentive except as to such shares of Common Stock, if any, as shall have been issued or transferred to him.

(d) The Company or a Subsidiary may, with the approval of the Incentive Committee, enter into an agreement or other commitment to grant a Stock Incentive in the future to a person who is or will be a Key Employee at the time of grant, and, notwithstanding any other provision of this Plan, any such agreement or commitment shall not be deemed the grant of a Stock Incentive until the date on which the Incentive Committee takes action to implement such agreement or commitment.

(e) In the case of a grant of a Stock Incentive to an employee of a Subsidiary, such grant may, if the Incentive Committee so directs, be implemented by the Company issuing or transferring the shares, if any, covered by the Stock Incentive to the Subsidiary, for such consideration as the Incentive Committee may specify, upon the condition or understanding that the Subsidiary will transfer the shares to the employee in accordance with the terms of the Stock Incentive specified by the Incentive Committee pursuant to the provisions of this Plan. Notwithstanding any other provision hereof, such Stock Incentive may be issued by and in the name of the Subsidiary and shall be deemed granted on the date it is approved by the Incentive Committee, on the date it is delivered by the Subsidiary or on such other date between said two dates as the Incentive Committee shall specify.

(f) The Company or a Subsidiary may make such provisions as it may deem appropriate for the withholding of any taxes which the Company or a Subsidiary determines it is required to withhold in connection with any Stock Incentive.

(g) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without limitation, any incentive compensation, retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

Section 12. ACQUISITIONS: If the Company or any Subsidiary should merge or consolidate with, or purchase stock or assets or otherwise acquire the whole or part of the business of, another company, the Company in connection therewith, upon the approval of the Incentive Committee, (a) may assume, in whole or in part and with or without modifications or conditions, any stock options granted by the acquired company to its employees in their capacity as such, or (b) may grant new Options in substitution therefor; provided that the granting of an option with the terms and conditions of the assumed or substitute options is permissible under either this Plan or a plan approved by the shareholders of the acquired company. For the purposes of the preceding sentence, the permissibility of the granting of an option under a plan shall be determined as of the date of grant of the original option by the acquired company and not as of the date of assumption or substitution by the Company.

Section 13. AMENDMENTS AND DISCONTINUANCE:

(a) This Plan may be amended by the Board of Directors upon the recommendation of the Incentive Committee, provided that, without the approval of the shareholders of the Company, no amendment shall be made which (i) increases the maximum number of shares of Common Stock that may be issued or transferred pursuant to Stock Incentives, the maximum number of shares of Common Stock that may be acquired upon exercise of Options granted to any one employee or the maximum number of shares of Common Stock that may be acquired upon exercise of Options granted to employees serving as directors, in each case as provided in paragraph (a) of section 4, (ii) except as may be required to conform this Plan to changes in the federal securities laws and the rules and regulations of the Securities and Exchange Commission (or any successor agency), withdraws the administration of this Plan from the Incentive Committee or amends the provisions of paragraph (a) of section 10 with respect to eligibility and disinterest of members of the Incentive Committee, (iii) permits any person who is not at the time a Key Employee to be granted a Stock Incentive, (iv) amends the provisions of paragraph (b) of section 5 or paragraph (a) of section 6 to permit shares to be valued at, or to have a purchase price of, respectively, less than 100% of Fair Market Value, (v) amends section 9 to extend the date set forth therein, or (vi) amends this section 13.

(b) The Board of Directors may by resolution adopted by a majority of the entire Board of Directors discontinue this Plan.

(c) No amendment or discontinuance of this Plan by the Board of Directors or the shareholders of the Company shall, without the consent of the employee, adversely affect any Stock Incentive theretofore granted to him, and no amendment by the Incentive Committee of any such Stock Incentive shall, without the consent of the employee, adversely affect such Stock Incentive.

W. R. GRACE & CO.

1986 STOCK INCENTIVE PLAN
(As amended through September 28, 1996)

W. R. GRACE & CO.

1986 STOCK INCENTIVE PLAN

1. Purposes: The purposes of this Plan are (a) to secure for Key Persons the benefits of incentives attributable to Common Stock, (b) to encourage Key Persons to increase their interest in the future growth and prosperity of the Company and to stimulate and sustain constructive and imaginative thinking by Key Persons, (c) to further the identity of interests of Key Persons with the interests of the Company's shareholders, and (d) to induce the service or continued service of Key Persons and to enable the Company to compete with other organizations offering similar or other incentives in obtaining and retaining the services of competent individuals.

2. Definitions: Unless otherwise required by the context, the following terms when used in this Plan shall have the meanings set forth in this Section 2.

Board of Directors: The Board of Directors of the Company.

cessation of service (or words of similar import): When a person ceases to be, and is no longer, an employee of, or consultant to, the Company or a Subsidiary; provided, however, in the case of an Incentive Stock Option, "cessation of service" (or words of similar import) shall mean when a person ceases to be an employee of the Company or a Subsidiary.

Common Stock: The common stock of the Company, par value \$0.01 per share, or such other class of shares or other securities or property as may be applicable pursuant to the provisions of section 8.

Company: W. R. Grace & Co., a Delaware corporation.

Fair Market Value: The fair market value of a share of Common Stock determined in accordance with any reasonable method approved by the Incentive Committee. In the absence of any such approved method, Fair Market Value, as applied to any date, shall be the mean between the high and low sales prices of a share of Common Stock as reported on the Consolidated Transactions Tape for securities listed on the New York Stock Exchange for such date or, if no such sales were reported for such date, for the next preceding date for which sales were so reported.

Grace-Connecticut: W. R. Grace & Co.-Conn., a Connecticut corporation which is a subsidiary of the Company and which was formerly known as "W. R. Grace & Co."

Grace-New York: Fresenius National Medical Care Holdings, Inc., a New York corporation which was formerly the sole shareholder of the Company and was formerly known as "W. R. Grace & Co."

Incentive Committee: The committee designated by the Board of Directors to administer stock incentive and stock option plans of the Company and its subsidiaries.

Incentive Compensation: Bonuses, extra and other compensation payable in addition to a salary or other base amount, whether contingent or not, whether discretionary or required to be paid pursuant to a plan, agreement, resolution or arrangement, and whether payable currently or on a deferred basis, in cash, Common Stock or other property, awarded by the Company or a Subsidiary prior or subsequent to the date of the approval and adoption of this Plan.

Incentive Stock Option: An option, including an Option as the context may require, intended to meet the requirements of section 422A of the Internal Revenue Code and the regulations thereunder applicable to incentive stock options adopted by the Secretary of the Treasury or his delegate, or any provisions that may be adopted to amend or replace such section or regulations or both.

Key Employee: An employee of the Company or a Subsidiary who is a Key Person.

Key Person: An employee of, or a consultant to, the Company or a Subsidiary, including an officer or director who is an employee or consultant, who in the opinion of the Incentive Committee can contribute significantly to the growth and successful operations of the Company or a Subsidiary. The grant of a Stock Incentive to an employee or consultant by the Incentive Committee shall be deemed a determination by the Incentive Committee that such person is a Key Person.

Non-Statutory Stock Option: An option, including an Option as the context may require, which is not an Incentive Stock Option or another form of statutory stock option (within the meanings of sections 422, 423 and 424 of the Internal Revenue Code and the regulations thereunder as adopted and amended from time to time by the Secretary of the Treasury or his delegate).

Option: An option granted under this Plan to purchase shares of Common Stock.

Plan: The 1986 Stock Incentive Plan of the Company herein set forth as the same may from time to time be amended.

Performance Unit: A unit representing a share of Common Stock subject to a Stock Award, the issuance, transfer or retention of which, in whole or in part, is contingent upon or measured by the attainment of a specified performance objective or objectives, including, without limitation, objectives determined (on a consolidated or unconsolidated basis) by reference to or changes in (a) the Fair Market Value, book value or earnings per share of Common Stock, or (b) the sales and revenues, net income, return on capital employed, asset values or net worth of the Company or one or more of its groups,

divisions, Subsidiaries or other units, or (c) a combination of two or more of the foregoing or other factors.

service: Service as an employee of, or a consultant to, the Company or a Subsidiary. "To serve" has a correlative meaning.

Stock Award: An issuance or transfer of shares of Common Stock at the time the Stock Incentive is granted or as soon thereafter as practicable, or an undertaking (other than an Option) to issue or transfer such shares in the future, including, without limitation, such an issuance, transfer or undertaking with respect to Performance Units.

Stock Incentive: A stock incentive granted under this Plan in one of the forms provided for in section 3.

Subsidiary: A corporation (or other form of business association) of which shares (or other ownership interests) (a) having 50% or more of the voting power regularly entitled to vote for directors (or equivalent management rights) or (b) regularly entitled to receive 50% or more of the dividends (or their equivalents) paid on the common stock (or its equivalent) are owned, directly or indirectly, by the Company; provided, however, that in the case of an Incentive Stock Option, the term "Subsidiary" shall mean a Subsidiary (as defined by the preceding clause) which is also a "subsidiary corporation" as defined in section 425(f) of the Internal Revenue Code and the regulations thereunder adopted by the Secretary of the Treasury or his delegate, or any provisions that may be adopted to amend or replace such section or regulations or both.

3. "Grant" of Stock Incentives:

(a) Subject to the provisions of this Plan, the Incentive Committee may at any time, or from time to time, grant Stock Incentives under this Plan to, and only to, Key Persons; provided, however, that Incentive Stock Options may be granted to, and only to, Key Employees.

(b) Stock Incentives may be granted in the following forms:

- (i) a Stock Award, or
- (ii) an Option, or
- (iii) a combination of a Stock Award and an Option.

4. Stock Subject to this Plan:

(a) Subject to the provisions of paragraphs (c) and (e) of this section 4 and of section 8, (i) the maximum number of shares of Common Stock which may be issued or transferred pursuant to Stock Incentives granted under this Plan shall not exceed

5,000,000 shares of Common Stock, (ii) the maximum number of shares of Common Stock which may be acquired upon exercise of Options granted at any time or from time to time under this Plan to any one Key Person shall in no event exceed 5% of the maximum number of shares which may be issued or transferred pursuant to Stock Incentives granted under this Plan, and (iii) the maximum number of shares of Common Stock which may be acquired upon exercise of Options granted at any time or from time to time under this Plan to Key Persons serving as directors of the Company at the time they recommend this Plan for approval and adoption by the shareholders of the Company shall in no event exceed 25% of the maximum number of the shares which may be issued or transferred pursuant to Stock Incentives granted under this Plan.

(b) Authorized but unissued shares of Common Stock and shares of Common Stock held in the treasury, whether acquired by the Company specifically for use under this Plan or otherwise, may be used, as the Incentive Committee may from time to time determine, for purposes of this Plan, provided, however, that any shares acquired or held by the Company for the purposes of this Plan shall, unless and until transferred to a Key Person in accordance with the terms and conditions of a Stock Incentive, be and at all times remain treasury shares of the Company, irrespective of whether such shares are entered in a special account for purposes of this Plan, and shall be available for any corporate purpose.

(c) If any shares of Common Stock subject to a Stock Incentive shall not be issued or transferred and shall cease to be issuable or transferable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance or transfer, be reacquired by the Company or a Subsidiary because of an employee's failure to comply with the terms and conditions of a Stock Incentive, the shares not so issued or transferred, or the shares so reacquired by the Company or a Subsidiary, shall no longer be charged against any of the limitations provided for in paragraph (a) of this section 4 and may again be made subject to Stock Incentives.

(d) For purposes of this section 4, Common Stock shall include shares of common stock, par value \$1.00 per share, of Grace-Connecticut issued or transferred pursuant to Stock Incentives granted by Grace-Connecticut under this Plan as in effect prior to its adoption by the Company, except that in determining, for purposes of this section 4, the number of shares so issued or transferred by Grace-Connecticut prior to the two-for-one split of the common stock of Grace-Connecticut which occurred in December 1987, adjustment shall be made to reflect such stock split.

(e) For purposes of this section 4, Common Stock shall include shares of common stock, par value \$1.00 per share, of Grace-New York issued or transferred pursuant to Stock Incentives granted under this Plan as in effect prior to its assumption by the Company; provided that the number of shares of Common Stock that may be issued or transferred following the effective date of the adoption and assumption of this Plan by the

Company (as specified in section 9) pursuant to Stock Incentives granted under this Plan shall not exceed 624,169 shares.

5. Stock Awards: Except as otherwise provided in section 12 and in paragraph (f) of section 11, Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) A Stock Award shall be granted only in payment of Incentive Compensation that has been earned or as Incentive Compensation to be earned, including, without limitation, Incentive Compensation awarded concurrently with or prior to the grant of the Stock Award.

(b) For the purposes of this Plan, in determining the value of a Stock Award, all shares of Common Stock subject to such Stock Award shall be valued at not less than 100% of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued or transferred to the Key Person and whether or not such shares are subject to restrictions which affect their value.

(c) Shares of Common Stock subject to a Stock Award may be issued or transferred to the Key Person at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time, as the Incentive Committee shall determine. In the event that any such issuance or transfer shall not be made to the Key Person at the time the Stock Award is granted, the Incentive Committee may provide for payment to such Key Person, either in cash or shares of Common Stock, from time to time or at the time or times such shares shall be issued or transferred to such Key Person, of amounts not exceeding the dividends which would have been payable to such Key Person in respect of such shares (as adjusted under section 8) if such shares had been issued or transferred to such Key Person at the time such Stock Award was granted. Any amount payable in shares of Common Stock under the terms of a Stock Award may, at the discretion of the Company, be paid in cash, on each date on which delivery of shares would otherwise have been made, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered.

(d) A Stock Award shall be subject to such terms and conditions, including, without limitation, restrictions on the sale or other disposition of the Stock Award or of the shares issued or transferred pursuant to such Stock Award, as the Incentive Committee shall determine; provided, however, that upon the issuance or transfer of shares pursuant to a Stock Award, the recipient shall, with respect to such shares, be and become a shareholder of the Company fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Stock Award. Each Stock Award shall be evidenced by a written instrument in such form as the Incentive Committee shall determine, provided the Stock Award is consistent with this Plan and incorporates it by reference.

6. Options: Except as otherwise provided in section 12 and in paragraph (f) of section 11, Stock Incentives in the form of Options shall be subject to the following provisions:

(a) Subject to the provisions of section 8, the purchase price per share shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. The purchase price shall be paid in cash or, if so provided in the Option or authorized by the Incentive Committee (and subject to such terms and conditions as are specified in the Option or by the Incentive Committee), in shares of Common Stock delivered to the Company or in a combination of cash and such shares. Share of Common Stock thus delivered shall be valued at their Fair Market Value on the date of exercise.

(b) Each Option may be exercisable in full at the time of grant, or may become exercisable in one or more installments and at such time or times, as the Incentive Committee shall determine. Unless otherwise provided in the Option, an Option, to the extent it is or becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of the Option.

(c) Each Option shall be exercisable during the life of the optionee only by him, and after death only by his estate or by a person who acquired the right to exercise the Option by will or the laws of descent and distribution. An Option, to the extent that it shall not have been exercised or canceled, shall terminate as follows after the optionee ceases to serve: (i) if the optionee shall voluntarily resign without the consent of the Incentive Committee or be terminated for cause, the Option shall terminate immediately upon cessation of service; (ii) if the optionee shall cease to serve by reason of death, incapacity or retirement under a retirement plan of the Company or a Subsidiary, the Option shall terminate 15 months after cessation of service if the optionee has served for less than 15 years, the Option shall terminate two years after cessation of service if the optionee has served 15 or more years but less than 25 years, and the Option shall terminate three years after cessation of service if the optionee has served 25 or more years; and (iii) except as provided in the next sentence, in all other cases the Option shall terminate three months after cessation of service unless the Incentive Committee shall approve a longer period (which approval may be given before or after cessation of service), not to exceed, however, the period which would have been applicable if the optionee had died, become incapacitated or retired under a retirement plan of the Company or a Subsidiary. If the optionee shall die or become incapacitated during the three-month period (or such longer period as the Incentive Committee may approve) referred to in the preceding clause (iii), the Option shall terminate at such time as it would have terminated had the service of the optionee ceased by reason of his death, incapacity or retirement under a retirement plan of the Company or Subsidiary. A leave of absence for military or governmental service or for other purposes shall not, if approved by the Incentive Committee (which approval may be given before or after the leave of absence commences), be deemed a termination of employment within the meaning of this paragraph (c); provided, however, that an Option

may not be exercised or canceled during any such leave of absence. Notwithstanding the foregoing provisions of this paragraph (c) or any other provision of this Plan, no Option shall be exercisable after expiration of a period of ten years and one month from the date the Option is granted. Where a Non-Statutory Stock Option is granted for a term of less than ten years and one month, the Incentive Committee may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years and one month from the date the Option was granted. Such an extension shall not be deemed the grant of an Option under this Plan.

(d) Options shall be granted for such lawful consideration as may be provided in the Option or as the Incentive Committee may determine.

(e) No Option nor any right thereunder may be assigned or transferred except by will or the laws of descent and distribution. If so provided in the Option or if so authorized by the Incentive Committee and subject to such terms and conditions as are specified in the Option or by the Incentive Committee, the Company shall, upon or without the request of the holder of the Option and at any time or from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the Option so canceled over the purchase price of such shares, or (ii) issue or transfer shares of Common Stock to the holder with a Fair Market Value, at such time or times, equal to such excess.

(f) An Option may, but need not, be an Incentive Stock Option. All shares of Common Stock which may be made subject to Stock Incentives under this Plan may be made subject to Incentive Stock Options; provided that the aggregate Fair Market Value (determined as of the time the option is granted) of the shares subject to each installment becoming exercisable for the first time in any calendar year under Incentive Stock Options granted to any employee on or after January 1, 1987 (under all plans, including this Plan, of his employer corporation and its parent and subsidiary corporations) shall not exceed \$100,000.

(g) Each Option shall be evidenced by a written instrument, which shall contain such terms and conditions, and shall be in such form, as the Incentive Committee shall determine, provided the Option is consistent with this Plan and incorporates it by reference. Notwithstanding the preceding sentence, an Option, if so approved by the Incentive Committee, may include restrictions and limitations in addition to those provided for in this Plan.

7. Combinations of Stock Awards and Options: Stock Incentives authorized by paragraph (b)(iii) of section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions:

(a) A Stock Incentive may be a combination of any form of Stock Award with any form of Option; provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with section 5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and conditions as the Incentive Committee may determine, including, without limitation, a provision terminating in whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof. Such combination Stock Incentive shall be evidenced by a written instrument in such form as the Incentive Committee shall determine, provided it is consistent with this Plan and incorporates it by reference.

8. Adjustment Provisions:

(a) In the event that any reclassification, split-up or consolidation of shares of Common Stock shall be effected, or the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or a sale by the Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or for shares of the stock or other securities or property of any other corporation or person, or a record date for determination of holders of Common Stock entitled to receive a dividend payable in Common Stock shall occur, (i) the number and class of shares or other securities or property that may be issued or transferred pursuant to Stock Incentives thereafter granted, (ii) the number and class of shares or other securities or property that have not been issued or transferred under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued or transferred pursuant to Stock Incentives which are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Incentive Committee.

(b) In the event that there shall occur any spin-off or other distribution of assets of the Company to its shareholders (including without limitation an extraordinary dividend), (i) the number and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number and class of shares or other securities or property that have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives that are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Incentive Committee.

9. Term: This Plan was deemed adopted and became effective on the date it was approved and adopted by the shareholders of Grace-Connecticut. This Plan was deemed adopted as to Grace-New York on the date of the adoption and assumption thereof by Grace-New York's board of directors with the approval of the shareholders of Grace-Connecticut and became effective as to Grace-New York on the effective date of the merger of Grace Merger Corp., a subsidiary of Grace-New York, with and into Grace-Connecticut. This Plan was deemed adopted as to the Company on the date of the adoption and assumption thereof by the Board of Directors and became effective as to the Company on September 28, 1996. No Stock Incentives shall be granted under this Plan after April 30, 1996.

10. Administration:

(a) This Plan shall be administered by the Incentive Committee. No director shall be designated as or continue to be a member of the Incentive Committee unless he shall at the time of designation and service be a "disinterested person" within the meaning of Rule 16b-3 of the Securities and Exchange Commission (or any successor provision at the time in effect). A member of the Incentive Committee shall not be eligible to be granted a Stock Incentive while serving on the Incentive Committee. Grants of Stock Incentives may be made by the Incentive Committee either in or without consultation with employees, but in either case the Incentive Committee shall have full authority to act in the matter of selection of all Key Persons and in granting Stock Incentives to them.

(b) The Incentive Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to participate in this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Incentive Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations, subject to the provisions of section 3.10 of the By-laws of the Company, shall be binding and conclusive upon the Company, its Subsidiaries, its shareholders, and its directors, officers, consultants and employees, and upon their respective legal representatives, beneficiaries, successors and assigns and upon all other persons claiming under or through any of them.

(c) Any action required or permitted to be taken by the Incentive Committee under this Plan may be taken in accordance with Sections 3.10 and 3.11 of the By-laws of the Company even though, because of a vacancy or vacancies as a result of resignations or otherwise, the total number of directors who are then members of the Incentive Committee shall be less than the number initially designated by the Board of Directors.

(d) Members of the Board of Directors and members of the Incentive Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of

counsel and shall incur no liability except for gross negligence or willful misconduct in the performance of their duties.

11. General Provisions:

(a) Nothing in this Plan nor in any instrument executed pursuant hereto shall confer upon any person any right to continue in the service of the Company or a Subsidiary, or shall affect the right of the Company or of a Subsidiary to terminate the service of any person with or without cause.

(b) No shares of Common Stock shall be issued or transferred pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance or transfer of such shares have, in the opinion of counsel to the Company, been complied with. In connection with any such issuance or transfer the person acquiring the shares shall, if requested by the Company, give assurances, satisfactory to counsel to the Company, in respect of such matters as the Company or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No person (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of this Plan or subject to any Stock Incentive except as to such shares of Common Stock, if any, as shall have been issued or transferred to him.

(d) The Incentive Committee may grant a Stock Incentive to be effective at a specified future date or upon the future happening of a specified event, not more than sixty days from the date on which the Incentive Committee acts. For the purposes of this Plan, any such Stock Incentive shall be deemed granted on the date it is effective. An agreement or other commitment to grant a Stock Incentive in the future to a person who is or will be a Key Person at the time of grant shall not be deemed the grant of a Stock Incentive until the date on which the Incentive Committee takes action to implement such agreement or commitment.

(e) In the case of a grant of a Stock Incentive to a Key Person of a Subsidiary, such grant may, if the Incentive Committee so approves, be implemented by the Company entering into an agreement with the Subsidiary containing such terms and provisions as the Incentive Committee may authorize, including, without limitation, a provision for the issuance or transfer of the shares covered by the Stock Incentive to the Subsidiary, for such consideration as the Incentive Committee may approve, upon the condition or understanding that the Subsidiary will transfer the shares to the Key Person in accordance with the terms of the Stock Incentive.

(f) In the event the laws of a foreign country, in which the Company or a Subsidiary has employees, prescribes certain requirements for stock incentives to qualify for advantageous tax treatment under the laws of that country (including, without limitation, laws establishing options analogous to Incentive Stock Options), the Board of Directors, upon the recommendation of the Incentive Committee, may restate, in whole or in part, this Plan and may include in such restatement additional provisions for the purpose of qualifying the restated plan and Stock Incentives granted thereunder under such laws of such foreign country; provided, however, that (i) the terms and conditions of a Stock Incentive granted under such restated plan may not be more favorable to the recipient than would be permitted if such Stock Incentive had been granted under this Plan as herein set forth, (ii) all shares allocated to or utilized for the purposes of such restated plan shall be subject to the limitations of section 4, and (iii) the provisions of the restated plan may restrict but may not extend or amplify the provisions of sections 9 and 13.

(g) The Company or a Subsidiary may make such provisions as it may deem appropriate for the withholding of any taxes which the Company or a Subsidiary determines it is required to withhold in connection with any Stock Incentive.

(h) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to directors, officers, employees or consultants generally, or to any class or group of such persons, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without limitation, any incentive compensation, retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

12. Acquisitions: If the Company or any Subsidiary should merge or consolidate with, or purchase stock or assets or otherwise acquire the whole or part of the business of, another company, the Company in connection therewith, upon the approval of the Incentive Committee, (a) may assume, in whole or in part and with or without modifications or conditions, any stock incentives granted by the acquired company to its directors, officers, employees or consultants in their capacity as such, or (b) may grant new Stock Incentives in substitution therefor. Such assumed or substitute stock incentives may contain terms and conditions inconsistent with the provisions of this Plan, including additional benefits for the recipient; provided that such terms and conditions are permitted under the plan of the other company and such plan was approved by the shareholders of such other company. For the purposes of any applicable plan provision involving time or a date, a substitute stock incentive shall be deemed granted as of the date of grant of the original stock incentive by the other company.

13. Amendments and Termination:

(a) This Plan may be amended or terminated by the Board of Directors upon the recommendation of the Incentive Committee; provided that, without the approval of the shareholders of the Company, no amendment shall be made which (i) increases the maximum number of shares of Common Stock that may be issued or transferred pursuant to Stock Incentives, the maximum number of shares of Common Stock that may be acquired upon exercise of Options granted to any one person or the maximum number of shares of Common Stock that may be acquired upon exercise of Options granted to persons serving as directors, in each case as provided in paragraph (a) of section 4, (ii) except as may be required to conform this Plan to changes in the federal securities laws and the rules and regulations of the Securities and Exchange Commission (or any successor agency), withdraws the administration of this Plan from the Incentive Committee or amends the provisions of paragraph (a) of section 10 with respect to eligibility and disinterest of members of the Incentive Committee, (iii) permits any person who is not a Key Person to be granted a Stock Incentive (except as otherwise provided in section 12), (iv) amends the provisions of paragraph (b) of section 5 or paragraph (a) of section 6 to permit shares to be valued at, or to have a purchase price of, respectively, less than 100% of Fair Market Value, (v) amends section 9 to extend the date set forth therein, or (vi) amends this section 13.

(b) No amendment or termination of this Plan by the Board of Directors or the shareholders of the Company shall adversely affect any Stock Incentive theretofore granted without the consent of the holder thereof, and no amendment by the Incentive Committee of any such Stock Incentive shall adversely affect such Stock Incentive without the consent of the holder thereof.

W. R. GRACE & CO.

1989 STOCK INCENTIVE PLAN

(As amended through September 28, 1996)

W. R. GRACE & CO.

1989 STOCK INCENTIVE PLAN

1. Purposes: The purposes of this Plan are (a) to enable Key Persons to have incentives related to Common Stock, (b) to encourage Key Persons to increase their interest in the growth and prosperity of the Company and to stimulate and sustain constructive and imaginative thinking by Key Persons, (c) to further the identity of interests of Key Persons with the interests of the Company's shareholders, and (d) to induce the service or continued service of Key Persons and to enable the Company to compete with other organizations offering similar or other incentives in obtaining and retaining the services of competent individuals.

2. Definitions: Unless otherwise required by the context, the following terms when used in this Plan shall have the meanings set forth in this section 2.

Board of Directors: The Board of Directors of the Company.

Cessation of service (or words of similar import): When a person ceases to be an employee of, or consultant to, the Company or a Subsidiary; provided, however, in the case of an Incentive Stock Option, "cessation of service" (or words of similar import) shall mean when a person ceases to be an employee of the Company or a Subsidiary.

Code: The Internal Revenue Code of 1986, as amended.

Common Stock: The common stock of the Company, par value \$0.01 per share, or such other class of shares or other securities or property as may be applicable pursuant to the provisions of section 8.

Company: W. R. Grace & Co., a Delaware corporation.

Fair Market Value: (a) The mean between the high and low sales prices of a share of Common Stock as reported on the Consolidated Transactions Tape for securities listed on the New York Stock Exchange for the applicable date or, if no sales of shares of Common Stock were reported for such date, for the next preceding date for which such

sales were so reported, or (b) the fair market value of a share of Common Stock determined in accordance with any reasonable method approved by the Incentive Committee.

Grace-New York: Fresenius National Medical Care Holdings, Inc., a New York corporation which was formerly the sole shareholder of the Company and was formerly known as "W. R. Grace & Co."

Incentive Committee: The committee designated by the Board of Directors to administer stock incentive and stock option plans of the Company and its subsidiaries generally or this Plan specifically.

Incentive Stock Option: A stock option which states that it is an incentive stock option and which is intended to meet the requirements of Section 422A of the Code and the regulations thereunder applicable to incentive stock options, as in effect from time to time.

Issuance (or words of similar import): The issuance of authorized but unissued Common Stock or the transfer of issued Common Stock held by the Company or a Subsidiary.

Key Employee: An employee of the Company or a Subsidiary who is a Key Person.

Key Person: An employee of, or consultant to, the Company or a Subsidiary who, in the opinion of the Incentive Committee, has contributed or can contribute significantly to the growth and successful operations of the Company or a Subsidiary. The grant of a Stock Incentive to an employee or consultant shall be deemed a determination by the Incentive Committee that such person is a Key Person.

Non-Statutory Stock Option: An Option which is not an Incentive Stock Option or another form of statutory stock option (within the meanings of sections 422, 423 and 424 of the Code and the regulations thereunder, as in effect from time to time).

Option: An option granted under this Plan to purchase shares of Common Stock.

Plan: The 1989 Stock Incentive Plan of the Company herein set forth, as the same may from time to time be amended.

Rule 16b-3: Rule 16b-3 of the Securities and Exchange Commission (or any successor provision in effect at the applicable time).

Service: Service to the Company or a Subsidiary as an employee or consultant. "To serve" has a correlative meaning.

Stock Award: An issuance of shares of Common Stock at the time the Stock Incentive is granted or as soon thereafter as practicable, or an undertaking (other than an Option) to issue such shares in the future.

Stock Incentive: A stock incentive granted under this Plan in one of the forms provided for in section 3.

Subsidiary: A corporation (or other form of business association) of which shares (or other ownership interests) having 50% or more of the voting power regularly entitled to vote for directors (or equivalent management rights) are owned, directly or indirectly, by the Company; provided however, that in the case of an Incentive Stock Option, the term "Subsidiary" shall mean a Subsidiary (as defined by the preceding clause) which is also a "subsidiary corporation" as defined in section 425(f) of the Code and the regulations thereunder, as in effect from time to time.

3. Grants of Stock Incentives:

(a) Subject to the provisions of this Plan, the Incentive Committee may at any time, and from time to time, grant Stock Incentives under this Plan to, and only to, Key Persons; provided, however, that Incentive Stock Options may be granted to, and only to, Key Employees.

(b) The Incentive Committee may grant a Stock Incentive to be effective at a specified future date or upon the future occurrence of a specified event. For the purposes of this Plan, any such Stock Incentive shall be deemed granted on the date it is effective. An agreement or other commitment to grant a Stock Incentive in the future to a person who is a Key Person or will be a Key Person at the time the grant is intended to become effective shall not be deemed the grant of a Stock Incentive until the date on which the Incentive Committee makes such grant effective.

(c) Stock Incentives may be granted in the following forms:

- (i) a Stock Award, or
- (ii) an Option, or
- (iii) a combination of a Stock Award and an Option.

4. Stock Subject to this Plan:

(a) Subject to the provisions of paragraphs (c) and (d) of this section 4 and the provisions of section 8, the maximum number of shares of Common Stock which may be

issued pursuant to Stock Incentives granted under this Plan shall not exceed 7,500,000 shares of Common Stock.

(b) Authorized but unissued shares of Common Stock and issued shares of Common Stock held by the Company or a Subsidiary, whether acquired specifically for use under this Plan or otherwise, may be used for purposes of this Plan; provided, however, that any shares acquired or held by the Company or a Subsidiary, or otherwise reserved, for the purposes of this Plan shall, unless and until issued to a Key Person in accordance with the terms and conditions of a Stock Incentive, be and at all times remain available for any corporate purpose.

(c) If any shares of Common Stock subject to a Stock Incentive shall not be issued and shall cease to be issuable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance, be reacquired by the Company or a Subsidiary for any reason, such shares shall no longer be charged against the limitation provided for in paragraph (a) of this section 4 and may again be made subject to Stock Incentives.

(d) For purposes of this section 4, Common Stock shall include shares of common stock, par value \$1.00 per share, of Grace-New York issued or transferred pursuant to Stock Incentives granted under this Plan as in effect prior to its assumption by the Company; provided that the number of shares of Common Stock that may be issued or transferred following the effective date of the adoption and assumption of this Plan by the Company (as specified in section 9) pursuant to Stock Incentives granted under this Plan shall not exceed 3,359,264 shares.

5. Stock Awards: Except as otherwise provided in section 12, Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) For the purposes of this Plan, all shares of Common Stock subject to a Stock Award shall be valued at not less than 100% of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued to the Key Person and whether or not such shares are subject to restrictions which affect their value.

(b) Shares of Common Stock subject to a Stock Award may be issued to the Key Person at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time. In the event that any such issuance shall not be made at the time the Stock Award is granted, the Stock Award may provide for payment to such Key Person, either in cash or shares of Common Stock, of amounts not exceeding the dividends which would have been payable to such Key Person in respect of such shares (as adjusted under section 8) if such shares had been issued to such Key Person at the time such Stock Award was granted. Any Stock Award may provide that the value of any

shares of Common Stock to be issued under the terms of such Stock Award may be paid in cash, on each date on which shares would otherwise have been issued, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been issued.

(c) The material terms of each Stock Award shall be determined by the Incentive Committee. Each Stock Award shall be evidenced by a written instrument consistent with this Plan. A Stock Award (i) may be made contingent upon the attainment of a specified performance objective or objectives, (ii) may be subject to restrictions on the sale or other disposition of the Stock Award or of the shares issued pursuant to such Stock Award, and (iii) may include restrictions and limitations in addition to those provided for in this Plan.

(d) Stock Awards shall be granted for such lawful consideration as may be provided for in the Stock Award.

6. Options: Except as otherwise provided in section 12, Stock Incentives in the form of Options shall be subject to the following provisions:

(a) Subject to the provisions of paragraph (f) of this section 6, the purchase price per share of Common Stock shall be not less than 85% of the Fair Market Value of a share of Common Stock on the date the Option is granted. The Option may provide for the purchase price to be paid (i) in cash, or (ii) in shares of Common Stock (including shares issued pursuant to a Stock Award granted subject to restrictions as provided for in paragraph (c) of section 5), or (iii) in a combination of cash and such shares. Any shares of Common Stock delivered to the Company in payment of the purchase price shall be valued at their Fair Market Value on the date of exercise. No certificate for shares of Common Stock shall be issued upon the exercise of an Option until the purchase price for such shares has been paid in full.

(b) If so provided in the Option, the Company shall, upon the request of the holder of the Option and at any time and from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the Option so cancelled over the purchase price of such shares, or (ii) issue shares of Common Stock to the holder with a Fair Market Value, at such time or times, equal to such excess, or (iii) pay such excess by a combination of money and shares.

(c) Each Option may be exercisable in full at the time of grant, or may become exercisable in one or more installments and at such time or times or upon the occurrence of such events, as may be specified in the Option. Unless otherwise provided in the Option, an Option, to the extent it is or becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of the Option.

(d) Each Option shall be exercisable during the life of the optionee only by him and, after his death, only by his estate or by a person who acquired the right to exercise the Option by will or the laws of descent and distribution. An Option, to the extent that it shall not have been exercised or cancelled, shall terminate as follows after the optionee ceases to serve: (i) if the optionee shall voluntarily cease to serve without the consent of the Incentive Committee or shall have his service terminated for cause, the Option shall terminate immediately upon cessation of service; (ii) if the optionee shall cease to serve by reason of death, incapacity or retirement under a retirement plan of the Company or a Subsidiary, the Option shall terminate three years after the date on which he ceased to serve, and (iii) except as provided in the next sentence, in all other cases the Option shall terminate three months after the date on which the optionee ceased to serve unless the Incentive Committee shall approve a longer period (which approval may be given before or after cessation of service), not to exceed, however, three years. If the optionee shall die or become incapacitated during the three-month period (or such longer period as the Incentive Committee may approve) referred to in the preceding clause (iii), the Option shall terminate three years after the date on which he ceased to serve. A leave of absence for military or governmental service or other purposes shall not, if approved by the Incentive Committee (which approval may be given before or after the leave of absence commences), be deemed a cessation of service within the meaning of this paragraph (d). Notwithstanding the foregoing provisions of this paragraph (d) or any other provision of this Plan, no Option shall be exercisable after expiration of a period of ten years and one month from the date the Option is granted. Where a Non-Statutory Stock Option is granted for a term of less than ten years and one month, the Incentive Committee may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years and one month from the date the Option was granted. Such an extension shall not be deemed the grant of an Option under this Plan.

(e) No Option nor any right thereunder may be assigned or transferred except by will or the laws of descent and distribution.

(f) An Option may, but need not, be an Incentive Stock Option. All shares of Common Stock which may be made subject to Stock Incentives under this Plan may be made subject to Incentive Stock Options; provided that (i) no Incentive Stock Option may be granted more than ten years after the effective date of this Plan as provided in section 9, (ii) the purchase price per share of Common Stock subject to an Incentive Stock Option shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date such Incentive Stock Option is granted, and (iii) the aggregate Fair Market Value (determined as of the time an Incentive Stock Option is granted) of the shares subject to each installment becoming exercisable for the first time in any calendar year under Incentive Stock Options granted, on or after January 1, 1987 (under all plans, including this Plan, of his employer corporation and its parent and subsidiary corporations), to the Key Employee to whom such Incentive Stock Option is granted, shall not exceed \$100,000.

(g) The material terms of each Option shall be determined by the Incentive Committee. Each Option shall be evidenced by a written instrument consistent with this Plan. An Option may include restrictions and limitations in addition to those provided for in this Plan.

(h) Options shall be granted for such lawful consideration as may be provided for in the Option.

7. Combinations of Stock Awards and Options: Stock Incentives authorized by paragraph (b)(iii) of section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions:

(a) A Stock Incentive may be a combination of any form of Stock Award with any form of Option, provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with section 5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and conditions as may be specified therein including, without limitation, a provision terminating in whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof.

(c) The material terms of each combination Stock Incentive shall be determined by the Incentive Committee. Each combination Stock Incentive shall be evidenced by a written instrument consistent with this Plan.

8. Adjustment Provisions:

(a) In the event that any reclassification, split-up or consolidation of shares of Common Stock shall be effected, or the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or a sale by the Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or for shares of the stock or other securities or property of any other corporation or person, or a record date for determination of holders of Common Stock entitled to receive a dividend payable in Common Stock shall occur, (i) the number and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number and class of shares or other securities or property which have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives which are subject to a right of the Company or a Subsidiary to reacquire such shares or

other securities or property, shall in each case be equitably adjusted as determined by the Incentive Committee.

(b) In the event that there shall occur any spin-off or other distribution of assets of the Company to its shareholders (including without limitation an extraordinary dividend), (i) the number and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number and class of shares or other securities or property which have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives which are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Incentive Committee.

9. Term: This Plan was deemed adopted and became effective on the date it was approved by the shareholders of Grace-New York. This Plan was deemed adopted as to the Company on the date of the adoption and assumption thereof by the Board of Directors and became effective as to the Company on September 28, 1996. No Stock Incentives shall be granted under this Plan after the effective date of the adoption and assumption thereof by the Company.

10. Administration:

(a) This Plan shall be administered by the Incentive Committee. No director shall be designated as or continue to be a member of the Incentive Committee unless he shall at the time of designation and at all times during service as a member of the Incentive Committee be a "disinterested person" within the meaning of Rule 16b-3. The Incentive Committee shall have full authority to act in the matter of selection of Key Persons and in granting Stock Incentives to them and such other authority as is granted to the Incentive Committee by this Plan.

(b) The Incentive Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to be granted Stock Incentives under this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Incentive Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Company, its Subsidiaries, its shareholders and its directors, officers, consultants and employees, and upon their respective legal representatives, beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them.

(c) Members of the Board of Directors and members of the Incentive Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability in the performance of their duties except as otherwise provided by applicable law.

11. General Provisions:

(a) Nothing in this Plan or in any instrument executed pursuant hereto shall confer upon any person any right to continue in the service of the Company or a Subsidiary, or shall affect the right of the Company or of a Subsidiary to terminate the service of any person with or without cause.

(b) No shares of Common Stock shall be issued pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance of such shares have, in the opinion of counsel to the Company, been complied with. In connection with any such issuance the person acquiring the shares shall, if requested by the Company, give assurances, satisfactory to counsel to the Company, in respect of such matters as the Company or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No person (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of this Plan or subject to any Stock Incentive except as to such shares of Common Stock, if any, as shall have been issued to him.

(d) In the case of a grant of a Stock Incentive to a Key Person of a Subsidiary, such grant may provide for the issuance of the shares covered by the Stock Incentive to the Subsidiary, for such consideration as may be provided, upon the condition or understanding that the Subsidiary will transfer the shares to the Key Person in accordance with the terms of the Stock Incentive.

(e) In the event the laws of a foreign country, in which the Company or a Subsidiary has employees, prescribe certain requirements for stock incentives to qualify for advantageous tax treatment under the laws of that country (including, without limitation, laws establishing options analogous to Incentive Stock Options), the Board of Directors, upon the recommendation of the Incentive Committee, may, for the benefit of such employees, amend, in whole or in part, this Plan and may include in such amendment additional provisions for the purposes of qualifying the amended plan and Stock Incentives granted thereunder under such laws of such foreign country; provided, however, that (i) the terms and conditions of a Stock Incentive granted under such amended plan may not be more favorable to the recipient than would be permitted if such Stock Incentive had been granted under this Plan as herein set forth, (ii) all shares allocated to or utilized for

the purposes of such amended plan shall be subject to the limitations of section 4, and (iii) the provisions of the amended plan may restrict but may not extend or amplify the provisions of sections 9 and 13.

(f) The Company or a Subsidiary may make such provisions as it may deem appropriate for the withholding of any taxes which the Company or a Subsidiary determines it is required to withhold in connection with any Stock Incentive.

(g) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or benefits to directors, officers, employees or consultants generally, or to any class or group of such persons, which the Company or any Subsidiary now has or may hereafter put into effect, including, without limitation, any incentive compensation, retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

12. Acquisitions: If the Company or any Subsidiary should merge or consolidate with, or purchase stock or assets or otherwise acquire the whole or part of the business of, another company, the Company, upon the approval of the Incentive Committee, (a) may assume, in whole or in part and with or without modifications or conditions, any stock incentives granted by the acquired company to its directors, officers, employees or consultants in their capacity as such, or (b) may grant new Stock Incentives in substitution therefor. Such assumed or substitute stock incentives may contain terms and conditions inconsistent with the provisions of this Plan, including additional benefits for the recipient, provided that, if such assumed or substitute stock incentives are Incentive Stock Options, such terms and conditions are permitted under the plan of the other company. For the purposes of any applicable plan provision involving time or a date, a substitute stock incentive shall be deemed granted as of the date of grant of the original stock incentive by the other company.

13. Amendments and Termination:

(a) This Plan may be amended or terminated by the Board of Directors upon the recommendation of the Incentive Committee; provided that, without the approval of the shareholders of the Company, no amendment shall be made which (i) causes this Plan to no longer comply with Rule 16b-3 or applicable law, (ii) permits any person who is not a Key Person to be granted a Stock Incentive (except as otherwise provided in section 12), (iii) amends the provisions of paragraph (a) of section 5 or paragraph (a) or paragraph (f) of section 6 to permit shares to be valued at, or to have a purchase price of, respectively, less than the respective percentages of Fair Market Value specified therein, (iv) amends section 9 to extend the date set forth therein, or (v) amends this section 13.

(b) No amendment or termination of this Plan shall adversely affect any Stock Incentive theretofore granted, and no amendment of any Stock Incentive granted pursuant to this Plan shall adversely affect such Stock Incentive, without the consent of the holder thereof.

W. R. GRACE & CO.

1994 STOCK INCENTIVE PLAN
(AS AMENDED THROUGH SEPTEMBER 28, 1996)

THIS DOCUMENT CONSTITUTES PART OF A
PROSPECTUS COVERING SECURITIES THAT
HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933.

W. R. GRACE & CO.

1994 STOCK INCENTIVE PLAN

1. PURPOSES: THE PURPOSES OF THIS PLAN ARE (A) TO ENABLE KEY PERSONS TO HAVE INCENTIVES RELATED TO COMMON STOCK, (B) TO ENCOURAGE KEY PERSONS TO INCREASE THEIR INTEREST IN THE GROWTH AND PROSPERITY OF THE COMPANY AND TO STIMULATE AND SUSTAIN CONSTRUCTIVE AND IMAGINATIVE THINKING BY KEY PERSONS, (C) TO FURTHER THE IDENTITY OF INTERESTS OF KEY PERSONS WITH THE INTERESTS OF THE COMPANY'S SHAREHOLDERS, AND (D) TO INDUCE THE SERVICE OR CONTINUED SERVICE OF KEY PERSONS AND TO ENABLE THE COMPANY TO COMPETE WITH OTHER ORGANIZATIONS OFFERING SIMILAR OR OTHER INCENTIVES IN OBTAINING AND RETAINING THE SERVICES OF THE MOST HIGHLY QUALIFIED INDIVIDUALS.

2. DEFINITIONS: WHEN USED IN THIS PLAN, THE FOLLOWING TERMS SHALL HAVE THE MEANINGS SET FORTH IN THIS SECTION 2.

BOARD OF DIRECTORS: THE BOARD OF DIRECTORS OF THE COMPANY.

CESSATION OF SERVICE (OR WORDS OF SIMILAR IMPORT): WHEN A PERSON CEASES TO BE AN EMPLOYEE OF, OR CONSULTANT TO, THE COMPANY OR A SUBSIDIARY; PROVIDED, HOWEVER, IN THE CASE OF AN INCENTIVE STOCK OPTION, "CESSATION OF SERVICE" (OR WORDS OF SIMILAR IMPORT) SHALL MEAN WHEN A PERSON CEASES TO BE AN EMPLOYEE OF THE COMPANY OR A SUBSIDIARY.

CODE: THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

COMMITTEE: THE COMPENSATION, EMPLOYEE BENEFITS AND STOCK INCENTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE COMPANY OR ANY OTHER COMMITTEE DESIGNATED BY SUCH BOARD OF DIRECTORS TO ADMINISTER STOCK INCENTIVE AND STOCK OPTION PLANS OF THE COMPANY AND ITS SUBSIDIARIES GENERALLY OR THIS PLAN SPECIFICALLY.

COMMON STOCK: THE COMMON STOCK OF THE COMPANY, PAR VALUE \$0.01 PER SHARE, OR SUCH OTHER CLASS OF SHARES OR OTHER SECURITIES OR PROPERTY AS MAY BE APPLICABLE PURSUANT TO THE PROVISIONS OF SECTION 8.

COMPANY: W. R. GRACE & CO., A DELAWARE CORPORATION.

FAIR MARKET VALUE: (A) THE MEAN BETWEEN THE HIGH AND LOW SALES PRICES OF A SHARE OF COMMON STOCK IN NEW YORK STOCK EXCHANGE COMPOSITE TRANSACTIONS ON THE APPLICABLE DATE, AS REPORTED IN THE WALL STREET JOURNAL OR ANOTHER NEWSPAPER OF GENERAL CIRCULATION, OR, IF NO SALES OF SHARES OF COMMON STOCK WERE REPORTED FOR SUCH DATE, FOR THE NEXT PRECEDING DATE FOR WHICH SUCH SALES WERE SO REPORTED, OR (B) THE FAIR MARKET

VALUE OF A SHARE OF COMMON STOCK DETERMINED IN ACCORDANCE WITH ANY OTHER REASONABLE METHOD APPROVED BY THE COMMITTEE.

GRACE-NEW YORK: FRESENIUS NATIONAL MEDICAL CARE HOLDINGS, INC., A NEW YORK CORPORATION WHICH WAS FORMERLY THE SOLE SHAREHOLDER OF THE COMPANY AND WAS FORMERLY KNOWN AS "W. R. GRACE & CO."

INCENTIVE STOCK OPTION: A STOCK OPTION THAT STATES THAT IT IS AN INCENTIVE STOCK OPTION AND THAT IS INTENDED TO MEET THE REQUIREMENTS OF SECTION 422A OF THE CODE AND THE REGULATIONS THEREUNDER APPLICABLE TO INCENTIVE STOCK OPTIONS, AS IN EFFECT FROM TIME TO TIME.

ISSUANCE (OR WORDS OF SIMILAR IMPORT): THE ISSUANCE OF AUTHORIZED BUT UNISSUED COMMON STOCK OR THE TRANSFER OF ISSUED COMMON STOCK HELD BY THE COMPANY OR A SUBSIDIARY.

KEY EMPLOYEE: AN EMPLOYEE OF THE COMPANY OR A SUBSIDIARY WHO IS A KEY PERSON.

KEY PERSON: AN EMPLOYEE OF, OR CONSULTANT TO, THE COMPANY OR A SUBSIDIARY WHO, IN THE OPINION OF THE COMMITTEE, HAS CONTRIBUTED OR CAN CONTRIBUTE SIGNIFICANTLY TO THE GROWTH AND SUCCESSFUL OPERATIONS OF THE COMPANY OR ONE OR MORE SUBSIDIARIES. THE GRANT OF A STOCK INCENTIVE TO AN EMPLOYEE OR CONSULTANT SHALL BE DEEMED A DETERMINATION BY THE COMMITTEE THAT SUCH PERSON IS A KEY PERSON.

NON-STATUTORY STOCK OPTION: AN OPTION THAT IS NOT AN INCENTIVE STOCK OPTION OR ANOTHER FORM OF STATUTORY STOCK OPTION (WITHIN THE MEANINGS OF SECTIONS 422, 423 AND 424 OF THE CODE AND THE REGULATIONS THEREUNDER, AS IN EFFECT FROM TIME TO TIME).

OPTION: AN OPTION GRANTED UNDER THIS PLAN TO PURCHASE SHARES OF COMMON STOCK.

PLAN: THE 1994 STOCK INCENTIVE PLAN OF THE COMPANY HEREIN SET FORTH, AS THE SAME MAY FROM TIME TO TIME BE AMENDED.

RULE 16B-3: RULE 16B-3 OF THE SECURITIES AND EXCHANGE COMMISSION (OR ANY SUCCESSOR PROVISION IN EFFECT AT THE APPLICABLE TIME).

SERVICE: SERVICE TO THE COMPANY OR A SUBSIDIARY AS AN EMPLOYEE OR CONSULTANT. "TO SERVE" HAS A CORRELATIVE MEANING.

STOCK AWARD: AN ISSUANCE OF SHARES OF COMMON STOCK OR AN UNDERTAKING (OTHER THAN AN OPTION) TO ISSUE SUCH SHARES IN THE FUTURE.

STOCK INCENTIVE: A STOCK INCENTIVE GRANTED UNDER THIS PLAN IN ONE OF THE FORMS PROVIDED FOR IN SECTION 3.

SUBSIDIARY: A CORPORATION (OR OTHER FORM OF BUSINESS ASSOCIATION) OF WHICH SHARES (OR OTHER OWNERSHIP INTERESTS) HAVING 50% OR MORE OF THE VOTING POWER REGULARLY ENTITLED TO VOTE FOR DIRECTORS (OR EQUIVALENT MANAGEMENT RIGHTS) ARE OWNED, DIRECTLY OR INDIRECTLY, BY THE COMPANY; PROVIDED, HOWEVER, THAT IN THE CASE OF AN INCENTIVE STOCK OPTION, THE TERM "SUBSIDIARY" SHALL MEAN A SUBSIDIARY (AS DEFINED BY THE PRECEDING CLAUSE) THAT IS ALSO A "SUBSIDIARY CORPORATION" AS DEFINED IN SECTION 425(F) OF THE CODE AND THE REGULATIONS THEREUNDER, AS IN EFFECT FROM TIME TO TIME.

3. GRANTS OF STOCK INCENTIVES:

(A) SUBJECT TO THE PROVISIONS OF THIS PLAN, THE COMMITTEE MAY AT ANY TIME AND FROM TIME TO TIME GRANT STOCK INCENTIVES UNDER THIS PLAN TO, AND ONLY TO, KEY PERSONS; PROVIDED, HOWEVER, THAT INCENTIVE STOCK OPTIONS MAY BE GRANTED TO, AND ONLY TO, KEY EMPLOYEES.

(B) THE COMMITTEE MAY GRANT A STOCK INCENTIVE TO BE EFFECTIVE AT A SPECIFIED FUTURE DATE OR UPON THE FUTURE OCCURRENCE OF A SPECIFIED EVENT. FOR THE PURPOSES OF THIS PLAN, ANY SUCH STOCK INCENTIVE SHALL BE DEEMED GRANTED ON THE DATE IT BECOMES EFFECTIVE. AN AGREEMENT OR OTHER COMMITMENT TO GRANT A STOCK INCENTIVE THAT IS TO BE EFFECTIVE IN THE FUTURE SHALL NOT BE DEEMED THE GRANT OF A STOCK INCENTIVE UNTIL THE DATE ON WHICH SUCH STOCK INCENTIVE BECOMES EFFECTIVE.

(C) STOCK INCENTIVES MAY BE GRANTED IN THE FORM OF:

- (I) A STOCK AWARD, OR
- (II) AN OPTION, OR
- (III) A COMBINATION OF A STOCK AWARD AND AN OPTION.

4. STOCK SUBJECT TO THIS PLAN:

(A) SUBJECT TO THE PROVISIONS OF PARAGRAPH (C) AND (E) OF THIS SECTION 4 AND THE PROVISIONS OF SECTION 8, THE MAXIMUM NUMBER OF SHARES OF COMMON STOCK THAT MAY BE ISSUED PURSUANT TO STOCK INCENTIVES GRANTED UNDER THIS PLAN SHALL NOT EXCEED 3,000,000 SHARES OF COMMON STOCK.

(B) AUTHORIZED BUT UNISSUED SHARES OF COMMON STOCK AND ISSUED SHARES OF COMMON STOCK HELD BY THE COMPANY OR A SUBSIDIARY, WHETHER ACQUIRED SPECIFICALLY FOR USE UNDER THIS PLAN OR OTHERWISE, MAY BE USED FOR PURPOSES OF THIS PLAN.

(C) IF ANY SHARES OF COMMON STOCK SUBJECT TO A STOCK INCENTIVE SHALL NOT BE ISSUED AND SHALL CEASE TO BE ISSUABLE BECAUSE OF THE TERMINATION, IN WHOLE OR IN PART, OF SUCH STOCK INCENTIVE OR FOR ANY OTHER REASON, OR IF ANY SUCH SHARES SHALL, AFTER ISSUANCE, BE REACQUIRED BY THE COMPANY OR A SUBSIDIARY FOR ANY REASON, SUCH SHARES SHALL NO LONGER BE CHARGED AGAINST THE LIMITATION PROVIDED FOR IN PARAGRAPH (A) OF THIS SECTION 4 AND MAY AGAIN BE MADE SUBJECT TO STOCK INCENTIVES.

(D) OF THE TOTAL NUMBER OF SHARES SPECIFIED IN PARAGRAPH (A) OF THIS SECTION 4 (SUBJECT TO ADJUSTMENT AS SPECIFIED THEREIN), DURING THE TERM OF THIS PLAN AS DEFINED IN SECTION 9, (I) NO MORE THAN 10% MAY BE SUBJECT TO OPTIONS GRANTED TO ANY ONE KEY PERSON, (II) NO MORE THAN 15% MAY BE SUBJECT TO STOCK INCENTIVES GRANTED TO ANY ONE KEY PERSON, AND (III) NO MORE THAN 3% IN THE AGGREGATE MAY BE SUBJECT TO STOCK INCENTIVES GRANTED TO ALL KEY PERSONS WHO ARE CONSULTANTS TO THE COMPANY AND/OR ONE OR MORE SUBSIDIARIES AT THE DATE THE RELEVANT STOCK INCENTIVE IS GRANTED.

(E) FOR PURPOSES OF THIS SECTION 4, COMMON STOCK SHALL INCLUDE SHARES OF COMMON STOCK, PAR VALUE \$1.00 PER SHARE, OF GRACE-NEW YORK ISSUED OR TRANSFERRED PURSUANT TO STOCK INCENTIVES GRANTED UNDER THIS PLAN AS IN EFFECT PRIOR TO ITS ASSUMPTION BY THE COMPANY; PROVIDED THAT THE NUMBER OF SHARES OF COMMON STOCK THAT MAY BE ISSUED OR TRANSFERRED FOLLOWING THE EFFECTIVE DATE OF THE ADOPTION AND ASSUMPTION OF THIS PLAN BY THE COMPANY (AS SPECIFIED IN SECTION 9) PURSUANT TO STOCK INCENTIVES GRANTED UNDER THIS PLAN SHALL NOT EXCEED 2,791,121 SHARES.

5. STOCK AWARDS:

EXCEPT AS OTHERWISE PROVIDED IN SECTION 12, STOCK INCENTIVES IN THE FORM OF STOCK AWARDS SHALL BE SUBJECT TO THE FOLLOWING PROVISIONS:

(A) FOR PURPOSES OF THIS PLAN, ALL SHARES OF COMMON STOCK SUBJECT TO A STOCK AWARD SHALL BE VALUED AT NOT LESS THAN 100% OF THE FAIR MARKET VALUE OF SUCH SHARES ON THE DATE SUCH STOCK AWARD IS GRANTED, REGARDLESS OF WHETHER OR WHEN SUCH SHARES ARE ISSUED PURSUANT TO SUCH STOCK AWARD AND WHETHER OR NOT SUCH SHARES ARE SUBJECT TO RESTRICTIONS AFFECTING THEIR VALUE.

(B) SHARES OF COMMON STOCK SUBJECT TO A STOCK AWARD MAY BE ISSUED TO A KEY PERSON AT THE TIME THE STOCK AWARD IS GRANTED, OR AT ANY TIME SUBSEQUENT THERETO, OR IN INSTALLMENTS FROM TIME TO TIME. IN THE EVENT THAT ANY SUCH ISSUANCE SHALL NOT BE MADE AT THE TIME THE STOCK AWARD IS GRANTED, THE STOCK AWARD MAY PROVIDE FOR THE PAYMENT TO SUCH KEY PERSON, EITHER IN CASH OR SHARES OF COMMON STOCK, OF AMOUNTS NOT EXCEEDING THE DIVIDENDS THAT WOULD HAVE BEEN PAYABLE TO SUCH KEY PERSON IN RESPECT OF THE NUMBER OF SHARES OF COMMON STOCK SUBJECT TO SUCH STOCK AWARD (AS ADJUSTED UNDER SECTION 8) IF SUCH SHARES HAD BEEN ISSUED TO SUCH KEY PERSON AT THE TIME SUCH STOCK AWARD WAS GRANTED. ANY STOCK AWARD MAY PROVIDE THAT THE VALUE OF ANY SHARES OF COMMON STOCK SUBJECT TO SUCH STOCK AWARD MAY BE PAID IN CASH, ON EACH DATE ON WHICH SHARES WOULD

OTHERWISE HAVE BEEN ISSUED, IN AN AMOUNT EQUAL TO THE FAIR MARKET VALUE ON SUCH DATE OF THE SHARES THAT WOULD OTHERWISE HAVE BEEN ISSUED.

(C) THE MATERIAL TERMS OF EACH STOCK AWARD SHALL BE DETERMINED BY THE COMMITTEE. EACH STOCK AWARD MAY BE EVIDENCED BY A WRITTEN INSTRUMENT CONSISTENT WITH THIS PLAN. IT IS INTENDED THAT A STOCK AWARD WOULD BE (I) MADE CONTINGENT UPON THE ATTAINMENT OF ONE OR MORE SPECIFIED PERFORMANCE OBJECTIVES AND/OR (II) SUBJECT TO RESTRICTIONS ON THE SALE OR OTHER DISPOSITION FOR A PERIOD OF THREE OR MORE YEARS OF THE STOCK AWARD OR THE SHARES SUBJECT THERETO; PROVIDED THAT (X) A STOCK AWARD MAY INCLUDE RESTRICTIONS AND LIMITATIONS IN ADDITION TO THOSE PROVIDED FOR HEREIN AND (Y) OF THE TOTAL NUMBER OF SHARES SPECIFIED IN PARAGRAPH (A) OF SECTION 4 (SUBJECT TO ADJUSTMENT AS SPECIFIED THEREIN), UP TO 3% MAY BE SUBJECT TO STOCK AWARDS NOT SUBJECT TO CLAUSE (I) OR CLAUSE (II) OF THIS SENTENCE.

(D) A STOCK AWARD SHALL BE GRANTED FOR SUCH LAWFUL CONSIDERATION AS MAY BE PROVIDED FOR THEREIN.

6. OPTIONS: EXCEPT AS OTHERWISE PROVIDED IN SECTION 12, STOCK INCENTIVES IN THE FORM OF OPTIONS SHALL BE SUBJECT TO THE FOLLOWING PROVISIONS:

(A) SUBJECT TO THE PROVISIONS OF PARAGRAPH (F) OF THIS SECTION 6, THE PURCHASE PRICE PER SHARE OF COMMON STOCK SHALL BE NOT LESS THAN 100% OF THE FAIR MARKET VALUE OF A SHARE OF COMMON STOCK ON THE DATE THE OPTION IS GRANTED. THE OPTION MAY PROVIDE FOR THE PURCHASE PRICE TO BE PAID (I) IN CASH, OR (II) IN SHARES OF COMMON STOCK (INCLUDING SHARES ISSUED PURSUANT TO A STOCK AWARD GRANTED SUBJECT TO RESTRICTIONS AS PROVIDED FOR IN PARAGRAPH (C) OF SECTION 5), OR (III) IN A COMBINATION OF CASH AND SUCH SHARES. ANY SHARES OF COMMON STOCK DELIVERED TO THE COMPANY IN PAYMENT OF THE PURCHASE PRICE SHALL BE VALUED AT THEIR FAIR MARKET VALUE ON THE DATE OF EXERCISE. NO CERTIFICATE FOR SHARES OF COMMON STOCK SHALL BE ISSUED UPON THE EXERCISE OF AN OPTION UNTIL THE PURCHASE PRICE FOR SUCH SHARES HAS BEEN PAID IN FULL.

(B) IF SO PROVIDED IN THE OPTION, THE COMPANY SHALL, UPON THE REQUEST OF THE HOLDER OF THE OPTION AND AT ANY TIME AND FROM TIME TO TIME, CANCEL ALL OR A PORTION OF THE OPTION THEN SUBJECT TO EXERCISE AND EITHER (I) PAY THE HOLDER AN AMOUNT OF MONEY EQUAL TO THE EXCESS, IF ANY, OF THE FAIR MARKET VALUE, AT SUCH TIME OR TIMES, OF THE SHARES SUBJECT TO THE PORTION OF THE OPTION SO CANCELED OVER THE PURCHASE PRICE FOR SUCH SHARES, OR (II) ISSUE SHARES OF COMMON STOCK TO THE HOLDER WITH A FAIR MARKET VALUE, AT SUCH TIME OR TIMES, EQUAL TO SUCH EXCESS, OR (III) PAY SUCH EXCESS BY A COMBINATION OF MONEY AND SHARES.

(C) EACH OPTION MAY BE EXERCISABLE IN FULL AT THE TIME OF GRANT, OR MAY BECOME EXERCISABLE IN ONE OR MORE INSTALLMENTS AND AT SUCH TIME OR TIMES OR UPON THE OCCURRENCE OF SUCH EVENTS, AS MAY BE SPECIFIED IN THE OPTION, AS DETERMINED BY THE COMMITTEE. UNLESS OTHERWISE PROVIDED IN THE WRITTEN INSTRUMENT PROVIDED IN PARAGRAPH (G) OF THIS SECTION 6, AN OPTION, TO THE EXTENT IT IS OR BECOMES EXERCISABLE, MAY BE

EXERCISED AT ANY TIME IN WHOLE OR IN PART UNTIL THE EXPIRATION OR TERMINATION OF SUCH OPTION.

(D) EACH OPTION SHALL BE EXERCISABLE DURING THE LIFE OF THE HOLDER ONLY BY HIM AND, AFTER HIS DEATH, ONLY BY HIS ESTATE OR BY A PERSON WHO ACQUIRES THE RIGHT TO EXERCISE THE OPTION BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION. AN OPTION, TO THE EXTENT THAT IT SHALL NOT HAVE BEEN EXERCISED OR CANCELED, SHALL TERMINATE AS FOLLOWS AFTER THE HOLDER CEASES TO SERVE: (I) IF THE HOLDER SHALL VOLUNTARILY CEASE TO SERVE WITHOUT THE CONSENT OF THE COMMITTEE OR SHALL HAVE HIS SERVICE TERMINATED FOR CAUSE, THE OPTION SHALL TERMINATE IMMEDIATELY UPON CESSATION OF SERVICE; (II) IF THE HOLDER SHALL CEASE TO SERVE BY REASON OF DEATH, INCAPACITY OR RETIREMENT UNDER A RETIREMENT PLAN OF THE COMPANY OR A SUBSIDIARY, THE OPTION SHALL TERMINATE THREE YEARS AFTER THE DATE ON WHICH HE CEASED TO SERVE; AND (III) EXCEPT AS PROVIDED IN THE NEXT SENTENCE, IN ALL OTHER CASES THE OPTION SHALL TERMINATE THREE MONTHS AFTER THE DATE ON WHICH THE HOLDER CEASED TO SERVE UNLESS THE COMMITTEE SHALL APPROVE A LONGER PERIOD (WHICH APPROVAL MAY BE GIVEN BEFORE OR AFTER CESSATION OF SERVICE) NOT TO EXCEED THREE YEARS. IF THE HOLDER SHALL DIE OR BECOME INCAPACITATED DURING THE THREE-MONTH PERIOD (OR SUCH LONGER PERIOD AS THE COMMITTEE MAY APPROVE) REFERRED TO IN THE PRECEDING CLAUSE (III), THE OPTION SHALL TERMINATE THREE YEARS AFTER THE DATE ON WHICH HE CEASED TO SERVE. A LEAVE OF ABSENCE FOR MILITARY OR GOVERNMENTAL SERVICE OR OTHER PURPOSES SHALL NOT, IF APPROVED BY THE COMMITTEE (WHICH APPROVAL MAY BE GIVEN BEFORE OR AFTER THE LEAVE OF ABSENCE COMMENCES), BE DEEMED A CESSATION OF SERVICE WITHIN THE MEANING OF THIS PARAGRAPH (D). NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS PARAGRAPH (D) OR ANY OTHER PROVISION OF THIS PLAN, NO OPTION SHALL BE EXERCISABLE AFTER EXPIRATION OF A PERIOD OF TEN YEARS AND ONE MONTH FROM THE DATE THE OPTION IS GRANTED. WHERE A NON-STATUTORY STOCK OPTION IS GRANTED FOR A TERM OF LESS THAN TEN YEARS AND ONE MONTH, THE COMMITTEE MAY, AT ANY TIME PRIOR TO THE EXPIRATION OF THE OPTION, EXTEND ITS TERM FOR A PERIOD ENDING NOT LATER THAN TEN YEARS AND ONE MONTH FROM THE DATE THE OPTION WAS GRANTED. SUCH AN EXTENSION SHALL NOT BE DEEMED THE GRANT OF A NEW OPTION UNDER THIS PLAN.

(E) NO OPTION NOR ANY RIGHT THEREUNDER MAY BE ASSIGNED OR TRANSFERRED EXCEPT BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION, UNLESS OTHERWISE PROVIDED IN THE OPTION.

(F) AN OPTION MAY, BUT NEED NOT, BE AN INCENTIVE STOCK OPTION. ALL SHARES OF COMMON STOCK THAT MAY BE MADE SUBJECT TO STOCK INCENTIVES UNDER THIS PLAN MAY BE MADE SUBJECT TO INCENTIVE STOCK OPTIONS; PROVIDED THAT (I) NO INCENTIVE STOCK OPTION MAY BE GRANTED MORE THAN TEN YEARS AFTER THE EFFECTIVE DATE OF THIS PLAN, AS PROVIDED IN SECTION 9, (II) THE PURCHASE PRICE PER SHARE OF COMMON STOCK SUBJECT TO AN INCENTIVE STOCK OPTION SHALL BE NOT LESS THAN 100% OF THE FAIR MARKET VALUE OF A SHARE OF COMMON STOCK ON THE DATE SUCH INCENTIVE STOCK OPTION IS GRANTED, AND (III) THE AGGREGATE FAIR MARKET VALUE (DETERMINED AS OF THE TIME AN INCENTIVE STOCK OPTION IS GRANTED) OF THE SHARES SUBJECT TO EACH INSTALLMENT BECOMING EXERCISABLE FOR THE FIRST TIME IN ANY CALENDAR YEAR UNDER INCENTIVE STOCK OPTIONS GRANTED, ON OR AFTER JANUARY 1, 1987 (UNDER ALL PLANS, INCLUDING THIS PLAN, OF HIS EMPLOYER CORPORATION AND ITS PARENT AND

SUBSIDIARY CORPORATIONS), TO THE KEY EMPLOYEE TO WHOM SUCH INCENTIVE STOCK OPTION IS GRANTED, SHALL NOT EXCEED \$100,000.

(G) THE MATERIAL TERMS OF EACH OPTION SHALL BE DETERMINED BY THE COMMITTEE. EACH OPTION SHALL BE EVIDENCED BY A WRITTEN INSTRUMENT CONSISTENT WITH THIS PLAN. AN OPTION MAY INCLUDE RESTRICTIONS AND LIMITATIONS IN ADDITION TO THOSE PROVIDED FOR IN THIS PLAN.

(H) OPTIONS SHALL BE GRANTED FOR SUCH LAWFUL CONSIDERATION AS MAY BE PROVIDED FOR IN THE OPTION.

7. COMBINATION OF STOCK AWARDS AND OPTIONS: STOCK INCENTIVES AUTHORIZED BY PARAGRAPH (C)(III) OF SECTION 3 IN THE FORM OF COMBINATIONS OF STOCK AWARDS AND OPTIONS SHALL BE SUBJECT TO THE FOLLOWING PROVISIONS:

(A) A STOCK INCENTIVE MAY BE A COMBINATION OF ANY FORM OF STOCK AWARD AND ANY FORM OF OPTION, PROVIDED, HOWEVER, THAT THE TERMS AND CONDITIONS OF SUCH STOCK INCENTIVE PERTAINING TO A STOCK AWARD ARE CONSISTENT WITH SECTION 5 AND THE TERMS AND CONDITIONS OF SUCH STOCK INCENTIVE PERTAINING TO AN OPTION ARE CONSISTENT WITH SECTION 6.

(B) SUCH COMBINATION STOCK INCENTIVE SHALL BE SUBJECT TO SUCH OTHER TERMS AND CONDITIONS AS MAY BE SPECIFIED THEREIN INCLUDING, WITHOUT LIMITATION, A PROVISION TERMINATING IN WHOLE OR IN PART A PORTION THEREOF UPON THE EXERCISE IN WHOLE OR IN PART OF ANOTHER PORTION THEREOF.

(C) THE MATERIAL TERMS OF EACH COMBINATION STOCK INCENTIVE SHALL BE DETERMINED BY THE COMMITTEE. EACH COMBINATION STOCK INCENTIVE SHALL BE EVIDENCED BY A WRITTEN INSTRUMENT CONSISTENT WITH THIS PLAN.

8. ADJUSTMENT PROVISIONS:

(A) IN THE EVENT THAT ANY RECLASSIFICATION, SPLIT-UP OR CONSOLIDATION OF THE COMMON STOCK SHALL BE EFFECTED, OR THE OUTSTANDING SHARES OF COMMON STOCK ARE, IN CONNECTION WITH A MERGER OR CONSOLIDATION OF THE COMPANY OR A SALE BY THE COMPANY OF ALL OR A PART OF ITS ASSETS, EXCHANGED FOR A DIFFERENT NUMBER OR CLASS OF SHARES OF STOCK OR OTHER SECURITIES OR PROPERTY OF THE COMPANY OR FOR SHARES OF THE STOCK OR OTHER SECURITIES OR PROPERTY OF ANY OTHER CORPORATION OR PERSON, OR A RECORD DATE FOR DETERMINATION OF HOLDERS OF COMMON STOCK ENTITLED TO RECEIVE A DIVIDEND PAYABLE IN COMMON STOCK SHALL OCCUR, (I) THE NUMBER AND CLASS OF SHARES OR OTHER SECURITIES OR PROPERTY THAT MAY BE ISSUED PURSUANT TO STOCK INCENTIVES THEREAFTER GRANTED, (II) THE NUMBER AND CLASS OF SHARES OR OTHER SECURITIES OR PROPERTY THAT HAVE NOT BEEN ISSUED UNDER OUTSTANDING STOCK INCENTIVES, (III) THE PURCHASE PRICE TO BE PAID PER SHARE OR OTHER UNIT UNDER OUTSTANDING STOCK INCENTIVES, AND (IV) THE PRICE TO BE PAID PER SHARE OR OTHER UNIT BY THE COMPANY OR A SUBSIDIARY FOR SHARES OR OTHER SECURITIES OR PROPERTY ISSUED PURSUANT TO STOCK INCENTIVES THAT ARE SUBJECT TO A RIGHT OF THE COMPANY OR A SUBSIDIARY TO RE-ACQUIRE SUCH SHARES OR

OTHER SECURITIES OR PROPERTY, SHALL IN EACH CASE BE EQUITABLY ADJUSTED AS DETERMINED BY THE COMMITTEE.

(B) IN THE EVENT THAT THERE SHALL OCCUR ANY SPIN-OFF OR OTHER DISTRIBUTION OF ASSETS OF THE COMPANY TO ITS SHAREHOLDERS (INCLUDING WITHOUT LIMITATION AN EXTRAORDINARY DIVIDEND), (I) THE NUMBER AND CLASS OF SHARES OR OTHER SECURITIES OR PROPERTY THAT MAY BE ISSUED PURSUANT TO STOCK INCENTIVES THEREAFTER GRANTED, (II) THE NUMBER AND CLASS OF SHARES OR OTHER SECURITIES OR PROPERTY THAT HAVE NOT BEEN ISSUED UNDER OUTSTANDING STOCK INCENTIVES, (III) THE PURCHASE PRICE TO BE PAID PER SHARE OR OTHER UNIT UNDER OUTSTANDING STOCK INCENTIVES, AND (IV) THE PRICE TO BE PAID PER SHARE OR OTHER UNIT BY THE COMPANY OR A SUBSIDIARY FOR SHARES OR OTHER SECURITIES OR PROPERTY ISSUED PURSUANT TO STOCK INCENTIVES THAT ARE SUBJECT TO A RIGHT OF THE COMPANY OR A SUBSIDIARY TO RE-ACQUIRE SUCH SHARES OR OTHER SECURITIES OR PROPERTY, SHALL IN EACH CASE BE EQUITABLY ADJUSTED AS DETERMINED BY THE COMMITTEE.

(C) IN THE EVENT OF A MERGER OR CONSOLIDATION OF THE COMPANY IN WHICH THE COMMON STOCK IS CONVERTED INTO THE RIGHT TO RECEIVE A SPECIFIED AMOUNT OF CASH PER SHARE (THE "MERGER PRICE"), THEN EACH OPTION OUTSTANDING IMMEDIATELY PRIOR TO THE EFFECTIVE TIME OF SUCH MERGER OR CONSOLIDATION (THE "EFFECTIVE TIME") SHALL BE TREATED AS FOLLOWS: (I) EACH SUCH OPTION HAVING A PER SHARE PURCHASE PRICE EQUAL TO OR GREATER THAN THE MERGER PRICE SHALL TERMINATE AT THE EFFECTIVE TIME AND BE OF NO FURTHER FORCE AND EFFECT, WITHOUT THE MAKING OF ANY PAYMENT TO THE HOLDER OF SUCH OPTION; AND (II) EACH SUCH OPTION HAVING A PER SHARE PURCHASE PRICE LESS THAN THE MERGER PRICE SHALL TERMINATE AT THE EFFECTIVE TIME AND BE OF NO FURTHER FORCE AND EFFECT, AND THE HOLDER OF SUCH OPTION SHALL BE PAID IN CASH, AS PROMPTLY AS PRACTICABLE FOLLOWING THE EFFECTIVE TIME, AN AMOUNT EQUAL TO THE PRODUCT OF (A) THE EXCESS OF THE MERGER PRICE OVER THE PER SHARE PURCHASE PRICE OF SUCH OPTION TIMES (B) THE NUMBER OF SHARES COVERED BY SUCH OPTION IMMEDIATELY PRIOR TO THE EFFECTIVE TIME.

9. TERM:

THIS PLAN WAS DEEMED ADOPTED AND BECAME EFFECTIVE ON THE DATE IT WAS APPROVED BY THE SHAREHOLDERS OF GRACE-NEW YORK. THIS PLAN WAS DEEMED ADOPTED AS TO THE COMPANY ON THE DATE OF THE ADOPTION AND ASSUMPTION THEREOF BY THE BOARD OF DIRECTORS AND BECAME EFFECTIVE AS TO THE COMPANY ON SEPTEMBER 28, 1996. NO STOCK INCENTIVES SHALL BE GRANTED UNDER THIS PLAN AFTER THE EFFECTIVE DATE OF THE ADOPTION AND ASSUMPTION THEREOF BY THE COMPANY.

10. ADMINISTRATION:

(A) THIS PLAN SHALL BE ADMINISTERED BY THE COMMITTEE. NO DIRECTOR SHALL BE DESIGNATED AS OR CONTINUE TO BE A MEMBER OF THE COMMITTEE UNLESS HE SHALL AT THE TIME OF DESIGNATION AND AT ALL TIMES DURING SERVICE AS A MEMBER OF THE COMMITTEE BE A "DISINTERESTED PERSON" WITHIN THE MEANING OF RULE 16B-3. THE COMMITTEE SHALL HAVE FULL

AUTHORITY TO ACT IN THE MATTER OF SELECTION OF KEY PERSONS AND IN GRANTING STOCK INCENTIVES TO THEM AND SUCH OTHER AUTHORITY AS IS GRANTED TO THE COMMITTEE BY THIS PLAN.

(B) THE COMMITTEE MAY ESTABLISH SUCH RULES AND REGULATIONS, NOT INCONSISTENT WITH THE PROVISIONS OF THIS PLAN, AS IT DEEMS NECESSARY TO DETERMINE ELIGIBILITY TO BE GRANTED STOCK INCENTIVES UNDER THIS PLAN AND FOR THE PROPER ADMINISTRATION OF THIS PLAN, AND MAY AMEND OR REVOKE ANY RULE OR REGULATION SO ESTABLISHED. THE COMMITTEE MAY MAKE SUCH DETERMINATIONS AND INTERPRETATIONS UNDER OR IN CONNECTION WITH THIS PLAN AS IT DEEMS NECESSARY OR ADVISABLE. ALL SUCH RULES, REGULATIONS, DETERMINATIONS AND INTERPRETATIONS SHALL BE BINDING AND CONCLUSIVE UPON THE COMPANY, THE SUBSIDIARIES, ITS SHAREHOLDERS AND ITS DIRECTORS, OFFICERS, CONSULTANTS AND EMPLOYEES, AND UPON THEIR RESPECTIVE LEGAL REPRESENTATIVES, BENEFICIARIES, SUCCESSORS AND ASSIGNS, AND UPON ALL OTHER PERSONS CLAIMING UNDER OR THROUGH ANY OF THEM.

(C) MEMBERS OF THE BOARD OF DIRECTORS AND MEMBERS OF THE COMMITTEE ACTING UNDER THIS PLAN SHALL BE FULLY PROTECTED IN RELYING IN GOOD FAITH UPON THE ADVICE OF COUNSEL AND SHALL INCUR NO LIABILITY IN THE PERFORMANCE OF THEIR DUTIES EXCEPT AS OTHERWISE PROVIDED BY APPLICABLE LAW.

11. GENERAL PROVISIONS:

(A) NOTHING IN THIS PLAN OR IN ANY INSTRUMENT EXECUTED PURSUANT HERETO SHALL CONFER UPON ANY PERSON ANY RIGHT TO CONTINUE IN THE SERVICE OF THE COMPANY OR A SUBSIDIARY, OR SHALL AFFECT THE RIGHT OF THE COMPANY OR OF A SUBSIDIARY TO TERMINATE THE SERVICE OF ANY PERSON WITH OR WITHOUT CAUSE.

(B) NO SHARES OF COMMON STOCK SHALL BE ISSUED PURSUANT TO A STOCK INCENTIVE UNLESS AND UNTIL ALL LEGAL REQUIREMENTS APPLICABLE TO THE ISSUANCE OF SUCH SHARES HAVE, IN THE OPINION OF COUNSEL TO THE COMPANY, BEEN COMPLIED WITH. IN CONNECTION WITH ANY SUCH ISSUANCE THE PERSON ACQUIRING THE SHARES SHALL, IF REQUESTED BY THE COMPANY, GIVE ASSURANCES, SATISFACTORY TO COUNSEL TO THE COMPANY, IN RESPECT OF SUCH MATTERS AS THE COMPANY OR A SUBSIDIARY MAY DEEM DESIRABLE TO ASSURE COMPLIANCE WITH ALL APPLICABLE LEGAL REQUIREMENTS.

(C) NO PERSON (INDIVIDUALLY OR AS A MEMBER OF A GROUP), AND NO BENEFICIARY OR OTHER PERSON CLAIMING UNDER OR THROUGH HIM, SHALL HAVE ANY RIGHT, TITLE OR INTEREST IN OR TO ANY SHARES OF COMMON STOCK ALLOCATED OR RESERVED FOR THE PURPOSES OF THIS PLAN OR SUBJECT TO ANY STOCK INCENTIVE EXCEPT AS TO SUCH SHARES OF COMMON STOCK, IF ANY, AS SHALL HAVE BEEN ISSUED TO HIM.

(D) IN THE CASE OF A GRANT OF A STOCK INCENTIVE TO A KEY PERSON OF A SUBSIDIARY, SUCH GRANT MAY PROVIDE FOR THE ISSUANCE OF THE SHARES COVERED BY THE STOCK INCENTIVE TO THE SUBSIDIARY, FOR SUCH CONSIDERATION AS MAY BE PROVIDED, UPON THE CONDITION OR UNDERSTANDING THAT THE SUBSIDIARY WILL TRANSFER THE SHARES TO THE KEY PERSON IN ACCORDANCE WITH THE TERMS OF THE STOCK INCENTIVE.

(E) IN THE EVENT THE LAWS OF A COUNTRY IN WHICH THE COMPANY OR A SUBSIDIARY HAS EMPLOYEES PRESCRIBE CERTAIN REQUIREMENTS FOR STOCK INCENTIVES TO QUALIFY FOR ADVANTAGEOUS TAX TREATMENT UNDER THE LAWS OF THAT COUNTRY (INCLUDING, WITHOUT LIMITATION, LAWS ESTABLISHING OPTIONS ANALOGOUS TO INCENTIVE STOCK OPTIONS), THE COMMITTEE, MAY, FOR THE BENEFIT OF SUCH EMPLOYEES, AMEND, IN WHOLE OR IN PART, THIS PLAN AND MAY INCLUDE IN SUCH AMENDMENT ADDITIONAL PROVISIONS FOR THE PURPOSES OF QUALIFYING THE AMENDED PLAN AND STOCK INCENTIVES GRANTED THEREUNDER UNDER SUCH LAWS; PROVIDED, HOWEVER, THAT (I) THE TERMS AND CONDITIONS OF A STOCK INCENTIVE GRANTED UNDER SUCH AMENDED PLAN MAY NOT BE MORE FAVORABLE TO THE RECIPIENT THAN WOULD BE PERMITTED IF SUCH STOCK INCENTIVE HAD BEEN GRANTED UNDER THIS PLAN AS HEREIN SET FORTH, (II) ALL SHARES ALLOCATED TO OR UTILIZED FOR THE PURPOSES OF SUCH AMENDED PLAN SHALL BE SUBJECT TO THE LIMITATIONS OF SECTION 4, AND (III) THE PROVISIONS OF THE AMENDED PLAN MAY RESTRICT BUT MAY NOT EXTEND OR AMPLIFY THE PROVISIONS OF SECTIONS 9 AND 13.

(F) THE COMPANY OR A SUBSIDIARY MAY MAKE SUCH PROVISIONS AS IT MAY DEEM APPROPRIATE FOR THE WITHHOLDING OF ANY TAXES THAT THE COMPANY OR A SUBSIDIARY DETERMINES IT IS REQUIRED TO WITHHOLD IN CONNECTION WITH ANY STOCK INCENTIVE.

(G) NOTHING IN THIS PLAN IS INTENDED TO BE A SUBSTITUTE FOR, OR SHALL PRECLUDE OR LIMIT THE ESTABLISHMENT OR CONTINUATION OF, ANY OTHER PLAN, PRACTICE OR ARRANGEMENT FOR THE PAYMENT OF COMPENSATION OR BENEFITS TO DIRECTORS, OFFICERS, EMPLOYEES OR CONSULTANTS GENERALLY, OR TO ANY CLASS OR GROUP OF SUCH PERSONS, THAT THE COMPANY OR ANY SUBSIDIARY NOW HAS OR MAY HEREAFTER PUT INTO EFFECT, INCLUDING, WITHOUT LIMITATION, ANY INCENTIVE COMPENSATION, RETIREMENT, PENSION, GROUP INSURANCE, STOCK PURCHASE, STOCK BONUS OR STOCK OPTION PLAN.

12. ACQUISITIONS: IF THE COMPANY OR ANY SUBSIDIARY SHOULD MERGE OR CONSOLIDATE WITH, OR PURCHASE STOCK OR ASSETS OR OTHERWISE ACQUIRE THE WHOLE OR PART OF THE BUSINESS OF, ANOTHER ENTITY, THE COMPANY, UPON THE APPROVAL OF THE COMMITTEE, (A) MAY ASSUME, IN WHOLE OR IN PART AND WITH OR WITHOUT MODIFICATIONS OR CONDITIONS, ANY STOCK INCENTIVES GRANTED BY THE ACQUIRED ENTITY TO ITS DIRECTORS, OFFICERS, EMPLOYEES OR CONSULTANTS IN THEIR CAPACITIES AS SUCH, OR (B) MAY GRANT NEW STOCK INCENTIVES IN SUBSTITUTION THEREFOR. SUCH ASSUMED OR SUBSTITUTE STOCK INCENTIVES MAY CONTAIN TERMS AND CONDITIONS INCONSISTENT WITH THE PROVISIONS OF THIS PLAN (INCLUDING THE LIMITATIONS SET FORTH IN PARAGRAPH (D) OF SECTION 4), INCLUDING ADDITIONAL BENEFITS FOR THE RECIPIENT, PROVIDED THAT, IF SUCH ASSUMED OR SUBSTITUTE STOCK INCENTIVES ARE INCENTIVE STOCK OPTIONS, SUCH TERMS AND CONDITIONS ARE PERMITTED UNDER THE PLAN OF THE ACQUIRED ENTITY. FOR THE PURPOSES OF ANY APPLICABLE PLAN PROVISION INVOLVING TIME OR A DATE, A SUBSTITUTE STOCK INCENTIVE SHALL BE DEEMED GRANTED AS OF THE DATE OF GRANT OF THE ORIGINAL STOCK INCENTIVE BY THE ACQUIRED ENTITY.

13. AMENDMENTS AND TERMINATION:

(A) THIS PLAN MAY BE AMENDED OR TERMINATED BY THE BOARD OF DIRECTORS UPON THE RECOMMENDATION OF THE COMMITTEE; PROVIDED THAT, WITHOUT THE APPROVAL OF THE SHAREHOLDERS OF THE COMPANY, NO AMENDMENT SHALL BE MADE WHICH (I) CAUSES THIS PLAN TO CEASE TO COMPLY WITH RULE 16B-3 OR APPLICABLE LAW, (II) PERMITS ANY PERSON WHO IS NOT A KEY PERSON TO BE GRANTED A STOCK INCENTIVE (EXCEPT AS OTHERWISE PROVIDED IN SECTION 12), (III) AMENDS THE PROVISIONS OF PARAGRAPH (D) OF SECTION 4, PARAGRAPH (A) OF SECTION 5 OR PARAGRAPH (A) OR PARAGRAPH (F) OF SECTION 6 TO PERMIT SHARES TO BE VALUED AT, OR TO HAVE A PURCHASE PRICE OF, RESPECTIVELY, LESS THAN THE PERCENTAGE OF FAIR MARKET VALUE SPECIFIED THEREIN, (IV) AMENDS SECTION 9 TO EXTEND THE DATE SET FORTH THEREIN, OR (V) AMENDS THIS SECTION 13.

(B) NO AMENDMENT OR TERMINATION OF THIS PLAN SHALL ADVERSELY AFFECT ANY STOCK INCENTIVE THERETOFORE GRANTED, AND NO AMENDMENT OF ANY STOCK INCENTIVE GRANTED PURSUANT TO THIS PLAN SHALL ADVERSELY AFFECT SUCH STOCK INCENTIVE, WITHOUT THE CONSENT OF THE HOLDER THEREOF.

August 9, 1996

Mr. Albert J. Costello
W. R. Grace & Co.
One Town Center Road
Boca Raton, Florida 33486-1010

Dear Al:

This letter specifies certain amendments to your employment agreement with W. R. Grace & Co., dated May 1, 1995 (the "Employment Agreement"), including those previously authorized by the Board of Directors on the recommendation of its Compensation, Employee Benefits and Stock Incentive Committee.

1. As of the date of this letter, Section 6(e)(i) of the Employment Agreement is amended to read as follows:

"(e) Certain Definitions. (i) "Change in Control of the Company" means and shall be deemed to have occurred if (i) the Company determines that any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, has become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 20% or more of the outstanding common stock of the Company; (ii) individuals who are Continuing Directors cease to constitute a majority of any class of directors of the Board; or (iii) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "Transaction"), in each case, with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 60 percent of the combined voting power of the corporation resulting from such Transaction; or (iv) the shareholders of the Company approve a complete liquidation or dissolution of the Company. Notwithstanding any other provision of this Agreement, the "NMC Disposition" (as

defined below) shall not be deemed a "Change in Control of the Company" for purposes of this Agreement.

"The "NMC Disposition" means a transaction or series of transactions whereby control of the business presently conducted by the Company's National Medical Care, Inc. subsidiary is separated from control of substantially all of the other businesses presently conducted by the Company and its affiliates (the "Non-NMC Businesses"), regardless of the structure of such transaction, and which may include (among other actions by the Company) a distribution by the Company, with respect to each share of its common stock, of one share of a newly formed corporation that directly or indirectly owns or controls the Non-NMC Businesses."

2. As of the effective date (the "Effective Date") of the NMC Disposition, the Employment Agreement will be assigned to, and assumed by, Grace Holding, Inc. (to be renamed W. R. Grace & Co.) ("New Grace"), the Delaware corporation that will constitute the parent company of the Non-NMC Businesses.

3. As of the Effective Date, all references to "Company" in the Employment Agreement shall refer to New Grace and any successor thereto.

4. Except as expressly set forth above, the Employment Agreement shall remain in full force and effect.

Please confirm your agreement with the foregoing by signing the accompanying copy of this letter and returning it to Bob Lamm.

Very truly yours,

W. R. GRACE & CO.

By _____
Chairman of the Compensation,
Employee Benefits and Stock
Incentive Committee

Agreed to:

Albert J. Costello

W. R. GRACE & CO.

NON-STATUTORY STOCK OPTION

Under the W. R. Grace & Co. 1994 Stock Incentive Plan (the "Plan")

Granted To: ALBERT J. COSTELLO
Date of Grant: May 1, 1995
Expiration Date: April 30, 2005

In accordance with the Plan (a copy of which is attached hereto as Annex A), you are hereby granted an Option to purchase 300,000 shares of Common Stock upon the following terms and conditions:

(1) The purchase price shall be \$52.3750 per share.

(2) Subject to the other provisions hereof, this Option shall become exercisable as follows:

100,000 shares on May 2, 1996
100,000 shares on May 2, 1997
100,000 shares on April 30, 1998,

except that it shall become exercisable in full upon the occurrence of any of the events specified in section 3(g)(iii) of the Employment Agreement dated May 1, 1995 between you and the Company, as such Agreement may be amended from time to time.

Once exercisable, an installment may be exercised (together with any other installments that have become exercisable) at any time in whole or in part until the expiration or termination of this Option.

(3) This Option shall not be treated as an Incentive Stock Option (as such term is defined in the Plan.)

(4) This Option may be exercised only by serving written notice on the Treasurer of the Company. The purchase price shall be paid in cash or, with the permission of the Company, in shares of Common Stock or in a combination of cash and such shares (see section 6(a) of the Plan). Any shares of Common Stock applied toward the purchase price payable upon exercise of this Option must have been owned by you for at least six months prior to such exercise, and if such shares were granted to you by the Company subject to restrictions, such restrictions must have lapsed at least six months prior to such exercise.

(5) This Option and any right thereunder is nonassignable and nontransferable except by will or the laws of descent and distribution, and is exercisable during your lifetime only by you. If you cease to serve the Company or a Subsidiary, this Option shall terminate as provided in section 6(d) of the Plan, subject, however, to the following:

THIS DOCUMENT CONSTITUTES PART OF A
PROSPECTUS COVERING SECURITIES THAT
HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933.

- (a) In the event you should become incapacitated or die and neither you nor your legal representative(s) or other person(s) entitled to exercise this Option exercise this Option to the fullest extent possible on or before its termination, the Company shall pay you, your legal representative(s) or such other person(s), as the case may be, an amount of money equal to the Fair Market Value of any shares remaining subject to this Option on the last date it could have been exercised, less the aggregate purchase price of such shares.
- (b) Notwithstanding any provision of the Plan, in the event (i) you voluntarily retire under a retirement plan of the Company or a Subsidiary prior to the date on which the first installment of this Option becomes exercisable and (ii) you do not continue to serve the Company or a Subsidiary until such date, this Option shall terminate as of the date you cease to serve.
- (c) In the event you cease to serve as an employee but immediately thereafter commence to serve as a consultant and subsequently you cease to serve as a consultant for reasons other than those described in clause (i) of section 6(d) of the Plan, this Option shall terminate three years after the cessation of your service as a consultant, but subject to the limitation set forth in the fifth sentence of such section 6(d).

(6) If you are or become an employee of, or a consultant to, a Subsidiary, the Company's obligations hereunder shall be contingent on the approval of the Plan and this Option by the Subsidiary and the Subsidiary's agreement that (a) the Company may administer this Plan on its behalf and, (b) upon the exercise of this Option, the Subsidiary will purchase from the Company the shares subject to the exercise at their Fair Market Value on the date of exercise, such shares to be then transferred by the Subsidiary to the holder of this Option upon payment by the holder of the purchase price to the Subsidiary. Where appropriate, such approval and agreement of the Subsidiary shall be indicated by its signature below. The provisions of this paragraph and the obligations of the Subsidiary so undertaken may be waived, in whole or in part, from time to time by the Company.

(7) The Plan is hereby incorporated by reference. Terms defined in the Plan shall have the same meaning herein. This Option is granted subject to the Plan and shall be construed in conformity with the Plan.

W. R. GRACE & CO.

/s/ Donald H. Kohnken
Executive Vice President

Approved and Agreed to:*

(Name of Subsidiary)

By _____
(Authorized Officer)

RECEIPT ACKNOWLEDGED:

* This will be completed only if you are or become an employee of, or a consultant to, a Subsidiary.

Albert J. Costello
Chairman, President and
Chief Executive Officer

W. R. Grace & Co.
One Town Center Road
Boca Raton, FL 33486-1010

September 23, 1996

Mr. Donald H. Kohnken
W. R. Grace & Co.
One Town Center Road
Boca Raton, FL 33486

Dear Don:

This letter outlines the arrangements relating to your resignation and retirement as Executive Vice President of W. R. Grace & Co. ("Company") and your resignation from all positions you hold with the subsidiaries and affiliates of the Company.

1. You will resign your position as Executive Vice President of the Company on September 30, 1996, and retire effective that date.
2. Following your retirement on September 30, 1996, you will be entitled to the compensation and benefits set forth below in accordance with and subject to the following terms:
 - A. You will receive severance pay, equal to \$493,553 (a total of 65.155 weeks' severance pay) paid in the form of a lump sum in October 1996.

B. Incentive Compensation

You will be considered for a prorated annual incentive compensation award for 1996 based on the financial performance of the Company and your individual performance. Your 1996 award, which is subject to Board approval, will be paid to you in March 1997.

C. Executive Salary Protection Plan and Split-Dollar Life Insurance Plan

Your death benefit coverage under the Executive Salary Protection Plan shall cease on October 31, 1996, while your disability coverage under that Plan will cease on September 30, 1996, in accordance with the terms of that Plan. Your participation in the Split-Dollar Life Insurance Plan will cease on November 30, 1996, although you may purchase the policy by reimbursing the Company for the premiums paid by the Company for that policy on your behalf through the date of your retirement. Estimated premiums paid by the Company through November 30, 1996 are expected to total approximately \$323,000 for five policy years with estimated cash value of approximately \$270,000. Your death benefit coverage is \$1,000,000 under the split dollar policy and \$560,000 under the Company-paid group basic life plan.

D. Long-Term Incentive Plan

Your participation in the Company's Long-Term Incentive Plan for the 1994-96, 1995-97 and 1996 -98 Performance Periods will vest and be paid to you at the same time as other

participants. Your awards for 1994-96, 1995-97 and 1996-98 will be prorated as of your September 30, 1996 retirement date.

E. Stock Options

Your November 5, 1987, October 4, 1990, December 5, 1991, December 3, 1992, November 4, 1993, April 7, 1994 and March 2, 1995 stock option grants are fully vested. Subject to SEC requirements and restrictions (as to which you should consult Bob Lamm), you will be free to exercise your stock options and to sell the shares acquired on exercise following your resignation as an officer of the Company on September 30, 1996. After your retirement, you will have a three-year grace period during which you may exercise your options, except for the November 5, 1987 grant which will expire on its existing expiration date of November 4, 1997.

F. Stock Swap Arrangement

The 12,676 shares of restricted stock granted to you under the August 1, 1991 "Stock Swap Arrangement" are scheduled to have the restrictions lapse in five equal installments during the five-year period beginning January 31, 1997 and ending with the restrictions lapsing on the last installment on January 31, 2001. The 49,000 stock options you received under that arrangement are scheduled to vest in five equal annual installments beginning January 31, 1997 through January 31, 2001. Notwithstanding this schedule, as a result of your retirement on September 30, 1996, all such stock options will vest, to the extent not already vested, on March 31, 1999 (30 months following your retirement) and you will have until September 30, 1999 to exercise such options during the six month remainder of the three-year grace period following your retirement. The Compensation Committee of the Board at its May 1996 meeting consented to your retirement so that the restrictions on the restricted shares will be lifted upon your retirement, and so that the 30-month waiting period will be eliminated with respect to the stock options.

G. Savings and Investment Plan

Following your retirement, you may elect to take a lump sum distribution under the Savings and Investment Plan, defer your distribution until age 70 1/2 or elect to begin receiving installment payments over a period of up to 10 years, in accordance with the terms of the Plan. Your S&I balance as of September 17, 1996 was \$981,675. In March 1997 you will be eligible to receive your Savings & Investment Replacement payment for 1996 in an amount estimated to be \$16,183.

H. Deferred Compensation

Your deferred compensation balances, estimated at \$1,062,763 as of August 31, 1996, will be paid to you in accordance with the distribution elections you have previously made.

I. Post-Retirement Life and Medical Coverage

You may participate in the Company's post-retirement life (with reinstated coverage of \$5,000 if you do not purchase your split dollar policy) and medical plans in accordance with their terms following your retirement on September 30, 1996. Of course, should the Company amend or terminate these plans for all other similarly situated employees, such amendment or termination would apply to you.

J. Pensions

Under the Company's Retirement Plan for Salaried Employees and the Supplemental Retirement Plan, assuming continuous service through September 30, 1996, your estimated annual benefit, on a straight life basis, would be \$267,694 beginning October 1, 1996. You may, of course, elect any other payment option that is available under the Plans. Of course, should the Company amend or terminate these plans for all other similarly situated retirees, such amendment or termination would apply to you.

K. Perquisites

You may continue to use your Company-provided leased car and Company provided financial counseling through September 30, 1996. The Company will arrange for you to purchase your leased car on September 30, 1996 at the then "fair market value."

L. Unused Vacation Payment

You are entitled to paid vacation aggregating not less than five weeks during 1996. You will be entitled to payment for any unused vacation time in accordance with Company policy at the time you retire on September 30, 1996.

This letter sets forth the entire agreement and understanding between you and the Company concerning the compensation and benefit arrangements covered by this letter, and it supersedes all prior agreements and understandings, if any, concerning such subject matter between you and the Company. No representation or promise concerning such subject matter has been made by the Company that is not set forth in this letter.

Also, this letter supersedes the letter that I previously sent to you regarding the matters addressed herein, dated June 3, 1996, and the amendment to that letter, dated June 14, 1996 (collectively, the "Prior Letters"), and the Prior Letters shall be of no effect.

Please confirm your agreement with the foregoing by signing a copy of this letter where indicated below and returning it to me.

Sincerely,

Accepted and agreed to
this ___ day of September 1996

Donald H. Kohnken

PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

The unaudited pro forma condensed consolidated balance sheet of New Grace has been derived from the historical consolidated balance sheet of Grace New York, adjusted for the disposition of NMC and for certain costs and expenses to be incurred in connection with the Reorganization. The pro forma condensed consolidated balance sheet has been prepared on the assumption that the Reorganization occurred on March 31, 1996.

The pro forma condensed consolidated balance sheet should be read in conjunction with the Consolidated Financial Statements and the First Quarter Financial Statements. The pro forma condensed consolidated balance sheet is not necessarily indicative of the financial position of New Grace that would actually have resulted had the Reorganization occurred on March 31, 1996.

	GRACE NEW YORK HISTORICAL	PRO FORMA ADJUSTMENTS		NEW GRACE PRO FORMA
		DEBIT	CREDIT	
(DOLLARS IN MILLIONS)				
ASSETS				
Current Assets				
Cash and cash equivalents.....	\$ 56.5	\$2,247.8(a)	\$1,187.8(b) 60.0(a)	\$1,056.5
Notes and accounts receivable, net.....	666.8			666.8
Other current assets.....	1,024.6			1,024.6
Total Current Assets.....	1,747.9			2,747.9
Properties and equipment, net.....	1,810.0			1,810.0
Net assets of discontinued operations -- health care.....	1,540.5	366.3(b)	1,842.6(c)	64.2
Other assets.....	1,387.1			1,387.1
Total Assets.....	\$6,485.5			\$6,009.2
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Short-term debt.....	\$ 895.2	821.5(b)		\$ 73.7
Other current liabilities.....	1,494.0			1,494.0
Total Current Liabilities.....	2,389.2			1,567.7
Long-term debt.....	1,265.4			1,265.4
Other liabilities.....	807.6			807.6
Noncurrent liability for asbestos-related litigation.....	692.4			692.4
Total Liabilities.....	5,154.6			4,333.1
Commitments and Contingencies				
Shareholders' Equity				
Preferred stocks.....	7.4	7.4(e)		--
Common stock.....	98.5	97.5(d)		1.0
Paid in capital.....	503.1		95.1(d)	598.2
Retained earnings.....	760.2	60.0(a)	2,247.8(a)	1,112.8
Cumulative translation adjustments.....	(35.9)	1,842.6(c)	7.4(e)	(35.9)
Treasury stock, at cost.....	(2.4)		2.4(d)	--
Total Shareholders' Equity.....	1,330.9			1,676.1
Total Liabilities and Shareholders' Equity.....	\$6,485.5			\$6,009.2

THE NOTES TO THIS UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET ARE AN INTEGRAL PART OF THE PRO FORMA FINANCIAL INFORMATION PRESENTED.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

The unaudited pro forma condensed consolidated statement of operations of New Grace has been derived from the historical consolidated statement of operations of Grace New York, adjusted to reflect the reduction in interest expense expected to result from the Reorganization. The pro forma condensed consolidated statement of operations has been prepared on the assumption that the Reorganization occurred on January 1, 1995.

The pro forma condensed consolidated statement of operations should be read in conjunction with the Consolidated Financial Statements and the First Quarter Financial Statements. The pro forma condensed consolidated statement of operations is not necessarily indicative of the results of operations of New Grace that would actually have resulted had the Reorganization occurred on January 1, 1995.

	YEAR ENDED DECEMBER 31, 1995			
	GRACE NEW YORK HISTORICAL	PRO FORMA ADJUSTMENTS		NEW GRACE PRO FORMA
		DEBIT	CREDIT	
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
Sales and revenues.....	\$3,665.5			\$ 3,665.5
Other income.....	41.9			41.9
Total.....	3,707.4			3,707.4
Cost of goods sold and operating expenses.....	2,243.7			2,243.7
Selling, general and administrative expenses.....	905.6			905.6
Depreciation and amortization.....	186.3			186.3
Interest expense and related financing costs.....	71.3		\$0.7(f)	70.6
Research and development expenses.....	120.6			120.6
Corporate expenses previously allocated to health care operations.....	37.8			37.8
Restructuring costs and asset impairments.....	179.5			179.5
Provision relating to asbestos-related liabilities and insurance coverage.....	275.0			275.0
Total.....	4,019.8			4,019.1
Loss from continuing operations before income taxes.....	(312.4)			(311.7)
Benefit from income taxes.....	(115.8)	0.3(f)		(115.5)
Loss from continuing operations.....	\$ (196.6)			\$ (196.2)
Loss per share:				
Continuing operations.....	\$ (2.05)			\$ (2.05)
Fully diluted loss per share:				
Continuing operations.....	\$ -- (1)			\$ --(1)
Weighted average shares of Common Stock outstanding (in thousands)....	95,822			95,822

(1) Not presented as the effect is anti-dilutive.

	THREE MONTHS ENDED MARCH 31, 1996			
	GRACE NEW YORK HISTORICAL	PRO FORMA ADJUSTMENTS		NEW GRACE PRO FORMA
		DEBIT	CREDIT	
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
Sales and revenues.....	\$ 886.0			\$ 886.0
Other income.....	3.8			3.8
Total.....	889.8			889.8
Cost of goods sold and operating expenses.....	531.8			531.8
Selling, general and administrative expenses.....	199.3			199.3
Depreciation and amortization.....	45.5			45.5
Interest expense and related financing costs.....	18.4	\$5.6(f)		24.0
Research and development expenses.....	28.8			28.8
Total.....	823.8			829.4
Income from continuing operations before income taxes.....	66.0			60.4
Provision for income taxes.....	24.4		\$2.2(f)	22.2
Income from continuing operations.....	\$ 41.6			\$ 38.2

	=====	=====
Earnings per share:		
Continuing operations.....	\$.42	\$.39
Fully diluted earnings per share:		
Continuing operations.....	\$.41	\$.38
Weighted average shares of Common Stock outstanding (in thousands).....	97,888	97,888

THE NOTES TO THIS UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS ARE AN INTEGRAL PART OF THE PRO FORMA FINANCIAL INFORMATION PRESENTED.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AND
STATEMENT OF OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

- (a) The Reorganization Agreement provides that, prior to the Reorganization, NMC will borrow and/or will assume debt of Grace Chemicals in an aggregate amount of approximately \$2,263 (as adjusted pursuant to the Reorganization Agreement), and will distribute the net cash proceeds to Grace Chemicals; it is currently estimated that such aggregate amount will be approximately \$2,247.8. A portion of such net cash proceeds will be applied to further reduce Grace Chemicals' debt, resulting in an aggregate reduction of \$1,187.8 in Grace Chemicals' debt (see note (b) below). In addition, Grace will incur expenses totaling approximately \$60.0 (net of applicable tax benefit) in connection with the Reorganization. The remaining net cash proceeds received from NMC (estimated at \$1,000.0) are expected to be used to purchase shares of New Grace Common Stock, which would result in a decrease in current assets and a commensurate decrease in shareholders' equity.
- (b) As discussed in note (a) above, the assumption of Grace Chemicals' debt by NMC and the application of a portion of the net cash proceeds distributed to Grace Chemicals by NMC to the reduction of Grace Chemicals' debt is expected to result in an aggregate reduction of \$1,187.8 in Grace Chemicals' debt, consisting of (i) \$179.8 of borrowings under NMC receivables financing arrangements; (ii) \$186.5 of other NMC debt; and (iii) \$821.5 of short-term debt (consisting of \$527.3 of commercial paper and bank borrowings and \$294.2 of other short-term borrowings).
- (c) Reflects the disposition of NMC's net assets of \$1,842.6. Subsequent to the disposition of NMC, New Grace will retain as discontinued operations certain health care assets, primarily a bioseparation sciences business, a health care services company and other assets (including NMC's cash and marketable securities). The resulting gain of \$405.2 (reflecting net cash proceeds of \$2,247.8, as described in note (a) above, less the disposition of NMC's net assets of \$1,842.6) is not reflected in the pro forma condensed consolidated statement of operations.
- (d) As part of the Reorganization, Grace New York will distribute, on a one-share-for-one-share basis, all of the issued and outstanding New Grace Common Stock (which has a par value of \$.01 per share) to the holders of shares of Grace New York Common Stock (which has a par value of \$1.00 per share) at the Time of Distribution. The treasury stock held by Grace New York at the Time of Distribution will not be transferred to New Grace and is therefore eliminated in the pro forma adjustments. As a result of the retirement of the treasury stock and the difference in the par values, (i) the \$2.4 of treasury stock will be eliminated, (ii) Common stock will decrease by \$97.5 and (iii) paid in capital will increase by \$95.1.
- (e) The currently issued and outstanding shares of Grace New York Preferred Stock will remain issued and outstanding following the Reorganization and the Distribution, and no New Grace preferred stock will be issued. The resulting reduction in outstanding Preferred stock is presented as an increase in retained earnings within the shareholders' equity section of the pro forma balance sheet.
- (f) Grace Chemicals has allocated interest expense to discontinued operations (including NMC), based on the ratio of the net assets of the businesses classified as discontinued operations as compared to Grace Chemicals' total capital. Excluding amounts allocated to discontinued operations, interest expense and related financing costs were \$71.3 for the year ended December 31, 1995 and \$18.4 for the three months ended March 31, 1996. For the year ended December 31, 1995, the assumed reduction in debt as of January 1, 1995 would have the pro forma effect of reducing total interest expense and related financing costs by \$94.2 (of which \$0.7 was attributable to continuing operations and \$93.5 was attributable to discontinued operations). For the three months ended March 31, 1996, the assumed reduction in debt as of January 1, 1995 would have the pro forma effect of reducing total interest expense and related financing costs by \$21.2 (increasing interest expense and related financing costs attributable to continuing operations by \$5.6 and reducing interest expense and related financing costs attributable to discontinued operations by \$26.8).

The above adjustments to interest expense and related financing costs would have the pro forma effect of increasing tax expense by \$0.3 for the year ended December 31, 1995 and reducing tax expense by \$2.2 for the three-month period ended March 31, 1996. The tax effects were calculated using an effective tax rate of approximately 40%, which represents the U.S. federal corporate tax rate of 35%, plus state and local income taxes, net of U.S. federal income tax benefit.

For accounting purposes, Grace Chemicals will receive the Distribution Payment and will be deemed to receive a 44.8% common equity interest in FMC and to immediately distribute such interest to the holders of Grace New York Common Stock; however, the receipt and distribution of the interest in FMC Ordinary Shares are not reflected in the pro forma condensed consolidated balance sheet and statement of operations.

In March 1996, Grace Chemicals entered into a definitive agreement to sell its Grace Dearborn water treatment and process chemicals business to Betz Laboratories, Inc. for \$632 million. The transaction was completed in June 1996. Grace Dearborn's sales and revenues were \$398.5 million for the year ended December 31, 1995; its financial position and results of operations were not significant to Grace Chemicals. Also, in May 1996 Grace Chemicals completed the sale of the transgenic plant business of its Agracetus, Inc. subsidiary (which had previously been classified as a discontinued operation) to the Monsanto Company for \$150 million; the revenues and net assets of Agracetus, Inc. were immaterial to Grace Chemicals. The after-tax cash proceeds generated by these transactions have been applied to the further reduction of borrowings and the repurchase of stock. These transactions are not reflected in the pro forma financial information included herein.

In May 1996, Grace Chemicals entered into a new credit agreement providing for total borrowings of \$1.85 billion, and three previous agreements providing for total borrowings of \$850 million were terminated. The new credit agreement is intended to provide liquidity to finance the repurchase of stock and potential acquisitions. The borrowings under the new credit agreement have been guaranteed by New Grace and Grace New York. Upon the completion of the transactions described above (including the Reorganization), the total borrowings available under the new credit agreement will be reduced to \$650 million and the guarantee by Grace New York will be terminated.