

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended December 31, 2006

Commission file number 1-3295

## MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization) <b>The Chrysler Building</b> <b>405 Lexington Avenue</b> <b>New York, New York</b> (Address of principal executive office)	<b>25-1190717</b> (I.R.S. Employer Identification Number)  <b>10174-0002</b> (Zip Code)
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**(212) 878-1800**

(Registrant's telephone number, including area code)

### Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.10 par value	New York Stock Exchange

### Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [X] No [ ]

Indicate by check mark if Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [X] Accelerated Filer [ ] Non-accelerated Filer [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing price at which the stock was sold as of July 2, 2006, was approximately \$776 million. Solely for the purposes of this calculation, shares of common stock held by officers, directors and beneficial owners of 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 5, 2007, the Registrant had outstanding 18,993,677 shares of common stock, all of one class.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

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Proxy Statement dated April 3, 2007

Part III

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**MINERALS TECHNOLOGIES INC.**  
**2006 FORM 10-K ANNUAL REPORT**  
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## PART I

### Item 1. Business

Minerals Technologies Inc. (the "Company") is a resource- and technology-based company that develops, produces and markets worldwide a broad range of specialty mineral, mineral-based and synthetic mineral products and supporting systems and services. The Company has two reportable segments: Specialty Minerals and Refractories. The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate ("PCC"), processed mineral products quicklime ("lime") and *SYNSIL*,<sup>®</sup> a composite mineral product, and mines or purchases raw mineral ores, then processes and sells other natural mineral products, primarily limestone and talc. This segment's products are used principally in the paper, building materials, paint and coatings, glass, ceramic, polymer, food and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products. Refractories segment products are primarily used in high-temperature applications in the steel, non-ferrous metal and glass industries.

The Company emphasizes research and development. The level of the Company's research and development spending, as well as its capability for developing and introducing technologically advanced new products, have enabled the Company to anticipate and satisfy changing customer requirements, creating market opportunities through new product development and product application innovations.

#### Specialty Minerals Segment

##### *PCC Products and Markets*

The Company's PCC product line net sales were \$557.0 million, \$516.3 million, and \$480.0 million for the years ended December 31, 2006, 2005, and 2004, respectively. The Company's sales of PCC have been and are expected to continue to be made primarily to the printing and writing papers segment of the paper industry. The Company also produces PCC for sale to companies in the polymer, food and pharmaceutical industries. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

##### *PCC Products - Paper*

In the paper industry, the Company's PCC is used:

- As a filler in the production of coated and uncoated wood-free printing and writing papers;  
As a filler for coated and uncoated groundwood (wood-containing) paper such as magazine and catalog
- papers; and
- As a coating pigment for both wood-free and groundwood papers.

The Company's Paper PCC product line net sales were \$500.6 million, \$460.7 million and \$429.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Approximately 45% of the Company's sales are of PCC sold to papermakers at "satellite" PCC plants. A satellite PCC plant is a PCC manufacturing facility located at a paper mill, thereby eliminating costs of transporting PCC from remote production sites to the paper mill. The Company believes the competitive advantages offered by improved economics and superior optical characteristics of paper produced with PCC manufactured by the Company's satellite PCC plants resulted in substantial growth in the number of the Company's satellite PCC plants since the first such plant was built in 1986. For information with respect to the locations of the Company's PCC plants at December 31, 2006, see Item 2, "Properties," below.

The Company currently manufactures several customized PCC product forms using proprietary processes. Each product form is designed to provide optimum balance of paper properties including brightness, opacity, bulk, strength and improved printability. The Company's research and development and technical service staffs focus on expanding sales from its existing satellite PCC plants as well as developing new technologies for new applications. These technologies include, among others, acid-tolerant ("AT"<sup>®</sup>) PCC, which allowed PCC to be introduced to the large wood-containing segment of the printing and writing paper market, and OPACARB<sup>®</sup> PCC, a family of products for paper coating.

The Company owns, staffs, operates and maintains all of its PCC facilities, and owns or licenses the related technology. Generally, the Company and its paper mill customers enter into long-term evergreen agreements, initially ten years in length, pursuant to which the Company supplies substantially all of the customer's precipitated calcium carbonate filler requirements.

The Company is generally permitted to sell to third-parties PCC produced at a satellite plant in excess of the host paper mill's requirement.

The Company also sells a range of PCC products to paper manufacturers from production sites not associated with paper mills at Adams, Massachusetts; Lifford, England; Hermalle, Belgium; and Walsum, Germany.

#### *PCC Markets - Paper*

*Uncoated Wood-Free Printing and Writing Papers - North America.* Beginning in the mid-1980's, as a result of a concentrated research and development effort, the Company's satellite PCC plants facilitated the conversion of a substantial percentage of North American uncoated wood-free printing and writing paper producers to lower-cost alkaline papermaking technology. The Company estimates that during 2006, more than 90% of North American uncoated wood-free paper was produced employing alkaline technology. Presently, the Company owns and operates 21 commercial satellite PCC plants located at paper mills that produce uncoated wood-free printing and writing papers in North America. The Company anticipates that the aggregate volume of PCC used by these paper mills will increase.

*Uncoated Wood-Free Printing and Writing Papers - Outside North America.* The Company estimates the amount of uncoated wood-free printing and writing papers produced outside of North America at facilities that can be served by satellite and merchant PCC plants is more than twice as large (measured in tons of paper produced) as the North American uncoated wood-free paper market currently served by the Company. The Company believes that the superior brightness, opacity and bulking characteristics offered by its PCC products allow it to compete with suppliers of ground limestone and other filler products outside of North America. Presently, the Company owns and operates 18 commercial satellite PCC plants located at paper mills that produce uncoated wood-free printing and writing papers outside of North America.

*Uncoated Groundwood Paper.* The uncoated groundwood paper market, including newsprint, represents approximately 35% of worldwide paper production. Paper mills producing wood-containing paper still generally employ acid papermaking technology. The conversion to alkaline technology by these mills has been hampered by the tendency of wood-containing papers to darken in an alkaline environment. In an attempt to introduce PCC to the wood-containing segments of the paper industry, the Company has developed and patented a system for the manufacture of high-quality groundwood paper in an acidic environment using PCC (AT<sup>®</sup> PCC). Furthermore, as groundwood or wood-containing paper mills use larger quantities of recycled fiber, there is a trend toward the use of neutral papermaking technology in this segment for which the Company presently supplies traditional PCC chemistries. The Company now supplies PCC to approximately 43 paper machines at about 21 groundwood paper mills around the world and licenses its technology to a ground calcium carbonate producer to help accelerate the conversion from acid to alkaline papermaking.

*Coated Paper.* The Company is also placing increased emphasis on the use of PCC to coat paper, and expects that its research and development in coating pigment technology will open up a large market for PCC that will build slowly as more paper companies include PCC in their proprietary coating formulations. PCC may be used to increase gloss, opacity, brightness and printability of the paper or to reduce costs while maintaining comparable quality. The coated paper market is large, and the Company believes this market will continue to grow at a higher average growth rate than the uncoated paper market and therefore provides a substantial market opportunity for the Company. PCC coating products are produced at 14 of the Company's PCC plants worldwide.

#### *Specialty PCC Products and Markets*

The Company also produces and sells a full range of slurry and dry PCC products on a merchant basis for non-paper applications. The Company's Specialty PCC product line net sales were \$56.4 million, \$55.6 million and \$50.7 million for the years ended December 31, 2006, 2005 and 2004, respectively. The Company sells surface-treated and untreated grades of PCC to the polymer industry for use in automotive and construction applications, and to the adhesives and printing inks industries. The Company's PCC is also used by the food and pharmaceutical industries as a source of bio-available calcium in tablets and foodstuffs, as a buffering agent in tablets, and as a mild abrasive in toothpaste. The Company produces PCC for specialty applications from production sites at Adams, Massachusetts; Brookhaven, Mississippi; and Lifford, England.

#### *Processed Minerals - Products and Markets*

The Company mines or purchases, and processes natural mineral products, primarily limestone and talc. The Company also manufactures lime, a limestone-based product and SYNSIL<sup>®</sup> Products, a family of composite minerals for the glass industry. The Company's net sales of all processed mineral products were \$154.4 million, \$146.7 million and \$138.7 million for the years ended December 31, 2006, 2005 and 2004, respectively. Net sales of talc products were \$58.5 million, \$54.2 million and \$51.6 million for the years ended December 31, 2006, 2005 and 2004, respectively. Net sales of other processed minerals products, which are principally lime and limestone, were \$85.5 million, \$85.9 million and \$84.0 million for the years ended December

31, 2006, 2005 and 2004, respectively. Net sales of SYNSIL<sup>®</sup> products were \$10.4 million \$6.6 million and \$3.1 million for the years ended December 31, 2006, 2005 and 2004, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Lime produced at the Company's Adams, Massachusetts, and Lifford, United Kingdom, facilities is used as a raw material for the manufacture of PCC at these sites and at some satellite PCC plants, and is sold commercially to various chemical and other industries.

The Company mines, beneficiates and processes talc at its Barretts site, located near Dillon, Montana, and processes purchased talc in Mt. Vernon and Wellsville, Ohio. Talc is sold worldwide in finely ground form for ceramic applications and in North America for paint and coatings and polymer applications. Because of the exceptional chemical purity of the Barretts ore, a majority of worldwide automotive catalytic converter ceramic substrates contain the Company's Barretts talc.

The Company manufactures its SYNSIL<sup>®</sup> Products at its new facility in Chester, South Carolina, and at its customer sampling facility in Woodville, Ohio. The Company is also constructing an additional facility in Cleburne, Texas. SYNSIL<sup>®</sup> Products is a family of composite minerals used as a raw material for the glass industry.

The Company's natural mineral products are supported by the Company's limestone reserves located in the western and eastern parts of the United States, and talc reserves located in Montana. The Company estimates these reserves, at current usage levels, to be in excess of 30 years at its limestone production facilities and in excess of 20 years at its talc production facility.

## **Refractories Segment**

### *Refractory Products and Markets*

#### *Refractories Products*

The Company offers a broad range of monolithic and pre-cast refractory products and related systems and services. The Company's Refractory segment net sales were \$347.9 million, \$327.8 million and \$300.3 million for the years ended December 31, 2006, 2005 and 2004, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Refractory product sales are often supported by Company-supplied proprietary application equipment and on-site technical service support. The Company's proprietary application equipment is used to apply refractory materials to the walls of steel-making furnaces and other high temperature vessels to maintain and extend their lives. Net sales of refractory products, including those for non-ferrous applications, were \$264.6 million, \$239.3 million and \$243.0 million for the years ended December 31, 2006, 2005, and 2004. The Company's proprietary SCANTROL<sup>™</sup> application system, and other robotic application equipment systems such as its MINSCAN<sup>™</sup> system, allow for remote-controlled application of the Company's refractory products in steel-making furnaces, as well as in steel ladles and blast furnaces. Since the steel-making industry is characterized by intense price competition, which results in a continuing emphasis on increased productivity, the SCANTROL<sup>™</sup> application system, the MINSCAN<sup>™</sup> system, and the related technologically advanced refractory materials developed in the Company's research laboratories have been well accepted by the Company's customers. These products allow steel makers to improve their performance through, among other things, the application of monolithic refractories to furnace linings while the furnace is at operating temperature, thereby eliminating the need for furnace cool-down periods and steel-production interruption. The result is a lower overall cost for steel produced by steel makers.

The Company's experienced technical service staff and advanced application equipment provide customers assurance that they will achieve their desired productivity objectives. The Company's technicians are also able to conduct laser measurement of refractory wear, sometimes in conjunction with robotic application tools, to improve refractory performance at many locations. The Company believes that these services, together with its refractory product offerings, provide it with a strategic marketing advantage.

Over the past several years a significant amount of the Company's refractory product sales have come from new products. Some of the new products the Company has introduced in the past few years included:

- HOTCRETE<sup>™</sup>, high durability shotcrete products that can be applied hot through customized equipment;
- MAG-O-STAR<sup>®</sup> and MAG-O-STAR<sup>®</sup> ALM spray coatings, an advanced refractory material for application to the slag line at the top of hot steel ladles, increasing availability, balancing wear and extending lining life;
- the MINSCAN<sup>™</sup> application system, an automated application system for applying refractory materials to electric arc furnaces;

- LACAM<sup>®</sup> laser-based refractory measurement systems; and
- SCANTROL<sup>™</sup>, a fully integrated application system combining the LACAM<sup>®</sup> and MINSCAN<sup>™</sup> technologies.

The Company has also expanded its refractories business through selective acquisitions over the past several years. In 2000, the Company acquired Ferrotron Elektronik GmbH, a manufacturer of advanced laser scanning devices, sensors and other measuring equipment designed for the steel industry. In 2001, the Company acquired the refractories business of Martin Marietta Magnesite Specialties Inc. and purchased Rijnstaal B.V., a Netherlands-based producer of cored metal wire products used mainly in the steel and foundry industries. These acquisitions have increased the breadth of the product lines and markets served by the Refractories segment. In 2002, the Company acquired VisionTech, a Finland-based company that develops and manufactures a refractory lining measuring system. In 2003, the Company acquired the assets of ISA Manufacturing, Inc., a U.S.-based company that develops and manufactures pre-cast refractory shapes. In 2005, the Company acquired the metallurgical measurement technology/digital electrode control system product line of ET Electrotechnology GmbH. This technology offers a system that maintains steady state conditions and optimizes power consumption in electric steel making and ladle furnaces. In October 2006, the Company acquired ASMAS, an Istanbul-based Turkish producer of refractories to increase its ability to service the growing steel industries in Eastern Europe and the Middle East, and to provide vertical integration through its own kilns and sources of magnesite.

#### *Refractories Markets*

The principal market for the Company's refractory products is the steel industry. Management believes that certain trends in the steel industry will continue to provide growth opportunities for the Company. These trends included rapid growth in select geographic regions (e.g., China, Eastern Europe and the Middle East), the development of improved manufacturing processes such as thin-slab casting, the trend in North America to shift production from integrated mills to electric arc furnaces (mini-mills) and the ever-increasing need for improved productivity and longer lasting refractories. The Company believes that the trend toward electric steel-making mini-mills and away from integrated steel mills in North America and Europe has facilitated the acceptance of a broader offering in new refractory products and technologies.

The Company sells its refractory products in the following markets:

*Steel Furnace.* The Company sells gunnable monolithic refractory products and application systems to users of basic oxygen furnaces and electric furnaces for application on furnace walls to prolong the life of furnace linings.

*Other Iron and Steel.* The Company sells monolithic refractory materials and pre-cast refractory shapes for iron and steel ladles, vacuum degassers, continuous casting tundishes, blast furnaces and reheating furnaces. The Company offers a full line of materials to satisfy all continuous casting refractory applications. This full line consists of gunnable materials, refractory shapes and permanent linings.

*Industrial Refractory Systems.* The Company sells refractory shapes and linings to non-steel refractories consuming industries including glass, cement, aluminum and petrochemicals, power generation and other non-steel industries. The Company also produces a specialized line of carbon composites and pyrolytic graphite primarily sold under the PYROID<sup>®</sup> trademark, primarily to the aerospace and electronics industries.

#### *Metallurgical Products and Markets*

The Company produces a number of other technologically advanced products for the steel industry, including calcium metal, metallurgical wire products and a number of metal treatment specialty products. Net sales of metallurgical products were \$83.3 million, \$88.5 million, and \$57.3 million for the years ended December 31, 2006, 2005, and 2004. The Company manufactures calcium metal at its Canaan, Connecticut, facility and purchases calcium in international markets. Calcium metal is used in the manufacture of the Company's PFERROCAL<sup>®</sup> solid-core calcium wire, and is sold for use in the manufacture of batteries and magnets. The Company sells metallurgical wire products and associated wire-injection equipment for use in the production of high quality steels. These metallurgical wire products are injected into molten steel to improve castability and reduce imperfections. The steel produced is used for high-pressure pipeline and other premium-grade steel applications.

#### **Marketing and Sales**

The Company relies principally on its worldwide direct sales force to market its products. The direct sales force is augmented by technical service teams that are familiar with the industries to which the Company markets its products, and by several regional distributors. The Company's sales force works closely with the Company's technical service staff to solve technical and other issues faced by the Company's customers. The Company's technical service staff assists paper producers in ongoing evaluations of the use of PCC for paper coating and filling applications. In the Refractory segment, the Company's

technical service personnel advise on the use of refractory materials, and, in many cases pursuant to service agreements, apply the refractory materials to the customers' furnaces and other vessels. Continued use of skilled technical service teams is an important component of the Company's business strategy.

The Company works closely with its customers to ensure that their requirements are satisfied, and it often trains and supports customer personnel in the use of the Company's products. The Company conducts domestic marketing and sales from Bethlehem, Pennsylvania, and from regional sales offices in the eastern and western United States. The Company's international marketing efforts are directed from regional centers located in Brussels, Belgium; Sao Jose Dos Campos, Brazil; and Shanghai, China. The Company believes its processed minerals and refractory manufacturing facilities are at locations that satisfy the stringent delivery requirements of the industries they serve. The Company also believes that its worldwide network of sales personnel and manufacturing sites facilitates the continued international expansion.

## **Raw Materials**

The Company's ability to achieve anticipated results depends in part on having an adequate supply of raw materials for its manufacturing operations, particularly lime and carbon dioxide for the PCC product line, magnesia for its Refractory operations and talc ore, silica sand and dolomitic lime for its Processed Minerals product line, and on having adequate access to ore reserves at its mining operations.

The Company uses lime in the production of PCC and is a significant purchaser of lime worldwide. Generally, lime is purchased under long-term supply contracts from unaffiliated suppliers located in close geographic proximity to the Company's PCC plants.

The principal raw materials used in the Company's monolithic refractory products are refractory-grade magnesia and various forms of aluminosilicates. The Company also purchases calcium metal, calcium silicide, graphite, calcium carbide and various alloys for use in the production of metallurgical wire products and uses lime and aluminum in the production of calcium metal. The Company purchases a significant portion of its magnesia requirements from sources in China. High demand for bulk raw materials from China has caused price increases of some key raw materials which ultimately could affect the Company's sales to these customers. The Company also purchases a portion of its talc ore for its Processed Minerals product line from China, which has also been affected by higher costs. In addition, higher transportation costs have also increased the delivered cost of raw materials imported from China to North America and Europe. The Company believes that in the event of supply interruptions of its refractory raw material requirements it could obtain adequate supplies from alternate sources in China and elsewhere at reasonable costs.

## **Competition**

The Company is continually engaged in efforts to develop new products and technologies and refine existing products and technologies in order to remain competitive and to position itself as a market leader.

With respect to its PCC products, the Company competes for sales to the paper industry with other fillers, such as ground calcium carbonate ("GCC") and kaolin, based in large part upon technological know-how, patents and processes that allow the Company to deliver PCC that it believes imparts gloss, brightness, opacity and other properties to paper on an economical basis. The Company is the leading manufacturer and supplier of PCC to the North American paper industry.

SYNSIL<sup>®</sup> Products compete against lower cost glass formulations by providing greater process throughput and higher yield.

The Company competes in sales of its limestone and talc based primarily upon quality, price, and geographic location.

With respect to the Company's refractory products, competitive conditions vary by geographic region. Competition is based upon the performance characteristics of the product (including strength, consistency and ease of application), price, and the availability of technical support. This competition is with different companies in different geographic areas and in separate aspects of its product line.

## **Research and Development**

Many of the Company's product lines are technologically advanced. The Company's expertise in inorganic chemistry, crystallography and structural analysis, fine particle technology and other aspects of materials science apply to and support all of its product lines.

The Company's business strategy for continued growth in sales and profitability depends to a large extent on the continued success of its research and development activities. Among the significant achievements of the Company's research and



development effort have been the satellite PCC plant concept, AT<sup>®</sup> PCC, advanced OPACARB<sup>®</sup> PCC crystal morphologies for paper coating, the development of HOTCRETE<sup>™</sup>, the MAG-O-STAR<sup>®</sup> family of refractory spray coatings, OPTISHOT<sup>™</sup> shotcrete refractory products, LACAM<sup>®</sup> laser-based refractory measurement systems, MINSCAN<sup>™</sup> and SCANTROL<sup>™</sup> application systems.

The Company's research and development efforts have also resulted in the invention of SYNSIL<sup>®</sup> Products, a family of composite mineral products for the glass industry.

For the years ended December 31, 2006, 2005 and 2004, the Company spent approximately \$30.0 million, \$29.1 million, and \$29.0 million, respectively, on research and development. The Company's research and development spending for 2006 was approximately 2.9% of net sales.

The Company maintains its primary research facilities in Bethlehem and Easton, Pennsylvania. It also has research and development facilities in China, Finland, Ireland, Germany, Japan and Turkey. Approximately 143 employees worldwide are engaged in research and development. In addition, the Company has access to some of the world's most advanced papermaking and paper coating pilot facilities.

### **Patents and Trademarks**

The Company owns or has the right to use approximately 425 patents and approximately 736 trademarks related to its business. The Company believes that its rights under its existing patents, patent applications and trademarks are of value to its operations, but no one patent, application or trademark is material to the conduct of the Company's business as a whole.

### **Insurance**

The Company maintains liability and property insurance and insurance for business interruption in the event of damage to its production facilities and certain other insurance covering risks associated with its business. The Company believes such insurance is adequate for the operation of its business. There is no assurance that in the future the Company will be able to maintain the coverage currently in place or that the premiums will not increase substantially.

### **Employees**

At December 31, 2006, the Company employed 2,809 persons, of whom 1,118 were employed outside of the United States.

### **Environmental, Health and Safety Matters**

The Company's operations are subject to federal, state, local and foreign laws and regulations relating to the environment and health and safety. Certain of the Company's operations involve and have involved the use and release of substances that are classified as toxic or hazardous within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Company's operations and such permits are subject to modification, renewal and revocation. The Company regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. The Company believes its operations are in substantial compliance with these laws and regulations and that there are no violations that would have a material effect on the Company. Despite these compliance efforts, some risk of environmental and other damage is inherent in the Company's operations, as it is with other companies engaged in similar businesses, and there can be no assurance that material violations will not occur in the future. The cost of compliance with these laws and regulations is not expected to have a material adverse effect on the Company. The Company obtained indemnification for certain potential environmental, health and safety liabilities under agreements entered into between the Company and Pfizer Inc ("Pfizer") or Quigley Company, Inc., a wholly-owned subsidiary of Pfizer, in connection with the initial public offering of the Company in 1992. See "Certain Relationships and Related Transactions" in Item 13.

### **Available Information**

The Company maintains an internet website located at <http://www.mineralstech.com>. It makes its reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as well as its Proxy Statement and filings under Section 16 of the Securities Exchange Act of 1934, available free of charge through the Investor Relations page of its website, as soon as reasonably practicable after they are filed with the Securities and Exchange Commission ("SEC"). Investors may access these reports through the Company's website by navigating to "Investor Relations" and then to "SEC Filings."

## Item 1A. Risk Factors

The disclosure and analysis set forth in this report contains certain forward-looking statements, particularly statements relating to future actions, future performance or results of current and anticipated products, sales efforts, expenditures, and financial results. From time to time, the Company also provides forward-looking statements in other publicly-released materials, both written and oral. Forward-looking statements provide current expectations and forecasts of future events such as new products, revenues and financial performance, and are not limited to describing historical or current facts. They can be identified by the use of words such as "expects," "plans," "anticipates," and other words and phrases of similar meaning.

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

The Company undertakes no obligation to update any forward-looking statements. Investors should refer to the Company's subsequent filings under the Securities Exchange Act of 1934 for further disclosures.

As permitted by the Private Securities Litigation Reform Act of 1995, the Company is providing the following cautionary statements which identify factors that could cause the Company's actual results to differ materially from historical and expected results. It is not possible to foresee or identify all such factors. Investors should not consider this list an exhaustive statement of all risks, uncertainties and potentially inaccurate assumptions.

### • ***Growth Rate***

Sales and income growth of the Company depends upon a number of uncertain events, including the outcome of the Company's strategies of increasing its penetration into geographic markets such as Asia and Europe; increasing its penetration into product markets such as the market for paper coating pigments and the market for groundwood paper pigments; increasing sales to existing PCC customers by increasing the amount of PCC used per ton of paper produced; developing, introducing and selling new product technologies, such as the SYNSIL<sup>®</sup> Products family for the glass industry and filler-fiber composite technology for the paper industry; and acquisitions. Difficulties, delays or failure of any of these strategies could affect the future growth rate of the Company.

### • ***Contract Renewals***

Generally, the Company's sales of PCC are pursuant to long-term evergreen agreements, initially ten years in length, with paper mills where the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite plant. However, failure of a number of the Company's customers to renew or extend existing agreements on terms as favorable to the Company as those currently in effect could have a substantial adverse effect on the Company's results of operations, and could also result in impairment of the assets associated with the PCC plant.

### • ***Consolidation in Customer Industries, Principally Paper and Steel***

Several consolidations in the paper industry have taken place in recent years. These consolidations could result in partial or total closure of some paper mills where the Company operates PCC satellites. Such closures would reduce the Company's sales of PCC, except to the extent that they resulted in shifting paper production and associated purchases of PCC to another location served by the Company. Similarly, following a string of bankruptcies, consolidations have occurred in the steel industry. Such consolidations in the two major industries we serve concentrate purchasing power in the hands of a smaller number of papermakers and steel manufacturers, enabling them to increase pressure on suppliers, such as the Company. This increased pressure could have an adverse effect on the Company's results of operations in the future.

### • ***Litigation; Environmental Exposures***

The Company's operations are subject to international, federal, state and local governmental, tax and other laws and regulations, and potentially to claims for various legal, environmental and tax matters. The Company is currently a party in various litigation matters. While the Company carries liability insurance, which it believes to be appropriate to its businesses, and has provided reserves for such matters, which it believes to be adequate, an unanticipated liability, arising out of such a litigation matter or a tax or environmental proceeding could have a material adverse effect on the Company's financial condition or results of operations.

In addition, future events, such as changes in or modifications or interpretations of existing laws and regulations, or enforcement policies, or further investigation or evaluation of the potential health hazards of certain products, may give rise to additional compliance and other costs that could have a material adverse effect on the Company.

• **New Products**

The Company is engaged in a continuous effort to develop new products and processes in all of its product lines. Difficulties, delays or failures in the development, testing, production, marketing or sale of such new products could cause actual results of operations to differ materially from our expected results.

• **Competition; Protection of Intellectual Property**

The Company's ability to compete is based in part upon proprietary knowledge, both patented and unpatented. The Company's ability to achieve anticipated results depends in part on its ability to defend its intellectual property against inappropriate disclosure as well as against infringement. In addition, development by the Company's competitors of new products or technologies that are more effective or less expensive than those the Company offers could have a material adverse effect on the Company's financial condition or results of operations.

• **Risks of Doing Business Abroad**

As the Company expands its operations overseas, it faces increased risks of doing business abroad, including inflation, fluctuation in interest rates and currency exchange rates, changes in applicable laws and regulatory requirements, export and import restrictions, tariffs, nationalization, expropriation, limits on repatriation of funds, civil unrest, terrorism, unstable governments and legal systems, and other factors. Adverse developments in any of these areas could cause actual results to differ materially from historical and expected results.

• **Availability of Raw Materials**

The Company's ability to achieve anticipated results depends in part on having an adequate supply of raw materials for its manufacturing operations, particularly lime and carbon dioxide for the PCC product line, magnesia for Refractory operations and talc ore and silica sand and dolomite for the Processed Minerals product line, and on having adequate access to ore reserves at its mining operations. Unanticipated changes in the costs or availability of such raw materials, or in the Company's ability to have access to its ore reserves, could adversely affect the Company's results of operations.

• **Cyclical Nature of Customers' Businesses**

The majority of the Company's sales are to customers in two industries, paper manufacturing and steel manufacturing, which have historically been cyclical. The Company's exposure to variations in its customers' businesses has been reduced in recent years by the growth in the number of plants it operates; by the diversification of its portfolio of products and services; and by its geographic expansion. Also, the Company has structured some of its long-term satellite PCC contracts to provide a degree of protection against declines in the quantity of product purchased, since the price per ton of PCC generally rises as the number of tons purchased declines. In addition, many of the Company's product lines lower its customers' costs of production or increase their productivity, which should encourage them to use its products. However, a sustained economic downturn in one or more of the industries or geographic regions that the Company serves, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Set forth below is the location of, and the main customer served by, each of the Company's 51 satellite PCC plants as of December 31, 2006. Generally, the land on which each satellite PCC plant is located is leased at a nominal amount by the Company from the host paper mill pursuant to a lease, the term of which generally runs concurrently with the term of the PCC production and sale agreement between the Company and the host paper mill.

<u>Location</u>	<u>Principal Customer</u>
<b>United States</b>	
Alabama, Courtland	International Paper Company
Alabama, Jackson	Boise Cascade LLC
Alabama, Selma	International Paper Company
Arkansas, Ashdown	Domtar Inc.
Florida, Pensacola	International Paper Company
Kentucky, Wickliffe	NewPage Corporation
Louisiana, Port Hudson	Georgia-Pacific Corporation
Maine, Jay	Verso Paper Holdings LLC
Maine, Madison	Madison Paper Industries
Maine, Millinocket	Katahdin Paper Company LLC
Michigan, Quinnesec	Verso Paper Holdings LLC

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<u>Location</u>	<u>Principal Customer</u>
Minnesota, Cloquet	Sappi Ltd.
Minnesota, International Falls	Boise Cascade Corporation
New York, Ticonderoga	International Paper Company
North Carolina, Plymouth	Weyerhaeuser Company
Ohio, Chillicothe	P.H. Glatfelter Co.
Ohio, West Carrollton	Appleton Papers Inc.
South Carolina, Eastover	International Paper Company
Virginia, Franklin	International Paper Company
Washington, Camas	Georgia-Pacific Corporation
Washington, Longview	Weyerhaeuser Company
Washington, Wallula	Boise Cascade Corporation LLC
Wisconsin, Kimberly	Stora Enso North America Corp.
Wisconsin, Park Falls	Flambeau River Papers LLC
Wisconsin, Wisconsin Rapids	Stora Enso North America Corp.
<b>International</b>	
Brazil, Jacarei	Votorantim Celulose e Papel S.A.
Brazil, Luiz Antonio	Votorantim Celulose e Papel S.A.
Brazil, Mucuri	Suzano Bahia Sul Papel e Celulose S. A.
Brazil, Suzano	Suzano e Celulose S. A.
Canada, Dryden, Ontario	Weyerhaeuser Company Ltd.
Canada, St. Jerome, Quebec	Cascades Fine Papers Group Inc.
Canada, Windsor, Quebec	Domtar Inc.
China, Dagang <sup>1</sup>	Gold East Paper (Jiangsu) Company Ltd.
China, Zhenjiang <sup>1</sup>	Gold East Paper (Jiangsu) Company Ltd.
China, Suzhou <sup>1</sup>	Gold HuaSheng Paper Company Ltd.
Finland, Aankoski <sup>1</sup>	M-real Corporation
Finland, Anjalankoski <sup>1</sup>	Myllykoski Paper Oy
Finland, Tervakoski <sup>1</sup>	Trierenberg Holding
France, Alizay	M-real Corporation
France, Docelles	UPM Corporation
France, Saillat Sur Vienne	International Paper Company
Germany, Schongau	UPM Corporation
Indonesia, Perawang <sup>1</sup>	PT Indah Kiat Pulp and Paper Corporation
Japan, Shiraoi <sup>1</sup>	Nippon Paper Group Inc.
Malaysia, Sipitang	Sabah Forest Industries Sdn. Bhd.
Mexico, Chihuahua	Copamex, S.A. de C.V.
Poland, Kwidzyn	International Paper - Kwidzyn, S.A.
Portugal, Figueira da Foz <sup>1</sup>	Soporcel - Sociedade Portuguesa de Papel, S.A.
Slovakia, Ruzomberok	Mondi Business Paper SCP
South Africa, Merebank <sup>1</sup>	Mondi Paper Company Ltd.
Thailand, Tha Toom <sup>1</sup>	Advance Agro Public Co. Ltd.

<sup>1</sup> These plants are owned through joint ventures.

The Company also owned at December 31, 2006, 14 plants engaged in the mining, processing and/or production of lime, limestone, precipitated calcium carbonate, talc and *SYNSIL*® products and owned or leased approximately 20 refractory manufacturing facilities worldwide. The Company's corporate headquarters, sales offices, research laboratories, plants and other facilities are owned by the Company except as otherwise noted. Set forth below is certain information relating to the Company's plants and office and research facilities:

<u>Location</u>	<u>Facility</u>	<u>Product Line</u>
<b>United States</b>		
Arizona, Pima County	Plant; Quarry <sup>1</sup>	Limestone
California, Lucerne Valley	Plant; Quarry	Limestone
Connecticut, Canaan	Plant; Quarry	Limestone, Metallurgical Wire/Calcium
Indiana, Mt. Vernon	Plant	Talc/Limestone
Indiana, Portage	Plant	Refractories/Shapes
Louisiana, Baton Rouge	Plant	Monolithic Refractories
Massachusetts, Adams	Plant; Quarry	Limestone, Lime, PCC
Mississippi, Brookhaven	Plant	PCC

<b><u>Location</u></b>	<b><u>Facility</u></b>	<b><u>Product Line</u></b>
Montana, Dillon	Plant; Quarry	Talc
New Jersey, Old Bridge	Plant	Monolithic Refractories
New York, New York	Headquarters <sup>2</sup>	All Company Products
Ohio, Bryan	Plant	Monolithic Refractories
Ohio, Dover	Plant	Monolithic Refractories/Shapes
Ohio, Wellsville	Plant	Talc/Limestone
Ohio, Woodville	Plant <sup>2</sup>	SYNSIL <sup>®</sup> Products
Pennsylvania, Bethlehem	Administrative Office; Research laboratories; Sales Offices	PCC, Lime, Limestone, Talc
Pennsylvania, Easton	Administrative Office; Research laboratories; Plant; Sales Offices	All Company Products
Pennsylvania, Slippery Rock	Plant; Sales Offices	Monolithic Refractories/Shapes
South Carolina, Chester	Plant	SYNSIL <sup>®</sup> Products
Texas, Cleburne	Plant <sup>3</sup>	SYNSIL <sup>®</sup> Products
<b>International</b>		
Australia, Carlingford	Sales Office <sup>2</sup>	Monolithic Refractories
Belgium, Brussels	Sales Office <sup>2</sup> /Administrative Office	Monolithic Refractories/PCC
Belgium, Hermalle-sous-Huy	Plant	PCC
Brazil, Belo Horizonte	Sales Office <sup>2</sup>	Monolithic Refractories
Brazil, Sao Jose dos Campos	Sales Office <sup>2</sup>	PCC/Monolithic Refractories
Brazil, Volta Redonda	Plant	Monolithic Refractories
China, Shanghai	Administrative Office/Sales Office	PCC/Monolithic Refractories
China, Suzhou	Plant/Sales Office/Research laboratories	Monolithic Refractories/PCC
Finland, Kaarina	Research Laboratory <sup>2</sup>	PCC
Finland, Lappeenranta	Customer Development	PCC
Germany, Moers	Plant/Sales Office/Research laboratories	Laser Scanning Instrumentation/Probes/Monolithic Refractories
Germany, Walsum	Plant	PCC
Holland, Hengelo	Plant/Sales Office	Metallurgical Wire
Ireland, Cork	Plant; Administrative Office <sup>2</sup> /Research laboratories	Monolithic Refractories
Italy, Brescia	Sales Office; Plant	Monolithic Refractories/Shapes
Japan, Gamagori	Plant/Research laboratories	Monolithic Refractories/Shapes, Calcium
Japan, Tokyo	Sales Office	Monolithic Refractories
Mexico, Gomez Palacio	Plant <sup>2</sup> /Sales Office	Monolithic Refractories
Singapore	Sales Office <sup>2</sup>	PCC
Spain, Santander	Plant/Sales Office <sup>2</sup>	Monolithic Refractories
South Africa, Pietermaritzburg	Plant/Sales Office	Monolithic Refractories
South Korea, Seoul	Sales Office <sup>2</sup>	Monolithic Refractories
South Korea, Yangsan	Plant <sup>4</sup>	Monolithic Refractories
Turkey, Gebze	Plant/Research Laboratories	Monolithic Refractories/Shapes/ Application Equipment
Turkey, Istanbul	Administrative Office/Sales Office	Monolithic Refractories
Turkey, Kutahya	Plant	Monolithic Refractories/Shapes
United Kingdom, Lifford	Plant	PCC, Lime
United Kingdom, Rotherham	Plant/Sales Office	Monolithic Refractories/Shapes

<sup>1</sup> This plant is leased to another company.

<sup>2</sup> Leased by the Company. The facilities in Cork, Ireland, are operated pursuant to a 99-year lease, the term of which commenced in 1963. The Company's headquarters in New York, New York, are held under a lease which expires in 2010.

<sup>3</sup> Under Construction.

<sup>4</sup> This plant is owned through a joint venture.

The Company believes that its facilities, which are of varying ages and are of different construction types, have been satisfactorily maintained, are in good condition, are suitable for the Company's operations and generally provide sufficient capacity to meet the Company's production requirements. Based on past loss experience, the Company believes it is adequately insured with respect to these assets and for liabilities which are likely to arise from its operations.

### Item 3. Legal Proceedings

On November 28, 2005, the Company announced that it had reached a settlement of pending commercial and patent litigation with Omya AG. The settlement was on a worldwide basis, hence the litigation in both the United States and Italy have been dismissed. The settlement provides for the recognition of the Company's intellectual property and patent rights. As part of the settlement, the Company received an initial payment and granted Omya AG a non-exclusive license for the terms of the patents in exchange for royalty payments through 2009.

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 776 pending silica cases and 26 pending asbestos cases. In 2006, the Company was named in two new silica cases and in three new asbestos cases. To date, 655 silica cases have been dismissed, of which 211 were dismissed in 2006. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time, management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

The Company has not settled any silica or asbestos lawsuits to date. We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for 2006 for the legal defense of these cases was \$0.1 million. Our experience has been that the Company is not liable to plaintiffs in any of these lawsuits and the Company does not expect to pay any settlements or jury verdicts in these lawsuits.

#### *Environmental Matters*

On April 9, 2003, the Connecticut Department of Environmental Protection ("DEP") issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories and Specialty Minerals segments have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") at a portion of the site. The following is the present status of the remediation efforts:

- *Building Decontamination.* We have completed the investigation of building contamination and submitted a report characterizing the contamination. We are awaiting review and approval of this report by the regulators. Based on the results of this investigation, we believe that the contamination may be adequately addressed by means of encapsulation through painting of exposed surfaces, pursuant to the Environmental Protection Agency's ("EPA") regulations and have accrued such liabilities as discussed below. However, this conclusion remains uncertain pending completion of the phased remediation decision process required by the regulations.
- *Groundwater.* We are still conducting investigations of potential groundwater contamination. To date, the results of investigation indicate that there is some oil contamination of the groundwater. We are conducting further investigations of the groundwater.
- *Soil.* We have completed the investigation of soil contamination and submitted a report characterizing contamination to the regulators. Based on the results of this investigation, we believe that the contamination may be left in place and monitored, pursuant to a site-specific risk assessment, which is underway. However, this conclusion is subject to completion of a phased remediation decision process required by applicable regulations.

We believe that the most likely form of remediation will be to leave existing contamination in place, encapsulate it, and monitor the effectiveness of the encapsulation.

We estimate that the cost of the likely remediation above would approximate \$200,000, and that amount has been recorded as a liability on our books and records.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative consent order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The order required payment of a civil fine in the amount of \$18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company is committed to identifying appropriate improvements to the wastewater treatment system by July 1, 2007, and to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between \$6 million and \$8 million. The Company estimates that remediation costs would approximate \$350,000, which has been accrued as of December 31, 2006.



The Company and its subsidiaries are not party to any other material pending legal proceedings, other than routine litigation incidental to their businesses.

#### Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

### PART II

#### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Securities

The Company's common stock is traded on the New York Stock Exchange under the symbol "MTX."

Information on market prices and dividends is set forth below:

<b>2006 Quarters</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
Market Price Range Per Share of Common Stock				
High	\$58.93	\$ 61.27	\$53.40	\$ 59.31
Low	52.97	51.61	48.01	51.71
Close	58.41	52.00	53.40	58.79
Dividends paid per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

<b>2005 Quarters</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
Market Price Range Per Share of Common Stock				
High	\$66.80	\$ 68.83	\$64.11	\$58.32
Low	60.52	60.02	57.21	51.59
Close	65.30	61.78	57.21	55.89
Dividends paid per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

#### Equity Compensation Plan Information

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance</b>
Equity compensation plans approved by security holders	1,152,069	\$ 46.44	729,111
Equity compensation plans not approved by security holders	--	--	--
Total	1,152,069	\$ 46.44	729,111

#### Issuer Purchases of Equity Securities

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of the Publicly Announced Program</b>	<b>Dollar Value of Shares That May Yet be Purchased Under the Program</b>
October 1 - October 29	169,000	\$ 54.09	774,772	34,101,267
October 30 - November 26	23,900	\$ 55.07	798,672	32,784,995
November 27 - December 31	--	\$ --	798,672	32,784,995
Total	192,900	\$ 54.21		



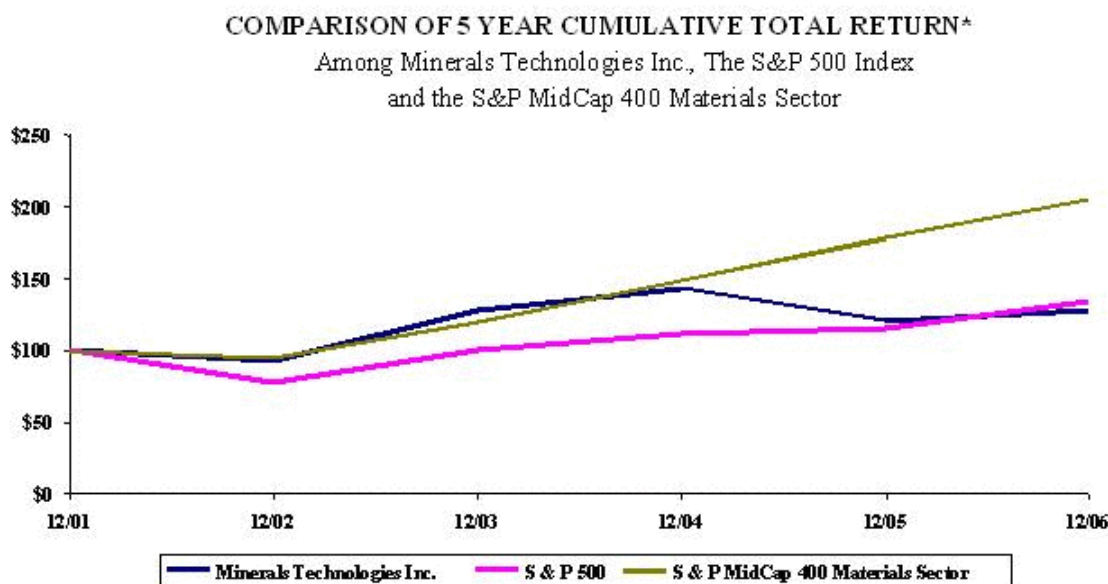
On October 23, 2003, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of May 21, 2006, the Company had completed this program by repurchasing 1,286,828 shares at an average price of approximately \$58.28 per share.

On October 26, 2005, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of December 31, 2006, the Company repurchased 798,672 shares under this program at an average price of approximately \$52.86 per share.

On January 24, 2007, the Company's Board of Directors declared a regular quarterly dividend on its common stock of \$0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment thereof.

On February 5, 2007, the last reported sales price on the NYSE was \$56.80 per share. As of February 5, 2007, there were approximately 205 holders of record of the common stock.

The following graph compares the cumulative 5-year total return to shareholders on Minerals Technologies Inc.'s common stock relative to the cumulative total returns of the S & P 500 index and the S & P MidCap 400 Materials Sector index. The graph assumes that the value of the investment in the Company's common stock and in each of the indexes (including reinvestment of dividends) was \$100 on December 31, 2001 and tracks it through December 31, 2006. The ending point is the close of the last trading day of 2006, at which time the price of our common stock was \$58.79.



\* \$100 invested on 12/31/01 in stock or index-including reinvestment dividends. Fiscal year ending December 31.

	12/01	12/02	12/03	12/04	12/05	12/06
Minerals Technologies Inc.	100.00	92.72	127.59	144.13	121.16	127.92
S & P 500	100.00	77.90	100.24	111.15	116.61	135.03
S & P MidCap 400 Materials Sector	100.00	95.43	119.42	148.72	178.95	205.10

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

## Item 6. Selected Financial Data

### Thousands, Except Per Share Data

Income Statement Data:	2006	2005	2004	2003	2002
Net sales	\$ 1,059,307	\$ 990,751	\$ 918,952	\$ 809,306	\$ 748,792
Cost of goods sold	838,015	780,553	706,298	613,118	565,650
Marketing and administrative expenses	106,016	100,363	92,811	83,797	74,143
Research and development expenses	30,016	29,062	28,996	25,149	22,695
Bad debt expenses (recoveries)	377	(518)	1,576	5,307	6,214
Restructuring charges	--	--	1,145	3,323	--
Acquisition termination costs	--	--	997	--	--
Write-down of impaired assets	--	265	--	3,202	750
Income from operations	84,883	81,026	87,129	75,410	79,340
Income before provision for taxes on income, minority interests and discontinued operations	79,579	77,392	82,625	70,535	74,182
Provision for taxes on income	24,588	22,985	23,637	18,501	19,692
Minority interests	3,441	1,732	1,710	1,575	1,762
Income from continuing operations	51,550	52,675	57,278	50,459	52,728
Income (loss) from discontinued operations, net of tax	(1,599)	589	1,285	1,160	1,024
Cumulative effect of accounting change	--	--	--	(3,399)	--
Net income	<u>\$ 49,951</u>	<u>\$ 53,264</u>	<u>\$ 58,563</u>	<u>\$ 48,220</u>	<u>\$ 53,752</u>
<b>Earnings Per Share</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Basic:					
Earnings per share from continuing operations	\$ 2.63	\$ 2.59	\$ 2.79	\$ 2.50	\$ 2.61
Earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06	0.06	0.05
Cumulative effect of accounting change	--	--	--	(0.17)	--
Basic earnings per share	<u>\$ 2.55</u>	<u>\$ 2.62</u>	<u>\$ 2.85</u>	<u>\$ 2.39</u>	<u>\$ 2.66</u>
Diluted:					
Earnings per share from continuing operations	\$ 2.61	\$ 2.56	\$ 2.76	\$ 2.47	\$ 2.56
Earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06	0.06	0.05
Cumulative effect of accounting change	--	--	--	(0.17)	--
Diluted earnings per share	<u>\$ 2.53</u>	<u>\$ 2.59</u>	<u>\$ 2.82</u>	<u>\$ 2.36</u>	<u>\$ 2.61</u>
Weighted average number of common shares outstanding:					
Basic	19,600	20,345	20,530	20,208	20,199
Diluted	19,738	20,567	20,769	20,431	20,569
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.10	\$ 0.10
<b>Balance Sheet Data:</b>					
Working capital	\$ 199,699	\$ 145,948	\$ 242,818	\$ 216,795	\$ 167,028

Total assets	1,193,124	1,156,303	1,154,902	1,035,690	899,877
Long-term debt	113,351	40,306	94,811	98,159	89,020
Total debt	203,058	156,851	128,728	131,681	120,351
Total shareholders' equity	752,557	771,162	799,313	707,381	594,157

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Income and Expense Items as a Percentage of Net Sales

Year Ended December 31,	2006	2005	2004
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	79.1	78.8	76.9
Marketing and administrative expenses	10.0	10.1	10.1
Research and development expenses	2.9	2.9	3.1
Bad debt expenses	--	--	0.2
Restructuring charges	--	--	0.1
Acquisition termination costs	--	--	0.1
Income from operations	8.0	8.2	9.5
Income before provision for taxes on income, minority interests and discontinued operations	7.5	7.8	9.0
Provision for taxes on income	2.3	2.3	2.6
Minority interests	0.3	0.2	0.2
Income from continuing operations	4.9	5.3	6.2
Income (loss) from discontinued operations	(0.2)	0.1	0.2
Net income	4.7 %	5.4 %	6.4 %

### Executive Summary

2006 proved to be a difficult year for the Company. Although we achieved many milestones such as exceeding \$1 billion in sales and sold more than 4.0 million tons of PCC, we were unable to leverage our 7% increase in sales to improved operating income performance. This was primarily because of unrecovered raw material and energy cost increases, paper mill and paper machine shutdowns, and weakness in our end-use markets, particularly in the fourth quarter. At the same time, we continued to invest heavily in development programs such as PCC for paper coating in Europe, our *SYNSIL*® Products for the glass industry, and filler-fiber composites for paper filling. Worldwide net sales for 2006 grew 7% over the prior year from \$991 million to \$1.059 billion. Foreign exchange had a favorable impact on sales of less than 1 percentage point of growth. Operating income for the full year 2006 increased 5% to \$84.9 million from \$81.0 million in the prior year. Operating income represented 8.0% of sales in 2006 and was 8.2% of sales in 2005. Income from continuing operations decreased 2% to \$51.6 million from \$52.7 million in the prior year. Net income for the full year 2006 declined 6% to \$50.0 million from \$53.3 million in 2005.

Our operating income and net income has been affected by a number of factors over the past year. The positive factors affecting the operating income and net income were primarily attributable to the following:

- Increased profitability in the refractory products and systems product line, particularly in North America and Europe, due to strong demand through the first nine months of the year and lower costs achieved through product reformulations;
- Improved operations at our new satellite PCC facilities in China;
- Increased worldwide demand for PCC in all regions, and volume growth from expansions of existing PCC facilities in Europe; and
- Royalty income and reduced litigation expenses from the settlement of patent litigation. The Company will receive additional royalty income of approximately \$1.1 million per annum through 2009.

This growth was partially mitigated by the following factors:

- Unrecovered cost increases in the PCC product line due to the delayed pass-through of lime cost increases;
- Paper mill and paper machine shutdowns affecting several satellite PCC facilities;
- Operating losses in our *SYNSIL*® Products line primarily due to initial startup costs associated with our manufacturing facility in South Carolina;
- Unrecovered energy cost increases and significant weakness in the end-use markets during the fourth quarter

of 2006 in the Processed Minerals and Specialty PCC product lines;

- Increased compensation expense related to the adoption of SFAS No. 123R;

- Decreased margins in the metallurgical product line; and
- During the fourth quarter of 2006, we also recognized a loss from discontinued operations of approximately \$1.6 million related to foreign currency translation losses arising from the liquidation of our investment in Israel.

The net effect of the aforementioned factors resulted in operating income growth of approximately 5% over 2005, and a decline in net income of approximately 6% from 2005.

We face some significant risks and challenges in the future:

- Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to experience consolidations and shutdowns;
- Consolidations in the paper and steel industries concentrate purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as Minerals Technologies Inc.;
- Most of our Paper PCC sales are subject to long-term contracts that may be terminated pursuant to their terms, or may be renewed on terms less favorable to us;
- We are subject to cost fluctuations on raw materials, including shipping costs, particularly on magnesia and talc imported from China;
- We have experienced increased energy costs in both of our business segments that we may not be able to pass through to our customers;
- Although the *SYNSIL*<sup>®</sup> Products family has received favorable reactions from current and potential customers, this product line is not yet profitable. To date, the introduction of *SYNSIL*<sup>®</sup> technology to customers has progressed more slowly than anticipated, resulting in temporary overcapacity at our facilities. The manufacturing facilities are strategically located in major market areas for glass making, and we believe our products provide a suitable value equation for glass manufacturers. However, the commercial viability of this product line cannot be assured.
- The cost of employee benefits, particularly health coverage, has risen significantly in recent years and continues to do so; and
- As we expand our operations abroad we face the inherent risks of doing business in many foreign countries, including foreign exchange risk, import and export restrictions, and security concerns.

Despite these risks and challenges, we are optimistic about the opportunities for continued growth that are open to us, including:

- Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills;
- Increasing our sales of PCC for paper coating, particularly from our merchant coating PCC facilities in Walsum, Germany and Hermalle, Belgium;
- Achieving commercialization of a filler-fiber composite technology for the paper industry through our continued research and development activities;
- Developing new satellite PCC opportunities;
- Achieving continued market acceptance of the *SYNSIL*<sup>®</sup> Products family of composite minerals for the glass industry;
- Continuing our penetration in emerging markets, including our new manufacturing facility in China and our recent acquisition in Turkey in the Refractories segment; and
- Increasing market penetration in the Refractories segment through development of high-performance products and equipment systems.

However, there can be no assurance that we will achieve success in implementing any one or more of these programs.

On July 19, 2005, the Company's largest customer, International Paper Company ("IP"), announced a general plan to restructure certain elements of its businesses. As a result, IP sold its coated and super calendered papers business, including four paper mills, to Verso Paper Holdings LLC ("Verso"), an affiliate of Apollo Management LP. The Company owns and operates PCC satellite facilities at two of those paper mills, Jay, Maine, and Quinnesec, Michigan, pursuant to PCC supply contracts, which were transferred by IP to Verso in 2006. This transaction has not affected the Company's PCC satellite operations or assets.



On March 21, 2006, the Company temporarily ceased operation of a one-unit satellite PCC facility in Park Falls, Wisconsin, after the paper company shut down its mill and filed for bankruptcy protection. The Company recorded a provision for bad debt of approximately \$1.0 million in the first quarter of 2006 in connection with this bankruptcy. The paper mill has since been sold to Flambeau River Papers, LLC and we resumed production pursuant to a long-term supply contract from our satellite PCC facility in the third quarter.

As expected, in April 2006, the Company ceased operation of a one-unit satellite PCC facility in Hadera, Israel.

## Results of Operations

### Sales

(Dollars in millions)

Net Sales	2006	% of Total Sales	Growth	2005	% of Total Sales	Growth	2004	% of Total Sales
U.S.	\$ 628.4	59.3 %	5 %	\$ 600.1	60.6 %	8 %	\$ 558.2	60.7 %
International	430.9	40.7 %	10 %	390.7	39.4 %	8 %	360.8	39.3 %
Net sales	<u>\$ 1,059.3</u>	<u>100.0 %</u>	<u>7 %</u>	<u>\$ 990.8</u>	<u>100.0 %</u>	<u>8 %</u>	<u>\$ 919.0</u>	<u>100.0 %</u>
Paper PCC	\$ 500.6	47.3 %	9 %	\$ 460.7	46.5 %	7 %	\$ 429.3	46.7 %
Specialty PCC	56.4	5.3 %	1 %	55.6	5.6 %	10 %	50.7	5.5 %
PCC Products	<u>\$ 557.0</u>	<u>52.6 %</u>	<u>8 %</u>	<u>\$ 516.3</u>	<u>52.1 %</u>	<u>8 %</u>	<u>\$ 480.0</u>	<u>52.2 %</u>
Talc	\$ 58.5	5.5 %	8 %	\$ 54.2	5.4 %	5 %	\$ 51.6	5.6 %
Other Processed Minerals	85.5	8.1 %	(1) %	85.9	8.7 %	2 %	84.0	9.1 %
SYNSIL®	10.4	1.0 %	58 %	6.6	0.7 %	113 %	3.1	0.3 %
Processed Minerals Products	<u>\$ 154.4</u>	<u>14.6 %</u>	<u>5 %</u>	<u>\$ 146.7</u>	<u>14.8 %</u>	<u>6 %</u>	<u>\$ 138.7</u>	<u>15.1 %</u>
Specialty Minerals Segment	<u>\$ 711.4</u>	<u>67.2 %</u>	<u>7 %</u>	<u>\$ 663.0</u>	<u>66.9 %</u>	<u>7 %</u>	<u>\$ 618.7</u>	<u>67.3 %</u>
Refractory Products	\$ 264.6	25.0 %	11 %	\$ 239.3	24.2 %	(2) %	\$ 243.0	26.4 %
Metallurgical Products	83.3	7.8 %	(6) %	88.5	8.9 %	54 %	57.3	6.3 %
Refractories Segment	<u>\$ 347.9</u>	<u>32.8 %</u>	<u>6 %</u>	<u>\$ 327.8</u>	<u>33.1 %</u>	<u>9 %</u>	<u>\$ 300.3</u>	<u>32.7 %</u>
Net sales	<u>\$ 1,059.3</u>	<u>100.0 %</u>	<u>7 %</u>	<u>\$ 990.8</u>	<u>100.0 %</u>	<u>8 %</u>	<u>\$ 919.0</u>	<u>100.0 %</u>

Worldwide net sales in 2006 increased 7% from the previous year to \$1.059 billion. Foreign exchange had a favorable impact on sales of less than 1 percentage point of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 7% to \$711.4 million compared with \$663.0 million for the same period in 2005. Sales in the Refractories segment grew 6% over the previous year to \$347.9 million. In 2005, worldwide net sales increased 8% to \$990.8 million from \$919.0 million in the prior year. Specialty Minerals segment sales increased approximately 7% and Refractories segment sales increased approximately 9% in 2005.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 8% to \$557.0 million from \$516.3 million in the prior year. Worldwide net sales of Paper PCC increased 9% to \$500.6 million from \$460.7 million in the prior year. Paper PCC volumes grew 5% for the full year with volumes in excess of 4.0 million tons. In 2006, worldwide printing and writing paper production totaled approximately 115 million metric tons and increased 2.5% over 2005. Uncoated freesheet, currently our largest PCC market, increased an estimated 2.1% in 2006. Paper PCC sales growth was achieved in all regions with the largest growth occurring in Asia. This was primarily attributable to the ramp up of two new satellite PCC plants in China, which represented approximately 3 percentage points of the volume growth. Worldwide demand for uncoated freesheet and expansions of satellite PCC facilities in Europe more than offset paper mill and paper machine shutdowns affecting several satellite PCC facilities. Sales of Specialty PCC grew 1% to \$56.4 million from \$55.6 million in 2005.

Worldwide net sales of PCC increased 8% in 2005 to \$516.3 million from \$480.0 million in the prior year. Net sales of Paper PCC increased 7% to \$460.7 million while Paper PCC volumes grew 4%. In 2005, sales growth was achieved in all regions, except Latin America, with the largest growth occurring in Europe and Asia where sales volumes grew 7% and 20%, respectively. Sales of Specialty PCC grew 10% in 2005 to \$55.6 million from \$50.7 million due to improved volumes, particularly in automotive and health care applications.

Net sales of Processed Minerals products in 2006 increased 5% to \$154.4 million from \$146.7 million in 2005. Talc sales increased 8% to \$58.5 million from \$54.2 million in the prior year. This was primarily attributable to strong global demand in plastics and health-care related markets. Other Processed Minerals products declined 1% to \$85.5 million from \$85.9 million in the prior year. This decline was due to weakness in the residential construction market in the second half of 2006. SYNSIL® Products sales increased 58% to \$10.4 million due to the initial sales from our new facility in Chester, South Carolina. Processed Minerals net sales in 2005 increased 6% to \$146.7 million from \$138.7 million in 2004. This increase was primarily attributable to strong demand in the residential construction markets.

Net sales in the Refractories segment in 2006 increased 6% to \$347.9 million from \$327.8 million in the prior year. Sales of refractory products and systems to steel and other industrial applications increased 11% to \$264.6 million from \$239.3 million in the prior year. This growth was attributable primarily to increased volume in North America during the first nine months of 2006 and in Europe throughout the year. In addition, approximately 3 percentage points of growth was due to the recent acquisition of a refractory producer in Turkey. Sales of metallurgical products within the Refractories segment decreased 6% to \$83.3 million from \$88.5 million in the prior year. This decline was due to lower selling prices as raw material cost reductions were passed on to customers. Volumes also declined, particularly in the fourth quarter in North America, due to weakness in the steel industry.

Net sales in the Refractories segment in 2005 increased 9% to \$327.8 million from \$300.3 million in the prior year. Foreign exchange represented approximately 1 percentage point of the sales growth. The sales growth was driven globally by the metallurgical product line in which sales grew 54% to \$88.5 million from \$57.3 million. This increase was attributable to a combination of price increases, due to the substantial escalation in the cost of raw materials for this product line, as well as volume growth. Sales of refractory products and systems to steel and other industrial applications decreased 2% to \$239.3 million from \$243.0 million.

Net sales in the United States increased approximately 5% to \$628.4 million in 2006 and represented approximately 60% of consolidated net sales. International sales increased approximately 10% to \$430.9 million. This increase was primarily attributable to volume growth in both segments. In 2005, both domestic and international sales increased 8%.

#### Operating Costs and Expenses (Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Cost of goods sold	\$ 838.0	7 %	\$ 780.6	11 %	\$ 706.3
Marketing and administrative	\$ 106.0	6 %	\$ 100.4	8 %	\$ 92.8
Research and development	\$ 30.0	3 %	\$ 29.1	-- %	\$ 29.0
Bad debt expenses	\$ 0.4	* %	\$ (0.5)	* %	\$ 1.6
Acquisition termination costs	\$ --	* %	\$ --	* %	\$ 1.0
Restructuring charges	\$ --	* %	\$ --	* %	\$ 1.1
Write-down of impaired assets	\$ --	* %	\$ 0.3	* %	\$ --

\* Percentage not meaningful

Cost of goods sold in 2006 was 79.1% of sales compared with 78.8% in the prior year. Our cost of goods sold grew 7% which had a slightly unfavorable leveraging impact on our sales growth resulting in a 5% increase in production margin. This unfavorable leveraging occurred in the Specialty Minerals segment where production margins increased 1% as compared with 7% sales growth. Margins in this segment were affected by several factors:

- Unrecovered lime cost increases in the PCC product line;
- Paper machine and paper mill shutdowns;
- Production losses in our SYNSIL® Products line primarily due to initial startup costs associated with our new facility in South Carolina; and
- Unrecovered energy cost increases in the Processed Minerals product line.

Collectively, these factors had an adverse impact on production margin and operating income, as compared with the prior year, by approximately \$15 million.

These negative factors largely offset the improvements in each of the following areas:

- Ramp-up of our two new satellite PCC facilities in China;
- Increased demand for PCC, particularly in North America;
- Cost reduction initiatives; and
- Expansions of satellite PCC facilities in Europe.

In the Refractories segment, production margin increased 12% over the prior year as compared with 6% sales growth. This was primarily due to improved steel industry operating conditions in our primary markets during the first nine months and cost reduction initiatives through the reformulation of refractory products.

Cost of goods sold in 2005 was 78.8% of sales compared with 76.9% in 2004. Our cost of goods sold grew 11% which had an unfavorable leveraging impact on our sales growth resulting in a 1% decrease in production margin. This unfavorable leveraging occurred in both reporting segments. In the Specialty Minerals segment, production margins declined 3% as compared with 7% sales growth. Margins in this segment were affected by several factors:

- Start-up and ramp-up costs related to the European coating market development program;
- The effects of continuing paper industry capacity rationalization, which lowered demand at several satellite plants;
- Unrecovered raw material and energy costs; and
- Start-up and ramp-up costs at two new facilities in China.

Marketing and administrative costs increased 6% in 2006 to \$106.0 million and represented 10.0% of net sales. This was primarily due to increased worldwide infrastructure costs and other employee benefits, including increased stock option expense of approximately \$2.3 million relating to the adoption of SFAS No. 123R. We also experienced a reduction in litigation expenses in 2006 of approximately \$3.7 million. In 2005, marketing and administrative costs increased 8% over 2004 to \$100.4 million and represented 10.1% of sales. We incurred higher litigation costs in 2005 to protect our intellectual property. This litigation was settled in the fourth quarter of 2005 resulting in non-operating income of \$2.1 million, while the costs of such litigation were included in marketing and administrative expenses.

Research and development expenses increased 3% in 2006 to \$30.0 million and represented 2.9% of net sales. In 2005, research and development expenses remained flat at \$29.0 million and also represented 2.9% of net sales.

We recorded bad debt expenses (recoveries) of \$0.4 million, \$(0.5) million and \$1.6 million in 2006, 2005 and 2004, respectively. In 2006, bad debt expenses increased due to additional customer bankruptcies. In 2005, the reduction in bad debt charges was primarily related to recoveries of bad debt in excess of provisions. In 2004, the provision for bad debt was net of recoveries of approximately \$2.3 million related to steel company bankruptcies, in which we had previously written off the related accounts receivable.

During the fourth quarter of 2005, we recorded a write-down of impaired assets of \$0.3 million. The impairment related to the closure in the first quarter of our satellite facility in Cornwall, Ontario, resulting from the paper mill shutdown.

In the fourth quarter of 2004, the Company recognized \$1.0 million in pre-tax corporate charges related to due diligence costs from a terminated acquisition effort.

During the fourth quarter of 2003, we restructured our operations to reduce operating costs and improve efficiency. This resulted in a 2003 restructuring charge of \$3.3 million. As part of that restructuring program, we recorded \$1.1 million in additional charges in 2004. The restructuring charges relate to workforce reductions from all business units throughout our worldwide operations and the termination of certain leases. There were no restructuring costs in 2005 or 2006.

#### Income from Operations (Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Income from operations	\$ 84.9	5 %	\$ 81.0	(7) %	\$ 87.1

Income from operations in 2006 increased 5% to \$84.9 million from \$81.0 million in 2005 and was 8.0% of sales as compared with 8.2% of sales in 2005. Income from operations in 2005 decreased 7% to \$81.0 million from \$87.1 million in 2004 and was 8.2% of sales as compared with 9.5% of sales in 2004.

Income from operations for the Specialty Minerals segment increased slightly to \$52.9 million and was 7.4% of its net sales. Unfavorable leveraging to operating income for this segment was primarily due to the aforementioned factors affecting production margin. Operating income for the Refractories segment increased 13% to \$32.0 million and was 9.2% of its net sales. This was primarily attributable to increased profitability of refractories products and systems partially offset by a reduction in profitability in metallurgical products. In addition, this segment benefited from a pension settlement and curtailment gain of approximately \$0.8 million in Asia.

In 2005, income from operations for the Specialty Minerals segment decreased 9% to \$52.7 million and was 7.9% of its net sales. Operating income for the Refractories segment decreased 7% to \$28.3 million and was 8.6% of its net sales.

#### Non-Operating Deductions (Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Non-operating deductions, net	\$ 5.3	47 %	\$ 3.6	(20) %	\$ 4.5

Non-operating deductions increased 47% from the prior year. This increase was primarily due to increased interest expense of \$1.9 million over 2005 due to increased borrowings. In addition, in 2006 we recognized an insurance settlement gain of approximately \$1.8 million for property damage sustained at one of our facilities. In 2005, we recognized a litigation settlement gain of \$2.1 million.

**Provision for Taxes on Income**  
(Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Provision for taxes on income	\$ 24.6	7 %	\$ 23.0	(3) %	\$ 23.6

The effective tax rate increased to 30.9% in 2006 as compared with 29.7% in 2005. This increase was primarily related to a change in the mix of earnings, an increase in the valuation allowance due to Ohio tax reform legislation and the impact of FAS 123R.

**Minority Interests**  
(Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Minority interests	\$ 3.4	100 %	\$ 1.7	-- %	\$ 1.7

The increase in the provision for minority interests was due to improved profitability from our consolidated joint ventures in China.

**Income from Continuing Operations**  
(Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Income from continuing operations	\$ 51.6	(2) %	\$ 52.7	(8) %	\$ 57.3

Income from continuing operations decreased 2% in 2006 to \$51.6 million. Diluted earnings per common share from continuing operations increased 2% to \$2.61 in 2006 as compared with \$2.56 in the prior year.

In 2005, income from continuing operations decreased 8% to \$52.7 million. Diluted earnings per common share from continuing operations decreased 7% to \$2.56 in 2005 as compared with \$2.76 in the prior year.

**Income (Loss) from Discontinued Operations**  
(Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Income (loss) from discontinued operations	\$ (1.6)	* %	\$ 0.6	(54) %	\$ 1.3

\* Percentage not meaningful

During the fourth quarter, the Company liquidated its wholly-owned subsidiary in Hadera, Israel, and classified such business as a discontinued operation. The Company had previously operated a one-unit satellite PCC facility at this location. The loss from discontinued operations in 2006 of \$1.6 million or \$0.08 per share was predominantly related to foreign currency translation losses recognized upon liquidation of the Company's investment in Israel.

**Net Income**  
(Dollars in millions)

	<u>2006</u>	<u>Growth</u>	<u>2005</u>	<u>Growth</u>	<u>2004</u>
Net income	\$ 50.0	(6) %	\$ 53.3	(9) %	\$ 58.6

Net income decreased 6% in 2006 to \$50.0 million. Earnings per share on a diluted basis decreased 2% to \$2.53 per share in 2006 as compared with \$2.59 per share in the prior year.

**Outlook**

We are presently experiencing weakness in the primary industries we serve -- paper, construction and steel. There were several paper machine shutdowns that affect our satellite PCC product line as the paper industry continues to consolidate and rationalize capacity. There is continued softening in the residential construction and automotive markets and we are faced with low steel-capacity utilization rates in the United States, our largest market. We expect this weakness to continue into the first half of 2007.

In 2007, we plan to focus on the following growth strategies:

- Expand regionally into emerging markets where we have a limited presence.
- Increase our presence in regional markets where the manufacturing of paper and steel is shifting, particularly China and Eastern Europe.
- Increase market penetration of PCC in paper filling at both freesheet and groundwood mills.
- Increase penetration of PCC into the paper coating market.
- Continue research and development activities for new products, including commercialization of a filler-fiber composite technology for the paper industry.
- Emphasize higher value specialty products and application systems to increase market penetration in the Refractories segment.
- Continue research and development and marketing efforts for new and existing products, including the SYNSIL<sup>®</sup> Products' family of composite minerals.
- Continue to improve our cost competitiveness.
- Continue selective acquisitions to complement our existing businesses.

However, there can be no assurances that we will achieve success in implementing any one or more of these strategies.

The following are notable events that may impact our 2007 performance:

We began operations from our new SYNSIL<sup>®</sup> Products production facility in the first quarter of 2006 and our operating losses for this product line increased \$2.5 million in 2006, primarily as a result of low volume and startup costs. We expect to commence production from a second facility in Cleburne, Texas, in the first quarter of 2007. The introduction of SYNSIL<sup>®</sup> technology to consumers has progressed more slowly than anticipated, resulting in temporary overcapacity at our facilities. The manufacturing facilities are strategically located in major market areas for glass making, and we believe our products provide a suitable value equation for glass manufacturers. However, this product line continues to operate at a significant loss which is expected to continue into 2007 until volumes at our two new facilities increase. The net book value of the long-lived assets at the SYNSIL<sup>®</sup> facilities were approximately \$43.5 million as of December 31, 2006.

In 2006, we expected a significant acceleration of our coating program with improved volumes from our merchant paper coating PCC facilities in Walsum, Germany and Hermalle, Belgium. While volumes improved, they were well short of the Company's expectations and the coating development program in Europe continues to operate at a significant loss. We expect these operations to improve in 2007. The net book value of the long-lived assets at these facilities were approximately \$50 million as of December 31, 2006.

We began operation of a 100,000-ton capacity refractory manufacturing facility in China during the third quarter of 2006. We expect this facility to ramp-up in 2007.

In October 2006, we acquired ASMAS, an Istanbul-based Turkish producer of refractories based in Istanbul, Turkey. This acquisition provides our Refractories segment with an experienced organization and a strong market position in Turkey, as well as excellent manufacturing capabilities and internal access to our key raw material, magnesite. This acquisition will enable us to service the rapidly growing markets in the Middle East and Eastern Europe.

As we continue to expand our operations overseas, we face the inherent risks of doing business abroad, including inflation, fluctuations in interest rates and currency exchange rates, changes in applicable laws and regulatory requirements, export and import restrictions, tariffs, nationalization, expropriation, limits on repatriation of funds, civil unrest, terrorism, unstable governments and legal systems and other factors. Some of our operations are located in areas that have experienced political or economic instability, including Indonesia, Brazil, Thailand, China and South Africa. In addition, our performance depends to some extent on that of the industries we serve, particularly the paper manufacturing, steel manufacturing, and construction industries.

Our sales of PCC are predominantly pursuant to long-term evergreen contracts, initially about ten years in length, with paper companies at whose mills we operate satellite PCC plants. The terms of many of these agreements generally have been extended, often in connection with an expansion of the satellite PCC plant. Failure of a number of our customers to renew existing agreements on terms as favorable to us as those currently in effect could cause our future sales growth rate to differ materially from our historical growth rate and, if not renewed, could also result in impairment of the assets associated with the PCC plant.

## Liquidity and Capital Resources

Cash flows in 2006 were provided from operations and long-term and short-term financing and were used principally to fund \$85.2 million of capital expenditures, an acquisition of a refractories business for approximately \$32.4 million, and \$53.4 million for purchases of common shares for treasury. Cash provided from operating activities amounted to \$135.6 million in 2006 as compared with \$78.5 million in 2005. The increase in cash from operating activities was primarily due to an improvement of working capital, as compared to the prior year. Our accounts receivables grew at a lower rate than sales and our days of sales outstanding decreased to 59 days from 60 days in the prior year. Growth in inventories were primarily attributable to the timing of raw materials purchases and increased inventories resulting from our recent acquisition. Included in cash flow from operations was pension plan funding of approximately \$22.3 million, \$12.9 million and \$17.6 million for the years ended December 31, 2006, 2005 and 2004, respectively.

We expect to utilize our cash reserves to support the aforementioned growth strategies.

On October 23, 2003, our Board of Directors authorized our Management Committee, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of May 21, 2006, the Company had repurchased 1,286,828 shares under this program at an average price of \$58.28 per share.

On October 26, 2005, our Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of December 31, 2006, the Company had repurchased 798,672 shares under this program at an average price of approximately \$52.86 per share.

On January 24, 2007, our Board of Directors declared a regular quarterly dividend on our common stock of \$0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment.

At December 31, 2005, we had \$50 million in Guaranteed Senior Notes that matured on July 24, 2006. On October 5, 2006, the Company issued and sold \$75 million aggregate principal of Senior Notes due October 5, 2013, consisting of (a) \$50 million aggregate principal amount 5.53% Series 2006- A Senior Notes; and (b) \$25 million aggregate principal amount Floating Rate Series 2006-A Senior Notes.

We have \$186.9 million in uncommitted short-term bank credit lines, of which \$73.4 million was in use at December 31, 2006. In addition, we have an \$8.5 million committed short-term bank credit line, all of which was in use at December 31, 2006. We anticipate that capital expenditures for 2007 should approximate \$80 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our other long-term financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: 2007 - \$2.1 million; 2008 - \$7.1 million; 2009 - \$4.0 million; 2010 - \$4.6 million; 2011 - \$nil; thereafter - \$97.6 million.

## Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-term assets, goodwill and other intangible assets, pension plan assumptions, income taxes, income tax valuation allowances and litigation and environmental liabilities. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that can not readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements:

- Revenue recognition: Revenue from sale of products is recognized at the time the goods are shipped and title passes to the customer. In most of our PCC contracts, the price per ton is based upon the total number of tons sold to the customer during the year. Under those contracts, the price billed to the customer for shipments during the year is based on periodic estimates of the total annual volume that will be sold to the customer. Revenues are adjusted at the end of each year to reflect the actual volume sold. There were no significant revenue adjustments in the fourth quarter of 2006 and 2005, respectively. We have consignment arrangements with certain customers in our Refractories segment. Revenues for these

transactions are recorded when the consigned products are consumed by the customer. Revenues from sales of equipment are recorded upon completion of installation and receipt of customer acceptance. Revenues from services are recorded when the services are performed.

- Allowance for doubtful accounts: Substantially all of our accounts receivable are due from companies in the paper, construction and steel industries. Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Such allowance is established through a charge to the provision for bad debt expenses. We recorded bad debt expenses (recoveries) of \$0.4 million, \$(0.5) million and \$1.6 million in 2006, 2005 and 2004, respectively. The \$1.6 million provision in 2004 was net of \$2.3 million of bad debt recoveries related to steel customer bankruptcies for previously written off accounts receivable. The charges in 2004 were much higher than historical levels and were primarily related to bankruptcy filings by some of our customers in the paper and steel industries and to additional provisions associated with risks in the paper, steel and other industries. In addition to specific allowances established for bankrupt customers, we also analyze the collection history and financial condition of our other customers considering current industry conditions and determine whether an allowance needs to be established or adjusted.
- Property, plant and equipment, goodwill, intangible and other long-lived assets: Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. Our sales of PCC are predominately pursuant to long-term evergreen contracts, initially ten years in length, with paper mills at which we operate satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. Failure of a PCC customer to renew an agreement or continue to purchase PCC from our facility could result in an impairment of assets or accelerated depreciation at such facility.
- Valuation of long-lived assets, goodwill and other intangible assets: We assess the possible impairment of long-lived assets and identifiable amortizable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill and other intangible assets with indefinite lives are reviewed for impairment at least annually in accordance with the provisions of SFAS No. 142. Factors we consider important that could trigger an impairment review include the following:

<ul style="list-style-type: none"><li>•significant under-performance relative to historical or projected future operating results;</li><li>•significant changes in the manner of use of the acquired assets or the strategy for the overall business;</li><li>•significant negative industry or economic trends.</li></ul>
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When we determine that the carrying value of intangibles, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we principally measure any impairment by our ability to recover the carrying amount of the assets from expected future operating cash flow on a discounted basis. Net intangible assets, long-lived assets, and goodwill amounted to \$736.4 million as of December 31, 2006.

- Accounting for income taxes: As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating current tax expense together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the Consolidated Statements of Income.
- Pension Benefits: We sponsor pension and other retirement plans in various forms covering the majority of employees who meet eligibility requirements. Several statistical and actuarial models which attempt to estimate future events are used in calculating the expense and liability related to the plans. These models include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as determined by us, within certain guidelines. Our assumptions reflect our historical experience and management's best judgment regarding future expectations. In addition, our actuarial consultants also use subjective factors such as withdrawal and mortality rates to estimate these assumptions. The actuarial assumptions used by us may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other things. Differences from these assumptions may result in a significant impact to the amount of pension expense/liability recorded by us follows:



A one percentage point change in our major assumptions would have the following effects:

Effect on Expense

(Dollars in millions)	Discount Rate	Salary Scale	Return on Asset
1% increase	\$ (1.3)	\$ 0.3	\$ (1.4)
1% decrease	\$ 1.5	\$ (0.3)	\$ 1.4

Effect on Projected Benefit Obligation

(thousands of dollars)	Discount Rate	Salary Scale
1% increase	\$ (13.5)	\$ 1.9
1% decrease	\$ 16.0	\$ (1.7)

- **Asset Retirement Obligations:** We currently record the obligation for estimated asset retirement costs at a fair value in the period incurred. Factors such as expected costs and expected timing of settlement can affect the fair value of the obligations. A revision to the estimated costs or expected timing of settlement could result in an increase or decrease in the total obligation which would change the amount of amortization and accretion expense recognized in earnings over time.

A one-percent increase or decrease in the discount rate would change the total obligation by approximately \$0.1 million.

A one-percent increase or decrease in the inflation rate would change the total obligation by approximately \$0.3 million.

- **Accounting for Stock-Based Compensation:** Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, using the modified prospective method. Under this transition method, stock-based compensation expense was recognized in the consolidated financial statements for stock options granted on and subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123. As provided under the modified prospective method, results for prior periods have not been restated.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options on their date of grant. This model is based upon assumptions relating to the volatility of the stock price, the life of the option, risk-free interest rate and dividend yield. Of these, stock price volatility and option life require greater levels of judgment and are therefore critical accounting estimates.

We used a stock price volatility assumption based upon the historical implied volatility of the Company's stock. We believe this is a good indicator of future, actual and implied volatilities. For stock options granted in the period ended December 31, 2006, the Company used a volatility of 24.78%.

The expected life calculation was based upon the observed and expected time to post-vesting forfeiture and exercise. For stock options granted during the fiscal year ended December 31, 2006, the Company used a 6.4 year life.

The Company believes the above critical estimates are based upon outcomes most likely to occur, however, were we to simultaneously increase or decrease the option life by one year and the volatility by 100 basis points, recognized compensation expense would change approximately \$0.1 million in either direction for the year ended December 31, 2006.

For a detailed discussion on the application of these and other accounting policies, see "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" in Item 15 of this report, beginning on page F-6. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

## Prospective Information and Factors That May Affect Future Results

The SEC encourages companies to disclose forward-looking information so that investors can better understand companies' future prospects and make informed investment decisions. This report may contain forward-looking statements that set our anticipated results based on management's plans and assumptions. Words such as "expects," "plans," "anticipates," and words and terms of similar substance, used in connection with any discussion of future operating or financial performance identify these forward-looking statements.

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We cannot guarantee that the outcomes suggested in any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and the accuracy of assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and should refer to the discussion of certain risks, uncertainties and assumptions in Item 1A, "Risk Factors."

## **Inflation**

Historically, inflation has not had a material adverse effect on us. However, in recent years both business segments have been affected by rapidly rising raw material and energy costs. The Company and its customers will typically negotiate reasonable price adjustments in order to recover a portion of these rapidly escalating costs. As the contracts pursuant to which we construct and operate our satellite PCC plants generally adjust pricing to reflect increases in costs resulting from inflation, there is a time lag before such price adjustments can be implemented.

## **Cyclical Nature of Customers' Businesses**

The bulk of our sales are to customers in the paper manufacturing, steel manufacturing and construction industries, which have historically been cyclical. The pricing structure of some of our long-term PCC contracts makes our PCC business less sensitive to declines in the quantity of product purchased. However, we cannot predict the economic outlook in the countries in which we do business, nor in the key industries we serve. There can be no assurance that a recession, in some markets or worldwide, would not have a significant negative effect on our financial position or results of operations.

## **Recently Issued Accounting Standards**

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement will apply to all other accounting pronouncements that require fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently completing an analysis of the ultimate impact the new pronouncement will have on its financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continued to be recognized upon adoption of FIN 48. The cumulative effect of applying the provisions of FIN 48 should be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We are presently evaluating the impact of the adoption of FIN 48 on our consolidated financial statements.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency and interest rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant change in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. Approximately 70% of our bank debt bears interest at variable rates; therefore our results of operations would only be affected by interest rate changes to such bank debt outstanding. An immediate 10% change in interest rates would not have a material effect on our results of operations over the next fiscal year.

We do not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, we enter into derivative financial instruments, such as forward exchange contracts and interest rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on our operating results. The counterparties are major financial institutions. Such forward exchange contracts and interest rate swaps would not subject us to additional risk from exchange rate or interest rate movements because gains and losses on these contracts would offset losses and gains on the assets,

liabilities, and transactions being hedged. We had open forward exchange contracts to purchase approximately \$4.7 million and \$4.2 million of foreign currencies as of December 31, 2006 and 2005, respectively. These contracts mature between February and July of 2007. The fair value of these instruments at December 31, 2006 and December 31, 2005 was a liability of \$0.1 million and \$0.2 million, respectively.

## **Item 8. Financial Statements and Supplementary Data**

The financial information required by Item 8 is contained in Item 15 of Part IV of this report.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### ***Disclosure Controls and Procedures***

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report pursuant to Exchange Act Rule 13a -15. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission ("SEC"). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13(a)-15(b) under the Securities Exchange Act of 1934) were effective in ensuring that material information required to be disclosed by the Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported on a timely basis.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report of management's assessment of the design and operating effectiveness of our internal controls as part of this report. Our independent registered public accounting firm also attested to, and reported on, management's assessment of the effectiveness of internal control over financial reporting. Management's report and the independent registered public accounting firm's attestation report are included in our consolidated financial statements beginning on page F-1 of this report under the captions entitled "Management's Report on Internal Control Over Financial Reporting," and "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting."

On October 2, 2006, the Company completed an acquisition of a refractory company in Turkey and has excluded this company from our assessment of the effectiveness of our internal control over financial reporting. During 2006, this company contributed less than 1% of consolidated net revenues and, as of December 31, 2006, accounted for approximately 2.5% of our total assets, excluding goodwill.

The Company is in the process of implementing a global enterprise resource planning ("ERP") system to manage our business operations. As of December 31, 2006, all of our domestic locations were using the new systems. The worldwide implementation is expected to be completed over the next few years and involves changes in systems that include internal controls. Although the transition has proceeded to date without material adverse effects, the possibility exists that the migration to the new ERP system could adversely affect the Company's disclosure controls and procedures or our results of operations in future periods. We are reviewing each system as it is being implemented and the controls affected by the implementation of the new systems, and are making appropriate changes to affected internal controls as we implement the new systems. We believe that the controls as modified are appropriate and functioning effectively.

#### ***Changes in Internal Control Over Financial Reporting***

There was no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 9B. Other Information**

None.

### PART III

#### Item 10. Directors, Executive Officers and Corporate Governance

Set forth below are the names and ages of all Executive Officers of the Registrant indicating all positions and offices with the Registrant held by each such person, and each such person's principal occupations or employment during the past five years.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Paul R. Saueracker(*)	64	Chairman of the Board; President and Chief Executive Officer
Alain F. Bouruet-Aubertot	50	Senior Vice President and Managing Director, Minteq International
Kenneth L. Massimine	57	Senior Vice President and Managing Director, Paper PCC
John A. Sorel	59	Senior Vice President - Finance, and Chief Financial Officer
Gordon S. Borteck	49	Vice President, Organization and Human Resources
Kirk G. Forrest	55	Vice President, General Counsel and Secretary
D. Randy Harrison	55	Vice President and Managing Director, Performance Minerals
Michael A. Cipolla	49	Vice President - Corporate Controller and Chief Accounting Officer
William A. Kromberg	61	Vice President, Taxes
Gregory P. Kelm	53	Treasurer

Paul R. Saueracker was elected Chairman of the Board on October 18, 2001. Prior to that he became President and Chief Executive Officer effective August 2000 and December 31, 2000, respectively. Mr. Saueracker served as Senior Vice President from 1999 to 2000, and Vice President of the Company from 1994 to 1999. He had served as President and CEO of Specialty Minerals Inc. since 1994. Mr. Saueracker is a former President of the Pulverized Minerals Division of the National Stone, Sand and Gravel Association and a member of the Board of Directors of the National Association of Manufacturers.

(\*) As previously announced by the Company on November 14, 2007, Mr. Saueracker will retire from the Company effective March 1, 2007. Mr. Joseph C. Muscari, age 60, has been named to succeed Mr. Saueracker effective March 1, 2007 as Chairman of the Board, President and Chief Executive Officer.

Alain F. Bouruet-Aubertot was elected Senior Vice President and Managing Director, Minteq International in November 2002. From 1996 to June 2002 he had been President, Gypsum Division and Corporate Senior Vice President of Lafarge North America, a supplier of cement, ready-mixed concrete, construction aggregate and gypsum products.

Kenneth L. Massimine was elected Senior Vice President and Managing Director, Paper PCC, effective January 1, 2002. Prior to that he held positions of increasing authority with the Company, most recently Vice President and Managing Director, Processed Minerals.

John A. Sorel was elected Senior Vice President, Finance and Chief Financial Officer in November 2002. Prior to that time he was elected Senior Vice President, Corporate Development and Finance on January 1, 2002 and prior to 2002 he held positions of increasing authority with the Company, most recently Vice President and Managing Director, Paper PCC.

Gordon S. Borteck was elected Vice President - Organization and Human Resources effective January 1, 2002. Prior to that he had been Vice President, Human Resources of Specialty Minerals Inc. since January 1997.

Kirk G. Forrest was elected Vice President - General Counsel and Secretary effective January 26, 2005. Prior to that, Mr. Forrest had been Vice President and General Counsel at SAM'S CLUB, and a Corporate Vice President of its parent company, Wal-Mart Stores, Inc. and Associate General Counsel at The Williams Companies, which he joined in 1998.

D. Randy Harrison was elected Vice President and Managing Director, Performance Minerals, which encompasses the Processed Minerals product line and the Specialty PCC product line, effective January 1, 2002. Prior to that he held positions of increasing authority with Specialty Minerals Inc., most recently Vice President and General Manager, Specialty PCC.

Michael A. Cipolla was elected Vice President - Controller and Chief Accounting Officer in July 2003. Prior to that he served as Corporate Controller and Chief Accounting Officer of the Company since 1998. From 1992 to 1998 he served as Assistant Corporate Controller.

William A. Kromberg has served as Vice President-Taxes of the Company since 1993.

Gregory P. Kelm was elected Treasurer effective January 21, 2004. Prior to that he had been Assistant Treasurer since March 2000. From 1994 to 2000 Mr. Kelm served as Director, Corporate Human Resources Programs.

The information concerning the Company's Board of Directors required by this item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Committees of the Board of Directors."

The information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 required by this Item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

The Board has established a code of ethics for the Chief Executive Officer, the Chief Financial Officer, and the Chief Accounting Officer entitled "Code of Ethics for the Senior Financial Officers," which is available on our website, [www.mineralstech.com](http://www.mineralstech.com), under the links entitled "Corporate Responsibility, Corporate Governance and Policies and Charters."

#### **Item 11. Executive Compensation**

The information appearing in the Company's Proxy Statement under the caption "Compensation of Executive Officers" is incorporated herein by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information appearing in the Company's Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters as of January 31, 2007" set forth is incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information appearing in the Company's Proxy Statement under the caption "Certain Relationships and Related Transactions" is incorporated herein by reference.

Under the terms of certain agreements entered into in connection with the Company's initial public offering in 1992, Pfizer Inc ("Pfizer") and its wholly-owned subsidiary Quigley Company, Inc. ("Quigley") agreed to indemnify the company against certain liabilities being retained by Pfizer and its subsidiaries including, but not limited to, pending lawsuits and claims, and any lawsuits or claims brought at any time in the future alleging damages or injury from the use, handling of or exposure to any product sold by Pfizer's specialty minerals business prior to the closing of the initial public offering.

Pfizer and Quigley also agreed to indemnify the Company against any liability arising from claims for remediation, as defined in the Agreement, of on-site environmental conditions relating to activities prior to the closing of the initial public offering. Further, Pfizer and Quigley agreed to indemnify the Company for 50% of the liabilities in excess of \$1 million up to \$10 million in liabilities that may have arisen or accrued within ten years after the closing of the initial public offering with respect to such remediation of on-site conditions. The Company is responsible for the first \$1 million of such liabilities, 50% of all such liabilities in excess of \$1 million up to \$10 million, and all such liabilities in excess of \$10 million. The Company had asserted to Pfizer and Quigley a number of indemnification claims pursuant to this agreement during the ten-year period following the closing of the initial public offering. On January 30, 2006, Pfizer and the Company agreed to settle those claims, along with certain other potential environmental liabilities of Pfizer, in consideration of a payment by Pfizer of \$4.5 million. Such payment was recorded as additional paid-in capital, net of its related tax effect.

#### **Item 14. Principal Accountant Fees and Services**

The information appearing in the Company's Proxy Statement under the caption "Principal Accountant Fees and Services" is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements. The following Consolidated Financial Statements of Mineral Technologies Inc. and subsidiary companies and Reports of Independent Registered Public Accounting Firm are set forth on pages F-2 to F-35.  
  
Consolidated Balance Sheets as of December 31, 2006 and 2005  
Consolidated Statements of Income for the years ended December 31, 2006, 2005, and 2004  
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004  
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2006, 2005 and 2004  
Notes to the Consolidated Financial Statements  
Reports of Independent Registered Public Accounting Firm  
Management's Report on Internal Control Over Financial Reporting

2. Financial Statement Schedule. The following financial statement schedule is filed as part of this report:

	<u>Page</u>
Schedule II - Valuation and Qualifying Accounts	S-1

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits. The following exhibits are filed as part of, or incorporated by reference into, this report.

- 3.1 -Restated Certificate of Incorporation of the Company (1)
- 3.2 -By-Laws of the Company as amended and restated effective May 25, 2005 (5)
- 3.3 -Certificate of Designations authorizing issuance and establishing designations, preferences and rights of Series A Junior Preferred Stock of the Company (1)
- 4 -Rights Agreement, executed effective as of September 13, 1999 (the "Rights Agreement"), between Minerals Technologies Inc. and Chase Mellon Shareholders Services L.L.C., as Rights Agents, including as Exhibit B the forms of Rights Certificate and of Election to Exercise (6)
- 4.1 -Specimen Certificate of Common Stock (1)
- 10.1 -Asset Purchase Agreement, dated as of September 28, 1992, by and between Specialty Refractories Inc. and Quigley Company Inc. (2)
- 10.1(a) -Agreement dated October 22, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (3)
- 10.1(b) -Letter Agreement dated October 29, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (3)
- 10.2 -Reorganization Agreement, dated as of September 28, 1992, by and between the Company and Pfizer Inc (2)
- 10.3 -Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Specialty Minerals Inc. (2)
- 10.4 -Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Barretts Minerals Inc. (2)
- 10.4(a) -Agreement dated October 22, 1992 between Pfizer Inc, Barretts Minerals Inc. and Specialty Minerals Inc., amending Exhibits 10.3 and 10.4 (3)
- 10.5 -Form of Employment Agreement (\*), together with schedule relating to executed Employment Agreements (6) (+)
- 10.6 -Form of Severance Agreement, together with schedule relating to executed Severance Agreements (7) (+)
- 10.7 -Company Employee Protection Plan, as amended August 27, 1999 (6) (+)
- 10.8 -Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors (\*) (+)
- 10.9 -2001 Stock Award and Incentive Plan of the Company, as amended and restated as of December 20, 2005 (7) (+)
- 10.10 -Company Retirement Plan, as amended and restated effective as of January 1, 2006 (\*) (+)
- 10.11 -Company Nonfunded Supplemental Retirement Plan, as amended effective April 24, 2003 (8) (+)
- 10.12 -Company Savings and Investment Plan, as amended and restated as of January 1, 2005 (7) (+)
- 10.13 -Company Nonfunded Deferred Compensation and Supplemental Savings Plan, as amended effective April 24, 2003 (8) (+)
- 10.14 -Company Health and Welfare Plan, effective as of April 1, 2003 and amended and restated as





- 10.15 -Grantor Trust Agreement, as amended and restated as of December 23, 2005, between the Company and The Bank of New York, as Trustee (7)(+)
- 10.16 -Note Purchase Agreement, dated as of October 5, 2006, among the Company, Metropolitan Life Insurance Company and MetLife Insurance Company of Connecticut with respect to the Company's issuance of \$75,000,000 in aggregate principal amount of senior unsecured notes due October 5, 2013 (9)
- 10.17 -Indenture, dated July 22, 1963, between the Cork Harbour Commissioners and Roofchrome Limited (2)
- 10.18 -Agreement of Lease, dated as of May 24, 1993, between the Company and Cooke Properties Inc. (1)
- 10.19 -Employment Agreement, dated November 27, 2006, between the Company and Joseph C. Muscari (10)
- 21.1 -Subsidiaries of the Company (\*)
- 23.1 -Consent of Independent Registered Public Accounting Firm (\*)
- 31.1 -Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer (\*)
- 31.2 -Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer (\*)
- 32 -Section 1350 Certification (\*)

(1)Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

(2)Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-51292), originally filed on August 25, 1992.

(3)Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-59510), originally filed on March 15, 1993.

(4)[RESERVED]

(5)Incorporated by reference to the exhibit so designated filed with the Company's current Report on Form 8-K filed on May 27, 2005.

(6)Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

(7)Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

(8)Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2003.

(9)Incorporated by reference to the exhibit 10.1 filed with the Company's Current Report on Form 8-K filed on October 11, 2006.

(10)Incorporated by reference to exhibit 10.1 filed with the Company's Current Report on Form 8-K/A filed on December 1, 2006.

(\*)Filed herewith.

(+)Management contract or compensatory plan or arrangement required to be filed pursuant to Item 601 of Regulation S-K.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Paul R. Saueracker
Paul R. Saueracker
Chairman of the Board
and
Chief Executive Officer

February 27, 2007

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

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
/s/ Paul R. Saueracker Paul R. Saueracker	Chairman of the Board and Chief Executive Officer (principal executive officer)	February 27, 2007
/s/ John A. Sorel John A. Sorel	Senior Vice President-Finance and Chief Financial Officer (principal financial officer)	February 27, 2007
/s/ Michael A. Cipolla Michael A. Cipolla	Vice President - Controller and Chief Accounting Officer (principal accounting officer)	February 27, 2007

<b><u>SIGNATURE</u></b>	<b><u>TITLE</u></b>	<b><u>DATE</u></b>
/s/ Paula H.J. Cholmondeley Paula H. J. Cholmondeley	Director	February 27, 2007
/s/ Duane R. Dunham Duane R. Dunham	Director	February 27, 2007
/s/ Steven J. Golub Steven J. Golub	Director	February 27, 2007
/s/ Kristina M. Johnson Kristina M. Johnson	Director	February 27, 2007
/s/ Joseph C. Muscari Joseph C. Muscari	Director	February 27, 2007
/s/ Michael F. Pasquale Michael F. Pasquale	Director	February 27, 2007
/s/ John T Reid John T. Reid	Director	February 27, 2007
/s/ William C. Stivers William C. Stivers	Director	February 27, 2007

## MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES

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### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**  
(thousands of dollars)

**December 31,**

**2006**

**2005**

**Assets**

Current assets:

Cash and cash equivalents	\$ 67,929	\$ 51,100
Short-term investments, at cost which approximates market	8,380	2,350
Accounts receivable, less allowance for doubtful accounts:		
2006 - \$4,550; 2005 - \$5,818	188,784	184,272
Inventories	129,894	118,895
Prepaid expenses and other current assets	16,775	20,583
	<b>411,762</b>	<b>377,200</b>
Total current assets	411,762	377,200

Property, plant and equipment, less accumulated depreciation and depletion	652,797	628,745
Goodwill	68,977	53,612
Prepaid pension costs (Note 17)	25,717	67,795
Other assets and deferred charges	33,871	28,951
	<b>1,193,124</b>	<b>1,156,303</b>
Total assets	\$ 1,193,124	\$ 1,156,303

**Liabilities and Shareholders' Equity**

Current liabilities:

Short-term debt	\$ 87,644	\$ 62,847
Current maturities of long-term debt	2,063	53,698
Accounts payable	60,963	61,323
Income taxes payable	9,425	6,409
Accrued compensation and related items	22,569	14,956
Other current liabilities	29,399	32,019
Total current liabilities	212,063	231,252

Long-term debt	113,351	40,306
Accrued pension and postretirement benefits (Note 17)	55,419	23,214
Deferred taxes on income	18,605	49,374
Other non-current liabilities	41,129	40,995
Total liabilities	440,567	385,141

Commitments and contingent liabilities (Note 19)

Shareholders' equity:

Preferred stock, without par value; 1,000,000 shares authorized; none issued	--	--
Common stock at par, \$0.10 par value; 100,000,000 shares authorized; issued 28,102,001 shares in 2006 and 28,001,874 shares in 2005	2,810	2,800
Additional paid-in capital	269,101	261,159
Deferred compensation	--	(3,263)
Retained earnings	867,512	828,591
Accumulated other comprehensive income (loss)	(21,248)	(5,879)
Less common stock held in treasury, at cost; 9,016,473 shares in 2006 and 8,015,073 shares in 2005	<u>(365,618)</u>	<u>(312,246)</u>
Total shareholders' equity	<u>752,557</u>	<u>771,162</u>
 Total liabilities and shareholders' equity	 <u>\$ 1,193,124</u>	 <u>\$ 1,156,303</u>

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(thousands of dollars, except per share data)

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Net sales	\$ 1,059,307	\$ 990,751	\$ 918,952
Operating costs and expenses:			
Cost of goods sold	838,015	780,553	706,298
Marketing and administrative expenses	106,016	100,363	92,811
Research and development expenses	30,016	29,062	28,996
Bad debt expenses (recoveries)	377	(518)	1,576
Restructuring charges	--	--	1,145
Acquisition termination costs	--	--	997
Write-down of impaired assets	--	265	--
Income from operations	<u>84,883</u>	<u>81,026</u>	<u>87,129</u>
Interest income	1,762	1,384	1,589
Interest expense	(7,753)	(5,847)	(4,130)
Foreign exchange gains (losses)	(268)	(450)	(564)
Other income (deductions)	955	1,279	(1,399)
Non-operating deductions, net	<u>(5,304)</u>	<u>(3,634)</u>	<u>(4,504)</u>
Income before provision for taxes on income, minority interests and discontinued operations	79,579	77,392	82,625
Provision for taxes on income	24,588	22,985	23,637
Minority interests	<u>3,441</u>	<u>1,732</u>	<u>1,710</u>
Income from continuing operations	51,550	52,675	57,278
Income (loss) from discontinued operations, net of tax	<u>(1,599)</u>	<u>589</u>	<u>1,285</u>
Net income	<u>\$ 49,951</u>	<u>\$ 53,264</u>	<u>\$ 58,563</u>

**Earnings per share:**

Basic:

Income from continuing operations	\$ 2.63	\$ 2.59	\$ 2.79
Income (loss) from discontinued operations	(0.08)	0.03	0.06
Basic earnings per share	<u>\$ 2.55</u>	<u>\$ 2.62</u>	<u>\$ 2.85</u>

Diluted:

Income from continuing operations	\$ 2.61	\$ 2.56	\$ 2.76
Income (loss) from discontinued operations	(0.08)	0.03	0.06
Diluted earnings per share	<u>\$ 2.53</u>	<u>\$ 2.59</u>	<u>\$ 2.82</u>

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(thousands of dollars)

	Year Ended December 31,		
	2006	2005	2004
<b>Operating Activities</b>			
Net income	\$ 49,951	\$ 53,264	\$ 58,563
Income (loss) from discontinued operations	(1,599)	589	1,285
Income from continuing operations	51,550	52,675	57,278
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation, depletion and amortization	83,204	73,253	70,083
Write-down of impaired assets	--	265	--
Loss on disposal of property, plant and equipment	918	1,220	1,281
Deferred income taxes	4,345	6,392	(7,965)
Provisions for bad debts	377	(518)	3,876
Other	3,475	2,124	1,495
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	5,916	(34,646)	(3,175)
Inventories	(6,679)	(16,839)	(17,495)
Prepaid expenses and other current assets	2,951	280	(2,077)
Pension plan funding	(22,348)	(12,874)	(17,579)
Accounts payable	(5,059)	7,867	11,211
Income taxes payable	3,040	(6,080)	8,638
Tax benefits related to stock incentive programs	590	2,138	7,220
Other	12,900	1,587	15,461
Net cash provided by continuing operations	135,180	76,844	128,252
Net cash provided by discontinued operations	419	1,673	971
Net cash provided by operations	135,599	78,517	129,223
<b>Investing Activities</b>			
Purchases of property, plant and equipment	(85,159)	(111,539)	(106,423)
Purchases of short-term investments	(12,590)	(2,350)	(12,875)
Proceeds from sales of short-term investments	6,440	7,200	5,675
Proceeds from disposal of property, plant and equipment	675	311	1,655
Proceeds from insurance settlement	2,398	--	--
Acquisition of businesses, net of cash acquired	(32,416)	(3,170)	--
Net cash used in investing activities	(120,652)	(109,548)	(111,968)
<b>Financing Activities</b>			
Proceeds from issuance of long-term debt	75,000	--	--
Repayment of long-term debt	(53,754)	(3,825)	(2,757)
Net proceeds from issuance (repayment) of short-term debt	24,797	32,847	(831)
Purchase of common shares for treasury	(53,372)	(47,618)	(16,225)
Cash dividends paid	(3,911)	(4,070)	(4,102)
Proceeds from issuance of stock under option plan	3,741	8,747	14,173
Excess tax benefits related to stock incentive programs	152	--	--
Indemnification proceeds from former parent company	4,500	--	--
Debt issuance costs	(190)	--	--
Net cash used in financing activities	(3,037)	(13,919)	(9,742)



Effect of exchange rate changes on cash and cash equivalents	4,919	(9,717)	7,739
Net increase (decrease) in cash and cash equivalents	16,829	(54,667)	15,252
Cash and cash equivalents at beginning of year	51,100	105,767	90,515
Cash and cash equivalents at end of year	<u>\$ 67,929</u>	<u>\$ 51,100</u>	<u>\$ 105,767</u>

**Non-cash Investing and Financing Activities:**

Tax liability on indemnification proceeds from former parent company	<u>\$ 1,782</u>	<u>\$ --</u>	<u>\$ --</u>
Property, plant and equipment additions related to asset retirement obligations	<u>\$ --</u>	<u>\$ 839</u>	<u>\$ --</u>

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands)

	Common Stock Par Value	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Cost	Total
<i>Balance as of January 1, 2004</i>	<u>\$ 2,742</u>	<u>\$ 225,512</u>	<u>\$ (1,220)</u>	<u>\$ 724,936</u>	<u>\$ 3,814</u>	<u>\$ (248,403)</u>	<u>\$ 707,381</u>
Comprehensive income:							
Net income	--	--	--	58,563	--	--	58,563
Currency translation adjustment	--	--	--	--	33,974	--	33,974
Minimum pension liability adjustment	--	--	--	--	(2,246)	--	(2,246)
Cash flow hedges:							
Net derivative losses arising during the year	--	--	--	--	150	--	150
Reclassification adjustment	--	--	--	--	(68)	--	(68)
Total comprehensive income	--	--	--	58,563	31,810	--	90,373
Dividends declared	--	--	--	(4,102)	--	--	(4,102)
Employee Benefit transactions	36	14,137	--	--	--	--	14,173
Income tax benefit arising from employee stock option plans	--	7,220	--	--	--	--	7,220
Issuance of restricted stock	--	1,361	(1,361)	--	--	--	--
Amortization of restricted stock	--	--	493	--	--	--	493
Purchase of common stock for treasury	--	--	--	--	--	(16,225)	(16,225)
<i>Balance as of December 31, 2004</i>	<u>2,778</u>	<u>248,230</u>	<u>(2,088)</u>	<u>779,397</u>	<u>35,624</u>	<u>(264,628)</u>	<u>799,313</u>
Comprehensive Income:							
Net income	--	--	--	53,264	--	--	53,264
Currency translation adjustment	--	--	--	--	(43,648)	--	(43,648)
Minimum pension liability adjustment	--	--	--	--	1,901	--	1,901
Cash flow hedge:							
Net derivative losses arising during the year	--	--	--	--	(118)	--	(118)
Reclassification adjustment	--	--	--	--	362	--	362
Total comprehensive income	--	--	--	53,264	(41,503)	--	11,761
Dividends declared	--	--	--	(4,070)	--	--	(4,070)
Employee Benefit transactions	22	8,725	--	--	--	--	8,747
Income tax benefit arising from employee stock option plans	--	2,138	--	--	--	--	2,138
Issuance of restricted stock	--	2,066	(2,066)	--	--	--	--
Amortization of restricted stock	--	--	891	--	--	--	891
Purchase of common stock for treasury	--	--	--	--	--	(47,618)	(47,618)
<i>Balance as of December 31, 2005</i>	<u>2,800</u>	<u>261,159</u>	<u>(3,263)</u>	<u>828,591</u>	<u>(5,879)</u>	<u>(312,246)</u>	<u>771,162</u>
Comprehensive Income:							
Net income	--	--	--	49,951	--	--	49,951
Currency translation adjustment	--	--	--	--	35,924	--	35,924
Additional minimum liability	--	--	--	--	2,988	--	2,988
Cash flow hedge:							
Net derivative losses arising during the year	--	--	--	--	(62)	--	(62)
Reclassification adjustment	--	--	--	--	124	--	124
Total comprehensive income	--	--	--	49,951	38,974	--	88,925
Dividends declared	--	--	--	(3,911)	--	--	(3,911)
Opening retained earnings adjustment due to adoption of EITF 04-06 (Note 23)	--	--	--	(7,119)	--	--	(7,119)
Employee Benefit transactions	10	3,731	--	--	--	--	3,741
Income tax benefit arising from employee stock option plans	--	741	--	--	--	--	741
Reclassification of unearned compensation	--	(3,263)	3,263	--	--	--	--
Amortization of restricted stock	--	1,679	--	--	--	--	1,679
Indemnity proceeds, net of tax	--	--	--	--	--	--	--

(Note 25)	--	2,718	--	--	--	--	2,718
Adjustment to initially apply SFAS 158,							
net of tax	--	--	--	--	(54,343)	--	(54,343)
Stock option expenses	--	2,336	--	--	--	--	2,336
Purchase of common stock for treasury	--	--	--	--	--	(53,372)	(53,372)
Balance as of December 31, 2006	<u>\$ 2,810</u>	<u>\$ 269,101</u>	<u>\$ --</u>	<u>\$ 867,512</u>	<u>\$ (21,248)</u>	<u>\$(365,618)</u>	<u>\$ 752,557</u>

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying consolidated financial statements include the accounts of Minerals Technologies Inc. (the "Company") and its wholly and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

The Company employs accounting policies that are in accordance with U.S. generally accepted accounting principles and require management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates include those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income tax, valuation allowances, and litigation and environmental liabilities. Actual results could differ from those estimates.

*Business*

The Company is a resource- and technology-based company that develops, produces and markets on a worldwide basis a broad range of specialty mineral, mineral-based and synthetic mineral products and related systems and technologies. The Company's products are used in manufacturing processes of the paper and steel industries, as well as by the building materials, polymers, ceramics, paints and coatings, glass and other manufacturing industries.

*Cash Equivalents and Short-term Investments*

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents amounted to \$4.0 million at December 31, 2006. Short-term investments consist of financial instruments with original maturities beyond three months. Short-term investments amounted to \$8.4 million and \$2.4 million at December 31, 2006 and 2005, respectively.

*Trade Accounts Receivable*

Trade accounts receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience and specific allowances for bankrupt customers. The Company also analyzes the collection history and financial condition of its other customers, considering current industry conditions and determines whether an allowance needs to be established. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days based on payment terms are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

*Inventories*

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Effective January 1, 2006, the Company has adopted SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4." As required by this statement, items such as idle facility expense, excessive spoilage, freight handling costs and re-handling costs are recognized as current period charges. In addition, the allocation of fixed production overheads to the costs of conversion should be based upon the normal capacity of the production facility. Fixed overhead costs associated with idle capacity are expensed as incurred. SFAS No. 151 did not have a material impact on our results of operations during the year ended December 31, 2006.

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost. Significant improvements are capitalized, while maintenance and repair expenditures are charged to operations as incurred. The Company capitalizes interest cost as a component of construction in progress. In general, the straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 3% - 6.67% for buildings, 6.67% - 12.5% for machinery and equipment, 8% - 12.5% for furniture and fixtures and 12.5% - 25% for computer equipment and software-related assets. The estimated useful lives of our PCC production facilities and machinery and equipment pertaining to our natural stone mining and processing plants and our chemical plants are 15 years.

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. The Company's sales of PCC are predominantly

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

pursuant to long-term evergreen contracts, initially ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. Failure of a PCC customer to renew an agreement or continue to purchase PCC from a Company facility could result in an impairment of assets charge or accelerated depreciation at such facility.

Depletion of mineral reserves is determined on a unit-of-extraction basis for financial reporting purposes, based upon proven and probable reserves, and on a percentage depletion basis of tax purposes.

*Stripping Costs Incurred During Production*

As further discussed in Note 23, effective January 1, 2006, the Company has adopted the consensus of Emerging Issues Task Force ("EITF") Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." Stripping costs are those costs incurred for the removal of waste materials for the purpose of accessing ore body that will be produced commercially. Stripping costs incurred during the production phase of a mine are variable costs that are included in the costs of inventory produced during the period that the stripping costs are incurred.

*Accounting for the Impairment of Long-Lived Assets*

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived assets," and EITF 04-3, "Mining Assets: Impairment and Business Combinations." SFAS No. 144 establishes a uniform accounting model for long-lived assets to be disposed of. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows (excluding interest), resulting from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset, determined principally using discounted cash flows.

*Goodwill and Other Intangible Assets*

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. The Company accounts for goodwill and other intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated lives to the estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the fair value for the reporting unit is compared to its book value including goodwill. In the case that the fair value of the reporting unit is less than book value, a second step is performed which compares the fair value of the reporting unit's goodwill to the book value of the goodwill. The fair value for the goodwill is determined based on the difference between the fair values of the reporting unit and the net fair values of the identifiable assets and liabilities of such reporting unit. If the fair value of the goodwill is less than the book value, the difference is recognized as an impairment.

*Accounting for Asset Retirement Obligations*

The Company accounts for asset retirement obligations in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations" and under the provisions of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations." SFAS No. 143 establishes the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. FASB Interpretation No. 47 includes legal obligations to perform asset retirement activities where timing or method of settlement are conditional on future events.

*Fair Value of Financial Instruments*

The recorded amounts of cash and cash equivalents, receivables, short-term borrowings, accounts payable, accrued interest, and variable-rate long-term debt approximate fair value because of the short maturity of those instruments or the variable nature of underlying interest rates. Short-term investments are recorded at cost, which approximates fair market value.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Derivative Financial Instruments*

The Company enters into derivative financial instruments to hedge certain foreign exchange and interest rate exposures pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." See the Notes on Derivative Financial Instruments and Hedging Activities and Financial Instruments and Concentrations of Credit Risk in the Consolidated Financial Statements for a full description of the Company's hedging activities and related accounting policies.

*Revenue Recognition*

Revenue from sale of products is recognized at the time the goods are shipped and title passes to the customer. In most of the Company's PCC contracts, the price per ton is based upon the total number of tons sold to the customer during the year. Under those contracts the price billed to the customer for shipments during the year is based on periodic estimates of the total annual volume that will be sold to such customer. Revenues are adjusted at the end of each year to reflect the actual volume sold. We have consignment arrangements with certain customers in our Refractories segment. Revenues for these transactions are recorded when the consigned products are consumed by the customer.

Revenues from sales of equipment are recorded upon completion of installation and receipt of customer acceptance. Revenues from services are recorded when the services have been performed.

*Foreign Currency*

The assets and liabilities of the Company's international subsidiaries are translated into U.S. dollars using exchange rates at the respective balance sheet date. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) in shareholders' equity. Income statement items are generally translated at monthly average exchange rates prevailing during the period. Other foreign currency gains and losses are included in net income. International subsidiaries operating in highly inflationary economies translate non-monetary assets at historical rates, while net monetary assets are translated at current rates, with the resulting translation adjustments included in net income. At December 31, 2006, the Company had no international subsidiaries operating in highly inflationary economies.

*Income Taxes*

Income taxes are provided for based on the asset and liability method of accounting pursuant to SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company operates in multiple taxing jurisdictions, both within the U.S. and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company regularly assesses its tax position for such transactions and includes reserves for those differences in position. The reserves are utilized or reversed once the statute of limitations has expired or the matter is otherwise resolved.

The accompanying financial statements generally do not include a provision for U.S. income taxes on international subsidiaries' unremitted earnings, which are expected to be permanently reinvested overseas.

*Research and Development Expenses*

Research and development expenses are expensed as incurred.

*Accounting for Stock-Based Compensation*

As further discussed in Note 2, effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payment," using the modified prospective method. Under this transition method, stock-based compensation expense was recognized in the consolidated financial statements for stock options granted on and subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." As provided under the modified prospective method, results for prior periods have not been restated. Prior to its adoption of SFAS No. 123R, the Company accounted for stock-based compensation using the intrinsic value method in APB Opinion No. 25 and recognized no compensation expense in its financial statements. As permitted by SFAS No. 123, stock-based compensation was included as a pro-forma disclosure in the notes to the consolidated financial statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Pension and Post-retirement Benefits*

The Company has defined benefit pension plans covering the majority of its employees. The benefits are generally based on years of service and an employee's modified career earnings.

The Company also provides post-retirement healthcare benefits for the majority of its retirees and employees in the United States. The Company measures the costs of its obligation based on its best estimate. The net periodic costs are recognized as employees render the services necessary to earn the post-retirement benefits.

*Environmental*

Expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when it is probable the Company will be obligated to pay amounts for environmental site evaluation, remediation or related costs, and such amounts can be reasonably estimated.

*Earnings Per Share*

Basic earnings per share have been computed based upon the weighted average number of common shares outstanding during the period.

Diluted earnings per share have been computed based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all potentially dilutive common shares outstanding.

*Reclassifications*

Certain reclassifications were made to prior year amounts to conform with the current year presentation.

**Note 2. Stock-Based Compensation**

The Company has a 2001 Stock Award and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options granted under the Plan generally have a ten year term. The exercise price for stock options are at prices at or above the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payments," using the modified prospective method. Under this transition method, stock-based compensation expense was recognized in the consolidated financial statements for stock options granted on and subsequent to January 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123. As provided under the modified prospective method, results for prior periods have not been restated. The cumulative effect of the adoption of SFAS No. 123R did not have a significant impact on the financial statements.

Net income for 2006 includes \$2.3 million pretax compensation costs related to stock option expense as a component of marketing and administrative expenses. All stock option expense is recognized in income. The related tax benefit on the non-qualified stock options is \$0.5 million for 2006.

Prior to the adoption of SFAS No. 123R, all income tax benefits resulting from the exercise of stock options were presented as operating cash inflows in the consolidated statements of cash flows. As required under SFAS No. 123R, the benefits of tax deductions in excess of the tax benefit of compensation costs recognized or would have been recognized under SFAS No. 123 for those options are classified as financing inflows on the consolidated statement of cash flows.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table shows the pro forma effects on net income and earnings per share for the years ended December 31, 2005 and 2004 had compensation cost been recognized in accordance with SFAS No. 123, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure."

<b>(in millions, except per share data)</b>	<b>Dec. 31, 2005</b>	<b>Dec. 31, 2004</b>
Net income, as reported	\$ 53.3	\$ 58.6
Add: Stock-based employee compensation included		
in reported net income, net of related tax effects	0.6	0.3
Deduct: Total stock-based employee compensation		
expense determined under fair value based method for all awards, net of related tax effects	(2.1)	(2.7)
Pro forma net income	<u>\$ 51.8</u>	<u>\$ 56.2</u>

**Basic EPS**

Net income, as reported	\$ 2.62	\$ 2.85
Pro forma net income	\$ 2.54	\$ 2.73

**Diluted EPS**

Net income, as reported	\$ 2.59	\$ 2.82
Pro forma net income	\$ 2.52	\$ 2.72

Disclosures for the period ended December 31, 2006 are not presented because the amounts are recognized in the consolidated financial statements.

*Stock Options*

The fair value of options granted is estimated on the date of grant using the Black-Scholes valuation model. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated at the date of grant based on the Company's historical experience and future expectations. The forfeiture rate assumption used for the period ended December 31, 2006 was approximately 8%.

The weighted average grant date fair value for stock options granted during the years ended December 31, 2006, 2005 and 2004 was \$18.97, \$24.13 and \$20.73, respectively. The weighted average grant date fair value for stock options vested during 2006 was \$20.83. The total intrinsic value of stock options exercised during the year ended December 31, 2006 was \$1.8 million.

The fair value for stock awards was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions for the years ended December 31, 2006, 2005 and 2004:

	<b>2006</b>	<b>2005 (pro forma)</b>	<b>2004 (pro forma)</b>
Expected life (years)	6.4	7.0	7.0
Interest rate	4.63%	4.36%	3.94%
Volatility	24.78%	28.72%	29.58%
Expected dividend yield	0.37%	0.32%	0.37%

The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, based upon contractual terms, vesting schedules, and expectations of future employee behavior. The expected stock-price volatility is based upon the historical volatility of the Company's stock. The interest rate is based upon the implied yield on U.S. Treasury bills with an equivalent remaining term. Estimated dividend yield is based upon historical dividends paid by the Company.



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The following table summarizes stock option activity for the year ended December 31, 2006:

	<u>Shares</u>	<u>Weighted Average Exercise Price Per Share</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Balance January 1, 2006	1,185,765	\$ 45.15		
Granted	79,200	54.82		
Exercised	(103,392)	39.02		
Canceled	(9,504)	35.80		
Balance December 31, 2006	<u>1,152,069</u>	<u>\$ 46.44</u>	<u>4.78</u>	<u>\$ 14,228</u>
Exercisable, December 31, 2006	<u>925,180</u>	<u>\$ 44.22</u>	<u>3.20</u>	<u>\$ 13,480</u>

The aggregate intrinsic value above is before applicable income taxes, based on the Company's closing stock price of \$58.79 as of the last business day of the period ended December 31, 2006 had all options been exercised on that date. The weighted average intrinsic value of the options exercised during 2006 was \$17.48. As of December 31, 2006, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$2.8 million, which is expected to be recognized over a weighted average period of approximately three years.

The Company issues new shares of common stock upon the exercise of stock options.

Non-vested stock option activity for the year ended December 31, 2006 is as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price Per Share</u>
Nonvested options outstanding at December 31, 2005	260,846	\$ 55.00
Options granted	79,200	54.82
Options vested	(112,221)	53.87
Options forfeited	(936)	53.89
Nonvested options outstanding, December 31, 2006	<u>226,889</u>	<u>\$ 55.50</u>

The following table summarizes additional information concerning options outstanding at December 31, 2006:

<u>Options Outstanding</u>				<u>Options Exercisable</u>	
<u>Range of Exercise Prices</u>	<u>Number Outstanding at 12/31/06</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable at 12/31/06</u>	<u>Weighted Average Exercise Price</u>
\$ 34.825 - \$ 44.156	513,425	2.5	\$ 38.85	513,425	\$ 38.85
\$ 46.625 - \$ 54.225	568,144	6.4	\$ 51.46	388,851	\$ 50.28
\$ 55.840 - \$ 66.000	70,500	8.3	\$ 61.22	22,904	\$ 61.43
<u>\$ 34.825 - \$ 66.000</u>	<u>1,152,069</u>	<u>4.8</u>	<u>\$ 46.44</u>	<u>925,180</u>	<u>\$ 44.22</u>

*Restricted Stock*

The Company has granted certain corporate officers rights to receive shares of the Company's common stock under the Company's 2001 Stock Award and Incentive Plan (the "Plan"). The rights will be deferred for a specified number of years of service, subject to restrictions on transfer and other conditions. Upon issuance of the rights, a deferred compensation expense equivalent to the market value of the underlying shares on the date of the grant was charged to stockholders' equity and was being amortized over the estimated average deferral period of approximately five years. Under the provisions of SFAS No. 123R, the recognition of unearned compensation is no longer required. Accordingly, in the first quarter of 2006, the balance of Deferred Equity Compensation was reversed into Additional Paid-in Capital on the Company's balance sheet. The Company granted 50,300 shares and 36,100 shares for the periods ended December 31, 2006 and 2005, respectively. The fair value was determined based on the market value of unrestricted shares. The discount for the restriction was not significant. As of December 31, 2006, there was unrecognized stock-based compensation related to restricted stock of \$4.3 million,



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which will be recognized over approximately the next four years. The compensation expense amortized with respect to all units was approximately \$1.7 million and \$0.9 million for the periods ended December 31, 2006 and 2005, respectively. Such costs are included in marketing and administrative expenses. 255 restricted stock shares were vested as of December 31, 2006.

The following table summarizes the restricted stock activity for the Plan:

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested balance at December 31, 2005	84,755	\$ 54.20
Granted	50,300	\$ 54.91
Vested	(255)	\$ 39.30
Canceled	--	\$ --
Unvested balance at December 31, 2006	<u>134,800</u>	<u>\$ 55.61</u>

**Note 3. Earnings Per Share (EPS)**

(thousand of dollars, except per share amounts)

	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Basic EPS</b>			
Income from continuing operations	\$ 51,550	\$ 52,675	\$ 57,278
Income (loss) from discontinued operations	(1,599)	589	1,285
Net income	<u>\$ 49,951</u>	<u>\$ 53,264</u>	<u>\$ 58,563</u>
Weighted average shares outstanding	19,600	20,345	20,530
Basic earnings per share from continuing operations	\$ 2.63	\$ 2.59	\$ 2.79
Basic earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06
Basic earnings per share	<u>\$ 2.55</u>	<u>\$ 2.62</u>	<u>\$ 2.85</u>
<b>Diluted EPS</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Income from continuing operations	\$ 51,550	\$ 52,675	\$ 57,278
Income (loss) from discontinued operations	(1,599)	589	1,285
Net income	<u>\$ 49,951</u>	<u>\$ 53,264</u>	<u>\$ 58,563</u>
Weighted average shares outstanding	19,600	20,345	20,530
Dilutive effect of stock options	138	222	239
Weighted average shares outstanding, adjusted	<u>19,738</u>	<u>20,567</u>	<u>20,769</u>
Diluted earnings per share from continuing operations	\$ 2.61	\$ 2.56	\$ 2.76
Diluted earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06
Diluted earnings per share	<u>\$ 2.53</u>	<u>\$ 2.59</u>	<u>\$ 2.82</u>

The weighted average diluted common shares outstanding for the years ended December 31, 2006 and December 31, 2005 exclude the dilutive effect of 371,587 options and 56,700 options, respectively, since such options had an exercise price in excess of the average market value of the Company's common stock during such year.

The weighted average diluted common shares outstanding for the year ended December 31, 2006 includes the effect of average unearned compensation as required under SFAS No. 123R.

**Note 4. Discontinued Operations**

In April 2006, the Company ceased operation at its one-unit satellite PCC facility in Hadera, Israel. In the fourth quarter, the Company recorded a loss from discontinued operations of approximately \$1.7 million upon liquidation of its investment in Israel. This loss was predominantly related to the recognition of foreign currency translation losses previously recognized in accumulated other comprehensive income (loss).



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The following table details selected financial information for the discontinued operation in the consolidated statements of income:

Thousands of Dollars	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net sales	\$ 1,468	\$ 5,087	\$ 4,715
Income from operations	\$ 77	\$ 804	\$ 1,948
Foreign currency translation loss upon liquidation	\$ (1,563)	\$ --	\$ --
Provision for taxes on income	\$ 79	\$ 304	\$ 662
Income (loss) from discontinued operations, net of tax	\$ (1,599)	\$ 589	\$ 1,285

**Note 5. Income Taxes**

Income before provision for taxes, minority interests, and discontinued operations by domestic and foreign source is as follows:

Thousands of Dollars	<u>2006</u>	<u>2005</u>	<u>2004</u>
Domestic	\$ 41,095	\$ 40,468	\$ 42,070
Foreign	38,484	36,924	40,555
Total income before provision for income taxes	<u>\$ 79,579</u>	<u>\$ 77,392</u>	<u>\$ 82,625</u>

The provision for taxes on income consists of the following:

Thousands of Dollars	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Domestic</b>			
Taxes currently payable			
Domestic			
Federal	\$ 6,205	\$ 5,561	\$ 13,406
State and local	2,877	876	3,483
Deferred income taxes	5,044	7,144	(3,890)
Domestic tax provision	<u>14,126</u>	<u>13,581</u>	<u>12,999</u>
<b>Foreign</b>			
Taxes currently payable	11,161	10,220	14,717
Deferred income taxes	(699)	(816)	(4,079)
Foreign tax provision	<u>10,462</u>	<u>9,404</u>	<u>10,638</u>
Total tax provision	<u>\$ 24,588</u>	<u>\$ 22,985</u>	<u>\$ 23,637</u>

The provision for taxes on income shown in the previous table is classified based on the location of the taxing authority, regardless of the location in which the taxable income is generated.

The major elements contributing to the difference between the U.S. federal statutory tax rate and the consolidated effective tax rate are as follows:

Percentages	<u>2006</u>	<u>2005</u>	<u>2004</u>
U.S. statutory tax rate	35.0 %	35.0 %	35.0 %
Depletion	(5.3)	(4.9)	(4.1)
Difference between tax provided on foreign earnings			
and the U.S. statutory rate	(3.8)	(4.5)	(3.5)
State and local taxes, net of Federal tax benefit	2.4	1.9	1.0
Tax credits and foreign dividends	0.9	2.3	(0.1)
Increase in valuation allowance	1.4	--	--

Other	<u>0.3</u>	<u>(0.1)</u>	<u>0.4</u>
Consolidated effective tax rate	<u>30.9 %</u>	<u>29.7 %</u>	<u>28.7 %</u>
	<u>          </u>	<u>          </u>	<u>          </u>

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The Company believes that its accrued liabilities are sufficient to cover its U.S. and foreign tax contingencies. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

<b>Thousands of Dollars</b>	<b>2006</b>	<b>2005</b>
Deferred tax assets:		
State and local taxes	\$ 2,593	\$ 4,324
Accrued expenses	8,771	10,214
Deferred expenses	1,399	3,037
Net operating loss carry forwards	13,236	15,204
Pension and post-retirement benefits costs	15,268	--
Other	11,107	6,852
Total deferred tax assets	<u>\$ 52,374</u>	<u>\$ 39,631</u>

<b>Thousands of Dollars</b>	<b>2006</b>	<b>2005</b>
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	\$ 56,628	\$ 62,803
Pension and post-retirement benefits cost deducted for tax purposes		
in excess of amounts reported for financial statements	--	14,673
Other	11,538	6,563
Total deferred tax liabilities	<u>68,166</u>	<u>84,039</u>
Net deferred tax liabilities	<u>\$ 15,792</u>	<u>\$ 44,408</u>

The current and long-term portion of net deferred tax (assets) liabilities is as follows:

<b>Thousands of Dollars</b>	<b>2006</b>	<b>2005</b>
Net deferred tax assets, current	\$ (2,813)	\$ (4,966)
Net deferred tax liabilities, long-term	18,605	49,374
	<u>\$ 15,792</u>	<u>\$ 44,408</u>

The current portion of the net deferred tax assets is included in prepaid expenses and other current assets.

The Company established a valuation allowance of approximately \$0.9 million as of December 31, 2006. This valuation allowance relates to net operating loss carryforwards in the state of Ohio where there is an uncertainty regarding their realizability. There was no valuation allowance as of December 31, 2005.

The Company recorded \$13.2 million of deferred tax assets arising from tax loss carry forwards which will be realized through future operations. Carry forwards of approximately \$1.8 million expire over the next 15 years, and \$11.4 million can be utilized over an indefinite period.

The Company operates in multiple taxing jurisdictions, both within the U.S. and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company regularly assesses its tax position for such transactions and includes reserves for those differences in position. The reserves are utilized or reversed once the statute of limitations has expired or the matter is otherwise resolved.

Net cash paid for income taxes were \$18.0 million, \$21.2 million and \$15.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

In December 2004, the FASB issued SFAS No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which provides relief concerning the timing of the SFAS No. 109 requirement to accrue deferred taxes for unremitted earnings of foreign subsidiaries. On October 22, 2004, the American Jobs Act Creation Act of 2004 ("AJCA") was signed into law. The AJCA includes a special, one-time, 85% dividends received deduction for certain foreign earnings that are repatriated. The Company repatriated \$18.5 million in 2005 under this Act, which resulted in a tax liability of approximately \$1.2 million and increased the effective tax rate by 1.5%.

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**Note 6. Foreign Operations**

The Company has not provided for U.S. federal and foreign withholding taxes on \$139.2 million of foreign subsidiaries' undistributed earnings as of December 31, 2006 because such earnings are intended to be permanently reinvested overseas. To the extent the parent company has received foreign earnings as dividends, the foreign taxes paid on those earnings have generated tax credits, which have substantially offset related U.S. income taxes. However, in the event that the entire \$139.2 million of foreign earnings were to be repatriated, incremental taxes may be incurred. We do not believe this amount would be greater than \$12.2 million.

Net foreign currency exchange (losses) gains, included in non-operating deductions in the Consolidated Statements of Income, were \$(268,000), \$(450,000), and \$(564,000) for the years ended December 31, 2006, 2005 and 2004, respectively.

**Note 7. Inventories**

The following is a summary of inventories by major category:

Thousands of Dollars	2006	2005
Raw materials	\$ 60,013	\$ 54,471
Work in process	8,321	7,727
Finished goods	38,911	36,264
Packaging and supplies	22,649	20,433
Total inventories	<u>\$ 129,894</u>	<u>\$ 118,895</u>

**Note 8. Property, Plant and Equipment**

The major categories of property, plant and equipment and accumulated depreciation and depletion are presented below:

Thousands of Dollars	2006	2005
Land	\$ 24,087	\$ 19,433
Quarries/mining properties	39,123	50,543
Buildings	173,815	157,038
Machinery and equipment	1,071,046	969,537
Construction in progress	52,107	75,852
Furniture and fixtures and other	118,744	107,895
	<u>1,478,922</u>	<u>1,380,298</u>
Less: Accumulated depreciation and depletion	(826,125)	(751,553)
Property, plant and equipment, net	<u>\$ 652,797</u>	<u>\$ 628,745</u>

Approximately 40% of the balance in construction in progress as of December 31, 2006 relates to the construction of a new facility for the SYNSIL<sup>®</sup> product line.

Depreciation and depletion expense for the years ended December 31, 2006, 2005 and 2004 was \$79.8 million, \$70.9 million, and \$69.6 million, respectively.

**Note 9. Restructuring Charges**

During the fourth quarter of 2003, the Company announced plans to restructure its operations in an effort to reduce operating costs and to improve efficiency. The Company recorded a pre-tax restructuring charge of \$3.3 million in the fourth quarter of 2003 to reflect these actions, consisting of severance, other employee benefits, and lease termination costs. During 2004, additional costs related to this program of \$1.1 million were recorded. As of December 31, 2006, all employees identified in the workforce reduction were terminated and no liability remains to be paid.



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**Note 10. Acquisitions**

In October 2006, the Company acquired all of the outstanding stock of ASMAS, an Istanbul-based Turkish producer of refractories for approximately \$32.4 million in cash. The terms of the acquisition provides for an additional purchase price of up to \$5 million to be paid in 2009 based upon performance criteria through 2008. The operations of this entity have been included in the Refractories segment of the Company's financial statements since the date of the acquisition. This acquisition will allow the Company to service the growing steel industries in Eastern Europe and the Middle East, and to provide vertical integration through its own kilns and sources of magnesite.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of the acquisition:

(Millions of Dollars)	<u>2006</u>
Current assets	\$ 5.1
Property, plant and equipment	13.5
Intangible assets	8.6
Goodwill	<u>13.8</u>
Total assets acquired	41.0
Liabilities assumed	<u>8.6</u>
Net cash paid	<u><u>\$ 32.4</u></u>

The purchase price allocation has not been finalized as of December 31, 2006.

The weighted average amortization period for the acquired intangible assets subject to amortization is approximately 13.5 years. Goodwill associated with this transaction is not tax deductible.

Pro forma financial information has not been presented since this business combination was not material to the Company's total assets or results of operations.

In the fourth quarter of 2005, the Company made a cash acquisition of the metallurgical measurement technology/digital electrode control system product line of ET Electrotechnology GmbH for approximately \$3.2 million. This acquisition and related technology offers a power consumption system in electric steelmaking and ladle furnaces. The Company recorded tax-deductible goodwill of approximately \$1.3 million in connection with this acquisition.

In the fourth quarter of 2004, the Company recognized pre-tax corporate charges of \$1.0 million expense related to due diligence for a terminated acquisition effort.

**Note 11. Goodwill and Other Intangible Assets**

The carrying amount of goodwill was \$69.0 million and \$53.6 million as of December 31, 2006 and December 31, 2005, respectively. The net change in goodwill since December 31, 2005 was primarily attributable to the acquisition of ASMAS and the effect of foreign exchange.

Acquired intangible assets included in other assets and deferred charges subject to amortization as of December 31, 2006 and December 31, 2005 were as follows:

(Millions of Dollars)	<u>December 31, 2006</u>		<u>December 31, 2005</u>	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	\$ 7.2	\$ 1.8	\$ 6.0	\$ 1.4
Customer lists	10.0	0.8	2.9	0.4
Other	0.1	--	--	--
	<u>\$ 17.3</u>	<u>\$ 2.6</u>	<u>\$ 8.9</u>	<u>\$ 1.8</u>

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Amortization expense was approximately \$0.8 million, \$0.3 million and \$0.4 million for the years ended December 31, 2006,

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2005 and 2004, respectively. The estimated amortization expense is \$1.2 million for each of the next five years through 2011.

Included in other assets and deferred charges is an additional intangible asset of approximately \$7.3 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at eight satellite PCC facilities. In addition, a current portion of \$1.8 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately \$1.8 million was amortized in 2006. Estimated amortization as a reduction of sales is as follows: 2007 - \$1.8 million; 2008 - \$1.8 million; 2009 - \$1.5 million; 2010 - \$1.2 million; 2011 - \$0.9 million; with smaller reductions thereafter over the remaining lives of the contracts.

**Note 12. Accounting for Impairment of Long-Lived Assets**

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a uniform accounting model for disposition of long-lived assets. This statement also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2005, the Company recorded a writedown of impaired assets of \$0.3 million for the closure of our satellite facility at Cornwall, Canada in the first quarter of 2006.

**Note 13. Derivative Financial Instruments and Hedging Activities**

The Company is exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of its business. As part of its risk management strategy, the Company uses interest-rate related derivative instruments to manage its exposure on its debt instruments, as well as forward exchange contracts (FEC) to manage its exposure to foreign currency risk on certain raw material purchases. The Company's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge them. The Company has not entered into derivative instruments for any purpose other than to hedge certain expected cash flows. The Company does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates and foreign currencies, the Company exposes itself to credit risk and market risk. Credit risk is the risk that the counterparty will fail to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty, and therefore, it does not face any credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with major financial institutions.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates, currency exchange rates, or commodity prices. The market risk associated with interest rate and forward exchange contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Based on criteria established by SFAS No. 133, the Company designated its derivatives as cash flow hedges. During 2001, the Company entered into three-year interest rate swap agreements with notional amounts totaling \$30 million that expired in January 2005. These agreements effectively converted a portion of the Company's floating-rate debt to a fixed-rate basis with an interest rate of 4.5%, thus reducing the impact of the interest rate changes on future cash flows and income. The Company uses FEC's designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted inventory purchases. The Company had 12 open foreign exchange contracts as of December 31, 2006.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is initially recorded in accumulated other comprehensive income (loss) as a separate component of shareholders' equity and subsequently reclassified into earnings in the period during which the hedged transaction is recognized in earnings. The gains and losses associated with these forward exchange contracts are recognized into cost of sales. Gains and losses and hedge ineffectiveness associated with these derivatives were not significant.

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**Note 14. Short-term Investments**

The composition of the Company's short-term investments are as follows:

<b>(in thousands of dollars)</b>	<b>2006</b>	<b>2005</b>
Short-term Investments -		
Available for Sale Securities:		
Short-term bank deposits	\$ 8,380	\$ 2,350

There were no unrealized holding gains and losses on the short-term bank deposits held at December 31, 2006 since the carrying amount approximates fair market value.

**Note 15. Financial Instruments and Concentrations of Credit Risk**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Cash and cash equivalents, short-term investments, accounts receivable and payable:* The carrying amounts approximate fair value because of the short maturities of these instruments.

*Short-term debt and other liabilities:* The carrying amounts of short-term debt and other liabilities approximate fair value because of the short maturities of these instruments.

*Long-term debt:* The fair value of the long-term debt of the Company is estimated based on the quoted market prices for that debt or similar debt and approximates the carrying amount.

*Forward exchange contracts:* The fair value of forward exchange contracts (used for hedging purposes) is estimated by obtaining quotes from brokers. If appropriate, the Company would enter into forward exchange contracts to mitigate the impact of foreign exchange rate movements on the Company's operating results. It does not engage in speculation. Such foreign exchange contracts would offset losses and gains on the assets, liabilities and transactions being hedged. At December 31, 2006, the Company had open foreign exchange contracts with a financial institution to purchase approximately \$4.7 million of foreign currencies. These contracts range in maturity from February 9, 2007 to July 10, 2007. The fair value of these instruments was a liability of \$0.1 million at December 31, 2006. The fair value of the open foreign exchange contracts at December 31, 2005 was a liability of \$0.2 million.

*Credit risk:* Substantially all of the Company's accounts receivable are due from companies in the paper, construction and steel industries. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contracts. The Company regularly monitors its credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company's extension of credit is based on an evaluation of the customer's financial condition and collateral is generally not required.

The Company's bad debt expense (recoveries) for the years ended December 31, 2006, 2005 and 2004 was \$0.4 million, \$(0.5) million and \$1.6 million, respectively.

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**Note 16. Long-Term Debt and Commitments**

The following is a summary of long term debt:

<b>(thousands of dollars)</b>	<b>Dec. 31, 2006</b>	<b>Dec. 31, 2005</b>
5.53% Series 2006A Senior Notes	\$ 50,000	\$ --
Due October 5, 2013		
Floating Rate Series 2006A Senior Notes	25,000	--
Due October 5, 2013		
7.49% Guaranteed Senior Notes Due July 24, 2006	--	50,000
Yen-denominated Guaranteed Credit Agreement		
Due March 31, 2007	605	3,062
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due 2009	4,000	4,000
Economic Development Authority Refunding		
Revenue Bonds Series 1999 Due 2010	4,600	4,600
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due August 1, 2012	8,000	8,000
Variable/Fixed Rate Industrial		
Development Revenue Bonds Series 1999 Due November 1, 2014	8,200	8,200
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due March 31, 2020	5,000	5,000
Installment obligations	8,812	9,700
Other borrowings	1,197	1,442
Total	115,414	94,004
Less: Current maturities	2,063	53,698
Long-term debt	\$113,351	\$ 40,306

On July 24, 1996, through a private placement, the Company issued \$50 million of 7.49% Guaranteed Senior Notes due July 24, 2006. The proceeds from the sale of the notes were used to refinance a portion of the short-term commercial bank debt outstanding. These notes matured and were paid on July 24, 2006.

On May 17, 2000, the Company's majority-owned subsidiary, Specialty Minerals FMT K.K., entered into a Yen-denominated Guaranteed Credit Agreement with the Bank of New York due March 31, 2007. The proceeds were used to finance the construction of a PCC satellite facility in Japan. Principal payments began June 30, 2002. Interest is payable quarterly at a rate of 2.05% per annum.

The Variable/Fixed Rate Industrial Development Revenue Bonds due 2009 are tax-exempt 15-year instruments issued to finance the expansion of a PCC plant in Selma, Alabama. The bonds are dated November 1, 1994, and provide for an optional put by the holder (during the Variable Rate Period) and a mandatory call by the issuer. The bonds bear interest at either a variable rate or fixed rate at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.14% and 2.51% for the years ended December 31, 2006 and 2005, respectively.

The Economic Development Authority Refunding Revenue Bonds due 2010 were issued on February 23, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Eastover, South Carolina. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.14% and 2.51% for the years ended December 31, 2006 and 2005, respectively.

The Variable/Fixed Rate Industrial Development Revenue Bonds due August 1, 2012 are tax-exempt 15-year instruments that were issued on August 1, 1997 to finance the construction of a PCC plant in Courtland, Alabama. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.14% and 2.51% for the years ended December 31, 2006 and 2005, respectively.

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The Variable/Fixed Rate Industrial Development Revenue Bonds due November 1, 2014 are tax-exempt 15-year instruments and were issued on November 30, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Jackson, Alabama. The bonds bear interest at either a variable rate or fixed rate at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.14% and 2.51% for the years ended December 31, 2006 and 2005, respectively.

On June 9, 2000 the Company entered into a twenty-year, taxable, Variable/Fixed Rate Industrial Development Revenue Bond agreement to finance a portion of the construction of a merchant manufacturing facility for the production of Specialty PCC in Brookhaven, Mississippi. The Company has selected the variable rate option for this borrowing and the average interest rate was approximately 5.65% and 3.82% for the years ended December 31, 2006 and 2005, respectively.

On May 31, 2003, the Company acquired land and limestone ore reserves from the Cushenbury Mine Trust for approximately \$17.5 million. Approximately \$6.1 million was paid at the closing and \$11.4 million was financed through an installment obligation. The interest rate on this obligation is approximately 4.25%. For the year ending December 31, 2006, \$0.9 million of principal was paid on this debt. Principal payments are as follows: 2007 - \$0.9 million; 2008 - \$6.5 million; 2013 - \$1.4 million.

On October 5, 2006, the Company, through private placement, entered into a Note Purchase Agreement and issued \$75 million aggregate principal amount unsecured senior notes. These notes consist of two tranches: \$50 million aggregate principal amount 5.53% Series 2006A Senior Notes (Tranche 1 Notes); and \$25 million aggregate principal amount Floating Rate Series 2006A Senior Notes (Tranche 2 Notes). Tranche 1 Notes bear interest of 5.53% per annum, payable semi-annually. Tranche 2 Notes bear floating rate interest, payable quarterly. The average interest rate for the year ended December 31, 2006 was 5.82%. The principal payment for both tranches is due on October 5, 2013.

The aggregate maturities of long-term debt are as follows: 2007 - \$2.1 million; 2008 - \$7.1 million; 2009 - \$4.0 million; 2010 - \$4.6 million; 2011 - \$ nil; thereafter - \$97.6 million.

The Company had available approximately \$186.9 million in uncommitted, short-term bank credit lines, of which \$73.4 million was in use at December 31, 2006. The Company also has available an \$8.5 million committed, short-term bank credit line, all of which was in use at December 31, 2006.

Short-term borrowings as of December 31, 2006 and 2005 were \$87.6 million and \$62.8 million, respectively. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2006 and 2005 was 5.57% and 4.54%, respectively.

During 2006, 2005 and 2004, respectively, the Company incurred interest costs of \$8.9 million, \$7.2 million and \$6.3 million including \$1.1 million, \$1.3 million and \$2.1 million, respectively, which were capitalized. Interest paid approximated the incurred interest cost.

**Note 17. Benefit Plans**

*Pension Plans and Other Postretirement Benefit Plans*

The Company and its subsidiaries have pension plans covering the majority of eligible employees on a contributory or non-contributory basis.

Benefits under defined benefit plans are generally based on years of service and an employee's career earnings. Employees generally become fully vested after five years.

The Company provides postretirement health care and life insurance benefits for the majority of its U.S. retired employees. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. The Company does not pre-fund these benefits and has the right to modify or terminate the plan in the future.

Effective December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS 158 requires an employer to recognize the funded status of its defined benefit plans as an asset or liability on the balance sheet and to recognize changes in the funded status through comprehensive income.

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The following table reflects the incremental effects of applying the provisions of SFAS 158 on the individual line items of the consolidated balance sheet, based on the funded status of our plans:

Millions of Dollars	December 31, 2006		
	Pension and Post-retirement Prior to Adopting SFAS 158	SFAS 158 Adjustments	Pension and Post-retirement After Adopting SFAS 158
Intangible assets	\$ 15.5	\$ (0.8)	\$ 14.7
Prepaid pension costs	83.6	(57.9)	25.7
Total assets	1,251.8	(58.7)	1,193.1
Current liabilities	209.1	2.4	212.1
Accrued pension and post-retirement benefits	33.8	21.6	55.4
Deferred taxes	50.0	(31.4)	18.6
Total liabilities	448.0	(7.4)	440.6
Accumulated other comprehensive income	30.2	(51.3)	(21.2)
Total shareholders' equity	804.0	(51.3)	752.6
Total liabilities and shareholders' equity	\$ 1,251.8	\$ (58.7)	\$ 1,193.1

Our adoption of FAS 158 had no impact on our earnings for the year ended December 31, 2006 and will not affect the Company's consolidated statements of income in future periods.

The funded status of the Company's pension plans and other postretirement benefit plans at December 31, 2006 and 2005 is as follows:

*Obligations and Funded Status*

Millions of Dollars	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 177.6	\$ 156.4	\$ 36.1	\$ 31.7
Service cost	7.9	7.2	2.1	1.7
Interest cost	10.1	8.9	2.2	2.0
Actuarial loss	12.3	17.6	3.1	3.5
Benefits paid	(6.4)	(9.5)	(2.5)	(3.1)
Plan amendments	9.0	--	3.0	--
Other	4.0	(3.0)	--	0.3
Benefit obligation at end of year	<u>\$ 214.5</u>	<u>\$ 177.6</u>	<u>\$ 44.0</u>	<u>\$ 36.1</u>

Millions of Dollars	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
<b>Change in plan assets</b>				
Fair value of plan assets beginning of year	\$ 186.3	\$ 173.9	\$ --	\$ --
Actual return on plan assets	21.6	12.1	--	--
Employer contributions	22.3	12.9	2.5	3.1
Plan participants' contributions	0.4	0.2	--	--
Benefits paid	(6.4)	(9.5)	(2.5)	(3.1)
Other	2.1	(3.3)	--	--
Fair value of plan assets at end of year	<u>\$ 226.3</u>	<u>\$ 186.3</u>	<u>\$ --</u>	<u>\$ --</u>
Funded status	\$ 11.8	\$ 8.7	\$ (44.0)	\$ (36.1)
Unrecognized transition amount	--	--	--	0.1
Unrecognized net actuarial loss	--	51.8	--	12.8

Unrecognized prior service cost	--	3.4	--	--
Prepaid (accrued) benefit cost	\$ --	\$ 63.9	\$ --	\$ (23.2)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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Amounts recognized in the consolidated balance sheet consist of:

Millions of Dollars	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Pension asset	\$ 25.7	\$ --	\$ --	\$ --
Pension liability	(13.9)	--	(44.0)	--
Prepaid benefit costs	--	67.8	--	--
Accrued benefit liabilities	--	(9.0)	--	(23.2)
Intangible asset	--	0.8	--	--
Accumulated other comprehensive (income) loss	43.6	4.3	10.7	--
Net amount recognized	<u>\$ 55.4</u>	<u>\$ 63.9</u>	<u>\$ (33.3)</u>	<u>\$ (23.2)</u>

Included in accrued compensation and related items is the current portion of pension liabilities of approximately \$2.5 million as of December 31, 2006.

The components of net periodic benefit costs are as follows:

Millions of Dollars	Pension Benefits			Other Benefits		
	2006	2005	2004	2006	2005	2004
Service cost	\$ 7.9	\$ 7.2	\$ 6.4	\$ 2.1	\$ 1.7	\$ 1.4
Interest cost	10.1	8.9	8.5	2.2	2.0	1.8
Expected return on plan assets	(15.4)	(13.9)	(12.5)	--	--	--
Amortization of transition amount	--	--	0.1	--	--	--
Amortization of prior service cost	1.0	1.1	0.7	1.0	0.8	--
Recognized net actuarial loss	3.2	1.8	1.7	0.2	--	0.5
SFAS No. 88 curtailment (gain) loss	(0.8)	0.3	0.6	--	--	--
Net periodic benefit cost	<u>\$ 6.0</u>	<u>\$ 5.4</u>	<u>\$ 5.5</u>	<u>\$ 5.5</u>	<u>\$ 4.5</u>	<u>\$ 3.7</u>

Unrecognized prior service cost is amortized on an accelerated basis over the average remaining service period of each active employee.

Under the provisions of SFAS No. 88, lump-sum distributions from terminations, resulted in a plan curtailment of one of the Company's pension plans and also caused partial settlement of such plan. As a result, there was a curtailment gain in income from operations of \$0.8 million in 2006.

Under the provisions of SFAS No. 88, lump-sum distributions from the Company's Supplemental Retirement Plan caused a partial settlement of such plan, resulting in a charge of \$0.3 million and \$0.6 million in 2005 and 2004, respectively.

The Company's funding policy for U.S. plans generally is to contribute annually into trust funds at a rate that provides for future plan benefits and maintains appropriate funded percentages. Annual contributions to the U.S. qualified plans are at least sufficient to satisfy regulatory funding standards and are not more than the maximum amount deductible for income tax purposes. The funding policies for the international plans conform to local governmental and tax requirements. The plans' assets are invested primarily in stocks and bonds.

Amounts recognized in accumulated other comprehensive income consist of:

(Millions of Dollars)	December 31, 2006	
	Pension Benefits	Post-retirement
Net actuarial loss	\$ 36.5	\$ 9.0
Net prior service cost	7.1	1.7
Net amount recognized	<u>\$ 43.6</u>	<u>\$ 10.7</u>

The accumulated benefit obligation for all defined benefit pension plans was \$197.9 million and \$161.6 million at December 31, 2006 and 2005, respectively.



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The 2007 estimated amortization of amounts in other comprehensive income are as follows:

<b>(Millions of Dollars)</b>	<b>Pension Benefits</b>	<b>Post Retirement Benefits</b>
Amortization of prior service cost	\$ 3.6	\$ 1.0
Amortization of net loss	1.5	0.5
Total costs be recognized	<u>\$ 5.1</u>	<u>\$ 1.5</u>

*Additional Information*

The weighted average assumptions used to determine net periodic benefit cost in the accounting for the pension benefit plans and other benefit plans for the years ended December 31, 2006, 2005 and 2004 are as follows:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Discount rate	5.75 %	6.00 %	6.25 %
Expected return on plan assets	8.50 %	8.50 %	8.50 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %

The weighted average assumptions used to determine benefit obligations for the pension benefit plans and other benefit plans at December 31, 2006, 2005 and 2004 are as follows:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Discount rate	5.75 %	5.75 %	6.00 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %

The Company considers a number of factors to determine its expected rate of return on plan assets assumptions, including historical performance of plan assets, asset allocation and other third-party studies and surveys. The Company reviewed the historical performance of plan assets over a ten-year period (from 1994 to 2004), the results of which exceed the 8.50% rate of return assumption that the Company ultimately selected for domestic plans. The Company also considered plan portfolio asset allocations over a variety of time periods and compared them with third-party studies and surveys of annualized returns of similarly balanced portfolio strategies. The historical return of this universe of similar portfolios also exceeded the return assumption that the Company ultimately selected. Finally, the Company reviewed performance of the capital markets in recent years and, upon advice from various third parties, such as the pension plans' advisers, investment managers and actuaries, selected the 8.50% return assumption used for domestic plans.

For measurement purposes, health care cost trend rates of approximately 10% for pre-age-65 and post-age-65 benefits were used in 2006. These trend rates were assumed to decrease gradually to 5.0% for 2011 and remain at that level thereafter. However, the Company will only absorb a 5% increase.

A one percentage-point change in assumed health care cost trend rates would have the following effects:

<b>Thousands of Dollars</b>	<b>1-Percentage Point Increase</b>	<b>1-Percentage Point Decrease</b>
Effect on total service and interest cost components	\$ --	\$ (2)
Effect on postretirement benefit obligations	\$ --	\$ (2,727)

*Plan Assets*

The Company's pension plan weighted average asset allocations at December 31, 2006 and 2005 by asset category are as follows:

<b>Asset Category</b>	<b>2006</b>	<b>2005</b>
Equity securities	66.4 %	66.2 %
Fixed income securities	31.5 %	31.4 %
Real estate	0.3 %	0.4 %
Other	1.8 %	2.0 %
Total	<u>100 %</u>	<u>100 %</u>



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The following table presents domestic and foreign pension plan assets information at December 31, 2006, 2005 and 2004 (the measurement date of pension plan assets):

Millions of Dollars	U.S. Plans			International Plans		
	2006	2005	2004	2006	2005	2004
Fair value of plan assets	\$ 177.9	\$ 149.7	\$ 139.3	\$ 48.4	\$ 36.6	\$ 34.6

*Contributions*

The Company expects to contribute \$15.0 million to its pension plans and \$2.0 million to its other postretirement benefit plan in 2007.

*Estimated Future Benefit Payments*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Millions of Dollars	Pension Benefits	Other Benefits
2007	\$ 10.4	\$ 1.8
2008	\$ 9.6	\$ 1.8
2009	\$ 12.3	\$ 2.0
2010	\$ 14.1	\$ 2.2
2011	\$ 14.2	\$ 2.6
2012 - 2016	\$ 89.9	\$ 17.7

*Investment Strategies*

The Plan Assets Committee has adopted an investment policy for domestic pension plan assets designed to meet or exceed the expected rate of return on plan assets assumption. To achieve this, the pension plans retain professional investment managers that invest plan assets, primarily in equity and fixed income securities. The Company has targeted an investment mix of 65% in equity securities and 35% in fixed income securities.

*Savings and Investment Plans*

The Company maintains a voluntary Savings and Investment Plan for most non-union employees in the U.S. Within prescribed limits, the Company bases its contribution to the Plan on employee contributions. The Company's contributions amounted to \$3.3 million, \$3.0 million and \$3.1 million for the years ended December 31, 2006, 2005 and 2004, respectively.

**Notes 18. Leases**

The Company has several non-cancelable operating leases, primarily for office space and equipment. Rent expense amounted to approximately \$6.1 million, \$4.6 million and \$4.1 million for the years ended December 31, 2006, 2005 and 2004, respectively. Total future minimum rental commitments under all non-cancelable leases for each of the years 2007 through 2011 and in aggregate thereafter are approximately \$4.6 million, \$3.6 million, \$3.1 million, \$2.3 million, \$1.0 million, respectively, and \$7.8 million thereafter. Total future minimum rentals to be received under non-cancelable subleases were approximately \$7.0 million at December 31, 2006.

Total future minimum payments to be received under direct financing leases for each of the years 2007 through 2011 and the aggregate thereafter are approximately: \$4.9 million, \$3.7 million, \$2.7 million, \$1.9 million, \$1.3 million, and \$2.3 million thereafter.

**Note 19. Litigation**

On November 28, 2005, the Company announced that it had reached a settlement of pending commercial and patent litigation with Omya AG. The settlement was on a worldwide basis, hence the litigation in both the United States and Italy have been dismissed. The settlement provides for the recognition of the Company's intellectual property and patent rights. As part of the settlement, the Company received a settlement payment and granted Omya AG a non-exclusive license for the terms of the patents in exchange for royalty payments through 2009.

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 776 pending silica cases and 26 pending

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asbestos cases. In 2006, the Company was named in two new silica cases and in three new asbestos cases. To date, 655 silica cases have been dismissed, of which 211 were dismissed in 2006. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

The Company has not settled any silica or asbestos lawsuits to date. We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for 2006 for the legal defense of these cases was \$0.1 million. The Company expenses legal costs when incurred. Our experience has been that MTI is not liable to plaintiffs in any of these lawsuits and MTI does not expect to pay any settlements or jury verdicts in these lawsuits.

*Environmental Matters*

On April 9, 2003, the Connecticut Department of Environmental Protection ("DEP") issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls (PCBs) at a portion of the site. The following is the present status of the remediation efforts:

- *Building Decontamination.* We have completed the investigation of building contamination and submitted a report characterizing the contamination. We are awaiting review and approval of this report by the regulators. Based on the results of this investigation, we believe that the contamination may be adequately addressed by means of encapsulation through painting of exposed surfaces, pursuant to the Environmental Protection Agency's ("EPA") regulations and have accrued such liabilities as discussed below. However, this conclusion remains uncertain pending completion of the phased remediation decision process required by the regulations.
- *Groundwater.* We are still conducting investigations of potential groundwater contamination. To date, the results of investigation indicate that there is some oil contamination of the groundwater. We are conducting further investigations of the groundwater.
- *Soil.* We have completed the investigation of soil contamination and submitted a report characterizing contamination to the regulators. Based on the results of this investigation, we believe that the contamination may be left in place and monitored, pursuant to a site-specific risk assessment, which is underway. However, this conclusion is subject to completion of a phased remediation decision process required by applicable regulations.

We believe that the most likely form of remediation will be to leave existing contamination in place, encapsulate it, and monitor the effectiveness of the encapsulation.

We estimate that the cost of the likely remediation above would approximate \$200,000, and that amount has been recorded as a liability on our books and records.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative consent order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The order required payment of a civil fine in the amount of \$18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company is committed to identifying appropriate improvements to the wastewater treatment system by July 1, 2007, and to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between \$6 million and \$8 million. The Company estimates that remediation costs would approximate \$350,000, which has been accrued as of December 31, 2006. It is reasonably possible that a change in estimate may occur.

The Company and its subsidiaries are not party to any other material pending legal proceedings, other than routine litigation incidental to their businesses.

**Note 20. Stockholders' Equity**

*Capital Stock*

The Company's authorized capital stock consists of 100 million shares of common stock, par value \$0.10 per share, of which 19,085,528 shares and 19,986,801 shares were outstanding at December 31, 2006 and 2005, respectively, and 1,000,000 shares of preferred stock, none of which were issued and outstanding.

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*Cash Dividends*

Cash dividends of \$3.9 million or \$0.20 per common share were paid during 2006. In January 2007, a cash dividend of approximately \$0.9 million or \$0.05 per share, was declared, payable in the first quarter of 2007.

*Preferred Stock Purchase Rights*

Under the Company's Preferred Stock Purchase Rights Plan, each share of the Company's common stock carries with it one preferred stock purchase right. Subject to the terms and conditions set forth in the plan, the rights will become exercisable if a person or group acquires beneficial ownership of 15% or more of the Company's common stock or announces a tender or exchange offer that would result in the acquisition of 30% or more thereof. If the rights become exercisable, separate certificates evidencing the rights will be distributed, and each right will entitle the holder to purchase from the Company a new series of preferred stock, designated as Series A Junior Preferred Stock, at a predefined price. The rights also entitle the holder to purchase shares in a change-of-control situation. The preferred stock, in addition to a preferred dividend and liquidation right, will entitle the holder to vote on a pro rata basis with the Company's common stock.

The rights are redeemable by the Company at a fixed price until 10 days or longer, as determined by the Board, after certain defined events or at any time prior to the expiration of the rights on September 13, 2009 if such events do not occur.

*Stock and Incentive Plan*

The Company has adopted a Stock Award and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options granted under the Plan have a term not in excess of ten years. The exercise price for stock options will not be less than the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

The following table summarizes stock option and restricted stock activity for the Plan:

	Shares Available for Grant	Under Option		Restricted Stock	
		Shares	Weighted Average Exercise Price Per Share (\$)	Shares	Weighted Average Exercise Price Per Share (\$)
Balance January 1, 2004	1,190,737	1,482,766	40.85	27,855	49.12
Granted	(297,650)	270,750	54.09	26,900	50.59
Exercised	--	(363,300)	39.01	--	--
Canceled	23,998	(21,998)	46.25	(2,000)	49.12
Balance December 31, 2004	917,085	1,368,218	43.87	52,755	49.88
Granted	(86,800)	50,700	61.97	36,100	60.59
Exercised	--	(218,431)	40.69	--	--
Canceled	18,822	(14,722)	51.51	(4,100)	51.56
Balance December 31, 2005	849,107	1,185,765	45.15	84,755	54.20
Granted	(129,500)	79,200	54.82	50,300	54.91
Exercised	--	(103,392)	39.02	(255)	39.30
Canceled	9,504	(9,504)	35.80	--	--
Balance December 31, 2006	729,111	1,152,069	46.44	134,800	55.61

**Note 21. Comprehensive Income**

Comprehensive income includes changes in the fair value of certain financial derivative instruments that qualify for hedge accounting to the extent they are effective, the recognition of deferred pension costs, and cumulative foreign currency translation adjustments.

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The following table reflects the accumulated balances of other comprehensive income (loss):

Millions of Dollars	Currency Translation Adjustment	Unrecognized Pension Costs	Net Gain (Loss) On Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2004	\$ 6.9	\$ (2.7)	\$ (0.4)	\$ 3.8
Current year net change	<u>34.0</u>	<u>(2.2)</u>	<u>0.1</u>	<u>31.8</u>
Balance at December 31, 2004	40.9	(4.9)	(0.3)	35.6
Current year net change	<u>(43.7)</u>	<u>1.9</u>	<u>0.2</u>	<u>(41.5)</u>
Balance at December 31, 2005	(2.8)	(3.0)	(0.1)	(5.9)
Current year net change	<u>36.0</u>	<u>(51.3)</u>	<u>--</u>	<u>(15.3)</u>
Balance at December 31, 2006	<u>\$ 33.2</u>	<u>\$ (54.3)</u>	<u>\$ (0.1)</u>	<u>\$ (21.2)</u>

The income tax expense (benefit) associated with items included in other comprehensive income (loss) was approximately \$1.9 million, \$(1.3) million and \$(0.2) million for the years ended December 31, 2006, 2005 and 2004, respectively.

**Note 22. Accounting for Asset Retirement Obligations**

SFAS No. 143, "Accounting for Asset Retirement Obligations," establishes the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. The Company records asset retirement obligations in which the Company will be required to retire tangible long-lived assets. These are primarily related to its PCC satellite facilities and mining operations. The Company has also applied the provisions of FIN 47 related to conditional asset retirement obligations at its facilities. The Company has recorded asset retirement obligations at all of its facilities except where there are no contractual or legal obligations. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The following is a reconciliation of asset retirement obligations as of December 31, 2006:

**Thousands of Dollars**

Asset retirement liability, beginning of period	\$ 10,968
Accretion expense	723
Settlements	(283)
Foreign currency translation	<u>242</u>
Asset retirement liability, end of period	<u>\$ 11,650</u>

The current portion of the liability of approximately \$0.2 million is included in other current liabilities. The long-term portion of the liability of approximately \$11.5 million is included in other noncurrent liabilities.

Accretion expense is included in cost of goods sold in the Company's Consolidated Statements of Income.

**Note 23. Accounting for Stripping Costs**

Effective January 1, 2006, the Company adopted the consensus of EITF No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." This consensus states that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of inventory produced during the period that the stripping costs are incurred. The Company had previously deferred stripping costs in excess of the average life of mine stripping ratio and amortized such costs on a unit of production method when the ratio of waste to ore mined is less than the average life of mine stripping ratio. As a result, the Company recorded an after-tax charge of \$7.1 million to its opening retained earnings and increased its opening inventory by \$0.8 million.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following is a reconciliation of opening retained earnings:

(thousands of dollars)

Ending retained earnings, December 31, 2005	\$ 828,591
Adoption of EITF 04-06, net of tax	7,119
Opening retained earnings, January 1, 2006	\$ 821,472

The change did not have a significant impact on earnings in 2006.

**Note 24. Non-Operating Income and Deductions**

(thousands of dollars)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Interest income	\$ 1,762	\$ 1,384	\$ 1,589
Interest expense	(7,753)	(5,847)	(4,130)
Gain on insurance settlement	1,822	--	--
Litigation settlement	--	2,100	--
Foreign exchange losses	(268)	(451)	(564)
Other income (deductions)	(867)	(820)	(1,399)
Non-operating deductions, net	<u>\$ (5,304)</u>	<u>\$ (3,634)</u>	<u>\$ (4,504)</u>

During the first quarter of 2006, the Company recognized an insurance settlement gain of \$1.8 million, net of related deductible, for property damage sustained at one of our facilities in 2004 as a result of Hurricane Ivan. Claims submitted to the insurance carrier for damages related to a combination of replacement costs for fixed assets and reimbursement of expenses associated with the clean-up and repairs at the facility. The insurance settlement gain related to the reimbursement of replacement costs for fixed assets in excess of the net book value of such assets.

During the fourth quarter of 2005, the Company recognized a litigation settlement gain of \$2.1 million relating to the worldwide settlement of its pending commercial and patent litigation with Omya AG.

**Note 25. Transaction with Former Parent Company**

Under the terms of certain agreements entered into in connection with the Company's initial public offering in 1992, Pfizer Inc ("Pfizer") agreed to indemnify the Company against any liability arising from claims for remediation, as defined in the agreements, of on-site environmental conditions relating to activities prior to the closing of the initial public offering. The Company had asserted to Pfizer a number of indemnification claims pursuant to those agreements during the ten-year period following the closing of the initial public offering. Since the initial public offering, the Company has incurred and expensed approximately \$6 million of environmental claims under these agreements. On January 20, 2006, Pfizer and the Company agreed to settle those claims, along with certain other potential environmental liabilities of Pfizer, in consideration of a payment by Pfizer of \$4.5 million. Such payment was recorded as additional paid-in-capital, net of its related tax effect.

**Note 26. Segment and Related Information**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's operating segments are strategic business units that offer different products and serve different markets. They are managed separately and require different technology and marketing strategies.

The Company has two reportable segments: Specialty Minerals and Refractories. The Specialty Minerals segment produces and sells precipitated calcium carbonate and lime, and mines, processes and sells the natural mineral products limestone and talc. This segment's products are used principally in the paper, building materials, paints and coatings, glass, ceramic, polymers, food, and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory products and systems used primarily by the steel, cement and glass industries as well as metallurgical products used primarily in the steel industry.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the operating income of the respective business units. Depreciation expense related to corporate assets is allocated to the business segments and is included in their income from operations. However, such corporate depreciable assets are

not included in the segment assets. Intersegment sales and transfers are not significant.



**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Segment information for the years ended December 31, 2006, 2005 and 2004 was as follows (in millions):

	<b>2006</b>		
	<b>Specialty Minerals</b>	<b>Refractories</b>	<b>Total</b>
Net sales	\$ 711.4	\$ 347.9	\$ 1,059.3
Income from operations	52.9	32.0	84.9
Bad debt expenses	0.8	(0.4 )	0.4
Depreciation, depletion and amortization	68.8	14.4	83.2
Segment assets	795.8	356.2	1,152.0
Capital expenditures	67.8	16.0	83.8

	<b>2005</b>		
	<b>Specialty Minerals</b>	<b>Refractories</b>	<b>Total</b>
Net sales	\$ 663.0	\$ 327.8	\$ 990.8
Income from operations	52.7	28.3	81.0
Impairment of assets	0.3	--	0.3
Bad debt expenses	0.3	(0.8 )	(0.5 )
Depreciation, depletion and amortization	61.2	12.1	73.3
Segment assets	768.1	293.4	1,061.5
Capital expenditures	85.3	21.8	107.1

	<b>2004</b>		
	<b>Specialty Minerals</b>	<b>Refractories</b>	<b>Total</b>
Net sales	\$ 618.7	\$ 300.3	\$ 919.0
Income from operations	57.7	30.4	88.1
Restructuring charges	0.7	0.4	1.1
Bad debt expenses	1.3	0.3	1.6
Depreciation, depletion and amortization	57.9	12.2	70.1
Segment assets	769.6	297.4	1,067.0
Capital expenditures	83.1	17.8	100.9

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements is as follows (in millions):

**Income before provision for taxes on  
income and minority interests**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Income from operations for reportable segments	\$ 84.9	\$ 81.0	\$ 88.1
Unallocated corporate expenses	--	--	(1.0)
Consolidated income from operations	84.9	81.0	87.1
Interest income	1.8	1.4	1.6
Interest expense	(7.8 )	(5.8 )	(4.1 )
Other deductions	0.7	0.8	(2.0)
Income before provision for taxes on income, minority interests and discontinued operations	<u>\$ 79.6</u>	<u>\$ 77.4</u>	<u>\$ 82.6</u>

<b>Total assets</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Total segment assets	\$ 1,152.0	\$ 1,061.5	\$ 1,067.0
Corporate assets	<u>41.1</u>	<u>94.8</u>	<u>87.9</u>
Consolidated total assets	\$ <u><u>1,193.1</u></u>	\$ <u><u>1,156.3</u></u>	\$ <u><u>1,154.9</u></u>

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>Capital expenditures</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Total segment capital expenditures	\$ 83.8	\$ 107.1	\$ 100.9
Corporate capital expenditures	<u>1.4</u>	<u>4.4</u>	<u>5.5</u>
Consolidated total capital expenditures	<u>\$ 85.2</u>	<u>\$ 111.5</u>	<u>\$ 106.4</u>

The carrying amount of goodwill by reportable segment as of December 31, 2006 and December 31, 2005 was as follows:

<b>(Thousands of Dollars)</b>	<b>Goodwill</b>	
	<b>2006</b>	<b>2005</b>
Specialty Minerals	\$ 16,560	\$ 15,371
Refractories	<u>52,417</u>	<u>38,241</u>
Total	<u>\$ 68,977</u>	<u>\$ 53,612</u>

The net change in goodwill since December 31, 2005 was primarily attributable to the acquisition of ASMAS and the effect of foreign exchange.

Financial information relating to the Company's operations by geographic area was as follows (in millions):

<b>Net Sales</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
United States	\$ 628.4	\$ 600.1	\$ 558.2
Canada/Latin America	80.7	80.0	81.7
Europe/Africa	278.4	248.7	222.7
Asia	<u>71.8</u>	<u>62.0</u>	<u>56.4</u>
Total International	<u>430.9</u>	<u>390.7</u>	<u>360.8</u>
Consolidated total net sales	<u>\$ 1,059.3</u>	<u>\$ 990.8</u>	<u>\$ 919.0</u>

Net sales and long-lived assets are attributed to countries and geographic areas based on the location of the legal entity. No individual foreign country represents more than 10% of consolidated net sales or consolidated long-lived assets.

<b>Long-lived assets</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
United States	\$ 425.2	\$ 424.0	\$ 412.4
Canada/Latin America	18.8	21.1	23.7
Europe/Africa	217.1	176.8	194.0
Asia	<u>75.3</u>	<u>67.6</u>	<u>43.7</u>
Total International	<u>311.2</u>	<u>265.5</u>	<u>261.4</u>
Consolidated total long-lived assets	<u>\$ 736.4</u>	<u>\$ 689.5</u>	<u>\$ 673.8</u>

The Company's sales by product category are as follows:

<b>Millions of Dollars</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Paper PCC	\$ 500.6	\$ 460.7	\$ 429.3
Specialty PCC	56.4	55.6	50.7
Talc	58.5	54.2	51.6
SYNSIL®	10.4	6.6	3.1

Other Processed Minerals	85.5	85.9	84.0
Refractory Products	264.6	239.3	243.0
Metallurgical Products	<u>83.3</u>	<u>88.5</u>	<u>57.3</u>
Net Sales	<u>\$ 1,059.3</u>	<u>\$ 990.8</u>	<u>\$ 919.0</u>

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 27. Quarterly Financial Data (unaudited)**

The financial information for all periods presented has been reclassified to reflect discontinued operations. See Note 4 to the Consolidated Financial Statements for further information.

**Millions of Dollars, Except Per Share Amounts**

<b>2006 Quarters</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
Net Sales by Major Product Line				
PCC	\$ 141.9	\$ 137.7	\$ 138.9	\$ 138.5
Processed Minerals	<u>39.2</u>	<u>41.8</u>	<u>38.9</u>	<u>34.5</u>
Specialty Minerals Segment	181.1	179.5	177.8	173.0
Refractories Segment	<u>83.6</u>	<u>86.9</u>	<u>87.5</u>	<u>89.9</u>
Net sales	264.7	266.4	265.3	262.9
Gross profit	53.7	56.1	57.8	53.7
Income from continuing operations	12.7	12.6	14.1	12.2
Income from discontinued operations	<u>0.1</u>	<u>(0.1)</u>	<u>--</u>	<u>(1.7)</u>
Net income	<u>\$ 12.8</u>	<u>\$ 12.5</u>	<u>\$ 14.1</u>	<u>\$ 10.5</u>
Earnings per share:				
Basic:				
Earnings per share				
from continuing operations	\$ 0.64	\$ 0.63	\$ 0.72	\$ 0.64
Earnings per share				
discontinued operations	<u>--</u>	<u>--</u>	<u>--</u>	<u>(0.09)</u>
Basic earnings per share	\$ 0.64	\$ 0.63	\$ 0.72	\$ 0.55
Diluted:				
Earnings per share				
from continuing operations	\$ 0.64	\$ 0.63	\$ 0.72	\$ 0.63
Earnings per share				
from discontinued operations	<u>--</u>	<u>--</u>	<u>--</u>	<u>(0.08)</u>
Diluted earnings per share	\$ 0.64	\$ 0.63	\$ 0.72	\$ 0.55
Market price range per share of common stock:				
High	\$ 58.93	\$ 61.27	\$ 53.40	\$ 59.31
Low	\$ 52.97	\$ 51.61	\$ 48.01	\$ 51.71
Close	\$ 58.41	\$ 52.00	\$ 53.40	\$ 58.79
Dividends paid per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>2005 Quarters</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
Net Sales by Major Product Line				
PCC	\$ 132.8	\$ 121.6	\$ 129.3	\$ 132.5
Processed Minerals	<u>35.8</u>	<u>37.8</u>	<u>36.7</u>	<u>36.5</u>
Specialty Minerals Segment	168.6	159.4	166.0	169.0
Refractories Segment	<u>81.0</u>	<u>84.0</u>	<u>79.5</u>	<u>83.2</u>
Net sales	249.6	243.4	245.5	252.2
Gross profit	57.3	51.3	50.9	50.6
Income from continuing operations	14.9	13.0	12.1	12.5
Income from discontinued operations	<u>0.3</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Net income	<u>\$ 15.2</u>	<u>\$ 13.1</u>	<u>\$ 12.2</u>	<u>\$ 12.6</u>
Earnings per share:				
Basic:				
Earnings per share				
from continuing operations	\$ 0.72	\$ 0.63	\$ 0.60	\$ 0.63
Earnings per share				
from discontinued operations	<u>0.02</u>	<u>0.01</u>	<u>0.01</u>	<u>--</u>
Basic earnings per share	<u>\$ 0.74</u>	<u>\$ 0.64</u>	<u>\$ 0.61</u>	<u>\$ 0.63</u>
Diluted:				
Earnings per share				
from continuing operations	\$ 0.71	\$ 0.62	\$ 0.60	\$ 0.63
Earnings per share				
from discontinued operations	<u>0.02</u>	<u>0.01</u>	<u>--</u>	<u>--</u>
Diluted earnings per share	<u>\$ 0.73</u>	<u>\$ 0.63</u>	<u>\$ 0.60</u>	<u>\$ 0.63</u>
Market price range per share of common stock:				
High	\$ 66.80	\$ 68.83	\$ 64.11	\$ 58.32
Low	\$ 60.52	\$ 60.02	\$ 57.21	\$ 51.59
Close	\$ 65.78	\$ 61.60	\$ 57.21	\$ 55.89
Dividends paid per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

In the fourth quarter of 2005, the Company recorded a \$0.3 million writedown of impaired assets relating to the planned closure of the Company's operations in Cornwall, Canada.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have audited the accompanying consolidated balance sheets of Minerals Technologies Inc. and subsidiary companies as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2006. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minerals Technologies Inc. and subsidiary companies as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in the notes to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Shared-Based Payment," SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," and Emerging Issues Task Force Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." Also as discussed in the notes to the consolidated financial statements, effective December 31, 2006, the Company adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Minerals Technologies Inc. and subsidiary companies' internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

New York, New York  
February 27, 2007

## **Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting**

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Minerals Technologies Inc. and subsidiary companies maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Minerals Technologies Inc. and subsidiary companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of a refractories company in Turkey acquired on October 2, 2006. This refractories company, excluding goodwill, constituted approximately 2.5% of consolidated total assets of the Company and less than 1% of consolidated net sales. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of this acquired company.

In our opinion, management's assessment that Minerals Technologies Inc. and subsidiary companies maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Minerals Technologies Inc. and subsidiary companies maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Minerals Technologies Inc. and subsidiary companies as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows and related financial statement schedule for each of the years in the three-year period ended December 31, 2006, and our report dated February 27, 2007 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule. Our report refers to the adoption in 2006 of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Shared-Based Payment," SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," Emerging Issues Task Force Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry," and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)."

/s/ KPMG LLP

New York, New York  
February 27, 2007



## Management's Report On Internal Control Over Financial Reporting

Management of Minerals Technologies Inc. is responsible for the preparation, integrity and fair presentation of its published consolidated financial statements. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and, as such, include amounts based on judgments and estimates made by management. The Company also prepared the other information included in the annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

Management is also responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control over financial reporting includes those policies and procedures that pertain to the Company's ability to record, process, summarize and report reliable financial data. The Company maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation of reliable published financial statements and safeguarding of the Company's assets. The system includes a documented organizational structure and division of responsibility, established policies and procedures, including a code of conduct to foster a strong ethical climate, which are communicated throughout the Company, and the careful selection, training and development of our people.

The Board of Directors, acting through its Audit Committee, is responsible for the oversight of the Company's accounting policies, financial reporting and internal control. The Audit Committee of the Board of Directors is comprised entirely of outside directors who are independent of management. The Audit Committee is responsible for the appointment and compensation of the independent registered public accounting firm. It meets periodically with management, the independent registered public accounting firm and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is also responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of the Company in addition to reviewing the Company's financial reports. The independent registered public accounting firm and the internal auditors have full and unlimited access to the Audit Committee, with or without management, to discuss the adequacy of internal control over financial reporting, and any other matters which they believe should be brought to the attention of the Audit Committee.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect misstatements. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

The Company assessed its internal control system as of December 31, 2006 in relation to criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, the Company has determined that, as of December 31, 2006, its system of internal control over financial reporting was effective.

On October 2, 2006, the Company completed an acquisition of a refractories company in Turkey and has excluded this company from our assessment of the effectiveness of our internal control over financial reporting. During 2006, this company contributed less than 1% of consolidated net sales and, as of December 31, 2006, accounted for approximately 2.5% of our consolidated total assets, excluding goodwill.

The consolidated financial statements have been audited by the independent registered public accounting firm, KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders, the Board of Directors and committees of the Board. Reports of the independent registered public accounting firm, which includes the independent registered public accounting firm's attestation of management's assessment of internal controls, are also presented within this document.

**/s/ Paul R. Saueracker**

Chairman of the Board, President and  
Chief Executive Officer

**/s/ John A. Sorel**

Senior Vice President, Finance  
and Chief Financial Officer

**/s/ Michael A. Cipolla**

Vice President, Corporate Controller  
and Chief Accounting Officer

February 27, 2007

**MINERALS TECHNOLOGIES INC. & SUBSIDIARY COMPANIES**  
**SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS**  
(thousands of dollars)

Description	Balance at Beginning of Period	Additions Charged to Costs, Provisions and Expenses (c)	Deductions (a) (b)	Balance at End of Period
<b>Year ended December 31, 2006</b>				
Valuation and qualifying accounts deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ 5,818	\$ 377	\$ (1,645)	\$ 4,550
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Year ended December 31, 2005</b>				
Valuation and qualifying accounts deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ 7,143	\$ (518)	\$ (807)	\$ 5,818
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Year ended December 31, 2004</b>				
Valuation and qualifying accounts deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ 7,010	\$ 1,576	\$ (1,443)	\$ 7,143
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

(a) Includes impact of translation of foreign currencies.

(b) Uncollectible accounts charged against allowance for doubtful accounts, net of recoveries of \$2.3 million in 2004.

(c) Provision for bad debts, net of reversal of recoveries of \$0.6 million in 2006 and \$1.0 million in 2005.

**EMPLOYMENT AGREEMENT**

This Employment Agreement ("Agreement"), made as of the \_\_\_\_ day of \_\_\_\_\_, 200\_\_, by and between Minerals Technologies Inc., 405 Lexington Avenue, New York, New York 10174-0002, a Delaware Corporation (hereinafter referred to as "Employer"), and \_\_\_\_\_ (hereinafter referred to as "Executive").

WHEREAS, in furtherance of Employer's commitment to the continued success of its businesses, and in recognition of the valuable contributions to be made by Executive, Employer has agreed to employ Executive for a period commencing on the \_\_\_\_ day of \_\_\_\_\_ 200\_\_, ("Commencement Date") and terminating on the expiration of the "Term" as hereinafter defined, subject to certain terms and conditions as hereinafter set forth, and Executive has indicated his willingness to accept such employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, the parties agree as follows:

1. (a) The employment of Executive by Employer will commence on the Commencement Date and, unless terminated on an earlier date in the manner hereinafter provided, shall terminate on the expiration of the Term. For purposes of this Agreement, "Term" shall mean a period beginning on the Commencement Date and ending on the \_\_\_\_ day of \_\_\_\_\_, subject to any extensions thereof as provided herein. On the first day of each month occurring after the Commencement Date, the Term shall automatically be extended for an additional month, unless, prior to any such first day of a month, the Employer or Executive shall have given written notice to the other party not to extend the Term or Executive shall have reached his sixty-fifth birthday. Nothing in this Section shall limit the right of the Employer or Executive to terminate Executive's employment hereunder pursuant to the terms and conditions set forth in Section 7. The Employer and Executive agree that neither such notice not to extend the Term by the Employer nor failure of this Agreement to be extended because Executive has reached his sixty-fifth birthday shall be considered as a termination of Executive other than for Cause (as defined below) pursuant to Section 7(a) and shall not constitute Good Reason for Executive to terminate his employment hereunder pursuant to Section 7(c)(ii).

(b) During the Term, Executive will be employed by Employer as \_\_\_\_\_ of Employer at an annual salary of not less than \$ \_\_\_\_\_ ("Base Salary") and will participate in all benefit plans and other fringe benefits available to similarly situated executives in accordance with their respective terms. By December 31 \_\_\_\_\_, and thereafter, Employer will review Executive's salary on an annual basis in accordance with Employer's policies, to determine appropriate increases, if any. In addition to salary, Executive will receive bonus payments as determined from time to time by Employer's Board of Directors or the Compensation and Nominating Committee thereof. Any such payment with respect to a calendar year will be made in the first quarter of the following year but shall be deemed earned and due and owing if Executive

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is employed on December 31st of the applicable calendar year, regardless of his status as of the payment date.

2. It is contemplated that, in connection with his employment hereunder, Executive may be required to incur reasonable and necessary travel, business entertainment and other business expenses. Employer agrees to reimburse Executive for all reasonable and necessary travel, business entertainment, and other business expenses incurred or expended by him incident to the performance of his duties hereunder, upon submission by Executive to Employer of vouchers or expense statements satisfactorily evidencing such expenses.

3. During the Term, Employer will provide retirement, employee benefits (pre- and post-retirement) and fringe benefit plans to Executive no less favorable than those made available to Employer's executive employees generally, to the extent that Executive qualifies under the eligibility provisions of such plans. Executive shall be entitled to a period of paid vacation each year as provided in Employer's established vacation policy, but in no event shall such period be shorter than that agreed to between Employer and Executive under any prior agreement.

4. Executive agrees that he shall use his best efforts to promote and protect the interest of Employer, its subsidiaries and related corporations, and to devote his full working time, attention and energy to performing the duties of his position.

5. In the event of the "Permanent Disability" (as defined below) of Executive during the Term, Employer shall have the right, upon written notice to Executive, to terminate his employment hereunder, effective upon the giving of such notice. Upon such termination, Employer and Executive shall be discharged and released from any further obligations under this Agreement, except that the obligations provided for in Section 9 hereof shall survive any such termination. Disability benefits, if any, due under applicable plans and programs of the Employer shall be determined under the provisions of such plans and programs. For purposes of this Section 5, "Permanent Disability" means any physical or mental disability or incapacity which permanently renders Executive incapable of performing the services required of him by Employer.

6. In the event of the death of Executive during the Term, the salary to which Executive is entitled hereunder shall continue to be paid through the end of the month in which death occurs, to the last beneficiary designated by Executive by written notice to Employer, or, failing such designation, to his estate. Executive's designated beneficiary or personal representative, as the case may be, shall accept the payments provided for in this Section 6 in full discharge and release of Employer of and from any further obligations under this Agreement. Any other benefits due under applicable plans and programs of Employer shall be determined under the provisions of such plans and programs.

7. (a) Employer or Executive may terminate Executive's employment with Employer under this Agreement at any time by providing the other party with ninety (90) days advance written notice, in which case Executive's employment shall terminate at the

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end of said ninety-day period. In the event during the Term Employer terminates the employment of Executive for reasons other than for Cause or the Permanent Disability or death of Executive or Executive resigns for Good Reason (as defined below), Employer will pay Executive his Base Salary through the end of the Term (but in no event shall Executive be paid his Base Salary for more than fifteen (15) months following his date of termination) plus any "Termination Bonuses", as defined herein, less any severance payments paid Executive pursuant to Employer policies. For purposes of this Agreement, "Termination Bonuses" shall mean amounts which would otherwise be payable to Executive during the Term pursuant to Section 1(b) were Executive an employee of Employer, provided that in no event will any such bonus be greater in amount than the average amount of any such bonuses received by Executive in the two years immediately preceding the termination of his employment with Employer, or the amount of such bonus received by Executive in the prior year if Executive has received only one such bonus payment. In addition to the foregoing payments, Executive shall be entitled to coverage under Employer's Group Benefit Plan for medical and dental expense coverage and prescription drugs until the end of the Term.

(b) Executive shall be required to mitigate the amount of any payment provided for pursuant to Section 7(a) by seeking other comparable employment within a reasonable commuting distance of his home, taking into account the provisions of Section 9 of this Agreement. Anything in this Agreement to the contrary notwithstanding, in the event that Executive provides services for pay to anyone other than Employer or any of its affiliates or subsidiaries from the date Executive's employment hereunder is terminated and during such period as Executive is receiving salary continuation payments pursuant to Section 7(a), the amounts to be paid to Executive during such period pursuant to this Agreement shall be reduced by the amounts of salary, bonus or other cash compensation earned by Executive during such period as a result of Executive's performing such services.

(c) For purposes of this Agreement:

(i) "Cause" shall be limited to the following:

(A) Executive shall have failed to perform any of his material obligations as set forth herein, provided that Employer has advised Executive of such failure and given Executive a reasonable period of time to cure such failure and Executive has failed to do so; or

(B) Executive shall commit acts constituting (i) a felony involving moral turpitude materially adversely reflecting on the Employer or (ii) fraud or theft against Employer.

(ii) "Good Reason" shall mean termination at the election of Executive based on any of the following:

(A) The assignment to Executive of any duties substantially inconsistent with his status as \_\_\_\_\_ of Employer or a substantial adverse alteration in the nature or

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status of his responsibilities pursuant to this Agreement, except in connection with the termination of his employment for Cause, or normal retirement, death, or by Executive other than for Good Reason;

(B) A reduction of Executive's fringe or retirement benefits that is not applied by Employer to executives generally or a reduction by Employer in Executive's Base Salary;

(C) The merger or consolidation of Employer into or with any other entity, or the sale of all or substantially all of the assets of Employer to an unaffiliated entity unless the entity which survives such merger or to whom such assets are transferred shall assume and agree to perform the obligations of Employer hereunder pursuant to an instrument reasonably acceptable to Executive; or

(D) Separation of Executive's office location from the principal corporate office of Employer or relocation outside the contiguous United States.

8. Employer shall have the right to terminate this Agreement immediately with no further liability under its terms if Executive terminates his employment without Good Reason, or if Executive is discharged by Employer for Cause. In such event, Executive shall be entitled only to receive his earned Base Salary through the date of termination and to receive any bonus payment to which he may be entitled pursuant to Section 1(a). It is agreed that the provisions of Section 9 shall survive any such termination of this Agreement.

9. (a) Executive agrees that during the term of his employment hereunder and, subject to the last sentence of this Section 9(a), during the further period of two (2) years after the termination of such employment for whatever reason, Executive shall not, without the prior written approval of Employer, directly or indirectly through any other person, firm or corporation, (i) engage or participate in or become employed by or render advisory or other services to or for any person, firm or corporation, or in connection with any business enterprise, which is, directly or indirectly, in competition with any of the business operations or activities of Employer, or (ii) solicit, raid, entice or induce any such person who on the date of termination of employment of Executive is, or within the last six (6) months of Executive's employment by Employer was, an employee of Employer, to become employed by any person, firm or corporation which is, directly or indirectly, in competition with any of the business operations or activities of Employer, and Executive shall not approach any such employee or former employee for such purpose or authorize or knowingly approve the taking of such actions by any other person; provided, however, that Executive shall not be bound by the restrictions contained in clause (i) of this Section 9(a) if Employer terminates his employment during Term other than for "Cause" (as defined in Section 7(c) hereof). The foregoing restrictions shall apply to the geographical areas where Employer does business and/or did business during the term of Executive's employment and all places where, at the date of termination of employment of Executive, Employer had plans or reasonable expectations to do business; provided that if any Court construes any portion of this provision or clause of this Agreement, or any portion thereof, to be illegal, void or

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unenforceable because of the duration of such provision or the area or matter covered thereby, such Court shall reduce the duration, area, or matter of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced. Notwithstanding the provisions of this Section 9, Employer shall be entitled to enforce the provisions of Section 9(a)(i) following the end of Executive's term of employment hereunder only during such time as the Employer continues to pay Executive an amount equal to the Base Salary that Executive was receiving at the time of such termination, unless Executive was terminated for Cause.

(b) Recognizing that the knowledge, information and relationship with customers, suppliers, and agents, and the knowledge of Employer's and its subsidiary companies' business methods, systems, plans and policies which Executive shall hereafter establish, receive or obtain as an employee of Employer or its subsidiary companies, are valuable and unique assets of the respective businesses of Employer and its subsidiary companies, Executive agrees that, during and after the term of his employment hereunder, he shall not (otherwise than pursuant to his duties hereunder) disclose, without the prior written approval of Employer, any such knowledge or information pertaining to Employer or any of its subsidiary companies, their business, personnel or policies, to any person, firm, corporation or other entity, for any reason or purpose whatsoever. The provisions of this Section 9(b) shall not apply to information which is or shall become generally known to the public or the trade (other than by reason of Executive's breach of his obligations hereunder), information which is or shall become available in trade or other publications, and information which Executive is required to disclose by law or an order of a court of competent jurisdiction. If Executive is required by law or a court order to disclose such information, he shall notify Employer of such requirement and provide Employer an opportunity (if Employer so elects) to contest such law or court order.

10. Executive agrees that Employer shall withhold from any and all payments required to be made to Executive pursuant to this Agreement, all federal, state, local and/or other taxes which Employer determines are required to be withheld in accordance with applicable statutes and/or regulations from time to time in effect.

11. This Agreement shall be construed under the laws of the State of New York.

12. This Agreement supersedes all prior negotiations and understandings of any kind with respect to the subject matter hereof and contains all of the terms and provision of agreement between the parties hereto with respect to the subject matter hereof. Any representation, promise or condition, whether written or oral, not specifically incorporated herein, shall be of no binding effect upon the parties.

13. (a) If any portion of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, that portion only shall be deemed deleted as though it had never been included herein but the remainder of this Agreement shall remain in full force and effect.

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(b) Executive acknowledges and agrees that Employer's remedies at law for a breach or threatened breach of any of the provisions of Section 9 would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, Employer, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

(c) This Agreement shall not be assignable by Executive.

14. No modification, termination or waiver of any provision of this Agreement shall be valid unless it is in writing and signed by both parties hereto.

15. Employer represents that it has all requisite power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and that this Agreement is enforceable against it in accordance with its terms.

MINERALS TECHNOLOGIES INC.

By: \_\_\_\_\_

Name:

Title:

Agreed to by:

\_\_\_\_\_  
Executive

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**MINERALS TECHNOLOGIES INC.**  
**NONFUNDED DEFERRED COMPENSATION AND UNIT AWARD PLAN FOR**  
**NON-EMPLOYEE DIRECTORS**

1. Each member of the Board of Directors of Minerals Technologies Inc. (the "Company") who is not an employee of the Company or of any of its subsidiaries (an "Independent Director") may elect on or before the last business day of any calendar month to have payment of all or a specified part of all fees payable to him or her for services as a director during the following calendar month and thereafter paid in cash on a current basis or deferred until he or she ceases to be a director of the Company. The form of any such deferral may be either in cash or in units that are valued by reference to, or otherwise based on, or related to, the Company's Common Stock, as described in paragraph 3 ("Units"). An election as to cash or deferral and form of deferral shall be made by written notice to the Secretary of the Company. Any such election may be terminated, or may be modified as to amount of deferral or form of deferral, with regard to fees to be paid during the following calendar month and thereafter by written notice to the Secretary of the Company on or before the last business day of the calendar month preceding the calendar month in which such fees would otherwise be payable. Modifying the form of deferral of fees previously deferred may be done as of the first day of any calendar month by giving written instructions to the Secretary of the Company before such date. No more than two modifications of the form of deferral, whether as to fees previously deferred or as to fees to be paid, may be made in any calendar year. Units awarded pursuant to paragraph 2 shall not be affected by any such election.

2. In addition, each Independent Director shall be awarded Units pursuant to the following schedule:

- Each director upon joining the Board shall be awarded 500 Units.
- Each director who continues in office on the date of any annual meeting of stockholders shall be awarded 500 Units, effective as of such date.
- A director who serves as the chair of the Audit Committee of the Board shall be awarded annually a number of Units valued at \$15,000, in quarterly installments of Units valued at \$3,750 on the first business day of each calendar quarter.
- A director who serves as the chair of the Compensation Committee or of the Corporate Governance Committee of the Board shall be awarded annually a number of Units valued at \$9,000, in quarterly installments of Units valued at \$2,250 on the first business day of each calendar quarter.
- A director who serves as a member of the Audit Committee of the Board shall be awarded annually a number of Units valued at \$9,000, in quarterly installments of Units valued at \$2,250 on the first business day of each calendar quarter.
- A director who serves as a member of the Compensation Committee or of the Corporate Governance Committee of the Board shall be awarded annually a number of Units valued at \$6,000, in quarterly installments of Units valued at \$1,500 on the first business day of each calendar quarter.

3. As fees are deferred by each director and as Units are awarded to him or her pursuant to paragraph 2, they shall be credited to a general ledger account (the

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"Deferred Directors Fees Account") established for such purpose on the Company's books. At the director's election, the credit for deferred fees shall be in the form of either (a) the dollar amount of the fees deferred or (b) a number of Units, calculated to the nearest thousandth of a Unit, determined by dividing the dollar amount of fees deferred by the closing market price of the Company's Common Stock on the date such fees accrue, as published in The Wall Street Journal in its report of New York Stock Exchange Composite Transactions. In the case of Units awarded pursuant to paragraph 2, the director's account shall be credited with the number of Units so awarded on the date specified in said paragraph.

Dollar balances in a director's account shall be credited with interest at a rate equal to the rate of return for Fund I in the Minerals Technologies Inc. Savings and Investment Plan, compounded monthly. Units in a director's account, shall be marked to market monthly.

Whenever a dividend is declared, the number of units in the director's account shall be increased by the result of the following calculations: (i) the number of Units in the director's account multiplied by any cash dividend declared by the Company on a share of its Common Stock, divided by the closing market price of such Common Stock on the date such dividends would otherwise have been paid, as published in The Wall Street Journal in its report of New York Stock Exchange Composite Transactions; and (ii) the number of Units in the director's account multiplied by any stock dividend declared by the Company on a share of its Common Stock. In the event of any change in the number or kind of outstanding shares of Common Stock of the Company including, but not limited to a stock split or splits, other than a stock dividend as provided above, an appropriate adjustment shall be made in the number of units credited to the director's account.

4. At least one year before a director ceases to be a director of the Company, the director may elect, or may modify an election previously made, to receive payment of the director's interest in the Deferred Directors Fees Account in a lump sum or in annual installments, and may elect to have such lump sum payment made or annual installment payments begin either in (a) the year in which the electing director ceases to be a director of the Company, or (b) the year following the year in which the electing director ceases to be a director of the Company. Such payment or payments shall be valued as of the first business day of the month in which they are to be made. In the absence of an election, such payments will begin in January of the year following the director's ceasing to be a director of the Company and will be made in five annual installments, valued as of the first business day of each applicable January. In the event a director ceases to be a director of the Company within one year of the director's election or most recent modification of the election provided for herein, then the most recent previous election made by such director at least one year prior to the director's termination of service shall be deemed to remain in effect.

With respect to all Units in the Deferred Directors Fees Account, the amount payable to the director in each instance shall be determined by multiplying the number of Units by the closing market price of the Company's Common Stock on the valuation date, as provided above in this paragraph 4.

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If the director receives the balance of his or her account in annual installments, the first annual installment shall be a fraction of the value of the balance of the director's account on the valuation prior to the date of such payment, the numerator of which fraction is one (1) and the denominator of which is the total number of installments remaining to be paid at that time. Each subsequent annual installment shall be calculated in the same manner except that the denominator shall be reduced by the number of annual installments that have been previously paid.

5. If a director should die before full payment of all amounts credited to his or her account, such amounts shall be paid to the director's designated beneficiary or beneficiaries or to the director's estate, in a single sum payment to be made as soon as practicable following the first valuation date after the director's death. A director may designate one or more beneficiaries (which may be an entity other than a natural person) to receive any payments to be made upon the director's death. At any time, and from time to time, any such designation may be changed or canceled by the director without the consent of any beneficiary. Any such designation, change or cancellation must be by written notice submitted to the Secretary of the Company and shall not be effective until received by the Secretary. If a director designates more than one beneficiary, any payments to such beneficiaries shall be made in equal shares unless the director has designated otherwise. If the director has named no beneficiary, or if all of the designated beneficiaries have predeceased the director, the beneficiary shall be the director's estate.

6. A director's election to defer fees shall continue until the director ceases to be a director unless the director earlier terminates the election with respect to future fees by written notice delivered to the Secretary of the Company. Any such notice shall become effective as of the end of the calendar month in which the notice is received by the Secretary. Amounts credited to the account of a director prior to the effective date of the notice shall not be affected thereby and shall be paid to the director in accordance with paragraph 4 (or paragraph 5 in the event of his death) above. The Units awarded to the director pursuant to paragraph 2 shall not be affected by any such election.

7. The right of a director to any fees or Units credited to his or her account shall not be subject to assignment by the director. If a director does assign his or her right to any fees or Units credited to his or her account, the Company shall disregard such assignment and discharge its obligation hereunder by making payment as though no such assignment had been made.

8. In no event shall any payment of fees deferred pursuant to this Plan or of Units be made with the Company's Common Stock.

9. This Minerals Technologies Inc. Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors shall be governed and construed in accordance with the laws of the state of Delaware.

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**MINERALS TECHNOLOGIES INC. RETIREMENT PLAN**

(As amended and restated effective as of January 1, 2006,  
with certain other effective dates)

**July 2006**

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**MINERALS TECHNOLOGIES INC. RETIREMENT PLAN**  
**(as amended and restated effective as of January 1, 2006**  
**with certain other effective dates)**

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# Article 1. The Plan

## 1.1 Background of Plan

Effective as of October 22, 1992, Minerals Technologies Inc. (the “Company”) adopted the Minerals Technologies Inc. Retirement Annuity Plan (the “Retirement Annuity Plan”) for the purpose of providing pensions upon retirement from service to employees of the Company and its subsidiaries and affiliates participating in the Plan. Members in the Retirement Annuity Plan accrued a retirement benefit for each year of participation consisting of a percentage of the Member’s compensation. Subsequent to its effective date, the Company amended the Retirement Annuity Plan from time to time to make desired changes and to comply with various statutory and regulatory requirements that became effective after the effective date.

Effective as of January 1 2002, the Company amended the Retirement Annuity Plan to provide that employees employed on or after January 1, 2002 would accrue benefits under a cash balance formula and that Members who were accruing benefits under the Retirement Annuity Plan on December 31, 2001 generally would continue to accrue benefits under the career earnings benefit formula that was in effect on December 31, 2001. In connection with such amendment, the name of the Retirement Annuity Plan was changed to the Minerals Technologies Inc. Retirement Plan (the “Plan”), effective as of January 1, 2002.

Effective as of January 1, 2005, with certain other effective dates, the Plan was amended and restated to incorporate certain clarifying changes relating to the operation and administration of the Plan.

Effective as of January 1, 2006, with certain other effective dates, the Plan is being amended and restated to amend the Plan's definition of the term “Career Earnings.”

The Plan, as hereinafter amended and restated, shall be effective as of January 1, 2006, except that certain amendments shall have other effective dates as set forth in the Plan.

## 1.2 Applicability of Plan

Except as otherwise expressly indicated, the provisions of the Plan are applicable only to Eligible Employees in the employ of an Employer on and after January 1, 2002. The Plan shall preserve all rights accrued and not forfeited by Members under the Plan as of December 31, 2001. Unless the Plan specifies otherwise, the rights and benefits of any Employee who terminates employment prior to the effective date of the provisions of this restated Plan shall be governed by the Plan provisions in effect at the time of such Employee’s termination of employment.

## 1.3 Purpose of Plan

The Plan is intended to meet the requirements for qualification under Section 401(a) of the Internal Revenue Code of 1986, as amended from time to time and the Trust established under the Plan is intended to be exempt from taxation as provided under Code Section 501(a). Certain provisions contained in the Plan are intended to comply with the requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”) and with certain other qualification requirements resulting from changes in statutes, or from regulations or other guidance published in the Internal Revenue Bulletin since the enactment of EGTRRA, to the extent that such requirements are required to be taken into account in this written Plan document.



## Article 2. Definitions

### 2.1 Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below unless otherwise expressly provided.

- (a) **“Accrued Benefit”** shall mean, as of any given date, the monthly amount of retirement income that would be payable in the form of a Single Life Annuity commencing on the Member’s Normal Retirement Date (or the Member’s Severance from Service Date, if later), based on the value of the Member’s Cash Balance Account or, if applicable, the Member’s benefit under the Career Earnings Formula as of such date.
- (b) **“Actuarial Equivalent”** shall mean an equivalent amount determined on the basis of the following factors:
  - (1) **Benefit Payable Under Cash Balance Formula.**
    - (A) In the case of a benefit payable pursuant to Section 4.1(c), the amount payable in the form of a lump-sum payment shall be equal to the value of the Member’s Cash Balance Account as of the last day of the month prior to the month in which distribution occurs.
    - (B) In determining the amount of a benefit payable in the form of a Single Life Annuity under Sections 2.1(a) and 6.3(c), actuarial equivalence as of any given date shall be determined by applying to the Member’s Cash Balance Account, valued as of the Annuity Starting Date, a factor determined on the basis of—
      - (i) an interest rate equal to the applicable interest rate (within the meaning of Code section 417(e)(3)), determined for the full calendar month that is four months prior to the month in which the Annuity Starting Date occurs; and
      - (ii) for all such benefits payable on an Annuity Starting Date that is on or prior to December 31, 2002, the 1983 Group Annuity Mortality Table weighted 50 percent male; and for all such benefit payments payable on an Annuity Starting Date that is on or after January 1, 2003, the 1994 Group Annuity Reserve Table weighted 50 percent male, projected to 2002; or such other mortality assumption as shall be prescribed by the Secretary of the Treasury, which assumption shall be based on the prevailing commissioners’ standard table described in Code section 807(d)(5)(A) used to determine reserves for group annuity contracts issued on the date the determination is being made (without regard to any other subparagraph of Code section 807(d)(5)).
    - (C) In determining the amount of a benefit payable in the form of an Automatic Joint and Surviving Spouse Annuity under Section 6.2 or under an optional

form available to a Member under Section 6.3(d) or (e), actuarial equivalence as of any given date shall be determined by applying to the Member's Single Life Annuity as determined in Section 2.1(b)(1)(B), valued as of the Annuity Starting Date, a factor determined on the basis of—

- (i) An interest rate assumption of 7½% per annum; and
- (ii) for all such benefits payable on an Annuity Starting Date that is on or prior to December 31, 2002, the 1983 Group Annuity Mortality Table weighted 50 percent male; and for all such benefit payments payable on an Annuity Starting Date that is on or after January 1, 2003, the 1994 Group Annuity Reserve Table weighted 50 percent male, projected to 2002; or such other mortality assumption as shall be prescribed by the Secretary of the Treasury, which assumption shall be based on the prevailing commissioners' standard table described in Code section 807(d)(5)(A) used to determine reserves for group annuity contracts issued on the date the determination is being made (without regard to any other subparagraph of Code section 807(d)(5)).

- (2) **Benefit Payable Under Career Earnings Formula.** In determining the amount of a benefit payable in the form of an Automatic Joint and Surviving Spouse Annuity under Section 6.2, or a Joint and Contingent Annuitant Option and/or Level Income Option under Section 6.3, and for purposes of determining any adjustment to be made to a Member's Accrued Benefit under Section 6.4(b), actuarial equivalence as of any given date shall be determined using an interest rate assumption of 7½% per annum and the mortality table described in Section 2.1(b)(2)(B). In determining the amount of benefit payable in the form of a lump-sum payment under Section 6.3(b) and for purposes of determining whether the cash-out provisions of Section 7.3 shall be applicable, actuarial equivalence as of any given date shall be determined using—

- (A) an interest rate equal to the annual rate of interest on 30-year Treasury securities or the generally accepted proxy therefor, in each case as specified by the Commissioner of the Internal Revenue Service for the full calendar month four months prior to the month in which the Member retires; and
- (B) for all such benefits payable on an Annuity Starting Date that is on or prior to December 31, 2002, the 1983 Group Annuity Mortality Table weighted 50 percent male; and for all such benefit payments payable on an Annuity Starting Date that is on or after January 1, 2003, the 1994 Group Annuity Reserve Table weighted 50 percent male, projected to 2002; or such other mortality assumption as shall be prescribed by the Secretary of the Treasury, which assumption shall be based on the prevailing commissioners' standard table described in Code section 807(d)(5)(A) used to determine reserves for group annuity contracts issued on the date the determination is being made (without regard to any other subparagraph of Code section 807(d)(5)).

(3) **Maximum Benefit Limitations.**

- (A) **Commencement Prior to Age 62; Adjustment for Certain Forms of Payment Under Section 8.2.** In determining the adjusted maximum benefit limitations under Section 8.3(b) (for benefits commencing before age 62) or under Section 8.2 (for certain forms of payment), actuarial equivalence shall be based on whichever of the following sets of actuarial assumptions result in the lower Retirement Benefit: (i) the assumed rate of interest and the mortality table specified in Sections 2.1(b)(1) and 2.1(b)(2), as applicable, or (ii) a 5 percent assumed rate of interest and the mortality table specified in Section 2.1(b)(2).
- (B) **Commencement After Age 65.** In determining the adjusted maximum benefit limitations under Section 8.4 (for benefits commencing after age 65), actuarial equivalence shall be based on whichever of the following sets of actuarial assumptions result in the lower Retirement Benefit: (i) the assumed rate of interest and the mortality table specified in Sections 2.1(b)(1) and 2.1(b)(2), as applicable, or (ii) a 5 percent assumed rate of interest and the mortality table specified in Sections 2.1(b)(1) and 2.1(b)(2), as applicable.
- (C) **Top Heavy Factors.** In determining present value under the top-heavy provisions of Article 13, actuarial equivalence shall be based on the Pension Benefit Guaranty Corporation immediate annuity lump-sum factor, with male and female factors equally weighted, as in effect three (3) months prior to the member's Severance from Service Date and the mortality assumptions specified in Section 2.1(b)(2)(B).

Notwithstanding the foregoing limitations, the benefit determined under this subsection shall in no event be less than the Member's Accrued Benefit as of July 1, 1995, determined by applying a 5 percent assumed rate of interest in lieu of the applicable interest rate under Code section 417(e)(3), wherever the same appears in Section 2.1(b)(4)(A).

(c) **"Affiliated Company"** shall mean—

- (1) any corporation while it is a member of the same controlled group of corporations (within the meaning of Code section 414(b)) as the Company,
- (2) any other trade or business (whether or not incorporated) while it is under common control with the Company within the meaning of Code section 414(c),
- (3) any organization (whether or not incorporated) during any period in which it (along with the Company) is a member of an affiliated service group (within the meaning of Code section 414(m)), and
- (4) any entity required to be aggregated with the Company pursuant to Code section 414(o) and the regulations thereunder;

provided that, for purposes of Article 8 (regarding maximum benefit limitations), in determining common control under Code sections 414(b) and (c), the phrase “more than 50 percent” shall be substituted for the phrase “at least 80 percent” each place the latter appears in Code section 1563 (and regulations thereunder) and in regulations under Code section 414(c).

- (d) **“Annual Pay Credits”** shall mean amounts credited to a Member’s Cash Balance Account, in accordance with Section 4.1(d).
- (e) **“Annuity Starting Date”** shall be defined as follows:
  - (1) **Benefits Payable in the Form of an Annuity.** In the case of benefits payable in the form of an annuity, Annuity Starting Date shall mean the first day of the first period for which an amount is payable under the Plan.
  - (2) **Benefits Payable in the Form of a Lump-Sum Payment.** In the case of a benefit payable in the form of a lump-sum payment, Annuity Starting Date shall mean the date on which all events have occurred which entitle the Member to such benefit, but in no event earlier than the date that benefits become payable to the Member under Section 4.1, 4.2, 4.3, 4.4 or 6.5, whichever is applicable.
  - (3) **Administrative Delay.** For purposes of subsection (1), if a benefit payment under the Plan has become payable to a Member but distribution has not yet occurred solely for administrative reasons, the Member’s Annuity Starting Date shall be deemed to have occurred on the date such payment first became payable.
- (f) **“Anniversary Year”** shall mean (1) the twelve-month period following the date on which an Employee first begins his employment with the Company or an Affiliated Company, as well as successive twelve-month periods thereafter, and (2) the twelve-month period following the date on which an Employee returns to the employ of the Company or an Affiliated Company after incurring a One-Year Break in Service, as well as successive twelve-month periods thereafter. No Anniversary Year shall be credited for purposes of vesting under Section 4.2(a) unless in such Anniversary Year the Employee has completed 1,000 or more Hours of Service for the Company or an Affiliated Company.
- (g) **“Associate Company”** shall mean any Affiliated Company of which Minerals Technologies Inc. owns directly or indirectly at least 80% of the issued and outstanding shares of stock, which, with the consent of Minerals Technologies Inc., adopts the Plan pursuant to the provisions of Section 9.8 hereof, and, when action is required to be taken hereunder by an Associate Company, such action shall be authorized by its Board of Directors.
- (h) **“Automatic Joint and Surviving Spouse Annuity”** shall mean the annuity form of benefit payments described in Section 6.2.
- (i) **“Beneficiary”** shall mean the person, persons or trust, or the Member’s estate, designated under Section 6.6 to receive benefits under the Plan after the Member’s death.

- (j) **“Career Earnings”** shall mean the Member’s aggregate Earnings during his period of Creditable Service, except that:
- (1) if the Member was employed on October 1, 2006, the Member’s Earnings for each calendar year prior to 2003 shall be the average of such Member’s Earnings during the five consecutive calendar years prior to 2003 during which the Member rendered Creditable Service which yield the highest average, provided such Member’s Earnings are not reduced thereby; and
  - (2) if the Member was employed on April 1, 1998, but terminated employment prior to October 1, 2006, the Member’s Earnings for each calendar year prior to 1998 shall be the average of such Member’s Earnings during the five consecutive calendar years prior to 1998 during which the Member rendered Creditable Service which yield the highest average, provided such Member’s Earnings are not reduced thereby; and
  - (3) if the Member was employed on July 1, 1995, but terminated employment prior to April 1, 1998, the Member’s Earnings for each calendar year prior to 1995 shall be the average of such Member’s Earnings during the five consecutive calendar years prior to 1995 during which the Member rendered Creditable Service which yield the highest average; provided such Member’s Earnings are not reduced thereby; and
  - (4) if the Member was employed on October 22, 1992, but terminated employment before July 1, 1995, the Member’s Earnings for each calendar year prior to 1992 shall be the average of such Member’s Earnings during the five consecutive calendar years prior to 1992 during which the Member rendered Creditable Service which yield the highest average, provided such Member’s Earnings are not reduced thereby; and
  - (5) in each case, only the Member’s Earnings during his last 35 years of Creditable Service shall be counted; provided, however, that, such a calculation shall not lessen such Member’s Career Earnings below the result of a prior calculation.
- (k) **“Career Earnings Formula”** shall mean the benefit formula described in Section 4.1(b).
- (l) **“Cash Balance Account”** shall mean the notional account deemed to have been established for each Member for the purpose of determining each Member’s benefit under the Cash Balance Formula.
- (m) **“Cash Balance Formula”** shall mean shall mean the benefit formula described in Section 4.1(c).
- (n) **“Cessation of Participation Date”** shall mean the date that an Employee ceases to be an Eligible Employee, notwithstanding that he remains an Employee on such date.

- (o) **“Code”** shall mean the Internal Revenue Code of 1986, as in effect at the time with respect to which such term is used. A reference to a provision of the Code shall, if such provision is amended, refer to the successor to such provision.
- (p) **“Company”** shall mean Minerals Technologies Inc., a Delaware corporation, and any successor corporation and, when action is required to be taken hereunder by the Company, such action shall be authorized by the Compensation and Nominating Committee or the Board of Directors of the Company.
- (q) **“Creditable Service”** shall mean the period of a Member’s employment with the Company or an Affiliated Company that is used to determine (i) the amount of a Member’s benefit under the Career Earnings Formula, (ii) whether a Member has a vested, non-forfeitable right to his Retirement Benefit on the Member’s Severance from Service Date and (iii) eligibility for Disability benefits under Section 4.4. Creditable Service shall be determined as follows:
- (1) **Years of Creditable Service.** A Member shall be credited with a year of Creditable Service for each Anniversary Year during which he completes 1,000 or more Hours of Service; provided, however, that for purposes of calculating a Member’s Retirement Benefit under the Career Earnings Formula, Hours of Service earned by the Member with an Affiliated Company that is not an Associate Company shall be disregarded in determining the Member’s Creditable Service. No fractional years of Creditable Service shall be credited to a Member, except for purposes of determining (A) the Primary Social Security Benefit offset amount pursuant to Section 4.1(b)(2) and (B) a Member’s Career Earnings and his eligibility for early retirement under Sections 4.2(b)(2)(A) and (B), in which event the Member’s Creditable Service shall be determined on the basis of the months of employment with an Employer during the fractional Anniversary Year without regard to whether the Member completes 1,000 or more Hours of Service within such period. For purposes of the preceding sentence, a month of employment will be credited with respect to the Member’s first and last month of employment with an Employer if the Member is employed for at least 15 days in each such month.
  - (2) **“Prior Service”** shall mean service rendered by a person who is in the service of an Employer before the date on which he becomes a Member and who continues in service on and after the date he becomes a Member. Except as otherwise provided in Section 4.1 and Section 9.8, Prior Service of a Member shall be included in the Member’s Creditable Service.
  - (3) **“Special Service”** shall mean service rendered outside the United States by an Employee employed by a corporation which is an Affiliated Company, but not an Associate Company, which service is rendered (1) before the date on which such Employee becomes a Member; provided, that such Employee continues in service of the Company or an Affiliated Company on and after the date he becomes a Member, or (2) subsequent to the date the Employee becomes a Member, provided that such employment is uninterrupted and that the Member returns to the

employment of an Employer immediately following such service. Special Service of a Member shall be included in the Member's Creditable Service.

- (4) **Pfizer Plan Membership.** With respect to any Member who was an active participant of the Pfizer Plan immediately prior to October 22, 1992 and who commenced employment with the Company or any of its subsidiaries on or after October 22, 1992 and prior to June 1, 1993, Creditable Service shall include any service credited such Member under the Pfizer Plan provided such Member was an active participant of the Pfizer Plan immediately prior to such Member's employment by the Company or any of its subsidiaries.
- (5) **Other Company Service.** Creditable Service shall include service with an employer other than an Employer or an Affiliate which service is recognized as Creditable Service pursuant to Schedule E.
- (6) **Military Leave.** An Employee who is absent from work with the Company or an Affiliated Company for voluntary or involuntary service with the armed forces of the United States shall be credited with Creditable Service for the time spent on active duty in the armed forces; provided that such Employee returns to active service with an Employer within the time limits provided by law after their separation or discharge from active duty from the armed forces, having satisfactorily completed their period of training and service. In the event an Employee who would otherwise be credited with Creditable Service for the time spent on active duty in the armed forces except for such Employee's failure to return to active service with an Employer pursuant to the preceding sentence shall nevertheless be credited with up to 501 Hours of Service for such period of military service. Notwithstanding any provision of the Plan to the contrary, effective as of December 12, 1994, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).
- (7) **Leave of Absence.** Interruption of active service on account of leave of absence authorized by an Employer shall not be considered termination of service. Time spent on authorized leave of absence shall be credited for the purpose of computing length of service and benefits payable under the Career Earnings Formula on the following basis: Members shall receive credit for each full year spent on authorized leave of absence for each full year of Creditable Service that they render to an Employer following return to active service, except that time spent on authorized leave of absence for medical reasons shall be credited without requirement of subsequent Creditable Service and time spent on civic leave shall be credited upon return to active service.
- (8) **Effect on Creditable Service of Reemployment After Severance From Service Date.** An Employee who is reemployed after his Severance from Service Date shall have Creditable Service that was credited to such Employee prior to his Severance from Service Date reinstated upon reemployment as follows:

- (A) If the Employee is reemployed before a One-Year Break in Service occurs, the Creditable Service the Employee had at the time of his Severance from Service Date shall be reinstated upon the Employee's reemployment.
- (B) If the Employee is reemployed after a One-Year Break in Service occurs, the Creditable Service the Employee had at such One-Year Break in Service shall be disregarded if-
  - (i) the Employee was not vested as to any part of his benefit under the Plan prior to a One-Year Break in Service, and
  - (ii) the number of consecutive One-Year Breaks in Service equals or exceeds the greater of five or the aggregate number of years of Credited Service completed prior to such One-Year Break in Service; provided, however, that the Creditable Service that such employee had prior to a One-Year Break in Service shall not be disregarded pursuant to this subsection (ii) if the employee completes at least 24 consecutive months of Creditable Service following his reemployment.

If a reemployed Employee does not forfeit his Creditable Service as provided above, solely for purposes of determining his Career Earnings, the last calendar year in which he rendered Creditable Service shall be treated as being consecutive with the first calendar year in which he renders Creditable Service after his reemployment.

Notwithstanding the foregoing, for purposes of determining a Member's Retirement Benefit under the Career Earnings Formula, following reemployment, no Creditable Service shall be credited for any Anniversary Year subsequent to a Member's Severance from Service Date if such reemployment occurs on or after January 1, 2002.

- (r) **"Disability"** shall mean the inability of a Member, who is participating in a long-term disability plan of an Employer, to perform his duties for an Employer as a result of any bodily injury or disease or mental infirmity and for which the Member is receiving disability benefits under such long-term disability plan. A Member who suffers a Disability shall be considered "Disabled" only during the period in which he is receiving disability benefits under an Employer's long-term disability plan.
- (s) **"Disability Leave Status"** shall mean the status of a Member who, for purposes of the Career Earnings Formula, has been determined to be Disabled and who has completed at least five years of Creditable Service at the time his Disability began.
- (t) **"Earnings."**
  - (1) **Items Included.** Earnings shall mean actual salary, wages, bonus (except as otherwise provided under Section 2.1(t)(2)), and other remuneration earned by an Employee from an Employer for his service with an Employer, as determined by such Employer. Earnings shall include pre-tax contributions under (A) the



Company's Savings and Investment Plan, (B) a cafeteria plan under Code section 125 and (C) a transportation fringe benefit plan under Code section 132(f)(4). Earnings shall also include earnings from Pfizer to the extent that Pfizer has transferred the accumulated benefit obligation of such person under the Pfizer Plan to the Company under the terms and conditions of the Reorganization Agreement between Pfizer Inc. and Minerals Technologies Inc. dated as of September 28, 1992.

- (2) **Items Excluded.** Earnings shall not include any part of the cost of any employee benefit (other than pre-tax contributions under (A) the Company's Savings and Investment Plan, (B) a cafeteria plan under Code section 125 or (C) under a transportation fringe benefit plan under Code section 132(f)(4)), including without limitation stock options, perquisites and group insurance, matching contributions under the Company's Savings and Investment Plan, or of any expense reimbursement, including, without limitation, relocation costs, or of any remuneration received in the form of salary continuance or lump-sum severance by an Employee while no longer providing services to the Company. No part of any bonus or other remuneration forming part of the compensation of any Employee shall be used to determine benefits under the Plan, if such bonus should cause such benefit to become discriminatory under the applicable provisions of the Code.
- (3) **Limitation on Amount.** Unless otherwise specifically provided in the Plan, the annual Earnings of each Employee that may be taken into account under the Plan shall not exceed the "applicable dollar amount" of an Employee's annual Earnings. For purposes of this Section 2.1(s), the term "applicable dollar amount" means the maximum annual compensation limit which is (A) \$200,000 as adjusted for the cost of living in accordance with Code section 415(d) for Plan Years beginning before January 1, 1994, (B) \$150,000, as adjusted for the cost of living in accordance with Code section 401(a)(17)(B) for Plan Years beginning January 1, 1994 and ending December 31, 2001, and (C) beginning January 1, 2002, \$200,000, as adjusted for the cost of living in accordance with Code section 415(d). In determining the Earnings of a Member for purposes of the aforementioned limitations for Plan Years beginning prior to January 1, 1997, if any individual is a member of the family of a 5-percent owner or of a Highly Compensated Employee (as defined in Section 9.7(a)(2)) in the group consisting of the ten Highly Compensated Employees paid the greatest compensation during the year, then (A) such individual shall not be considered a separate employee and (B) any Earnings paid to such individual (and any applicable benefit on behalf of such individual) shall be treated as if it were paid to (or on behalf of) the 5-percent owner or Highly Compensated Employee; provided, however, that the aforementioned term "family" shall include only the Spouse of the Member and any lineal descendants of the Member who have not attained age 19 before the close of the year. If, as a result of the application of the foregoing family aggregation rules, the applicable dollar amount is exceeded, then the limit shall be prorated among the individuals in proportion to each such individual's Earnings as determined under this section 2.1(t) prior to the application of the limit.

- (u) **“Effective Date”** shall mean October 22, 1992.
- (v) **“Eligible Employee”** shall mean a person who (1) is included in a group or class designated by the Company as eligible for membership in the Plan and (2) is in the service of an Employer within the United States of America or is a United States citizen in the service of an Employer outside of the continental limits of the United States of America. Eligible Employee shall not include any person who is included in a unit of employees covered by a collective bargaining agreement that does not provide for the coverage of such person under the Plan if there is evidence that retirement benefits were the subject of good faith bargaining. A person who is a United States citizen and who is employed outside the continental limits of the United States of America in the service of a foreign subsidiary (including foreign subsidiaries of such foreign subsidiary) of the Company shall be considered, for all purposes of the Plan, as employed in the service of the Company if (A) the Company has entered into an agreement under Code section 3121(1) which applies to the foreign subsidiary of which such person is an employee and (B) contributions under a funded plan of deferred compensation, whether or not a plan described in Code section 401(a), 403(a), or 405(a) are not provided by any other person with respect to the remuneration paid to such individual by the foreign subsidiary. The groups and classes designated by the Company are set forth in Schedule A.
- (w) **“Employee”** shall mean any individual employed by an Employer or an Affiliated Company. The term Employee excludes any Leased Employee. The term Employee shall also not include any person who performs services for an Employer under an agreement or arrangement (which may be written, oral and/or evidenced by an Employer’s payroll practices) with the individual or with another organization that provides the services of the individual to an Employer, pursuant to which the person is treated as an independent contractor or is otherwise treated as an employee of an entity other than an Employer, irrespective of whether the individual is treated as an employee of an Employer under common law employment principles or pursuant to the provisions of Code section 414(m), 414(n), or 414(o).
- (x) **“Employer”** shall mean the Company and any Associate Company.
- (y) **“ERISA”** shall mean the Employee Retirement Income Security Act of 1974, as in effect at the time with respect to which such term is used. A reference to a provision of ERISA shall, if such provision is amended, refer to the successor to such provision.
- (z) **“Former Eligible Employee”** means an Employee who was an Eligible Employee immediately prior to his or her Cessation of Participation Date.
- (aa) **“Hour of Service”**
  - (1) **General Definition of Hour of Service.** The term “Hour of Service” shall mean each hour for which the Employee is directly or indirectly paid or entitled to payment by an Employer or an Affiliate—
    - (A) for the performance of duties,

- (B) on account of a period of time during which no duties are performed (regardless of whether or not the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including Disability), layoff, jury duty, military duty, or leave of absence, or
- (C) for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by an Employer or an Affiliated Company;

provided, however, that no hour shall be credited as an Hour of Service under more than one of the preceding paragraphs.

- (2) **Maternity/Paternity Leave.** In the case of Maternity/Paternity Leave, up to 501 Hours of Service shall be credited in the Anniversary Year in which the Maternity/Paternity Leave begins, if the Employee would otherwise have incurred a One-Year Break in Service in that Anniversary Year, otherwise up to 501 Hours of Service shall be credited in the following Anniversary Year to prevent a One-Year Break in Service. Maternity/ Paternity Leave means an absence from work (A) by reason of the pregnancy of an Employee, (B) by reason of the birth of a child of an Employee, (C) by reason of the placement of a child with the Employee in connection with the adoption of the child, or (D) for the purposes of caring for the child during the period immediately following the birth or placement for adoption.
- (3) **Credited Hours of Service.**
  - (A) **Equivalency Method.** With respect to periods of employment prior to July 1, 2005, each Employee shall be credited with Hours of Service on the basis of an assumed 190 Hours of Service per month for each month for which the Employee would have received at least one Hour of Service in accordance with this definition to the extent that it does not result in crediting Hours of Service more than once with respect to any period.
  - (B) **General Method.** With respect to periods of employment subsequent to June 30, 2005, Hours of Service shall be determined by the Employer or Affiliated Company from records of actual hours worked by each Employee in accordance with (I) this definition to the extent that it does not result in crediting Hours of Service more than once with respect to any period and (II) the requirements of Department of Labor Regulation section 2530.200b-2(a)(1), (2) and (3).
- (4) **Special Rules for Determining Hours of Service.** In the case of a payment which is made or due on account of a period during which an Employee performs no duties, Hours of Service will be determined in accordance with Department of Labor Regulations § 2530.200b-2(b) and (c).

- (bb) **“Interest Credits”** shall mean the amounts credited to a Member’s Cash Balance Account in accordance with Section 4.1(e).
- (cc) **“Leased Employee”** shall mean any person (other than an Employee of the Company or an Associate Company) who pursuant to an agreement between the Company or an Associate Company and any other person (“leasing organization”) has performed services for the Company or an Associate Company (or for the Company or an Associate Company and related persons determined in accordance with section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one year, and such services are performed under the primary direction or control of the Company or an Associate Company.
- (dd) **“Member”** shall mean an Employee or former Employee who has become a Member under Article 3. A Member shall continue to be a Member as long as he has an undistributed beneficial interest in the Plan.
- (ee) **“Normal Retirement Age”** shall mean age 65 if the Employee commenced employment on or before July 31, 2002, or the later of the date the Employee attains age 65 or completes five years of Creditable Service, if the Employee commences employment on or after August 1, 2002.
- (ff) **“Normal Retirement Date”** shall mean the first day of the calendar month coinciding with or next following the date on which the Member attains Normal Retirement Age.
- (gg) **“One Year Break in Service”** shall mean an Anniversary Year in which a Member is credited with 500 or fewer Hours of Service.
- (hh) **“Pfizer Plan”** shall mean the Pfizer Inc. Retirement Annuity Plan.
- (ii) **“Plan”** shall mean the Minerals Technologies Inc. Retirement Plan, as set forth in this document and as amended from time to time.
- (jj) **“Plan Year”** shall mean the period beginning January 1 and ending December 31.
- (kk) **“Primary Social Security Benefit”** shall mean the annual amount available to the Member at age 65, or later if the Member retires after age 65, under the Old Age Insurance provisions of Title II of the Social Security Act in effect at his Severance from Service Date, without regard to any increases in the wage base or benefit levels that take effect after the date of termination of employment, subject to the following:
- (A) A Member’s Primary Social Security Benefit shall be determined (1) with respect to the period prior to the Member’s Severance from Service Date, by applying a salary scale which is the actual change in average wages from year to year as determined by the Social Security Administration, projected backwards, from the Member’s Earnings for the calendar year in which the Member’s Severance from Service Date occurs (or the Member’s Earnings during the calendar year immediately preceding the calendar year in which the Member’s Severance from Service Date occurs, if Earnings during such year are greater) and (2) in the event

that the Member's Severance from Service Date occurs prior to attainment of age 65, by assuming that the Member's Earnings as determined in (1) will continue to be earned by the Member until age 65. Notwithstanding the foregoing, if a Member whose Severance from Service Date occurs prior to attainment of age 65 retires pursuant to Section 4.2(b)(2)(B), such Member's Primary Social Security Benefit shall be estimated by assuming that the Member will not receive any income after retirement which would be treated as wages for purposes of the Social Security Act.

- (B) Notwithstanding the foregoing, actual salary history will be used to calculate the Primary Social Security Benefit if this will result in a larger benefit under the Career Earnings Formula for the Member, but only if documentation of such history is provided by the Member within two years after the later of his Severance from Service Date or the date the Member receives notice of his benefits under the Plan.
- (ll) **"Retirement Benefit"** shall mean the benefit payment to which a Member is entitled under Section 4.1, 4.2, 4.3 or 4.4, whichever is applicable.
- (mm) **"Retirement Committee"** shall mean those individuals designated by the Board of Directors of the Company to serve as Members of the Retirement Committee.
- (nn) **"Severance from Service Date"** shall mean the earlier of the following dates:
- (1) the date on which the Employee terminates voluntarily, retires, is discharged or dies; or
  - (2) the first anniversary of the first date of a period in which an Employee remains absent from the service of an Employer for any reason other than voluntary termination, retirement, discharge or death, such as vacation, holiday, sickness, disability (other than a condition that renders the Employee Disabled as defined in Section 2.1(r)), leave of absence (other than a leave granted for military service) or lay-off; provided, however, that in the event an Employee shall quit, retire, die or be discharged prior to said first anniversary, his Severance from Service Date shall be the first day of such period of absence unless the Employee shall return to employment prior to such anniversary date.
- (oo) **"Single Life Annuity"** shall mean an annuity providing equal monthly payments for the lifetime of the Member with no survivor benefits.
- (pp) **"Spouse"** shall mean the person of the opposite sex to whom a Member has been legally married (as determined in accordance with the laws of the jurisdiction in which he resides) throughout the one-year period preceding the earlier of the Member's Annuity Starting Date or the date of the Member's death.
- (qq) **"Trust Agreement"** shall mean the agreement under which Plan assets are held and invested pursuant to Article 12 hereof.

(rr) **“Trust Fund”** or **“Trust”** shall mean the trust fund established under Article 12 to hold the assets of the Plan.

(ss) **“Trustee”** shall mean the person or persons acting as trustee of the Trust Fund.

## **2.2 Gender and Number**

Whenever applicable, the masculine gender, when used in the Plan, shall include the feminine or neuter gender, and the singular shall include the plural.

# **Article 3. Participation**

## **3.1 Commencement of Participation**

- (a) **Employees Who Were Members on December 31, 2001.** Each Employee on December 31, 2001, who was a Member in the Retirement Annuity Plan on such date shall be a Member in the Plan on January 1, 2002, provided he is then an Eligible Employee.
- (b) **Other Employees.** Each other Employee shall become a Member on the first day on which the Employee is credited with an Hour of Service, provided he is then an Eligible Employee.

## **3.2 Cessation of Participation**

Notwithstanding any other provision of the Plan to the contrary, as of a Former Eligible Employee's Cessation of Participation Date, such Former Eligible Employee shall continue to earn Creditable Service for purposes of determining his vested status under Section 4.2, but, effective December 30, 2005, in no event shall such a Former Eligible Employee continue to earn Creditable Service for purposes of (A) the calculation of his Career Earnings under Section 4.1(b); or (B) his eligibility for Disability benefits under Section 4.4. Furthermore, in no event shall such a Former Eligible Employee's Earnings be recognized, nor shall he accrue benefits under, either the Career Earnings Formula or the Cash Balance Formula following such Former Eligible Employee's Cessation of Participation Date, except as specifically set forth below. With respect to any benefits under the Plan that accrue after December 30, 2005, a Former Eligible Employee's age on his or her Cessation of Participation Date shall be used for purposes of determining such Former Eligible Employee's age under Sections 4.2(b)(2)(A)(B) and (C).

Notwithstanding the foregoing, a Former Eligible Employee shall continue to earn Interest Credits pursuant to Section 4.1(e), and such Former Eligible Employee's Cash Balance Account shall continue to be credited with such Interest Credits, until the last day of the month prior to the month in which payment under the Plan commences in accordance with Section 4.1(e) .

If such a Former Eligible Employee again becomes an Eligible Employee, he shall be treated as if he were reemployed, and shall be covered under the Cash Balance Formula, consistent with Sections 4.1 (b) and (c).

## Article 4. Normal Retirement Benefit

### 4.1 Normal Retirement Benefit

- (a) **In General.** A Member who attains Normal Retirement Age while employed by an Employer or an Affiliated Company shall be entitled to a nonforfeitable benefit, calculated as a Single Life Annuity commencing on his Normal Retirement Date.
- (b) **Career Earnings Formula.** The Career Earnings Formula shall be used to determine the Normal Retirement Benefit of each Member who was an Employee of an Employer on December 31, 2001; provided, however, that, in the case of a Member who, following his Severance from Service Date, is reemployed by an Employer on or after January 1, 2002, the Career Earnings Formula shall not be applicable with respect to the Member's period of employment with an Employer which occurs subsequent to the date of the Member's reemployment. The benefit payable at the Normal Retirement Date of an Employee under the Career Earnings Formula, shall be equal to the greater of—

- (1) 1.4% of the Member's Career Earnings; or
- (2) 1.75% of the Member's Career Earnings, less 1.50% of his Primary Social Security Benefit multiplied by his years of Creditable Service, but in no event more than 35 years of Creditable Service.

Notwithstanding the foregoing, unless otherwise provided herein, each Section 401(a)(17) Member's Accrued Benefit under the Career Earnings Formula will be the greater of the Accrued Benefit determined for such Member under (A) or (B) below:

- (A) the Section 401(a)(17) Member's Accrued Benefit determined with respect to the benefit formula applicable for the Plan Year beginning on or after January 1, 1994, as applied to such Member's total years of Creditable Service taken into account under the Career Earnings Formula for the purposes of benefit accruals, or
- (B) the sum of:
  - (i) the Section 401(a)(17) Member's Accrued Benefit as of the last day of the last Plan Year beginning before January 1, 1994, frozen in accordance with section 1.401(a)(4)-13 of the Treasury Regulations, and
  - (ii) the Section 401(a)(17) Member's Accrued Benefit determined under the benefit formula applicable for the Plan Year beginning on or after January 1, 1994, as applied to such Member's years of Creditable Service for Plan Years beginning on or after January 1, 1994, for purposes of benefit accruals.

A "Section 401(a)(17) Member" means a Member whose current Accrued Benefit as of a date on or after the first day of the first Plan Year beginning on or after

January 1, 1994, is based on Career Earnings for a year beginning prior to the first day of the first Plan Year beginning on or after January 1, 1994, that exceeded \$150,000.

In the case of any group or class of Members, an Employer may limit the Prior Service of persons included in such group or class to service rendered on and after a date to be determined by an Employer.

Except in the case of a person in the service of a corporation which becomes an Associate Company, the Prior Service benefits of any Member who was absent from his Employer during all or part of the calendar year next preceding the date he becomes a Member, because of sickness, Disability, service in the armed forces of the United States, or like reasons beyond his control, and who entered the service of his Employer prior to such calendar year, shall be computed by crediting to him as Earnings for such calendar year the following Earnings:

- (I) all Earnings actually received by such Member in such calendar year before or after the period of absence from his Employer, and
- (II) the Earnings he would have received in such calendar year during the period of absence based on a forty-hour week at his straight-time rate of pay at the time of leaving his Employer and any increased rate to which he would have been entitled as a result of automatic length-of-service increases or a general increase, and any bonuses or other payments made in such calendar year during such period of absence to which he would normally have been entitled.

- (c) **Cash Balance Formula.** The Cash Balance Formula shall be used to determine the Normal Retirement Benefit of each Member whose employment with an Employer commences on or after January 1, 2002. The Cash Balance Formula shall be also used to determine the Normal Retirement Benefit of any Member who is reemployed by an Employer on or after January 1, 2002, with respect to the determination of such Member's Normal Retirement Benefit attributable to service occurring subsequent to his reemployment date. Under no circumstances shall a Member accrue benefits under the Career Earnings Formula and the Cash Balance Formula with respect to the same periods of Creditable Service. The benefit payable at the Normal Retirement Date of an Employee under the Cash Balance Formula shall be equal to the sum of—

- (1) Annual Pay Credits pursuant to Section 4.1(d); and
- (2) Interest Credits pursuant to Section 4.1(e).

- (d) **Annual Pay Credits.** As of the first day of each Plan Year, an Annual Pay Credit shall be credited to the Cash Balance Account of each Member whose benefit is determined under the Cash Balance Formula (including each such Member who retired, died, or otherwise terminated during the prior Plan Year), who received Earnings during the prior Plan Year. The Annual Pay Credit shall equal such Member's Earnings for the prior Plan Year multiplied by five percent (5%). Notwithstanding the foregoing, in the final year of



a Member's employment, an Annual Pay Credit will be credited to such Member's account, calculated by multiplying such Member's Earnings in the current Plan Year up to the Member's termination date by five percent (5%).

- (e) **Interest Credits.** Interest Credits based on the amount of the Member's Cash Balance Account as of the last day of each Plan Year shall be added to the Cash Balance Account of each Member whose benefit is determined under the Cash Balance Formula as of the last day of the Plan Year, prior to the crediting of any Annual Pay Credit or other credit for the following Plan Year. In the final year of employment of each such Member, interest at the same rate as used in determining the Interest Credit on the last day of the Plan Year in which the Member's employment is terminated, shall be credited on a *pro rata* basis up to the date such Member's benefits commence to the Member's Cash Balance Account as of January 1 of the Plan Year in which the Member's employment terminates. Effective January 21, 2004, the preceding sentence shall only apply if the Member elects to receive his benefit prior to the end of the Plan Year in which the Member's employment terminates and no additional Interest Credit will be applied as of the end of the Plan Year to any Annual Pay Credit accrued to a Member's Cash Balance Account based on his Earnings in the final year of the Member's employment where the Member elected to receive his benefit prior to the end of the Plan Year in which the Member's employment terminates. Except as provided below, Interest Credits shall cease once benefit payments have commenced to the Member.

If a Member who is currently receiving Retirement Benefits in any form other than a lump-sum payment is re-employed, interest hereunder shall not be credited to the Member's Cash Balance Account used to determine such benefits but shall be credited to a new Cash Balance Account established on behalf of such Member.

Effective for Plan Years beginning on January 1, 2002 through January 1, 2004, the rate of interest used to determine the Interest Credits for a Plan Year shall be the twelve-month average of the 30-year constant maturity Treasury Bond rates (or the generally accepted proxy therefor (as published by the U.S. Federal Reserve Board)) determined for the 12 months ending in November of the immediately preceding Plan Year. Notwithstanding any other provision of the Plan to the contrary, an Employer reserves the right to change the interest rate used to determine Interest Credits at any time prior to the beginning of the Plan Year in which such credit is added to the Member's Cash Balance Account.

Effective for Plan Years beginning after December 31, 2004, the rate of interest used to determine the Interest Credits for a Plan Year shall be the one-year constant maturity Treasury Bond rate (or the generally accepted proxy therefor (as published by the U.S. Federal Reserve Board)) for the month of November of the immediately preceding Plan Year plus one percentage point. Notwithstanding any other provision of the Plan to the contrary, an Employer reserves the right to change the interest rate used to determine Interest Credits at any time prior to the end of the Plan Year in which such credit is added to the Member's Cash Balance Account.

## 4.2 Vesting and Early Commencement of Retirement Benefit Payments

- (a) **Commencement of Vested Retirement Benefits at Normal Retirement Date.** A Member whose Severance from Service Date occurs after he has completed five or more Years of Creditable Service shall be entitled to receive a Retirement Benefit commencing at Normal Retirement Date calculated in accordance with Section 4.1, the monthly amount of which, if such benefit were paid in the form of a Single Life Annuity, shall be equal to the Member's Accrued Benefit at his Annuity Starting Date under the Career Earnings Formula and/or the Actuarial Equivalent of his Cash Balance Account at his Annuity Starting Date. Subject to the provisions of Article 6, any Retirement Benefit payable under this section may be paid in the form of a Single Life Annuity, an Automatic Joint and Surviving Spouse Annuity, or in another optional form of payment provided under Section 6.3.

If, at the Member's Severance from Service Date, a Member's vested Accrued Benefit is zero, he shall be deemed to have received an immediate lump-sum payment of his vested Accrued Benefit.

- (b) **Commencement of Vested Retirement Benefits Before Normal Retirement Date.**

- (1) **Provisions Applicable to Accrued Benefits Attributable to the Cash Balance Formula.** Subject to the provisions of Article 6, a Member whose Severance from Service Date occurs after he has completed five or more Years of Creditable Service shall be entitled to elect that the Retirement Benefit payable pursuant to the Cash Balance Formula, if any, commence on the first day of the month coincident with or following his Severance from Service Date up to his Normal Retirement Date.
- (2) **Provisions Applicable to Commencement of Vested Retirement Benefits Attributable to the Career Earnings Formula.** The Retirement Benefit determined under the Career Earnings Formula of a Member whose Severance from Service Date occurs prior to his Normal Retirement Date shall not commence until the Member's Normal Retirement Date, except as follows:
- (A) A Member whose Severance from Service Date occurs on or after the Member's attainment of age 55 and following his completion of 10 Years of Creditable Service may elect to commence his Retirement Benefit as of the first day of any month prior to the Member's Normal Retirement Date. If such a Member elects an Annuity Starting Date that is prior to the Member's Normal Retirement Date, the Retirement Benefit payable as of such date shall equal the Member's Accrued Benefit multiplied by the applicable percentages contained in Schedule B;
- (B) A Member whose Severance from Service Date occurs on or after the date as of which the sum of the Member's age and the Member's Years of Creditable Service equal or exceed a total of 90 years may elect to commence his Retirement Benefit as of the first day of any month on or after the Member's

attainment of age 55 and prior to the Member's Normal Retirement Date. If such a Member elects an Annuity Starting Date that is prior to the Member's Normal Retirement Date, the Retirement Benefit payable as of such date shall equal the Member's Accrued Benefit multiplied by the applicable percentages contained in Schedule C;

- (C) A Member whose Severance From Service Date occurs on or after the date as of which the Member has completed five or more Years of Creditable Service but prior to the date as of which the Member satisfies the requirements of Sections 4.2(b)(2)(A) and (B), such Member may elect to commence his Retirement Benefit as of the first day of any month prior to the Member's Normal Retirement Date on or after the Member has attained age 55. If such a Member elects an Annuity Starting Date that is prior to the Member's Normal Retirement Date, the Retirement Benefit payable as of such date shall equal the Member's Accrued Benefit multiplied by the applicable percentages contained in Schedule D.
- (D) The foregoing notwithstanding, the Retirement Benefit of a Member who has completed at least five Years of Creditable Service shall in no event be less than the Retirement Benefit to which the Member would have been entitled had his Severance from Service Date occurred on December 31, 1993, under the terms and conditions of the Plan as then in effect (the "1993 Annuity"). A Member may elect to receive his 1993 Annuity, if any, prior to attaining age 55 but in no event prior to attaining age 50. If such a Member elects an Annuity Starting Date for this 1993 Annuity that is prior to the Member attaining age 55, the benefit payable as of such date shall equal the Member's 1993 Annuity, reduced by 4% for each year (or portion thereof determined on a monthly basis) that it is received prior to age 65, measured from the Annuity Starting Date.

If a Member makes such an election, the remaining portion of his Accrued Benefit, if any, determined as of the date he elects to receive the 1993 Annuity and expressed as a benefit payable at age 65, shall be the amount obtained by subtracting the Member's reduced 1993 Annuity from the product of his Accrued Benefit multiplied by the Actuarial Factor. The resulting net benefit amount, if any, is then divided by the Actuarial Factor to obtain the remaining benefit payable at age 65. For purposes of this computation, the "Actuarial Factor" shall mean the product of 40% multiplied by the actuarial equivalent benefit of an annual benefit of \$1 commencing at age 55, determined as of the date the Member begins to receive his 1993 Annuity. The remaining portion of the Accrued Benefit so determined shall be payable under the terms and conditions of the Plan in effect at the Member's termination of employment.

A Member who terminates employment with a vested right to his 1993 Annuity may elect to receive the 1993 Annuity in any of the optional forms of benefit available to such Member as in effect under the Plan on December 31, 1993.

### 4.3 Deferred Retirement

- (a) **Amount of Benefit.** A Member who remains an Eligible Employee beyond his Normal Retirement Date shall be entitled to a Deferred Retirement Benefit, calculated in accordance with Section 4.1 and in accordance with the provisions of the Plan as in effect as of his Severance from Service Date. The monthly amount of a Member's benefit payable under this section, if such benefit were payable in the form of a Single Life Annuity, shall be the Actuarial Equivalent of his Cash Balance Account or his Retirement Benefit under the Career Earnings Formula at his Severance from Service Date. Subject to the provisions of Article 6, any benefit payable under this section may be paid in the form of a Single Life Annuity, an Automatic Joint and Surviving Spouse Annuity, or in an optional form of payment under Section 6.3.
- (b) **Commencement of Benefit.** Subject to the provisions of Article 6, and except as provided in Sections 4.3(c) and (d), such Deferred Retirement Benefit payments shall commence as of the first day of the calendar month coincident with or next following the Member's Severance from Service Date.
- (c) **Limited Service.** Notwithstanding any other provision of the Plan, with respect to the period from his Normal Retirement Date to his Severance from Service Date, the Member shall receive Normal Retirement Benefit payments for each month in which he is compensated for fewer than 40 Hours of Service.
- (d) **Suspension of Benefits Notice Procedures.** In the case of a Member who remains an Employee beyond his Normal Retirement Date, Sections 5.2 and 5.3 (suspension of benefits) shall apply for any month commencing after Normal Retirement Date in which he is compensated for 40 or more Hours of Service.

### 4.4 Disability Retirement

- (a) **Effect of Disability Leave Status on Benefits Under the Career Earnings Formula.** Upon becoming Disabled, a Member who has completed at least five years of Creditable Service will be eligible for Disability Leave Status. Such status may be terminated or suspended by the Retirement Committee if at any time before age 65 the Member again engages in regular full-time employment, fails or refuses to undergo any medical examination ordered by the Retirement Committee, or the Retirement Committee determines on the basis of a medical examination that the Member has sufficiently recovered to engage in regular full-time employment. While on Disability Leave Status, a Member will be credited with Creditable Service, and with Earnings at the same rate as he had earned in the calendar year prior to the calendar year in which he became Disabled, until the Member retires, dies, reaches age 65, or his Disability Leave Status is sooner terminated or suspended.
- (b) **Effect of Disability on Benefits Under the Cash Balance Formula.** If a Member who has completed at least five years of Creditable Service and who is an Employee suffers a Disability prior to termination, and, for reasons thereof, the Member's status as an Employee ceases, then such Member shall continue to be credited with Annual Pay

Credits and Interest Credits during the period of such Disability as described below and as provided in Section 4.1 as if the individual were still actively employed. For the purpose of determining a Disabled Member's Annual Pay Credits for any Plan Year, such Member's Earnings for any period of Disability shall be equal to the Member's Earnings during the full calendar year immediately preceding the date of such Disability (annualized in the event the Member did not receive 12 full months of Earnings). Additionally, Years of Creditable Service (determined on the basis of the Member's regularly scheduled Hours of Service as of the date immediately preceding the date of such Disability) shall continue to be credited during the period in which credits continue to be credited to the Member's Cash Balance Account. Annual Pay Credits for a Plan Year shall be determined based on the Disabled Member's attained age and Anniversary Years of Service (including the additional service described above) as of the immediately preceding December 31. However, such credits shall cease upon the earliest to occur of:

- (1) the day on which the Member's long-term disability plan payments cease;
- (2) the day the Member dies;
- (3) the date the Member begins to receive benefit payments under the Plan; or
- (4) the fifth anniversary of the last day the Member was actively at work prior to such Disability, as determined by the Retirement Committee.

#### **4.5 Adjustment for In-Service Payments**

In the case of a Member whose benefit payments commence prior to his Severance from Service Date pursuant to either section 4.3(c) or section 6.4(b) (required commencement at age 70½)—

- (a) Retirement Benefits payable under the Career Earnings Formula shall be reduced to reflect the Actuarial Equivalent value of amounts previously paid to the Member as in- service payments; and
- (b) the Member's benefit determined under the Cash Balance Formula will be adjusted, if appropriate, in each calendar year beginning after the Member's Annuity Starting Date, to reflect changes in his Normal Retirement Benefit resulting from adjustments to the Member's Cash Balance Account for the next preceding calendar year.

#### **4.6 Transfer of Employment**

In the case of a Member who transfers from employment with an Employer to a nonparticipating Affiliated Company, he shall not earn Creditable Service for Anniversary Years during which the Member is employed by the nonparticipating Affiliated Company nor shall the Member's Earnings be recognized with respect to such period. No Annual Pay Credits shall be made to the Member's Cash Balance Account with respect to the period of such Member's employment with a nonparticipating Affiliated Company, however, such Member's Cash Balance Account shall continue to be credited with Interest Credits during such period until the end of the month prior to the month in which payment under the Plan commences.

## **Article 5. Effect of Continued Employment or Reemployment on Retirement Benefits**

### **5.1 Reemployment After a Member's Annuity Starting Date**

In the case of a Member who is reemployed by an Employer or an Affiliate after he has received or begun to receive a benefit under the Plan, such Member's participation in the Plan shall resume as of the date of such Member's reemployment and benefit payments under the Plan shall be suspended during the period of his reemployment with respect to benefits accrued prior to such reemployment. The amount of the Member's Cash Balance Account attributable to the Member's previous employment shall be equal to \$0 upon such Member's reemployment and a new Cash Balance Account shall be established with respect to such Member which shall reflect Annual Pay Credits for periods after reemployment and related Interest Credits.

### **5.2 Reemployment Before a Member's Annuity Starting Date**

In the case of a Member who is reemployed by an Employer or an Affiliate before he has begun to receive a benefit, such Member's participation in the Plan shall resume as of the date of such Member's reemployment, provided, however, that any benefits accrued by a Member who is reemployed on or after January 1, 2002 shall be determined under the Cash Balance Formula, pursuant to Section 4.1(c).

### **5.3 Reemployment or Continuation of Employment After a Member's Normal Retirement Date**

In the case of a Member who is reemployed by an Employer or an Affiliate after his Normal Retirement Date or who remains employed by an Employer or an Affiliate after his Normal Retirement Date—

- (a) no benefits shall be paid under the Plan for any month in which he is compensated for 40 or more Hours of Service;
- (b) for periods of employment or reemployment described in subsection (a) above, Department of Labor regulation section 2530.203-3, including the notice procedures described in Section 5.4, shall be followed; and
  - (1) benefits paid after a subsequent Break in Service shall not be adjusted on account of payments suspended during periods of employment or reemployment.

### **5.4 Suspension of Benefits Notice Procedures**

In the case of a Member whose benefits are to be suspended after Normal Retirement Age as a result of such Member's continuation of employment with an Employer or an Affiliate, the Retirement Committee shall notify the Member of any such suspension by personal delivery or first class mail during the first calendar month for which payments are withheld. Such notice shall contain—

- (a) a general description of the reasons why payments are suspended;
- (b) a general description of the Plan provisions relating to the suspension of benefits;

- (c) a copy of such Plan provisions;
- (d) a statement that applicable Department of Labor regulations may be found in section 2530.203-3 of the Code of Federal Regulations; and
- (e) a statement that a review of the suspension may be requested under the claims procedure found in Section 11.10.

If the summary plan description (“SPD”) contains information which is substantially the same as the information required by this section, the notification may refer the Member to the relevant pages of the SPD, provided that the Member is informed as to how to obtain a copy of the SPD or the relevant pages, and that requests for information are honored within 30 days.

## Article 6. Form of Payment of Retirement Benefits

### 6.1 Automatic Form of Payment

Subject to Sections 6.2 through 6.5, a Member’s benefit shall be paid in the form of a Single Life Annuity (in the case of unmarried Member) and in the form of an Automatic Joint and Surviving Spouse Annuity (in the case of married Members) commencing on the date determined under the provisions of Article 4.

### 6.2 Automatic Joint and Surviving Spouse Annuity

- (a) **General Rule.** The benefit of a Member who has been married to his Spouse throughout the one-year period immediately preceding his Annuity Starting Date and who is entitled to receive monthly annuity payments under the Plan shall be payable in the form of an Automatic Joint and Surviving Spouse Annuity (as defined below), unless he has elected otherwise in accordance with Section 6.2(c).
- (b) **Definition.** “Automatic Joint and Surviving Spouse Annuity” shall mean an annuity that is the Actuarial Equivalent of a Single Life Annuity, provides a reduced level monthly benefit to the Member for his lifetime, and upon the Member’s death, provides an annuity for the life of his surviving Spouse in a monthly amount equal to 50% of the monthly amount payable to the Member during his life.”
- (c) **Election Procedures.**
  - (1) **General Rule.** A married Member may elect in writing, on a form supplied by the Retirement Committee, to waive the Automatic Joint and Surviving Spouse Annuity, and to receive his benefits in the form of a Single Life Annuity or in accordance with an optional form of payment described in Section 6.3. Any election by a Member pursuant to this Section 6.2(c)(1) must be filed with the Retirement Committee within the election period described in Section 6.2(c)(5). For such an election to be effective—
    - (A) the Member’s Spouse must consent in writing to such election;

- (B) such election must state the optional form of payment under Section 6.3 which is elected;
  - (C) such election must designate a Beneficiary (if applicable);
  - (D) the Member's Spouse must acknowledge the financial consequences of such consent; and
  - (E) such Spouse's consent must be witnessed by a Plan representative or a notary public.
- (2) **Exception to Consent Requirement.** The consent of a Member's Spouse shall not be required where—
- (A) the Member has elected the form of payment described in Section 6.3(d) and the Spouse is the Beneficiary thereunder;
  - (B) the Retirement Committee determines that the required consent cannot be obtained because there is no Spouse or the Member's Spouse could not be located;
  - (C) the Retirement Committee determines that the Member is legally separated;
  - (D) the Retirement Committee determines that the Member has been abandoned within the meaning of local law and there is a court order to that effect.
- (3) **Revocation and Modification.** An election by a Member, pursuant to Section 6.2(c)(1), to waive an Automatic Joint and Surviving Spouse Annuity may be revoked by the Member, in writing, without the consent of his Spouse at any time during the election period. Any subsequent election by a Member to waive an Automatic Joint and Surviving Spouse Annuity or any subsequent modification of a prior election (other than a revocation of a waiver of an Automatic Joint and Surviving Spouse Annuity or a change in the form of payment or designation of Beneficiary where there is in effect a valid general consent with respect to the form of payment or designated Beneficiary (whichever is applicable)) must comply with the requirements set forth in Section 6.2(c)(1) above. A Spouse's consent shall be considered a "general consent" if the following requirements are satisfied—
- (A) the consent permits the Member to waive the Automatic Joint and Surviving Spouse Annuity;
  - (B) the consent permits the Member to change the optional form of benefit payment and/or the designated Beneficiary without any requirement of further consent by the Spouse; and
  - (C) the Spouse acknowledges in the consent that—



- (i) the Spouse has the right to limit consent to a specific optional form of benefit and/or Beneficiary (as applicable), and
- (ii) the Spouse voluntarily relinquishes either or both of such rights (as applicable).

Notwithstanding any other provision of this Article 6 to the contrary, if, at any time subsequent to the Annuity Starting Date of a retirement benefit being paid to a Member in the form of an Automatic Joint and Surviving Spouse Annuity, the Plan receives a domestic relations order determined by the Retirement Committee pursuant to Section 14.3 to be a qualified domestic relations order under Code section 414(p), which order specifically provides that the Member's former Spouse who is the Member's contingent annuitant under the Automatic Joint and Surviving Spouse Annuity is no longer the Member's contingent annuitant for purposes of survivor benefits under the Plan, the Automatic Joint and Surviving Spouse Annuity shall thereupon be cancelled. Upon such cancellation of the Automatic Joint and Surviving Spouse Annuity, the Member shall elect any form of payment as shall be available under the Plan to the Member at the time of the cancellation of the Automatic Joint and Surviving Spouse Annuity; provided, however, that the amount of the retirement benefit payable after the cancellation of the Automatic Joint and Surviving Spouse Annuity shall be the Actuarial Equivalent of the Member's Accrued Benefit as of the Member's Annuity Starting Date reduced to reflect the value of the benefits previously received by the Member in the form of the Automatic Joint and Surviving Spouse Annuity.

- (4) **Validity of Spousal Consent.** Any consent or election under this provision shall be valid only with respect to the Spouse who signs the consent or, if the Spouse's consent is excused by the Retirement Committee, the designated Spouse, but shall be irrevocable once made.
- (5) **Election Period.** For purposes of this Section 6.2, a Member's "election period" shall be the 90-day period ending on the Member's Annuity Starting Date; provided, however, that if the written notification described in Section 6.2(d) is furnished to a Member on or after the Member's Annuity Starting Date, then (i) the Member's election period shall not end until 30 days after such notification is provided, and (ii) distributions must commence to such a Member not more than 90 days after (or longer if distribution has not yet occurred by such 90th day solely for administrative reasons) such notification is provided (in which case the Annuity Starting Date affirmatively elected by the Member shall be referred to as the "Retroactive Annuity Starting Date" and shall be deemed to have occurred on the date such Member's Plan benefits first became payable). Notwithstanding any provision of the Plan to the contrary, for purposes of the foregoing, Plan benefits shall only be provided based on a Retroactive Annuity Starting Date if all of the following conditions are satisfied:
  - (A) The Member affirmatively elects to use the Retroactive Annuity Starting Date.

- (B) The Member's Spouse, as of the time distributions actually commence (including an alternate payee who is treated as the Member's Spouse under a qualified domestic relations order as defined in Code section 414(p)), consents to the Retroactive Annuity Starting Date election in a manner that satisfies the spousal consent requirements set forth herein. However, such spousal consent is not required where the amount of such Spouse's survivor annuity payments using the Retroactive Annuity Starting Date are no less than the amount that the survivor payments to such Spouse would have been under an optional form of benefit that would satisfy the requirements to be a "qualified joint and survivor annuity" under Code section 417(b) and has an annuity starting date after the date that the notification was provided.
- (C) The distribution (including appropriate interest rate adjustments) to the Member provided based on the Retroactive Annuity Starting Date would satisfy the requirements of Code section 415, if the date the distribution commences is substituted for the Annuity Starting Date for all purposes, including for purposes of determining the applicable interest rate and mortality table; provided, however, that such requirement is not applicable in the case of a distribution that commences 12 months or less from the Retroactive Annuity Starting Date, unless the form of benefit is a form of benefit subject to the valuation rules of Code section 417(e)(3).
- (D) Future periodic payments with respect to a Member who elects a Retroactive Annuity Starting Date are the same as the future periodic payments, if any, that would have been paid to such Member had payments actually commenced on the Retroactive Annuity Starting Date. In addition, in the case of a form of benefit that would have been subject to Code section 417(e)(3) if distributions had commenced as of the Retroactive Annuity Starting Date, the distribution must be no less than the benefit produced by applying the applicable interest rate and the applicable mortality table determined as of the date the distribution commences to the annuity form that corresponds to the annuity form that was used to determine the benefit amount as of the Retroactive Annuity Starting Date. In the case of either future periodic payments described in the first sentence of this subsection (D) or payments subject to Code section 417(e)(3) described in the second sentence of this subsection (D), the Member must receive a make-up amount to reflect any missed payments, with an appropriate adjustment for interest, at a rate of interest equal to the applicable interest rate for one-year Treasury-Bills plus 1%, compounded monthly, from the date the payments would have been made to the date payments actually commenced.
- (d) **Notification.** With regard to an election, the Retirement Committee shall provide each Member within the notice period described below, a written explanation of—
- (1) the terms and conditions of the Automatic Joint and Surviving Spouse Annuity;

- (2) the Member's right to make, and the effect and financial consequences of, a waiver of the Automatic Joint and Surviving Spouse Annuity;
- (3) the relative values of the various optional forms of benefit under the Plan;
- (4) the financial effect of electing an optional form of benefit under the Plan;
- (5) any other material features of the various optional forms of benefit under the Plan;
- (6) the rights of the Member's Spouse regarding a waiver of the Automatic Joint and Surviving Spouse Annuity; and
- (7) the right of the Member to revoke a prior waiver of the Automatic Joint and Surviving Spouse Annuity and the effect and financial consequences of such a revocation.

For purposes of this Section 6.2(d), the "notice period" shall be the 60-day period beginning 90 days prior to the Annuity Starting Date; provided, however, that the Retirement Committee may establish uniform procedures to permit a Member with any applicable spousal consent to waive the 30-day period for notice and/or election if the distribution commences more than 7 days after the notification is provided.

### **6.3 Other Optional Forms of Payment**

#### **(a) In General.**

- (1) The optional forms of payment described in Section 6.3(b), (d) and (e) shall not be available to a Member whose Severance From Service Date occurs prior to the date as of which the Member satisfies the requirements of Sections 4.2(b)(2)(A) and (B). Notwithstanding the foregoing, a Member whose Retirement Benefit is determined under the Cash Balance Formula may receive payment of his vested Retirement Benefit in the form of a lump sum payment pursuant to Section 6.3(b).
- (2) Subject to Sections 6.1, 6.2 and 6.3(a)(1), a Member may elect in writing to receive his benefit under Section 4.1, 4.2, 4.3, or 4.4 in any optional form of payment described in this section. An optional form of payment shall be the Actuarial Equivalent of the benefit payable to the Member as a Single Life Annuity, except in the case of a Retirement Benefit determined under the Cash Balance Formula that is paid in the form of a lump sum, which lump sum payment shall be in the amount determined pursuant to Section 2.1(b)(1)(A). An election by an unmarried Member to receive payment of his benefit in an optional form shall be valid only if he is furnished with an explanation of the material features and relative values of the optional forms of benefit within the notice period described in Section 6.2(d).

#### **(b) Lump Sum Option.**

- (1) With respect to a Retirement Benefit determined under the Career Earnings Formula, a Member may elect to receive his Retirement Benefit in the form of a

lump sum payment; provided, however, that (A) the election to receive such lump sum payment must be made by the Member prior to the Member's Severance from Service Date, and (B) the Annuity Starting Date of such lump sum payment may not be deferred beyond the Annuity Starting Date next following or coincident with the Member's Severance from Service Date. Such lump sum benefit shall be the Actuarial Equivalent of the Member's Accrued Benefit on the Member's Annuity Starting Date.

- (2) With respect to a Retirement Benefit determined under the Cash Balance Formula, a Member may elect to receive his Retirement Benefit in the form of a lump sum payment which lump sum payment shall be equal to the amount credited to his Cash Balance Account as of the last day of the month next preceding his Annuity Starting Date.
- (c) **Single Life Annuity Options.** A Member may elect to receive an annuity providing equal monthly payments for the lifetime of the Member with no survivor benefits.
- (d) **Joint and Contingent Annuity Option.** A Member may elect an annuity providing reduced equal monthly payments for his lifetime, with monthly payments to continue for the lifetime of his Beneficiary in an amount equal to 50% or 100% of the monthly amount payable during the Member's lifetime.
- (e) **Level Income Option.** If the Member's benefit is to commence prior to the Member's Normal Retirement Date, the Member may elect to convert the Retirement Benefit otherwise payable to him into a Retirement Benefit of an Actuarial Equivalent value of such amount so that with his expected Social Security benefit, he will receive, so far as possible, the same amount each year before and after such expected Social Security benefit commences. A Member whose Retirement Benefit commences before he reaches age 62 may elect the Level Income Option based on his Social Security benefit as of age 62 or his Social Security benefit as of age 65. A Member whose Retirement Benefit commences after he reaches age 62 may only elect the level income option based on his Social Security benefit as of age 65. Monthly payments shall terminate upon the death of the Member unless the Member elected the Level Income Option in conjunction with the Automatic Joint and Surviving Spouse Annuity or the Joint and Contingent Annuity Option described in Section 6.3(d), in which event payments shall continue pursuant to such election if the Member's Spouse or Beneficiary, as applicable, survives the Member.

## 6.4 Distribution Requirements

- (a) **General Rule.** Notwithstanding anything in Sections 6.1 through 6.3 to the contrary, and unless the Member otherwise elects in writing, distribution to such Member shall not commence later than the sixtieth day after the close of the Plan Year in which occurs the latest of the following events:
  - (1) the Member attains age 65;

- (2) the Member attains the tenth anniversary of the date on which he became a Member under the Plan; or
- (3) the Member's Break in Service.

(b) **Latest Allowable Commencement Dates.**

- (1) **General.** Notwithstanding anything in the Plan to the contrary, all distributions will comply with Article 6-A.
- (2) **Basic Rule.** Subject to Article 6-A and notwithstanding anything contained in Sections 6.1 through 6.3 to the contrary, any Member who is a five percent owner (as such term is defined in Code section 416(i)(1)(B)(i)), with respect to the Plan Year ending with or within the calendar year in which he attains age 70½, shall commence to receive Retirement Benefit payments no later than April 1 following the close of the calendar year in which age 70½ is attained. Retirement Benefit payments to any other Member shall commence no later than April 1 of the calendar year following the later of (1) the calendar year in which such Member attains age 70½ or (2) the calendar year in which such Member Severance from Service Date occurs.

With respect to a Member other than a five percent owner (as such term is defined in Code section 416(i)(1)(B)(i)) whose Severance from Service Date occurs subsequent to April 1 of the close of the calendar year in which the Member attains age 70½ and whose Retirement Benefit is determined under the Career Earnings Formula, the Retirement Benefit of such a Member shall be actuarially adjusted. Such actuarially adjusted Retirement Benefit shall be equal to the Actuarial Equivalent, as of the Member's Annuity Starting Date, of:

- (A) the Member's Retirement Benefit determined as of the April 1 following the close of the calendar year in which the Member attained age 70½; plus
- (B) any additional Retirement Benefits accrued by the Member during the period beginning on the April 1 following the close of the calendar year in which the Member attained age 70½ and ending on the Member's Severance from Service Date; minus
- (C) any distributions made to the Member prior to the Member's Annuity Starting Date.

For purposes of this Section 6.4(b)(2), the actuarial equivalent value of a Member's Retirement Benefit as of the Member's Annuity Starting date shall be determined by using the actuarial assumptions contained in Section 2.1(b)(2).

- (c) **No Change in Form of Payment After Annuity Starting Date.** Except as may otherwise be permitted in Section 6.2(c)(3), a Member may not change the form of benefit payment elected pursuant to this Article 6 for any reason following the Member's Annuity Starting Date.

## 6.5 Amounts Not Exceeding \$1,000

Notwithstanding the foregoing provisions of this Article 6, if the Actuarial Equivalent present value of a Member's vested benefits payable under the Plan (including a benefit payable in a form as described in Section 6.2), determined as of the first day of the Plan Year immediately following the Plan Year in which the Member's Severance from Service Date occurs, does not exceed \$5,000 (\$1,000, effective March 28, 2005), the Retirement Committee shall cause such Member's vested benefits to be paid to him in a single lump-sum payment of Actuarial Equivalent value as soon as practicable thereafter. Payment of such lump sum shall relieve the Plan of all obligations to the Member. In the event a Member is not entitled to any Retirement Benefit at his Severance from Service Date pursuant to Section 4.2(a), he shall be deemed cashed out under the provisions of this Section 6.5 as of his Severance from Service Date. However, if such Member is subsequently reemployed by the Employer or an Affiliated Company, his Retirement Benefit shall be automatically restored.

## 6.6 Designation of Beneficiary

Subject to the provisions of Sections 6.2 through 6.5, 7.1 and 7.2, each Member who is accruing benefits under the Cash Balance Formula may designate a Beneficiary, including a trust or an estate, to whom survivor's benefits under Article 7 are to be paid upon the Member's death. Each such designation shall be made on a form provided by the Retirement Committee, shall be effective only when filed in writing with the Retirement Committee, and shall revoke, subject to the provisions of Section 6.2, all prior designations. If no Beneficiary is designated, if a designation is revoked, or if no designated Beneficiary survives the Member, the applicable benefit, if any, shall be payable to the Member's surviving Spouse or, if there is no surviving Spouse, to the Member's estate, except as provided in Section 6.7.

## 6.7 Death of Beneficiary Prior to Member's Separation from Service Date

If the Beneficiary designated by the Member to receive survivor benefits described in Section 6.3(d) dies prior to the Member's Severance from Service Date, the election under Section 6.3 shall be void, and benefits shall be payable under Section 6.1 or 6.2, as applicable, unless and until another Beneficiary is formally designated by the Member pursuant to Section 6.6.

## 6.8 Optional Direct Rollovers of Eligible Rollover Distributions

- (a) **In General.** Notwithstanding any provision of the Plan to the contrary, a "Distributee" may elect to have any portion (subject to the limitations provided below of an "Eligible Rollover Distribution" paid directly to an "Eligible Retirement Plan" specified by the "Distributee" in a "Direct Rollover" to the extent permitted by Code section 401(a)(31) and applicable Treasury regulations thereunder. Terms in quotation marks are defined in Section 6.8(b).
- (b) **Definitions.**
  - (1) **"Direct Rollover"** means a payment by the Plan to an Eligible Retirement Plan, in the form of a direct trustee to trustee transfer, as specified by the Distributee.
  - (2) **"Distributee"** means each of the following persons who may elect a Direct Rollover of an Eligible Rollover Distribution of the Member's Retirement Benefit;

- (A) the Member;
  - (B) the Member's Beneficiary, if the Beneficiary was married to the Member on the date of his death; and
  - (C) an alternate payee under a qualified domestic relations order, as defined in Code section 414(p), if that person is the Spouse or former Spouse of the Member.
- (3) **"Eligible Retirement Plan"** means a qualified plan described in Code section 401(a), provided that the terms of such qualified plan permit acceptance of the Distributee's Eligible Rollover Distribution, an annuity plan described in Code section 403(a), an annuity contract described in Code section 403(b), an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), or an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from the Plan. However, in the case of an Eligible Rollover Distribution to the surviving Spouse, an "Eligible Retirement Plan" is an individual retirement account or an individual retirement annuity, as such terms are defined in the preceding sentence.
- (4) **"Eligible Rollover Distribution"** means any distribution of all or any portion of the Retirement Benefit payable to the Distributee except that an "Eligible Rollover Distribution" does not include:
- (A) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee or the Distributee's designated Beneficiary, or for a specified period of 10 years or more;
  - (B) any distribution to the extent such distribution is required under Code section 401(a)(9); and
  - (C) the portion of any distribution that is not includible in gross income.
- (c) No amount shall be directly rolled over pursuant to this Section 6.8 unless and until it would otherwise be distributed to the Distributee and all consents and written elections required to make the distribution have been obtained. Nothing in this Section 6.8 shall be construed to alter the normal or optional forms of payment of the Retirement Benefit available under the Plan.
- (d) The Retirement Committee shall provide notice to each Distributee who will receive an Eligible Rollover Distribution of the Distributee's right to elect a Direct Rollover in accordance with Code section 401(a)(31). The Retirement Committee shall provide such notice at the time and in the manner required by regulations.

- (e) The Distributee shall notify the Retirement Committee in writing by such deadline as the Retirement Committee shall prescribe whether or not he wishes to have any part of the Eligible Rollover Distribution directly rolled over. If the Distributee fails to elect a Direct Rollover by the deadline established by the Retirement Committee, then the entire amount of the Eligible Rollover Distribution shall be distributed or paid directly to the Distributee as otherwise provided in the Plan.
- (f) A Distributee may elect that the lowest of the following amounts shall be directly rolled over:
  - (1) The entire amount of the Eligible Rollover Distribution; or
  - (2) Such portion of the Eligible Rollover Distribution as the Distributee specifies (in accordance with rules established by the Retirement Committee), provided that the amount directly rolled over is not less than \$200 or such higher amount as the Retirement Committee may prescribe in accordance with applicable Treasury regulations.

Notwithstanding the foregoing provisions of this Section 6.8(f), a Distributee may not elect a Direct Rollover with respect to his Eligible Rollover Distributions during the year if such Eligible Rollover Distributions are reasonably expected to total less than \$200.

- (g) A Member may elect to have a direct rollover made with respect to a portion of his distribution, provided the amount of the partial direct rollover equals at least \$500.
- (h) The Distributee may only request a Direct Rollover to one Eligible Retirement Plan with respect to any Eligible Rollover Distribution.
- (i) No amount will be directly rolled over pursuant to this Section 6.8 unless the Distributee provides the Retirement Committee, by such deadline as the Retirement Committee shall prescribe, such information as it shall require—
  - (1) to determine that the amount directly rolled over will be received by an Eligible Retirement Plan that will accept the Direct Rollover; and
  - (2) to make the Direct Rollover and make such reports and keep such records as are required under applicable law.

The Retirement Committee may rely on all such information provided by the Distributee and shall not be required to verify any such information.

- (j) The Retirement Committee shall select the manner in which to make the Direct Rollover.
- (k) Any amount directly rolled over in accordance with this Section 6.8 shall be a distribution from this Plan and shall discharge any liability to the Distributee under this Plan to the same extent as a payment directly to the Distributee.



# Article 6-A. Minimum Distribution Requirements

## 6-A.1 General Rules

- (a) **Effective Date.** The provisions of this Article 6-A will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- (b) **Precedence.** The requirements of this Article 6-A will take precedence over any inconsistent provisions of the Plan.
- (c) **Requirements of Treasury Regulations Incorporated.** All distributions required under this Article 6-A will be determined and made in accordance with the Treasury regulations under Code section 401(a)(9).
- (d) **TEFRA Section 242(b)(2) Elections .** Notwithstanding the other provisions of this Article 6-A, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act ("TEFRA") and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

## 6-A.2 Time and Manner of Distribution

- (a) **Required Beginning Date.** The Member's entire interest will be distributed, or begin to be distributed, to the Member no later than the Member's Required Beginning Date.
- (b) **Death of Member Before Distributions Begin .** If the Member dies before distributions begin, the Member's entire interest will be distributed, or begin to be distributed, no later than as follows:
  - (1) If the Member's surviving Spouse is the Member's sole Designated Beneficiary, then distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Member died, or by December 31 of the calendar year in which the Member would have attained age 70 1/2, if later.
  - (2) If the Member's surviving Spouse is not the Member's sole Designated Beneficiary, then distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Member died.
  - (3) If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, the Member's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Member's death.
  - (4) If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse begin, this Section 6-A.2(b), other than Section 6-A.2(b)(1), will apply as if the surviving Spouse were the Member.

For purposes of this Section 6-A.2(b), distributions are considered to begin on the Member's Required Beginning Date (or, if Section 6-A.2(b)(4) applies, the date distributions are required to begin to the surviving Spouse under Section 6-A.2(b)(1)). If annuity payments irrevocably commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section 6-A.2(b)(1)), the date distributions are considered to begin is the date distributions actually commence.

- (c) **Form of Distribution.** Unless the Member's interest is distributed in the form of an annuity purchased from an insurance company or in a single lump sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections 6-A.3, 6-A.4 and 6-A.5. If the Member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code section 401(a)(9) and the Treasury regulations thereunder.

### **6-A.3. Determination of Amount to be Distributed Each Year**

- (a) **General Annuity Requirements.** If the Member's interest is paid in the form of an annuity distribution under the Plan, payments under the annuity must satisfy the following requirements:

- (1) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;
- (2) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 6-A.4 or 6-A.5;
- (3) once payments have begun over a period certain, the period certain may only be changed as follows:
  - (A) the modification occurs at the time that the Member retires or in connection with a Plan termination;
  - (B) the payments prior to modification are paid over a period certain without life contingencies; or
  - (C) the payments after modification are paid under an Automatic Joint and Surviving Spouse Annuity over the joint lives of the Member and a Designated Beneficiary, the Member's Spouse is the sole Designated Beneficiary, and the modification occurs in connection with the Member becoming married to such Spouse;

provided, however, that in order to modify a stream of annuity payments in accordance with the foregoing, the following conditions must be satisfied: (i) the future payments under the modified stream must satisfy Code section 401(a)(9) as though payments first commenced on a new annuity starting date, treating the actuarial value of the remaining payments as the Member's entire interest; (ii) for

purposes of Code sections 415 and 417, the modification is treated as a new annuity starting date; (iii) after taking into account the modification, the annuity stream satisfies Code section 415 (determined at the original Annuity Starting Date, using the interest rates and mortality tables applicable to such date); and (iv) the end point of the period certain, if any, for any modified payment period is not later than the end point available under Code section 401(a)(9) to the Member at the original Annuity Starting Date; and

- (4) payments will either be non-increasing or increase only in accordance with one or more of the following:
- (A) by an annual percentage increase that does not exceed the annual percentage increase in an Eligible Cost-of-Living Index for a 12-month period ending in the year during which the increase occurs or the prior year;
  - (B) by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an Eligible Cost-of-Living Index since the Annuity Starting Date, or if later, the date of the most recent percentage increase; provided, however, that in cases providing such a cumulative increase, an actuarial increase may not be provided to reflect the fact that increases were not provided in the interim years;
  - (C) to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 6-A.4 dies or is no longer the Member's Beneficiary pursuant to a qualified domestic relations order within the meaning of Code section 414(p);
  - (D) to pay increased benefits that result from a Plan amendment;
  - (E) to allow a Beneficiary to convert the survivor portion of an Automatic Joint and Surviving Spouse Annuity into a single sum distribution upon the Member's death; or
  - (F) with respect to annuity payments paid under the Plan (other than annuity payments under an annuity contract purchased from an insurance company), the payments are increased by one of the following: (i) a constant percentage, applied not less frequently than annually, at a rate that is less than 5% per year; (ii) to provide a final payment upon the death of the Member that does not exceed the excess of the actuarial present value of the Member's accrued benefit (within the meaning of Code section 411(a)(7)) calculated as the annuity starting date using the applicable interest rate and the applicable mortality table under Code section 417(e) over the total payments before the death of the Member); or (iii) as a result of dividend payments or other payments that result from actuarial gains, but only if (a) actuarial gain is measured no less frequently than annually; (b) the resulting dividend payments or other payments are either paid no later than the year following the year for which the actuarial experience is measured or paid in the same

form as the payment of the annuity over the remaining period of the annuity (beginning no later than the year following the year for which the actuarial experience is measured); (c) the actuarial gain taken into account is limited to actuarial gain from investment experience; (d) the assumed interest used to calculate such actuarial gains is not less than 3%; and (e) the payments are not increasing by a constant percentage as set forth in (i) above.

- (b) **Amount Required to be Distributed by Required Beginning Date** . The amount that must be distributed on or before the Member's Required Beginning Date (or, if the Member dies before distributions begin, the date distributions are required to begin under section 6-A.2(a) or 6-A.2(b)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date.
- (c) **Additional Accruals After First Distribution Calendar Year** . Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues; provided, however, that any such additional benefits may be disregarded if the actuarial present value of the additional benefits is not more than 20% of the Member's interest in the annuity as set forth in Section 6-A.3(a) and the annuity provides only for the following additional benefits (1) additional benefits that, in the case of a distribution, are reduced by an amount sufficient to ensure that the ratio of such sum to the Member's interest in the annuity does not increase as a result of the distribution, and (2) an additional benefit that is the right to receive a final payment upon death that does not exceed the excess of the premiums paid less the amount of prior distributions; provided, further that if the only additional benefit provided under the annuity is the additional benefit set forth in (2) above, the additional benefit may be disregarded regardless of its value in relation to the dollar amount credited to the Member under the annuity.

#### **6-A.4 Requirements For Annuity Distributions That Commence During Member's Lifetime**

- (a) **Joint Life Annuities Where the Beneficiary Is Not the Member's Spouse** . If the Member's interest is being distributed in the form of an Automatic Joint and Surviving Spouse Annuity for the joint lives of the Member and a non-spouse Beneficiary, annuity payments to be made on or after the Member's Required Beginning Date to the Designated Beneficiary after the Member's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Member using the table set forth in Q&A-2 of section 1.401(a)(9)-6 of the Treasury regulations. If the form of distribution combines an Automatic Joint and Surviving Spouse Annuity for the joint lives of the Member and a non-spouse Beneficiary and a period certain annuity, the requirement in the preceding sentence will

apply to annuity payments to be made to the Designated Beneficiary after the expiration of the period certain.

- (b) **Period Certain Annuities.** Unless the Member's Spouse is the sole Designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Member's lifetime may not exceed the applicable distribution period for the Member under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the Member reaches age 70, the applicable distribution period for the Member is the distribution period for age 70 under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Member as of the Member's birthday in the year that contains the annuity starting date. If the Member's Spouse is the Member's sole Designated Beneficiary and the form of distribution is a period certain and not a life annuity, the period certain may not exceed the longer of the participant's applicable distribution period, as determined under this Section 6-A.4(b), or the joint life and last survivor expectancy of the Member and the Member's Spouse as determined under the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Member's and Spouse's attained ages as of the Member's and Spouse's birthdays in the calendar year that contains the annuity starting date.

#### **6-A.5 Requirements For Minimum Distributions Where Member Dies Before Date Distributions Begin**

- (a) **Member Survived by Designated Beneficiary.** If the Member dies before the date distribution of his interest begins and there is a Designated Beneficiary, the Member's entire interest will be distributed, beginning no later than the time described in Section 6-A.2(a) or (b), over the life of the Designated Beneficiary or over a period certain not exceeding:
- (1) unless the annuity starting date is before the first Distribution Calendar Year, the Life Expectancy of the Designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death; or
  - (2) if the annuity starting date is before the first Distribution Calendar Year, the Life Expectancy of the Designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the annuity starting date.
- (b) **No Designated Beneficiary.** If the Member dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, distribution of the Member's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

- (c) **Death of Surviving Spouse Before Distributions to Surviving Spouse Begin** . If the Member dies before the date distribution of his interest begins, the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section 6-A.5 will apply as if the surviving Spouse were the Member, except that the time by which distributions must begin will be determined without regard to Section 6-A.2(a).

**6-A.6 Definitions.** For purposes of this Article 6-A, the following terms shall have the meanings set forth below unless otherwise expressly provided:

- (a) **“Designated Beneficiary.”** The individual who is designated as the Beneficiary under Section 6.6 and is the designated beneficiary under Code section 401(a)(9) and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.
- (b) **“Distribution Calendar Year.”** A calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 6-A.2(b).
- (c) **“Eligible Cost-of-Living Index.”** Any of the following:
- (1) A consumer price index that is based on prices of all items (or all items excluding food and energy) and issued by the Bureau of Labor Statistics.
  - (2) A percentage adjusted based on a cost-of-living index described in Section 6- A.6(c)(1) above, or a fixed percentage if less. In any year when the cost-of-living index is lower than the fixed percentage, the fixed percentage may be treated as an increase in an eligible cost-of-living index, provided it does not exceed the sum of (A) the cost-of-living index for that year, and (B) the accumulated excess of the annual cost-of-living index from each prior year over the fixed annual percentage used in that year (reduced by any amount previously utilized under this Section 6-A.6(c)(2)).
- (d) **“Life Expectancy.”** Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.
- (1) **“Required Beginning Date.”** The April 1<sup>st</sup> of the calendar year immediately following the later of: (i) the calendar year in which the Member attains age 70 ½, or (ii) the calendar year in which the Member retires; provided, however, that subsection (ii) hereof shall not apply in the case of a Member who is a 5% owner as defined in Code section 416 at any time during the Plan Year ending with or within the calendar year in which such Member attains age 70 ½.

## Article 7. Preretirement Death Benefits

### 7.1 Unmarried Member

In the case of a Member who has no surviving Spouse and dies after having completed at least five Years of Creditable Service but prior to his Annuity Starting Date, his Retirement Benefit under the Cash Balance Formula shall be payable to his Beneficiary in a single lump-sum cash distribution as soon as practicable following the applicable date described in Section 7.2. Each unmarried Member may designate a Beneficiary or Beneficiaries of his Cash Balance Account. The Member may, from time to time during his lifetime, on a form approved by and filed with the Retirement Committee, change the Beneficiary or Beneficiaries of his Cash Balance Account. In the event that a Member fails to designate a Beneficiary or Beneficiaries of his cash balance Account, or if for any reason such designation shall be legally ineffective, or if all designated Beneficiaries predecease the Member or die simultaneously with him, distribution shall be made to the Member's estate. In the case of the death of an unmarried Member before his Annuity Starting Date, no benefit shall be payable under the Career Earnings Formula.

### 7.2 Married Member

- (a) **Automatic Preretirement Surviving Spouse Benefit.** In the case of a Member who has a surviving Spouse and dies prior to his Annuity Starting Date, then the preretirement death benefit payable to such Member's surviving Spouse shall be a Single Life Annuity. The amount of such Single Life Annuity under the Cash Balance Formula shall be determined based on the Spouse's life and shall be the Actuarial Equivalent of the benefit that would have been payable to the Member in the form of a lump-sum benefit determined on the date of the Member's death. Such preretirement surviving Spouse benefit shall commence at the end of the month following the month in which the Member would have attained his Normal Retirement Date or earlier, if the Spouse so elects. The amount of such Single Life Annuity under the Career Earnings Formula shall be determined as if (i) the Member's Severance from Service Date had occurred on the day immediately preceding his date of death (if he had not previously incurred a Severance from Service Date); (ii) the Member had survived to the day immediately preceding his earliest possible Annuity Starting Date; (iii) the Member had elected to receive his retirement benefit in the form of an Automatic Joint and Survivor Annuity pursuant to Section 6.2 and (iv) the Member died immediately following such election. Such preretirement surviving Spouse benefit, payable for the life of the surviving Spouse, shall commence at the end of the month following the month in which the Member would have attained his Normal Retirement Date or earlier, if the Spouse so elects, but not earlier than the date the Member first would have reached age 55.
- (b) **Lump-Sum Option.** In lieu of an automatic preretirement surviving Spouse benefit under Section 7.2(a), a surviving Spouse may elect to receive a lump-sum benefit equal to the value of the Member's Cash Balance Account as of the last day of the month in which the Member's death occurs, but not less than the amount determined in accordance with the factors in Section 2.1(b)(1).
- (c) **Waiver of Preretirement Surviving Spouse Benefit.** With respect to a Member's Accrued Benefit attributable to the Cash Balance Formula, a married Member may waive

the automatic preretirement surviving Spouse benefit in accordance with the provisions of this Section 7.2(c).

- (1) **Notice Requirements.** The Retirement Committee shall provide each Member with a written explanation with respect to the automatic preretirement surviving Spouse benefit comparable to that required in Section 6.2, regarding the Automatic Joint and Surviving Spouse Annuity, within whichever of the following periods that ends last: (A) the period beginning on the first day of the Plan Year in which the Member attains age 32 and ending on the last day of the Plan Year in which the Member attains age 34; (B) a reasonable period after an Employee becomes a Member; or (C) a reasonable period after the joint and survivor rules become applicable to the Member. A reasonable period described in clauses (B) and (C) is the period beginning one year before and ending one year after the applicable event. If the Member's Severance from Service Date is before the date the Member attains age 35, clauses (A), (B) and (C) shall not apply and the Retirement Committee must provide the written explanation within the period beginning one year before and ending one year after the Member's Severance from Service Date.
- (2) **Election Period.** A Member's waiver of the automatic preretirement surviving Spouse benefit is not valid unless (A) the Member makes the waiver election no earlier than the first day of the Plan Year in which he attains age 35 and (B) the Member's Spouse satisfies the consent requirements described in Section 7.2(c)(3). The Spouse's consent to the waiver of the automatic preretirement surviving Spouse benefit shall be irrevocable, unless the Member revokes the waiver election. Irrespective of the time of election requirements described in clause (A) of the first sentence of this Section 7.2(c)(2), if the Member's Severance from Service Date occurs prior to the first day of the Plan Year in which he attains age 35, the Retirement Committee will accept a waiver election with respect to the Member's Retirement Benefit attributable to his service prior to his Severance from Service Date. Furthermore, if a Member who has not separated from service makes a valid waiver election, except for the timing requirement of clause (A) of the first sentence of this Section 7.2(c)(2), the Retirement Committee will accept that election as valid, but only until the first day of the Plan Year in which the Member attains age 35.
- (3) **Elections.** A Member may elect to waive the automatic preretirement surviving Spouse benefit or revoke such election at any time during the applicable election periods described in Section 7.2(c)(2)(A) and (B). An election shall only be given effect if (i) the Spouse of the Member consents in writing to such election, (ii) such election designates another Beneficiary or Beneficiaries to receive the death benefit in the form of a lump-sum benefit which may not be changed without written spousal consent (or the consent of the Spouse expressly permits designations by the Member without the requirements of further consent by the Spouse), and (iii) the Spouse's consent acknowledges the effect of such election and such consent is witnessed by a Plan representative or a notary public. If it is established to the satisfaction of the Retirement Committee that a Member has no Spouse, that his Spouse may not be located, or that such other circumstances as the Secretary of the



Treasury may prescribe by regulations have occurred, then spousal consent shall not be required. Any spousal consent or lack of requirement of such consent shall only be effective with respect to such Spouse.

### **7.3 Amounts Not Exceeding \$1,000**

Notwithstanding the foregoing provisions of this Article 7, if the Actuarial Equivalent value of a benefit payable under this Article does not exceed \$5,000 (\$1,000, effective March 28, 2005), such benefit shall be paid in a single lump-sum payment of Actuarial Equivalent value as soon as practicable following the death of the Member. A Member's surviving Spouse shall have the right to elect a Direct Rollover of a single lump-sum payment made pursuant to this section, in accordance with Section 6.8. Any such election shall be subject to the limitations and requirements of Section 6.8 and Section 6.8 shall be applied as though the surviving Spouse were the Member.

## **Article 8. Maximum Benefit Limitations**

### **8.1 General Rule**

Notwithstanding any provision of the Plan to the contrary, the annual Normal Retirement Benefit payable to a Member under the Plan as a Single Life Annuity, an Automatic Joint and Surviving Spouse Annuity, or a joint and contingent annuity option under Section 6.3(d) where the surviving annuitant is the Member's Spouse, commencing at age 65, together with benefits payable in the same form under other qualified defined benefit plans maintained by an Employer or an Affiliate, shall in no event exceed the lesser of—

- (a) \$160,000, or such other amount as shall be determined by the Secretary of the Treasury under Code section 415(d) to reflect cost-of-living adjustments; or
- (b) 100 percent of the Member's average Limitation Earnings (as defined in Section 8.7(d)) for the three-consecutive Plan Years that produce the highest average, or during all of the Plan Years in which he was a Member if less than three years.

If the benefit the Member otherwise would accrue in any Plan Year under the Plan and all such plans (if any) would produce a benefit in excess of such maximum amount, the rate of accrual under the Plan will be reduced to the extent necessary to avoid such excess. The limitation amount, as described above, applicable to a Member who terminated his employment with an Employer or any Affiliates and who is, or will be, receiving Plan benefits shall automatically be adjusted annually for increases in the cost of living.

The Retirement Benefit of any Member whose Severance from Service Date occurred prior to January 1, 2002, and whose Retirement Benefit is currently limited as a result of the application of the limitations of Code section 415(b), shall be increased, effective with respect to benefit payments made on and after January 1, 2002, to the amount of Retirement Benefit such Member would have received on his Annuity Starting Date had the limitations described herein been in effect on the Member's Annuity Starting Date. Notwithstanding the foregoing, any increase in the Retirement Benefit of a Member pursuant to this Section 8.1 will not apply with respect to any former Member who has received a distribution of his Retirement Benefit in the form of a lump-sum payment and with respect to whom no additional Retirement Benefits are payable

(without regard to any amount that would otherwise be payable to such Member pursuant to this Section 8.1).

## **8.2 Adjustment for Other Forms of Payment**

In the case of benefits payable in a form other than a Single Life Annuity, an Automatic Joint and Surviving Spouse Annuity, or a joint and contingent annuity option under Section 6.3(d), the limitations of Section 8.1 shall be applied to the amount which would be payable under the Plan in the form of a Single Life Annuity, and then converting such reduced benefit into the Actuarial Equivalent optional form.

## **8.3 Adjustment for Benefits Commencing Before Age 62**

In the case of benefits commencing before a Member's attainment of age 62, the applicable dollar limit under Section 8.1(a) shall be the Actuarial Equivalent of the amount payable to the Member at age 62.

## **8.4 Adjustment for Benefits Commencing After Age 65.**

In the case of benefits commencing after the Member's attainment of age 65, the applicable dollar limit under Section 8.1(a) shall be the Actuarial Equivalent amount determined as if the Member elected a Single Life Annuity benefit commencing at age 65.

## **8.5 Adjustment of Limitation for Years of Vesting Service**

- (a) **Dollar Limitation.** In the case of a Member whose aggregate years of participation in the Plan are fewer than ten, the applicable dollar limit under Section 8.1(a) shall be equal to the amount otherwise applicable times the greater of—
- (1) 10 percent, or
  - (2) a fraction, the numerator of which is the aggregate number (not in excess of ten) of years of participation in the Plan and the denominator of which is ten.
- (b) **Earnings Limitation.** In the case of a Member with fewer than ten Years of Creditable Service, the applicable limitation amount under Section 8.1(b) shall be equal to the amount otherwise applicable times the greater of—
- (1) 10 percent, or
  - (2) a fraction, the numerator of which is the total number (not in excess of ten) of Years of Creditable Service credited to the Member, and the denominator of which is ten.

## **8.6 Limitation Year**

For purposes of applying Code section 415 and applicable Treasury regulations, the limitation year for the Plan shall be the calendar year.

## **8.7 Definitions**

For purposes of this Article 8,

- (a) **“Annual Addition”** shall mean the sum, credited to a Member’s accounts under all qualified defined contribution plans maintained by an Employer or an Affiliate (if any), of—
- (1) Employer contributions, including amounts made under cash or deferred arrangements described in Code section 401(k);
  - (2) forfeitures;
  - (3) Employee contributions;
  - (4) amounts allocated to an individual medical benefit account (as defined in Code section 415(l)) which is part of any defined benefit plan maintained by an Employer or an Affiliate; and
  - (5) amounts (derived from contributions paid after December 31, 1985, in taxable years ending after such date) attributable to post-retirement medical benefits allocated to the separate account of a Key Employee (as defined in Section 13.7(b)) under a welfare benefit fund (as defined in Code section 419(e)) maintained by an Employer or an Affiliate;

provided, however, that Code section 415(c)(1)(B) shall not apply to any amount treated as an Annual Addition under paragraph (4) or (5) hereof. Restored forfeitures, repaid distributions, rollover contributions, and loan payments shall not be treated as Annual Additions. Notwithstanding the foregoing, any contribution made after a Member’s termination of employment with the Company and its Affiliates for the purpose of providing medical care (within the meaning of Code section 419A(f)(2)) shall not be treated as an Annual Addition.

- (b) **“Limitation Earnings”** shall mean the total of regular, overtime, bonus, and other cash compensation paid or made available to the Employee during the Plan Year, but not including amounts deferred as a result of a salary reduction election under Code section 401(k) or deferrals under a plan maintained under Code section 125, and the items listed in Treasury regulation section 1.415-2(d)(2) (relating to deferred compensation, stock options, and proceeds from the sale of certain securities). The limitation on Earnings contained in Section 2.1(s)(3) shall apply. Effective January 1, 1998, “Limitation Earnings” shall mean a Member’s “compensation” as defined in Code section 415(c)(3), including any deferrals under Code section 401(k), 132(f)(4) or 125.
- (c) **“Projected Annual Benefit”** shall mean the annual benefit to which the Member would be entitled under the terms of the Plan and all other defined benefit plans maintained by an Employer or an Affiliate, if the Member continued employment until his Normal Retirement Age (or current age, if later) and the Member’s Limitation Earnings (as defined in Section 8.7(b)) for the Plan Year and all other relevant factors used to determine such benefit remained constant until Normal Retirement Age (or current age, if later).

## **Article 9. Amendment and Termination**

### **9.1 Amendment of the Plan**

The Board of Directors of the Company, in its sole and absolute discretion, hereby reserves the right to amend, modify, or alter in any respect the Plan at any time and from time to time and retroactively if deemed necessary or appropriate for any reason whatsoever. Further, by adopting the Plan, an Employer hereby delegates to the Board of Directors of the Company, the authority and the right to amend or modify the Plan at any time. The Retirement Committee may make administrative changes to the Plan to qualify or maintain the Plan as a plan meeting the requirements of ERISA and Code section 401(a) and the Treasury regulations issued thereunder.

No amendment of the Plan shall cause any part of the Trust Fund to be used for or diverted to purposes other than the exclusive benefit of the Members, their surviving Spouses, or their Beneficiaries covered by the Plan. No Plan amendment may—

- (a) decrease the Accrued Benefit of any Member,
- (b) eliminate or reduce an early retirement benefit or a retirement-type subsidy (as defined in Treasury regulations), or
- (c) eliminate an optional form of benefit with respect to benefits attributable to service before the amendment,

except as permitted under Code section 411(d)(6) and the Treasury regulations thereunder. Retroactive Plan amendments may not decrease the Accrued Benefit of any Member determined as of the time the amendment was adopted.

### **9.2 Termination of the Plan**

The Board of Directors of the Company may terminate the Plan in whole or in part for any reason at any time in any manner. If the Plan is terminated or partially terminated without termination of the Trust, the Trust will be continued until the Board of Directors of the Company terminates it or until all Trust assets have been fully distributed.

### **9.3 Vesting on Termination or Partial Termination**

Upon a complete or partial termination of the Plan (within the meaning of Treasury regulations section 1.411(d)-2), the right of each affected Member to benefits accrued to the date of such termination or partial termination shall become nonforfeitable to the extent such benefits are funded as of such date.

### **9.4 Termination of the Trust**

If the Plan is terminated or partially terminated, or if contributions are discontinued, the Trust may be terminated by the Board of Directors of the Company at any time. The Trust Fund will then be valued. The Retirement Committee will determine the method and means of distribution of each interest in the Trust Fund and will certify that information to the Trustee. After receiving that certification and after making necessary adjustments to reflect additional earnings, losses, and liquidation expenses, the Retirement Committee shall direct the Trustee to make distribution as promptly as possible. If one Employer, but not others, discontinues contributions or

terminates or partially terminates its participation in the Plan, the Board of Directors of the Company may determine whether or not the Trust shall be continued for that Employer's Members and Beneficiaries. If those interests in the Trust are terminated, the Board of Directors of the Company will direct their liquidation under this section.

## **9.5 Distribution on Termination**

Upon termination of the Plan, that portion of any assets then held in the Trust Fund shall be allocated, after payment of all expenses of administration or liquidation, in accordance with amendments to the Plan adopted prior to such allocation under section 4044(a) of ERISA; provided, that any assets remaining after the satisfaction of all benefits accrued to the termination date with respect to Members, and their surviving Spouses and Beneficiaries, shall revert to and be distributed to Employers.

## **9.6 Merger, Consolidation or Transfer**

In the case of any merger or consolidation of the Plan with, or any transfer of assets and liabilities of the Plan to, any other plan, provision must be made so that each Member would, if the Plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive under the Plan immediately before the merger, consolidation, or transfer if the Plan had then terminated.

## **9.7 Restrictions on Benefits and Distributions to Certain Members**

- (a) **Restriction of Benefits.** Notwithstanding any other provisions in the Plan to the contrary, in the event of the termination of the Plan, the benefit of any Highly Compensated Employee (and any Highly Compensated Former Employee) is limited to a benefit that is nondiscriminatory under Code section 401(a)(4). For purposes of this Section 9.7, the following terms shall apply:
- (1) **"Total Earnings"** means a Member's compensation as defined in Code section 415(c)(3) as determined by the Retirement Committee, increased by amounts excluded from wages by reason of a Member's election to reduce wages in lieu of benefits under a cafeteria plan under Code section 125, a cash or deferred arrangement under Code section 401(k), a transportation fringe benefit plan under Code section 132(f)(4) or a simplified employee pension arrangement under Code section 408(k).
  - (2) **"Highly Compensated Employee"** means, any Employee who—
    - (A) was a 5-percent owner (as determined under Code section 416(i)(1)) at any time during the Plan Year or the preceding Plan Year, or
    - (B) for the prior Plan Year—
      - (i) received Total Earnings from Employers and Affiliates in excess of \$90,000 (as adjusted by the Secretary of the Treasury pursuant to Code section 415(d), except that the base period shall be the calendar quarter ending September 30, 1996), and

- (ii) if the Retirement Committee elects the application of this clause for such preceding year, was in the top-paid group of Employees for such preceding year.

For this purpose, an Employee is in the top-paid group of Employees for any year if such Employee is in the group consisting of the top 20 percent of Employees when ranked on the basis of Earnings during the year.

In determining the Highly Compensated Employees of the Employers, the provisions of this section shall be applied in accordance with the provisions of Code section 414(q) and related guidance, including in the discretion of the Retirement Committee (and pursuant to the appropriate election) any method or election allowed under the Code.

- (3) **“Highly Compensated Former Employee”** shall mean any Member who has terminated employment as an Employee in a prior Plan Year and who was a Highly Compensated Employee either when he terminated employment as an Employee or any Plan Year ending on or after his fifty-fifth birthday.
- (b) **Restrictions on Distributions.** Notwithstanding any other provisions to the contrary, Highly Compensated Employees and Highly Compensated Former Employees (as defined in Section 9.7(a)), who are among the 25 most highly paid Employees of the Employer shall not be entitled to elect to receive Retirement Benefits in the form of a lump-sum payment under Section 6.3(b). This restriction shall not apply, however, if:
  - (1) after any payment to the Member of the requested lump-sum amount, the value of Plan assets would continue to equal or exceed 110 percent of the value of the current liabilities of the Plan, as such liabilities are defined in Code section 412(l)(7), or
  - (2) the lump-sum amount due such Member is less than one percent of the value of the current liabilities of the Plan, as such liabilities are defined in Code section 412(l)(7), or
  - (3) the Actuarial Equivalent present value of benefits payable to the Member is \$5,000 (\$1,000, effective March 28, 2005) or less, in which case the provisions of Section 6.5 apply.

In the event that two or more Members subject to this Section 9.7(b) have the same Severance from Service Date, the determination of whether the foregoing restrictions apply will be made beginning with the oldest of the Members and proceeding to the youngest, taking into account with each Member any payments to be made to the Members who preceded him.

- (c) **Repayment Guarantee.** A Member who is otherwise restricted from receiving a lump-sum payment of his Retirement Benefit because of the provisions of Section 9.7(b), above, may receive a lump-sum payment if, prior to receipt of such lump-sum payment, the Member provides a written guarantee to the Retirement Committee of repayment of

the lump-sum payment to the Plan, in the event of the Plan's termination. The amount subject to a guarantee of repayment (the "Excess Amount"), for any Plan Year, is the excess of the amounts distributed to a Member (accumulated with reasonable interest) over the amounts that could have been distributed to the Member under a single life annuity that is the Actuarial Equivalent of the sum of such Member's Accrued Benefit and other benefits under the Plan (accumulated with reasonable interest). The affected Member may guarantee repayment by: (i) depositing in escrow, with an acceptable depository, property having a fair market value equal to at least 125 percent of the Excess Amount, (ii) providing a bank letter of credit in an amount equal to at least 100 percent of the Excess Amount, or (iii) posting a bond equal to at least 100 percent of the Excess Amount. If the Member elects to post bond, the bond must be furnished by an insurance company, bonding company or other surety acceptable for federal bonds.

The escrow arrangement may provide that the Member may withdraw amounts in excess of 125 percent of the Excess Amount. If the market value of the property in an escrow account falls below 110 percent of the Excess Amount, the Member must deposit sufficient additional property to bring the total value of the property held by the depository to 125 percent of the Excess Amount. The escrow arrangement may provide that the Member shall have the right to receive any income from the property placed in escrow, provided that no such payment may be made if the value of the property in the escrow account is less than 125 percent of the Excess Amount or if such payment would cause the value of the property in the escrow account to be less than 125 percent of the Excess Amount. A surety or bank may release any liability on a bond or letter of credit in excess of 100 percent of the Excess Amount. If the Retirement Committee certifies to the depository, surety or bank that a Member (or such Member's estate) is no longer obligated to repay any Excess Amount, the depository may deliver to such Member (or such Member's estate) any property held under an escrow agreement, and a surety or bank may release any liability on such Member's bond or letter of credit.

- (d) **Delayed Lump-sum Distribution.** Notwithstanding the above, a Member who, on his Severance from Service Date, is entitled to receive his Retirement Benefit only in an annuity form, because of the provisions of this Section 9.7, may on or before such date make an irrevocable election to receive his Retirement Benefit in the form of an annuity only until such time as it is determined that he is no longer restricted under this Section 9.7, and then to receive a lump sum payment that is the Actuarial Equivalent of the Member's remaining Retirement Benefit. However, if such determination is not made prior to the first day of the Plan Year that is eight years coincident with or subsequent to the Member's Severance from Service Date or if the Member's death occurs prior to such a determination, the Member's Retirement Benefit shall continue in the form of annuity selected by the Member, in accordance with its terms, until the Actuarial Equivalent present value of benefits payable to the Member is \$5,000 (\$1,000, effective March 28, 2005) or less, at which time the Member shall receive a lump sum payment that is the Actuarial Equivalent of the Member's remaining Retirement Benefit. Any such determination shall be made as of the last day of each Plan Year. Payment of such lump sum shall relieve the Plan of all obligations to the Member.

In determining whether, as of a given last day of a Plan Year, two or more Members' Retirement Benefits are no longer restricted, the order in which such determination shall be made with respect to the Members shall be based on the Members' respective Severance from Service Dates. The Member whose Severance from Service Date occurs first shall be the first eligible to receive a lump-sum payment that is the Actuarial Equivalent of such Member's remaining Retirement Benefit; other affected Members shall be considered in sequence, proceeding to the one(s) with the most recent Severance from Service Date, taking into account with each Member any payments to be made to the Members who preceded him. In the event that two or more Members electing delayed lump-sum distribution under this Section 9.7(d) have the same Severance from Service Date, the determination of eligibility to receive a lump-sum payment of a remaining Retirement Benefit will be made beginning with the oldest of the Members and proceeding to the youngest, taking into account with each Member any payments to be made to the Members who preceded him.

## **9.8 Plan Participation by Associate Companies**

- (a) **Adoption of the Plan.** Any Affiliated Company, with the consent of the Company and by taking appropriate corporate action, may become an Associate Company and secure the benefits of the Plan for its Employees by adopting the Plan and by executing the Trust Agreement. As a condition to such Affiliated Company becoming an Associate Company, the Company may require such Affiliated Company to modify or amend any pension plan which such Affiliated Company may then have so as to conform to the provisions of the Plan, or to limit Prior Service, as defined in Section 2.1(p)(2), to service rendered for such corporation on and after a date to be determined by the Company. The Associate Company shall thereafter promptly deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan and also a written instrument showing the consent by the Company to such adoption.
- (b) **Withdrawal from the Plan.** The Company may upon thirty (30) days written notice request an Associate Company to withdraw from the Plan and upon the expiration of such thirty-day period, unless such Associate Company has taken the appropriate corporate action to accomplish such withdrawal, such Associate Company shall be deemed to have withdrawn from the Plan. Any Employer may withdraw from the Plan by giving the Retirement Committee thirty (30) days written notice of its intention to withdraw. In the event any Employer withdraws from the Plan, the Retirement Committee shall thereupon determine, on the basis of actuarial valuation, that portion of the Trust Fund held on account of the Employees of such Employer not yet retired. The Retirement Committee in its discretion shall direct the Trustee either (1) to continue to hold such assets under the Plan on the date of such withdrawals; or (2) to deliver such assets to such trustee or trustees as shall be selected by such withdrawing Employer; or (3) to use such assets to purchase an appropriate retirement annuity for each Employee of such withdrawing Employer who was a Member on the date of such withdrawal.



## **Article 10. Contributions**

### **10.1 Employer Contributions**

Each Employer shall make contributions from time to time in such amounts as are necessary to maintain the Plan on a sound actuarial basis and to meet the minimum funding standards of Code section 412. However, an Employer may discontinue its contributions for any reason at any time. Any forfeitures shall be used to reduce the amount of any Employer contributions otherwise payable for succeeding Plan Years and will not be applied to increase the benefits any Member would otherwise receive under the Plan.

### **10.2 Reversion of Employer Contributions**

- (a) That portion of a contribution made by an Employer by a mistake of fact shall be returned to an Employer within one year after the payment of the contribution.
- (b) An Employer's contributions to the Plan are conditioned upon their deductibility under Code section 404. That portion of a contribution made by an Employer and disallowed by the Internal Revenue Service as a deduction under Code section 404 shall be returned to an Employer within one year after the Internal Revenue Service disallows the deduction.
- (c) Earnings attributable to the contributions to be returned under this section shall not be returned to an Employer and any losses attributable to such contributions shall reduce the amount returned.

### **10.3 Rollover Contributions**

The Trustee shall not accept a rollover contribution to the Plan on behalf of an Employee.

## **Article 11. Administration of the Plan**

### **11.1 Responsibility for Plan and Trust Administration**

The Plan shall be administered by the Retirement Committee, which shall be appointed by the Board of Directors of the Company and shall be responsible for the general administration of the Plan. However, the Retirement Committee shall have no responsibility for or control over the investment of Plan assets. The investment of the assets of the Plan shall be managed by the Plan Assets Committee (the "Plan Assets Committee"), which shall be appointed by the Board of Directors of the Company, except to the extent that such responsibility has been allocated or delegated as hereinafter otherwise provided. The Retirement Committee and the Plan Assets Committee are each referred to as a "Committee" in this Article 11. The Trustee shall be responsible for the management of the Plan's assets pursuant to the terms of the Trust Agreement. The Board of Directors of the Company shall have the sole authority to appoint and remove any Trustee or any member of the Committee, and to amend or terminate, in whole or in part the Plan or the Trust. The Company, through the Committee shall have the responsibility for the administration of the Plan, which is specifically described in the Plan and the related Trust Agreement. Each of the Retirement Committee and the Plan Assets Committee shall be a "named fiduciary" and the Retirement Committee shall be the "plan administrator," for purposes of the Code and ERISA.

## **11.2 Operation of the Committees**

Each Committee shall consist of at least three persons appointed by the Board of Directors of the Company. Members of the Committees may resign at any time upon due notice in writing. The Board of Directors of the Company may remove any member of any Committee at any time, with or without cause. Vacancies in each Committee shall be filled by the Board of Directors of the Company as soon as is reasonably possible after the vacancy occurs. Until a new appointment is made, the remaining member or members of each Committee shall have full authority to act as such Committee. Any member of a Committee may resign by delivering his written resignation to the Secretary of the Company (the "Secretary") and the other members of the Committee. Any such resignation shall become effective upon its receipt by the Secretary or on any other date as is agreed to by the chairman of the Committee and the resigning member. Each Committee shall act by a majority of its members at the time in office, and such action may be taken either by vote at a meeting (including a telephone meeting) or by consent in writing without a meeting. Each Committee shall hold meetings (including telephone meetings) upon such notice and at such times and places as it may from time to time determine. Notice of a meeting need not be given to any member of a Committee who submits a signed waiver of notice before or after the meeting or who attends a meeting (including a telephone meeting). Each Committee may adopt such rules and appoint such subcommittees as it deems desirable for the conduct of its affairs and the administration of the Plan, and may appoint one of its members as its chairman. Each Committee shall elect a Secretary, who need not be a member of the Committee, who shall record the minutes of its proceedings and shall perform such other duties as may from time to time be assigned to him. Any person dealing with a Committee shall be entitled to rely upon a certificate of any member of such Committee, or its secretary, as to any act or determination of the Committee. Each Committee may delegate such duties or powers, as it deems necessary to carry out the administration of the Plan.

The Secretary (or other authorized officer of the Company) shall certify to the Trustee the names and authorized signatures of the members of each Committee and, as changes take place in membership, the names and signatures of new members. Each Committee may authorize one or more of its respective members to execute any document or documents on its behalf, in which event the applicable Committee shall notify the Trustee in writing of such action and the name or names of those so designated. The Trustee thereafter shall accept and rely conclusively upon any direction or document executed by such member or members as representing action by the Committee until such time as the Committee shall file with the Trustee a written revocation of such designation.

## **11.3 Powers and Duties of the Retirement Committee**

The members of the Retirement Committee are hereby designated as "named fiduciaries," within the meaning of section 402(a) of ERISA, with respect to the operation and administration of the Plan and, except to the extent otherwise provided herein, jointly shall administer the Plan in accordance with its terms and shall have all powers necessary to carry out its duties hereunder. The Retirement Committee shall determine, in a uniform and nondiscriminatory manner, all questions concerning the administration, interpretation and application of the Plan. Any such determination by the Retirement Committee shall be conclusive and binding on all persons. In addition:

- (A) The Retirement Committee will determine the names of Members, surviving Spouses and Beneficiaries and the amounts that are payable to them from the Trust Fund in accordance with the provisions of the Plan.
- (B) The Retirement Committee shall keep in convenient form such data as shall be necessary for actuarial valuations of the contingent assets and liabilities of the Plan and for checking the experience thereof.
- (C) The Retirement Committee shall determine the manner in which the funds of the Plan shall be dispensed including the form of voucher or waiver to be used in making disbursements and the due notification of persons authorized to approve and sign the same.
- (D) The Retirement Committee shall determine whether a judgment, decree or order, including approval of a property settlement agreement, made pursuant to a state domestic relations law, including a community property law, that relates to the provision of child support, alimony payments, or marital property rights of a Spouse, former Spouse, child, or other dependent of the Member is a qualified domestic relations order within the meaning of Code section 414(p), and shall give the required notices and segregate any amounts that may be subject to such order if it is a qualified domestic relations order, and shall administer the distributions required by any such qualified domestic relations order.
- (E) The Retirement Committee is authorized to make such rules and regulations as may be necessary to carry out the provisions of the Plan and will determine any questions arising in the administration, interpretation and application of the Plan, which determination shall be conclusive and binding on all parties. The Retirement Committee is also authorized to provide, on a nondiscriminatory basis, for accelerated vesting and to purchase or arrange for payment of an appropriate annuity or any other form of payment or to permit the immediate distribution of Plan benefits in those cases involving groups of Employees involuntarily terminated, including, but not limited to, cases involving groups of Employees who involuntarily cease to render Creditable Service due to a liquidation, sale, or other means of terminating the parent-subsidary or controlled group relationship with an Employer or the sale or other transfer to a third party of all or substantially all of the assets used by an Employer in a trade or business conducted by an Employer, when the Retirement Committee determines that such action is appropriate to prevent inequities with respect to such Employees, and the determination of the Committee in such matters shall be conclusive and binding on all parties. Further, the Retirement Committee, upon the written request of the Company's Vice President-Organization and Human Resources, is authorized, with respect to a Member of the Plan who has five or more years of Creditable Service and who is transferred to the purchaser of a portion of the Company's operations, effective the day after the closing date of the sale, to grant additional Creditable Service and additional credit for age under the Plan, on a nondiscriminatory basis, in each case up to one percent for each year of Creditable Service, and to advance the date through which a Member's Earnings are calculated pursuant to Section 2.1(s)

hereof, so as to prevent hardship with respect to his participation in said purchaser's pension plan. The Retirement Committee is also authorized, with respect to a Member (i) whose Accrued Benefit is attributable to the Cash Balance Formula and (ii) who has completed at least five years of Creditable Service and (iii) who is transferred to the purchaser of a portion of the Company's operations, effective as of the day after the closing date of the sale, to grant additional Annual Pay Credits and Interest Credits, on a nondiscriminatory basis, so as to prevent hardship with respect to his participation in said purchaser's pension plan. The Retirement Committee is also authorized to waive, either in whole or in part, the percentage reductions for early commencement of retirement benefits set forth in Section 4.2(b)(2), on a nondiscriminatory basis, in those cases where groups of Employees have terminated employment either as a result of a reduction in the work force or for similar economic reasons, and, the determination of the Retirement Committee shall be conclusive and binding on all parties. The Retirement Committee is also authorized to adopt such rules and regulations as it may consider necessary or desirable for the conduct of its affairs and the transaction of its business, including, but not limited to, the power on the part of the Retirement Committee to act without formally convening and to provide that action of the Retirement Committee may be expressed by written instrument signed by a majority of its members. The Retirement Committee may retain legal counsel (who may be counsel for the Company) when and if it is found necessary to do so and may also employ such other assistants, clerical or otherwise, as may be requisite, and expend such monies as may be requisite in their work. All of these expenses of the Retirement Committee and the reasonable expenses of the Trustee in the administration of the trust as well as for actuarial services may be paid out of the Trust Fund to the extent permissible under applicable law. In exercising such powers and authorities, the Retirement Committee shall at all times exercise good faith, apply standards of uniform application and refrain from arbitrary action.

#### **11.4 Duties of the Plan Assets Committee**

- (a) The Plan Assets Committee shall have exclusive authority and fiduciary responsibility under ERISA, (i) to appoint and remove investment advisers, if any, under the Plan and the Trust Agreement, (ii) to direct the segregation of assets of the Trust Fund into an investment adviser account or accounts at any time, and from time to time to add to or withdraw assets from such investment adviser account or accounts as it deems desirable or appropriate and also to direct the Company's contribution or any portion thereof into any of the accounts maintained under the Trust, (iii) to direct the Trustee to enter into an agreement or agreements with an insurance company or companies designated by the Plan Assets Committee as provided in the Trust Agreement, (iv) to establish investment guidelines for areas other than those set forth above and, within such guidelines, to direct the Trustee to purchase and sell securities or to enter into one or more agreements with one or more companies, partnerships or joint ventures and to transfer assets of the Trust Fund to such entities for purposes of investment therein; provided however, that, except as expressly set forth above, the Plan Assets Committee shall have no responsibility for or control over the investment of the Plan assets held in the Trust Fund established hereunder. In addition, the Plan Assets Committee shall receive the reports and

recommendations of the actuary designated by the Company concerning actuarial assumptions to be adopted on subjects including, but not limited to, Employee turnover, rate of mortality, disability rate, ages at actual retirement, rate of pay increases, investment income and size of participant group, and make such recommendations and determinations based upon such reports and recommendations as it may deem necessary or appropriate. The Plan Assets Committee may appoint or employ such persons as it deems necessary to render advice with respect to any responsibility of the Plan Assets Committee under the Plan. The Plan Assets Committee may allocate to any one or more of its members any responsibility that it may have under the Plan and may designate any other person or persons to carry out any responsibility of the Plan Assets Committee under the Plan. Any person may serve in more than one fiduciary capacity with respect to the Plan. Members of the Plan Assets Committee may resign at any time upon due notice in writing. The Board of Directors of the Company may remove any Plan Assets Committee members and appoint others in their places. The Plan Assets Committee may act by a majority of its members.

- (b) The Plan Assets Committee is authorized to make such rules and regulations as may be necessary to carry out its duties under the Plan. The Plan Assets Committee is also authorized to adopt such rules and regulations as it may consider necessary or desirable for the conduct of its affairs and the transaction of its business, including, but not limited to, the power on the part of the Plan Assets Committee to act without formally convening and to provide that action of the Plan Assets Committee may be expressed by written instrument signed by a majority of its members. The Plan Assets Committee may retain legal counsel (who may be counsel for the Company) when and if it be found necessary to do so and may also employ such other assistants, clerical or otherwise, as may be requisite, and expend such monies as may be requisite in their work. All of these expenses of the Plan Assets Committee as well as expenses for investment counseling may be paid out of the Trust Fund to the extent permissible under applicable law.

The Retirement Committee may make such rules and regulations in connection with its administration of the Plan as are consistent with the terms and provisions hereof.

## **11.5 Duties of the Trustee**

The Trustee is hereby designated as a “named fiduciary”, within the meaning of section 402(a) of ERISA, and shall possess all powers which may be necessary to carry out its duties, as set forth in the Trust Agreement. In addition:

- (a) The Trustee may, to the full extent permitted by law, establish procedures for the designation of persons other than named fiduciaries to carry out its fiduciary responsibilities (other than trustee responsibilities) under the Plan. If the Trustee properly allocates any fiduciary responsibility to another person or designates another person to carry out any of its responsibilities, the Trustee shall not be liable for any act or omission of such person in carrying out such responsibility, except as provided in section 405(c) of ERISA.
- (b) The Trustee shall act in accordance with any directions issued to it directly by the Plan Assets Committee (or if required by the terms of the applicable Trust

Agreement, indirectly by the Retirement Committee) with respect to the Trustee's exercise of any of the powers conferred upon it by the Trust Agreement. Any direction to the Trustee shall be in writing and signed by the secretary or a duly authorized member of the Plan Assets Committee. The Retirement Committee, the Employers, and the Company, and their officers and directors, shall be entitled to rely upon all tables, valuations, certificates, and reports furnished by any enrolled actuary selected by the Retirement Committee, upon all certificates and reports made by any accountant selected by the Retirement Committee, the Company, or the Employers, and upon all opinions given by any legal counsel selected by the Retirement Committee. The Retirement Committee, the Company, and the Employers and their officers and directors, shall be fully protected with respect to any action taken or suffered by them in good faith in reliance upon any such actuary, accountant or counsel, and all action so taken or suffered shall be conclusive upon all persons.

### **11.6 Standard of Duty**

The members of the Retirement Committee and the Plan Assets Committee, as well as the Trustee, shall discharge their duties with respect to the Plan solely in the interests of the Members and their Beneficiaries and in accordance with section 404 of ERISA.

### **11.7 Funding and Investment Policy**

The Plan Assets Committee shall establish an investment policy and funding policy consistent with the objectives of the Plan and the requirements of Title I of ERISA. The Plan Assets Committee shall at least annually review such policy and method. In establishing and reviewing such policy and method, the Plan Assets Committee shall endeavor to determine the Plan's short-term and long-term financial needs, taking into account the need for liquidity to pay benefits and the need for investment growth. The general objective of the funding policy and method shall be at all times to maintain a balance between safety in capital investment and investment return. All actions of the Plan Assets Committee taken to carry out the purposes of this Section 11.7, and the reasons therefor, shall be recorded in the minutes of the Plan Assets Committee and shall be made available to the Board and senior financial officers of the Company.

Notwithstanding anything herein to the contrary, the Retirement Committee or the Plan Assets Committee may provide for the funding of the payment of any benefits prescribed by the Plan through the purchase of immediate or deferred annuities, as the case may be, from any governmental agency or insurance company or companies, approved by the Company.

### **11.8 Compensation and Expenses**

The members of the Retirement Committee and the Plan Assets Committee shall serve without compensation for services as such. All expenses of the Retirement Committee and the Plan Assets Committee that are properly allocable to the Plan shall be paid out of the Trust Fund, to the extent permissible under applicable law, unless paid by the Company. Such expenses shall include any expenses incidental to the functioning of the Retirement Committee and the Plan Assets Committee, including, but not limited to, fees of independent accountants, enrolled actuaries, legal counsel, investment advisors and other specialists and other expenses.

## **11.9 Non-Liability and Indemnification**

To the extent permitted by law, the Retirement Committee, the Plan Assets Committee, the Boards of Directors of the Employers, and the Employers and their respective officers shall not be liable for the directions, actions or omissions of any agent, legal or other counsel, accountant or any other expert who has agreed to the performance of administrative duties in connection with the Plan or Trust. The Committees, the Boards of Directors of the Employers, and the Employers and their respective officers shall be entitled to rely upon all certificates, reports, data, statistics, analyses and opinions which may be made by such experts and shall be fully protected in respect to any action taken or suffered by them in good faith reliance upon any such certificates, reports, data, statistics, analyses or opinions; all action so taken or suffered shall be conclusive upon each of them and upon all persons having or claiming to have any interest in or under the Plan.

Each member of each of the Retirement Committee, the Plan Assets Committee, and the Board of Directors, shall be indemnified by the Company against all costs and expenses (including counsel fees but excluding any amount representing a settlement unless such settlement be approved by the Board of Directors of the Company) reasonably incurred by or imposed upon him, in connection with or resulting from any action, suit or proceeding, to which he may be made a party by reason of his being or having been a member of the Retirement Committee or the Plan Assets Committee, as applicable (whether or not he continues to be a member of such Committee at the time when such cost or expense is incurred or imposed), to the full extent permitted by law. The foregoing rights of indemnification shall not be exclusive of other rights to which any member of the Retirement Committee or the Plan Assets Committee may be entitled as a matter of law.

## **11.10 Claims Procedure**

If an Employee, Member or Beneficiary ("Claimant") receives an adverse determination with respect to a claim for benefits which determination results, wholly or partially, in the denial, reduction or termination of benefits under the Plan, or the failure to provide full or partial payment, or if such adverse determination is based upon eligibility, the Retirement Committee shall provide the Claimant with written notification or electronic notification (in accordance with the requirements of Department of Labor Regulation section 2520.104b -1(c)(1)(i), (iii) and (iv)) of the adverse determination with respect to the claim within a reasonable period of time, but not later than 90 days after the claim has been received by the Plan; provided, however, that in the event of special circumstances, such period may be extended beyond the initial 90-day period but not later than 180 days after the claim has been received by the Plan. In the event of such an extension, the Claimant shall be notified in writing of the extension prior to the expiration of the initial 90-day period. Such notification shall explain the special circumstances requiring the extension and indicate the date by which the Plan expects to render a determination with respect to the claim.

The notification of the adverse determination with respect to a claim provided to the Claimant shall set forth the following:

- (a) the specific reason or reasons for the adverse determination;

- (b) reference to the specific Plan provisions on which the adverse determination is based;
- (c) a description of any material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary;
- (d) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, including any time limits applicable with respect to such steps; and
- (e) a statement of the Claimant's right to bring a civil action under section 502(a) of ERISA following the adverse determination on review with respect to the claim.

Any request for a review must be made in writing to the Retirement Committee within 60 days of the date the Retirement Committee notifies the Claimant of the adverse determination with respect to the claim. Upon receipt by the Plan of the request for review, the claim will be reviewed by the Retirement Committee. A Claimant's request for a review must be given a full and fair review by the Retirement Committee. In connection with such request, the Claimant, or his duly authorized representative, may:

- (1) upon request and free of charge, have reasonable access to all documents, records and other information that is relevant (within the meaning of Department of Labor Regulation section 2560.503-1(m)(8)) to the claim; and
- (2) submit written comments, documents, records and other information relating to the claim.

The review of the claim by the Retirement Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial determination.

If the Retirement Committee deems it appropriate, it may hold a hearing with respect to a claim. If a hearing is held, the Claimant shall be entitled to be represented by counsel. The determination of the Retirement Committee shall be made within a reasonable period of time, but not later than 60 days after receipt by the Plan of the request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time, in which event such determination shall be rendered not later than 120 days after receipt by the Plan of the request for review. If such an extension is required, written notification of the extension shall be furnished to the Claimant prior to the expiration of the initial 60-day period. Such notification shall explain the special circumstances requiring the extension and indicate the date by which the Plan expects to render a determination with respect to the review of the claim.

The Retirement Committee shall provide the Claimant with written notification or electronic notification (in accordance with the requirements of Department of Labor Regulation section 2520.104b-1(c)(1)(i), (iii) and (iv)) of its determination with respect to its review of the claim. If the adverse determination with respect to the claim is upheld by the Retirement Committee, the notification shall set forth:



- (a) the specific reason or reasons for the adverse determination;
- (b) reference to the specific Plan provisions on which the adverse determination is based;
- (c) a statement that the Claimant is entitled to receive upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (within the meaning of Department of Labor Regulation section 2560.503-1(m)(8)) to the adverse determination with respect to the claim; and
- (d) a statement of the Claimant's right to bring a civil action under section 502(a) of ERISA following the adverse determination on review with respect to the claim.

All interpretations, determinations and decisions of the Retirement Committee with respect to any claim shall be made by the Retirement Committee in its sole discretion based on the Plan and documents presented to it and shall be final, conclusive and binding.

## **Article 12. Trust Arrangements**

### **12.1 Appointment of Trustee**

A Trustee for the Plan shall be appointed from time to time by the Board of Directors of the Company and, upon acceptance thereof, the Trustee shall perform the duties and exercise the authority of the Trustee as set forth in the Plan and in the Trust Agreement.

### **12.2 Removal of Trustee; Appointment of Other Trustee**

The Board of Directors of the Company reserves the right to remove the Trustee at any time and to appoint a successor Trustee.

### **12.3 Change in Trust Agreements**

The Board of Directors of the Company may from time to time enter into such further agreements with a Trustee or other parties and make such amendments to Trust Agreements as it may deem necessary or desirable to carry out the Plan; and may take such other steps and execute such other instruments as may be deemed necessary or desirable to put the Plan into effect or to carry it out.

## **Article 13. Top-Heavy Plan Provisions**

### **13.1 General Rule**

In the event that the Plan is top-heavy, or is a member of a top-heavy group, with respect to any Plan Year the provisions of Sections 13.4 through 13.7 shall apply.

### **13.2 When Plan is Top-Heavy**

The Plan shall be top-heavy for a Plan Year if as of the Applicable Determination Date (as defined in Section 13.7(a)), the present value of the cumulative Accrued Benefits under the Plan

for Key Employees (as defined in Section 13.7(b)) exceeds 60 percent of the cumulative Accrued Benefits under the Plan for all Employees (other than former Key Employees) under the Plan. Such amounts shall include the value of any distributions made with respect to an Employee during the five-year period ending on the Applicable Determination Date. The Accrued Benefits of individuals who have not performed services for an Employer or the Affiliates at any time during the five-year period ending on the Applicable Determination Date shall not be taken into account. The determination of the foregoing ratio shall be made in accordance with Code section 416(g), which is incorporated herein by this reference. Notwithstanding the foregoing, the Plan shall not be top-heavy if it is part of any aggregation group of plans, as defined in Section 13.3(a), that is not a top-heavy group.

### **13.3 When Plan is in Top-Heavy Group**

A plan is a member of a top-heavy group with respect to a Plan Year if as of the Applicable Determination Date (as defined in Section 13.8(a)), it is part of a “required aggregation group” of plans which is top-heavy. For purposes of this Article—

- (a) An “aggregation group of plans” shall consist of a “required aggregation group” of plans that shall include each plan qualified under Code section 401(a) which is maintained by an Employer or an Affiliate and (1) in which a Key Employee (as defined in Section 13.7(b)) is a participant in the Plan Year that contains the Applicable Determination Date, or any of the four preceding Plan Years, or (2) which enables any other plan in which a Key Employee is a participant to meet the requirements of Code section 401(a)(4) or 410. In addition, at the election of the Retirement Committee, an aggregation group of plans may be expanded to include the “permissive aggregation group.” “Permissive aggregation group” consists of the plans of an Employer or an Affiliate that are required to be aggregated, plus one or more plans of an Employer that are not part of a required aggregation group but that satisfy the requirements of Code sections 401(a)(4) and 410 when considered with the required aggregation group; and
- (b) an aggregation group of plans shall be a “top-heavy group” with respect to a Plan Year if as of the Applicable Determination Date, the sum of—
  - (1) the present value of the cumulative Accrued Benefits for Key Employees under all defined benefit plans included in such group, and
  - (2) the aggregate of the accounts of Key Employees under all defined contribution plans included in such group exceeds 60 percent of a similar sum determined for all Employees (other than former Key Employees) covered under the aggregation group of plans. Cumulative Accrued Benefits and account balances shall be adjusted for any distribution made in the one-year period ending on the Applicable Determination Date and any contribution due but unpaid as of said Applicable Determination Date; provided, however, that in the case of a distribution made to a Member for a reason other than separation from service, death or Disability, this provision shall be applied by substituting “five-year period” for “one-year period.” Account balances and Accrued Benefits of individuals who have not performed services for an Employer or any Affiliates at any time during the one-year period ending on the Applicable Determination Date shall not be taken into account. The

determination of the foregoing ratio, including the extent to which distributions (including distributions from terminated plans), rollovers, and transfers are taken into account, shall be made in accordance with Code section 416 and the regulations thereunder.

### 13.4 Minimum Benefit

- (a) Notwithstanding any other section of the Plan to the contrary, each Member who is not a Key Employee (as defined in Section 13.7(b)) shall accrue a Normal Retirement Benefit for each year that shall not be less than two percent of the Member's average Limitation Earnings (as defined in Section 13.6) for the five consecutive Plan Years for which such Limitation Earnings was the highest. The accrual under this section shall be determined without regard to any Social Security contribution or other Plan provisions for integration with Social Security.
- (b) No additional benefit accruals shall be provided under Section 13.4(a) once the total annual benefit payable under the Plan in the form of a Single Life Annuity at age 65 equals or exceeds 20 percent of the Member's highest average Limitation Earnings (as defined in Section 13.6) for the five consecutive years for which such Limitation Earnings was the highest.
- (c) If a Member who is not a Key Employee (as defined in Section 13.7(b)) is also a participant under one or more defined contribution plans in an aggregation group of plans maintained by an Employer in any Plan Year in which the Plan is top-heavy, the minimum benefit credited to such Member in accordance with Section 13.4(a) shall be offset by the Actuarial Equivalent of the value of an Employer's contributions to such defined contribution plan or plans on the Non-Key Employee's behalf. Such actuarial equivalent shall be calculated using all accruals derived from Employer contributions, whether or not attributable to years in which the Plan is top-heavy and may be used in determining whether the minimum accrued benefit requirements for a Non-Key Employee has been satisfied.

### 13.5 Accelerated Vesting

- (a) For each Plan Year for which the Plan is top-heavy, or is a member of a top-heavy group, the provisions of Section 4.2(a) shall be changed to provide for vesting of a Member's Accrued Benefit in accordance with the following schedule:

<u>Completed Years of Creditable Service</u>	<u>Vested Percentage</u>
Less than 2 years	0%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

Notwithstanding the foregoing, this subsection (a) shall not apply to the Accrued Benefit of any Member who is not credited with an Hour of Service while the Plan is top-heavy.

- (b) In a Plan Year in which the Plan is no longer top-heavy or a member of a top-heavy group, the vesting provisions contained in Section 4.2(a) shall be restored. Notwithstanding such restoration, the provisions of Section 4.2(a), as modified by Section 14.5(a) above, shall continue to apply in the case of a Member with three or more Years of Creditable Service at the time of such restoration.

### **13.6 Limitation on Earnings**

In determining a Member's benefits for a Plan Year with respect to which the Plan is top-heavy or is a member of a top-heavy group, the maximum amount of Limitation Earnings for each year taken into account to determine Plan benefits with respect to such Plan Year shall be the applicable dollar amount limitation set forth in Section 2.1(s)(3) .

### **13.7 Definitions**

For purposes of this Article 13—

- (a) **“Applicable Determination Date”** shall mean, with respect to the Plan, the determination date for the Plan Year of reference and, with respect to any other plan, the determination date for any plan year of such plan which falls within such calendar year as of the Applicable Determination Date of the Plan. For purposes of this subsection, the term “determination date” shall mean, with respect to the initial plan year of a plan, the last day of such plan year and, with respect to any other plan year of a plan, the last day of the preceding plan year of such plan. The present value of an Accrued Benefit shall be determined as of the most recent valuation date, used for purposes of Code section 412, which is within the 12-month period ending on the Applicable Determination Date.
- (b) **“Key Employee”** shall mean a Member, former Member, or a beneficiary as described in Code section 416(i)(1). Where an individual's compensation is a factor in determining whether he is a Key Employee, Total Earnings (as defined in Section 9.7(a)(1)) shall be used.

## **Article 14. Miscellaneous**

### **14.1 No Employment Rights Created**

Neither the establishment nor the continuation of the Plan, nor anything contained within the Plan, shall be deemed to give any person the right to continued employment by an Employer or its Affiliates, or to affect the right of an Employer or its Affiliates to terminate the employment of any individual.

### **14.2 Rights to Trust Assets**

No Employee or Beneficiary shall have any right to, or interest in, any assets of the Trust Fund upon termination of his employment or otherwise, except as specifically provided under the Plan,

and then only to the extent of the benefits payable under the Plan to such Employee or Beneficiary out of the assets of the Trust Fund. All payments of benefits as provided for in the Plan shall be made solely out of assets of the Trust Fund and neither the Company, an Employer, the Affiliates, nor any fiduciary of the Plan shall be liable therefor in any manner.

### **14.3 Nonalienation of Benefits**

Except to the extent permissible under applicable law, benefits payable under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, including any such liability which is for alimony or other payments for the support of a Spouse or former Spouse, or for any other relative of the Employee, prior to actually being received by the person entitled to the benefit under the terms of the Plan; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any right to benefits payable hereunder, shall be void. The Trust Fund shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any person entitled to benefits hereunder. Notwithstanding the foregoing, a Member's benefits under the Plan may be offset against any amount that the Member is ordered or required to pay to the Plan due to a fiduciary breach or other misconduct effective for judgments or settlement agreements made on or after August 5, 1997, as determined in accordance with the requirements of section 206(d)(4) of ERISA, as amended.

The preceding paragraph shall also apply to the creation, assignment, or recognition of a right to any interest or benefit payable with respect to a Member pursuant to a domestic relations order, unless such order is determined to be a qualified domestic relations order (as defined in Code section 414(p)). The Retirement Committee shall establish reasonable procedures to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders. Any other provision of the Plan to the contrary notwithstanding, if the amount payable to an alternate payee under a qualified domestic relations order is less than or equal to \$5,000, such amount shall be paid as soon as practicable following the qualification of the order. If such amount exceeds \$5,000, it shall not be payable prior to the Member's "earliest retirement age" (within the meaning of Code section 414(p)(4)(B)).

### **14.4 Expenses**

To the extent permissible under applicable law, all reasonable expenses of the Plan and Trust Fund shall be paid by, and constitute a charge upon, the Trust Fund, except to the extent that such expenses may have been paid by an Employer in its sole and absolute discretion. Such expenses shall include any expenses incident to the functioning of the Plan, including, without limitation, attorneys' fees and the compensation of actuaries and other agents, accounting and clerical charges, expenses, if any, of being bonded as required by ERISA, the premiums of plan termination insurance purchased from the Pension Benefit Guaranty Corporation, and any other costs of administering the Plan.

### **14.5 Severability**

In the event that any provision of the Plan is held invalid or illegal for any reason, such invalidity or illegality shall not affect the remaining parts of the Plan and the Plan shall be enforced and construed as if such provision had never been inserted herein.

## **14.6 Governing State**

The Plan shall be construed in accordance with the laws of the State of New York except where such laws have been preempted by ERISA or other laws of the United States.

## **14.7 Facility of Payment**

If the Retirement Committee shall find that any person to whom a benefit is payable from the Trust Fund is unable to care for his affairs because of illness or accident, any payments due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee, or other legal representative) may be paid to the recipient's Spouse, child, parent, brother or sister, or to any person deemed by the Retirement Committee to have incurred expense for such person otherwise entitled to payment. Any such payment shall be a complete discharge of any liability under the Plan therefor.

## **14.8 Missing Persons**

If the Retirement Committee is unable to locate a proper payee within one year after a benefit becomes payable, the Retirement Committee may treat the benefit as a forfeiture; however, if a claim for benefits is subsequently presented by a person entitled to a payment, the forfeited amount shall be reccredited upon verification of the claim, except for those amounts that have been paid pursuant to an escheat or other applicable law.

## **14.9 Titles**

The titles of sections are included only for convenience of reference and shall not be construed as part of the Plan or in any respect affecting or modifying its provisions.

## **SCHEDULE A**

Groups or classes eligible for participation in the Minerals Technologies Inc. Retirement Plan (except in each case employees covered by a collective bargaining agreement that does not provide for coverage of such employees under the Plan, if there is evidence that retirement benefits were the subject of good faith bargaining):

1. All employees in the service of Minerals Technologies Inc.
2. All employees in the service of the following Associate Companies:

Barretts Minerals Inc.  
Specialty Minerals Inc.  
MINTEQ International Inc.  
Specialty Minerals (Michigan) Inc.  
Specialty Minerals Mississippi Inc.  
Synsil Products Inc.

## **SCHEDULE B**

### Early Retirement Table

The following table sets forth the percentages which will apply at the ages indicated in the computation of early retirement benefits pursuant to Section 4.2(b)(2)(A):

<u>Age</u>	<u>Percentage</u>
65	100
64	96
63	92
62	88
61	84
60	80
59	76
58	72
57	68
56	64
55	60

### SCHEDULE C

#### Alternate Early Retirement Table

The following table sets forth the percentages which will apply at the ages indicated in the computation of early retirement benefits pursuant to Section 4.2(b)(2)(B):

<u>Age</u>	<u>Minimum Years of Service</u>	<u>Percentage</u>
64	26	100
63	27	100
62	28	100
61	29	100
60	30	100
59	31	96
58	32	92
57	33	88
56	34	84
55	35	80

### SCHEDULE D

#### Vested Benefit Table

The following table sets forth the percentages which will apply at the ages indicated in the computation of vested benefits pursuant to Section 4.2(b)(2)(C):

<u>Age That Annuity Payments Commence</u>	<u>Percentage of Vested Annuity</u>
65+	100%
64	94
63	88
62	82
61	76
60	70
59	64
58	58
57	52
56	46
55	40



## SCHEDULE E

### Other Company Service

A Member's Creditable Service pursuant to Section 2.1(p)(5) shall include service with the following employers as provided herein.

- (1) **Service With Zedmark Refractories Corporation and/or Zedmark Inc.** Creditable Service, for purposes of vesting pursuant to Section 4.2(a), shall include each full year of service for the period during which a Member was employed by Zedmark Refractories Corporation and/or Zedmark, Inc. prior to October 3, 1989, except if such Member was covered at such time by a collective bargaining agreement that did not provide for coverage of such Member under the Pfizer Plan. Creditable Service for purposes of benefit accrual under the Career Earnings Formula shall include each full year of service for the period during which a Member was employed by Zedmark Refractories Corporation and/or Zedmark, Inc. prior to October 3, 1989, provided such number of full years of service may not exceed the number of full years of service the Member is employed by the Company after October 3, 1989; and provided, further, such Member was not covered, on October 3, 1989, by a collective bargaining agreement that did not provide for coverage of such Member under the Pfizer Plan.
- (2) **Service With Nalco Chemical Company.** Creditable Service, for purposes of vesting under Section 4.2(a) and eligibility for early retirement under Section 4.2(b)(2)(A) and (B) shall include each full year of service for the period during which a Member was employed by Nalco Chemical Company prior to June 1, 1988, if such Member was a transferred employee, as such term is defined in the Purchase Agreement dated June 1, 1988, between Quigley Company, Inc. and Pfizer Inc., as purchasers and Nalco Chemical Company, as seller.
- (3) **Service With Martin Marietta Magnesia Specialties, Inc.** With respect to Members who were employees of Martin Marietta Magnesia Specialties, Inc. on April 30, 2001, who became Employees on May 1, 2001, Creditable Service, for purposes of vesting under Section 4.2(a) and eligibility for early retirement under Section 4.2(b)(2) shall include each full year of service for the period during which a Member was employed by Martin Marietta Magnesia Specialties, Inc. prior to May 1, 2001; provided such Member was not covered, on April 30, 2001, by the terms of a collective bargaining agreement of which Martin Marietta Magnesia Specialties, Inc. was a party.

**MINERALS TECHNOLOGIES INC.**  
**HEALTH AND WELFARE PLAN**  
(Effective April 1, 2003 and Amended and Restated as of January 1, 2006)

July 2006

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**MINERALS TECHNOLOGIES INC.  
HEALTH AND WELFARE PLAN**

(Effective April 1, 2003 and Amended and Restated as of January 1, 2006)

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**MINERALS TECHNOLOGIES INC.  
HEALTH AND WELFARE PLAN**

**(Effective April 1, 2003 and Amended and Restated as of January 1, 2006)**

**INTRODUCTION**

Minerals Technologies Inc. established the Minerals Technologies Inc. Health and Welfare Plan (hereinafter the "Welfare Plan"), effective April 1, 2003 to provide health and welfare benefits for the Eligible Employees, Retirees and their Dependents of Minerals Technologies Inc. and participating Affiliates. The Welfare Plan is hereby being amended and restated as of January 1, 2006. The Welfare Plan includes and encompasses: (i) the Minerals Technologies Inc. Cafeteria Program (the "Cafeteria Program"), which in turn includes the Premium Conversion Program, Health Flexible Spending Account Program and Dependent Care Assistance Program benefit components, covering Eligible Employees of Minerals Technologies Inc.; and (ii) each of the individual plans, programs, insurance contracts, and benefit components that are listed in Appendix A (collectively, with the Cafeteria Program, hereinafter referred to as "Benefit Components"), and the terms of each such Benefit Component are hereby incorporated into the Welfare Plan by reference.

**THIS WELFARE PLAN, TOGETHER WITH EACH BENEFIT COMPONENT FORMING A PART OF THE  
WELFARE PLAN, CONSTITUTES THE WRITTEN PLAN DOCUMENT FOR THE MINERALS TECHNOLOGIES  
INC. HEALTH AND WELFARE PLAN.**

In the event that any term or provision in the Welfare Plan document is in conflict with any of the terms or provisions of any Benefit Component, the terms or provisions in the Welfare Plan document will govern. Where terms and provisions specifically applicable to an individual Benefit Component are not addressed in the Welfare Plan document, such terms and provisions as set forth in such Benefit Component will govern.

The Welfare Plan is designed to meet the applicable requirements of the Code, ERISA, COBRA, HIPAA, the ADA, the FMLA, the USERRA, and any other applicable law, including regulations and rulings issued pursuant to any such laws, to the extent applicable to a Benefit Component. The Welfare Plan is specifically designated as a welfare benefit plan under ERISA, and shall be treated as a single welfare benefit plan for purposes of the reporting requirements under Title I of ERISA. However, to the extent permitted by Title I of ERISA, an Employer may elect to satisfy the summary plan description and summary of material modifications requirements of ERISA separately with respect to any one or more of the Benefit Components. Notwithstanding the foregoing, each individual Benefit Component shall be subject to ERISA only to the extent required by ERISA.

Except as otherwise provided, each Benefit Component is a separate plan for purposes of satisfying the nondiscrimination requirements of the Code. However, each Benefit Component which is a self-insured group health plan (if any), together with any HMO coverage that is

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offered in lieu of coverage under any such Benefit Components, shall constitute a single plan for purposes of the nondiscrimination requirements of Section 105(h)(2) of the Code. It is intended that all applicable nondiscrimination requirements of the Code be satisfied, including all requirements under Code Sections 79, 105(h), and 125.

The Welfare Plan is maintained for the exclusive benefit of Eligible Employees and/or any of their eligible Dependents.

The general provisions of the Welfare Plan shall apply only to Eligible Employees and Retirees of an Employer who are Participants as defined in Article I. Provisions of any individual Benefit Component shall apply only with respect to Participants who are eligible to receive Benefits under such Benefit Component. The rights and Benefits, if any, of former Employees who are Participants will be determined in accordance with the provisions of the Welfare Plan as in effect on the date their employment terminated.

## ***ARTICLE I.***

### ***Definitions***

Any terms that are used or separately defined in any Benefit Component shall have the meaning set forth in such Benefit Component.

Where required by the context, the noun, verb, adjective and adverb forms of each defined term includes any of its other forms and the singular includes the plural and the plural includes the singular. "He," "him" and "his" include "she," "her" and "hers."

The following terms used in the Welfare Plan shall have the following meanings:

- 1.1. ADA. The Americans with Disabilities Act of 1990, as amended.
- 1.2. Affiliate. Any corporation, partnership or other entity which is:
  - (a) a member of a "controlled group of corporations" (as that term is defined in Code Section 414(b)) of which the Company is a member;
  - (b) a member of any trade or business under "common control" (as that term is defined in Code Section 414(c)) with the Company;
  - (c) a member of an "affiliated service group" (as that term is defined in Code Section 414(m)) which includes the Company; or
  - (d) any other entity required to be aggregated with the Company pursuant to U.S. Department of Treasury regulations issued under Code Section 414(o).

1.3. Benefit Component. The Cafeteria Program and each of the individual plans, programs, insurance contracts, and benefit components that are part of the Welfare Plan, as listed in Appendix A. Existing Benefit Components may be discontinued or amended, in whole or in

part, and new Benefit Components may be added, at any time by the Welfare Plan Committee or the Board.

1.4. Benefits. The benefits provided to Participants under any Benefit Component, as listed in the schedule of benefits for such Benefit Component or in one or more other written documents approved by the Welfare Plan Committee or the Board, with respect to such Benefit Component.

1.5. Board. The Board of Directors of Minerals Technologies Inc.

1.6. Cafeteria Program. The Minerals Technologies Inc. Cafeteria Program, as it may be amended from time to time.

1.7. Claims Processor. Any person or entity appointed by the Plan Administrator to process claims in accordance with Article V hereof.

1.8. COBRA. The Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, including any applicable regulations and/or rulings issued thereunder.

1.9. Code. The Internal Revenue Code of 1986, as amended, including any applicable regulations and/or rulings issued thereunder.

1.10. Collective Bargaining Agreement. An agreement between an Employer and a collective bargaining unit which sets forth the terms and conditions governing the employment of those Employees who are represented by such collective bargaining unit.

1.11. Company. Minerals Technologies Inc.

1.12. Dependent. Any individual who meets the applicable definition of “dependent” under any Benefit Component(s), but then only with respect to such Benefit Component(s).

1.13. DOL. The United States Department of Labor.

1.14. Effective Date. April 1, 2003.

1.15. Eligible Employee. Eligible Employee shall mean, (a) with respect to any Employee whose terms of employment are governed by a Collective Bargaining Agreement, any such Employee who meets the applicable eligibility requirements as set forth under such Collective Bargaining Agreement and (b) with respect to any Employee whose terms of employment are not governed by a Collective Bargaining Agreement, any such Employee who meets the applicable eligibility requirements under any Benefit Component(s), but then only with respect to such Benefit Component(s).

1.16. Employee. Any person who is a full-time employee of an Employer who is paid from sources within the United States, or a part-time employee of an Employer who works at least 20 hours per week and who is paid from sources within the United States. The term “Employee” shall not include any person who performs services for an Employer under an agreement or arrangement (which may be written, oral and/or evidenced by such Employer’s



payroll practice) with the individual or with another organization that provides the services of the individual to such Employer, pursuant to which the person is treated as an independent contractor or otherwise treated as an employee of any entity other than an Employer, irrespective of whether the individual is treated as an employee of such Employer under common law employment principles.

1.17. Employee Plan Contributions. The contributions, if any, made by a Participant in accordance with any Benefit Component.

1.18. Employer. Minerals Technologies Inc., and any of its subsidiaries or Affiliates, that, with the consent of the Board, adopts the Welfare Plan in accordance with Article VII hereof, and any organization that is a successor thereto.

1.19. Employer Plan Contributions. The contributions, if any, made by an Employer in accordance with Section 3.1.

1.20. ERISA. The Employee Retirement Income Security Act of 1974, as amended.

1.21. FMLA. The Family and Medical Leave Act of 1993, as amended.

1.22. HIPAA. The Health Insurance Portability and Accountability Act of 1996, as amended.

1.23. HMO. A health maintenance organization.

1.24. Participant. An Eligible Employee or Retiree who meets the requirements of Section 2.1 or a Dependent.

1.25. Plan Administrator. The Welfare Plan Committee appointed by the Board pursuant to Article VIII. Certain administrative functions with respect to the Welfare Plan may be delegated to any other person, persons, or entity, including a Third Party Administrator or Claims Processor, in accordance with reasonable procedures established by the Welfare Plan Committee.

1.26. Plan Year. The twelve-month period beginning January 1st and ending on the following December 31st.

1.27. Retiree. A former Employee of an Employer who was hired by an Employer before January 1, 2004, and who completes at least fifteen (15) “years of creditable service” after the attainment of age 40. For purposes of the foregoing, years of creditable service shall have the meaning set forth in the Minerals Technologies Inc. Retirement Plan.Service Provider. Any insurance company, HMO, point of service provider (“POS”), Preferred Provider Organization (“PPO”), physician, hospital, or any other service provider who provides, or is obligated to provide, pursuant to a contractual arrangement with the Welfare Plan or any Employer, Benefits under any plan, program, insurance contract, or benefit component that is part of the Welfare Plan.

1.29. Third Party Administrator. Any individual or entity appointed to assist in the administration of the Welfare Plan, or any Benefit Component, in accordance with such written agreement as may be entered into between the Plan Administrator and such Third Party Administrator.

1.30. USERRA. The Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.

1.31. Welfare Plan. This Minerals Technologies Inc. Health and Welfare Plan, including any Benefit Component that is a part of the Welfare Plan, as it may be amended from time to time.

1.32. Welfare Plan Committee. The committee established under Article VII.

## **ARTICLE II.**

### ***Participation***

2.1. Participation. An Eligible Employee or Retiree shall be eligible to participate in the Welfare Plan: (a) on the Effective Date, to the extent that he participated in, or was eligible to participate in one of more of the Benefit Components forming a part of the Welfare Plan on such date; or (b), if he becomes a Participant after the Effective Date, in accordance with the following:

(i) with respect to an Eligible Employee and with respect to any Benefit Component providing medical or dental Benefits, on the first date of employment with an Employer;

(ii) with respect to an Eligible Employee and with respect to any Benefit Component providing Benefits other than medical or dental Benefits, on the earliest date that he becomes eligible for such Benefits in accordance with the eligibility and participation provisions contained in at least one of any such Benefit Components or one or more other written documents approved by the Welfare Plan Committee or the Board with respect to such Benefit Component, but then only with respect to such Benefit Component(s); or

(iii) with respect to a Retiree and with respect to any Benefit Component providing retiree medical benefits, as of the first day he is no longer an Employee; provided, however, that such individual participated or was eligible to participate in the Welfare Plan immediately before his retirement.

Participation in the Welfare Plan shall be contingent upon participation in any such Benefit Component(s), and upon receipt by the Plan Administrator of such applications, consents, proofs of birth or marriage, school attendance, elections, beneficiary designations, proof of reimbursable expenses, proof of disability and/or other documents and information as may be prescribed by the Plan Administrator, in its discretion, or by any Benefit Component.

An Eligible Employee who does not timely elect coverage under any Benefit Component shall be deemed to have elected individual coverage under a Benefit Component providing

medical benefits, and shall be deemed to have waived participation in all other Benefit Components. A Retiree who does not timely elect initial coverage under any Benefit Component providing retiree medical care shall forfeit the right to enroll in any Benefit Component providing retiree medical care. If a Retiree ceases to participate in all Benefit Components providing retiree medical coverage the Retiree shall never be allowed to participate in, re-enter or be reinstated into any Benefit Component providing retiree medical coverage. Eligible Dependents will participate in the Welfare Plan to the extent provided in, and in accordance with the provisions of, the applicable Benefit Component. A Participant shall be deemed conclusively, for all purposes, to have consented to the terms and provisions of the Welfare Plan and any Benefit Component(s) to the extent of his participation thereunder.

2.2. Cessation of Participation. Subject to Section 2.3, participation of a Participant generally will terminate as of the date such Participant no longer is an Eligible Employee or Dependent, or in accordance with the terms and provisions of any Benefit Component. Notwithstanding the immediately preceding sentence or any provision of the Welfare Plan to the contrary, participation of a Participant who is a Retiree, or eligible Dependent of a Retiree, may be extended in accordance with the terms of any Benefit Component that provides Benefits to such Retiree, or eligible Dependent of such Retiree; provided, however, except as provided in Section 2.3, nothing herein or therein shall represent a contractual obligation of the Company or the other Benefit Component providers to continue to maintain the Welfare Plan or any Benefit Component, respectively, for, or provide a level of coverage for, any Eligible Employee, Retiree or any group thereof or Dependents thereof.

2.3. Continuation Coverage. The term "Participant" shall include any former Participant who remains covered under a Benefit Component that is subject to COBRA, the FMLA, the USERRA, or other similar applicable law, pursuant to the continuation coverage provisions of such Benefit Component.

### ***ARTICLE III.***

#### ***Contributions***

3.1. Employer Plan Contributions. Any Employer who has adopted the Welfare Plan in accordance with the provisions of Article VII hereunder agrees to contribute such amounts as are required to fund any self-funded Benefit provided hereunder, or to pay any premium, fee, expense, or other amount required from an Employer under the terms of any Benefit Component.

3.2. Employee Plan Contributions. Participants must pay any premium, fee, expense, co-pay, or other amounts required under the terms of any Benefit Component in order to receive Benefits under such Benefit Component.

### ***ARTICLE IV.***

#### ***Benefits***

4.1. Provision of Benefits. Each Participant shall be entitled to the Benefits set forth in any applicable schedule of benefits or in one or more other written documents approved by the

Welfare Plan Committee or the Board with respect to any Benefit Component(s) in which he is a Participant, and for which Benefits he is eligible by virtue of his employment or former employment with an Employer, but only with respect to such Benefit Component(s) and only to the extent it is determined under the applicable Benefit Component that he has satisfied all of the conditions precedent to his receiving such Benefits. All Benefits under a Benefit Component shall be payable or provided under such Benefit Component only if such Benefits relate to periods in which a Participant has elected to participate in such Benefit Component (if applicable). All such Benefits shall be legally enforceable to the extent required by the Code, ERISA and other applicable law.

#### **ARTICLE V.**

##### ***Claims, Claims Procedure, Appeals, and Payment***

5.1. Claims. A claimant ("Claimant") must file a claim for Benefits on a form prescribed by the Claims Processor or Plan Administrator (such terms are used interchangeably throughout this Article V), or as set forth in any Benefit Component. The claim form must be completed in its entirety, including all information and reports from doctors and hospitals (if applicable), plus any proof of claim requirements established by the Claims Processor, Plan Administrator, or as set forth in any such Benefit Component. A claim will be considered filed for purposes of this Section 5.1 when a properly completed claim form and all additional materials necessary to process the claim are received by the Claims Processor or Plan Administrator, as applicable.

For purposes of this Article V, a claim filed with or received by a Claims Processor shall be deemed to have been filed with or received by the Plan Administrator or the Welfare Plan, as applicable, and any notice or notification (including notice or notification of an Adverse Benefit Determination) provided to a Claimant by a Claims Processor shall be deemed to have been provided by the Plan Administrator or the Welfare Plan, as applicable.

5.2. Claims Procedure. The procedures set forth in this Section 5.2 shall apply to claims with respect to Benefit Components providing group health insurance benefits or group disability insurance benefits (*i.e.*, the (i) Minerals Technologies Inc. Group Benefit Program, (ii) Minerals Technologies Inc. Retiree Medical Program; (iii) Minerals Technologies Inc. Group Dental Program, (iv) Minerals Technologies Inc. Cafeteria Program, and (v) Minerals Technologies Inc. Group Long-Term Disability Program, except to the extent that any such Benefit Component(s) utilizes a claims and appeals procedure that is more favorable to Participants than the claims and appeals procedure set forth in this Section 5.2, in which case such claims and appeals procedure shall supercede the claims and appeals procedure set forth in this Section 5.2; *provided*, that such claims and appeals procedure complies with applicable law, including the applicable DOL regulations.

For purposes of this Section 5.2, the following definitions shall apply:

(a) *Adverse Benefit Determination*. "Adverse Benefit Determination" means any of the following: a denial, reduction or termination of, or a failure to provide or make payment (in whole or in part) for, a Benefit, including any such denial, reduction or termination or failure to

provide or make payment that (i) is based on a determination of eligibility to participate in the Welfare Plan or any applicable Benefit Component; (ii) results from the application of any utilization review; or (iii) is due to a failure to cover an item or service for which Benefits are otherwise provided because such item or service is determined to be experimental or investigational, or not medically necessary or appropriate.

Solely with respect to a Concurrent Care Claim, in the event that the Welfare Plan or applicable Benefit Component has approved an ongoing course of treatment to be provided over a period of time, or a specific number of treatments, “Adverse Benefit Determination” also means any termination of such course of treatments prior to the end of the prescribed course of such treatments, or reduction of the specific number of treatments below the number originally approved (other than as a result of an amendment to, or the termination of, the Welfare Plan or applicable Benefit Component).

(b) *Concurrent Care Claim.* A “Concurrent Care Claim” is any claim under a Benefit Component providing group health insurance Benefits in which the Welfare Plan, or applicable Benefit Component, has approved an ongoing course of treatment to be provided over a period of time, or a specific number of treatments, and either (i) the Welfare Plan or applicable Benefit Component now seeks to reduce or terminate the course of treatment (other than by amendment or termination of the Welfare Plan or applicable Benefit Component), or to reduce the specific number of treatments; or (ii) the Claimant requests an extension of such course of treatment, or to increase the specific number of treatments, subsequent to the initial approval of the original course of treatment, or specific number of treatments.

(c) *Disability Claim.* A “Disability Claim” is any claim for disability benefits under the applicable Benefit Component(s).

(d) *Health Care Professional.* A “Health Care Professional” means a physician or other health care professional licensed, accredited, or certified to perform specified health services consistent with state law.

(e) *Pre-Service Claim.* A “Pre-Service Claim” is any claim under a Benefit Component providing group health insurance Benefits that requires approval, or pre-authorization, of the Benefit in advance of obtaining medical care.

(f) *Post-Service Claim.* A “Post-Service Claim” is any claim under a Benefit Component providing group health insurance Benefits that is not a Pre-Service Claim, and that involves payment or reimbursement for a health care Benefit that has already been provided.

(g) *Urgent Care Claim.* An “Urgent Care Claim” is any claim under a Benefit Component providing group health insurance Benefits with respect to which a delay in making a determination: (i) could seriously jeopardize a Claimant’s life or health, or his ability to regain maximum function; or (ii) in the opinion of a physician with knowledge of the Claimant’s medical condition, would subject the Claimant to severe pain that cannot be adequately managed without the care or treatment. An Urgent Care Claim also includes any claim that a physician with knowledge of the Claimant’s medical condition determines is a claim involving urgent care.

*Initial Claims.*

The Plan Administrator must provide a Claimant with written or electronic notification of any Adverse Benefit Determination, written in a manner calculated to be understood by the Claimant and within the time frames set forth in this Section 5.2. The Plan Administrator must provide notification to a Claimant orally within the time frames set forth in this Section 5.2, in which case written or electronic notification shall be furnished to such Claimant within three (3) days following such oral notification.

The notification with respect to an Adverse Benefit Determination under a Benefit Component providing group health or disability insurance benefits must set forth clearly, in language calculated to be understood by the Claimant:

- (i) the specific reason(s) for the Adverse Benefit Determination;
- (ii) references to the specific Welfare Plan, or any Benefit Component, provisions on which the Adverse Benefit Determination is based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;
- (iv) a description of the Welfare Plan's claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an Adverse Benefit Determination on review;
- (v)
  - (A) if an internal rule, guideline, protocol or other similar criterion was relied upon in making the Adverse Benefit Determination, either the specific rule, guideline, protocol, or other similar criterion; or a statement that such a rule, guideline, protocol, or other similar criterion was relied upon in making the Adverse Benefit Determination, and that a copy of such rule, guideline, protocol, or other similar criterion will be provided free of charge to the Claimant upon request; or
  - (B) if the Adverse Benefit Determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Welfare Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- (vi) solely with respect to an Urgent Care Claim, a description of the Welfare Plan's expedited review process with respect to such claims.

*Urgent Care Claims.* Upon its receipt of an Urgent Care Claim, the Plan Administrator must notify the Claimant of its determination (whether or not such determination is an Adverse Benefit Determination) as soon as possible, but in no case later than seventy-two (72) hours after its receipt of such Urgent Care Claim, unless the Claimant does not provide sufficient information to determine whether, or to what extent, Benefits are covered or payable under the Welfare Plan. In that instance, the Plan Administrator must notify the Claimant as soon possible, but in no case later than twenty-four (24) hours after its receipt of such Urgent Care Claim, of the

specific information necessary to properly complete such Urgent Care Claim. The Claimant must be given a reasonable amount of time to provide the specified information, depending on the circumstances, but in no case less than forty-eight (48) hours after his having been so notified. The Plan Administrator must notify the Claimant of its determination as soon as possible, but in no case later than forty-eight (48) hours after the earlier of (i) the Plan Administrator's receipt of the specified information; or (ii) the end of the period afforded to the Claimant to provide the additional specified information.

*Pre-Service Claims.* A Claimant must be notified of the Welfare Plan's decision regarding his Pre-Service Claim within a reasonable time (appropriate to the medical circumstances), but in no case later than fifteen (15) days after the Plan Administrator's receipt of such Claimant's Pre-Service Claim. The Plan Administrator may extend the initial fifteen-day period for up to an additional fifteen (15) days in the event that there are matters beyond its control, in which case the Plan Administrator must notify the Claimant prior to the expiration of the initial fifteen-day period of the circumstances requiring the extension, and the date on which the Welfare Plan expects to make its decision. If such an extension is necessary because the Claimant failed to submit the information required to make a determination, the notice must describe the specific information required. The Claimant must have at least forty-five (45) days from his receipt of such notice to provide the specified information.

If a Claimant fails to follow the Welfare Plan's procedures for filing a Pre-Service Claim, such Claimant must be notified as soon as possible, but in no case later than five (5) days (twenty-four (24) hours in the case of a Pre-Service Claim that also qualifies as an Urgent Care Claim) following the Plan Administrator's receipt of such Claimant's claim, that his claim has been improperly filed, and must be provided with a description of the proper procedures for filing his Pre-Service Claim. Such notice may be given orally, unless the Claimant or his authorized representative specifically has requested written notification. This paragraph must apply only where such improper filing occurred with respect to (i) a communication by a Claimant or his authorized representative that is received by a person or organizational unit customarily responsible for handling benefits matters; and (ii) is a communication that names a specific Claimant, medical condition or symptom, and a specific treatment, service, or product for which approval is requested.

*Post-Service Claims.* In the event of an Adverse Benefit Determination with respect to a Post-Service Claim, a Claimant must be notified of the Welfare Plan's decision within a reasonable time period, but in no case later than thirty (30) days after its receipt of the Post-Service Claim. Such thirty-day period may be extended for up to an additional fifteen (15) days if the Plan Administrator determines that such an extension is necessary for reasons beyond the Welfare Plan's control, in which case the Claimant must be notified, prior to the end of the initial thirty (30) day period, of the circumstances requiring the extension, and the date on which the Welfare Plan expects to make a decision. If such extension is necessary because the Claimant failed to submit the information required to make a determination, the notice must describe the specific information required, in which case the Claimant must have at least forty-five (45) days from his receipt of the notice to provide the specified information.

*Concurrent Care Claims.* The Plan Administrator must notify the Claimant of an Adverse Benefit Determination with respect to a Concurrent Care Claim sufficiently in advance

of the termination of pre-approved course of treatment, or reduction in the specific number of treatments, to allow such Claimant to appeal the Adverse Benefit Determination and obtain a determination upon review with respect to such Adverse Benefit Determination prior to such termination or reduction.

A Claimant's request to extend a course of treatment beyond the prescribed period of time, or the specific number of pre-approved treatments, that also qualifies as an Urgent Care Claim must be decided as soon as possible, taking into account the medical exigencies. The Plan Administrator must notify such Claimant of its determination (whether or not such determination is an Adverse Benefit Determination) within twenty-four (24) hours after its receipt of the claim; *provided that* such claim is made at least twenty-four (24) hours prior to the expiration of the prescribed course of treatment, or specific number of pre-approved treatments.

*Disability Claims.* With respect to a Disability Claim, the Plan Administrator must notify the Claimant of an Adverse Benefit Determination within a reasonable time period, but in no event later than forty-five (45) days after the Welfare Plan's receipt of the claim. This period may be extended for a period of up to thirty (30) days if the Plan Administrator determines that such an extension is necessary due to matters beyond the control of the Welfare Plan; *provided that* the Claimant is notified prior to the expiration of the initial forty-five (45) day period of the circumstances requiring the extension, and the date by which the Welfare Plan expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Plan Administrator determines that, due to matters beyond the control of the Welfare Plan, a decision cannot be rendered within such thirty (30) day extension period, the period for making the determination may be extended for up to an additional thirty (30) days; *provided that* the Plan Administrator notifies the Claimant, prior to the expiration of the initial thirty (30) day period, of the circumstances requiring the extension, and the date on which the Welfare Plan expects to render a decision. Such notification must explain the standards on which entitlement to a Benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve such issues. A Claimant must have at least forty-five (45) days to provide the additional specified information.

*Appeals of Adverse Benefit Determinations.*

A Claimant who wishes to appeal an Adverse Benefit Determination with respect to his claim must file such appeal with the Plan Administrator in writing within one hundred eighty (180) days following such Claimant's receipt of the notification with respect to his initial Adverse Benefit Determination.

Within the time frames set forth for each specific type of claim set forth below, the Plan Administrator must notify the Claimant of the Welfare Plan's decision on such appeal. A claimant may submit written comments, documents, records and other information relating to his claim. Such Claimant is entitled to be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his claim. For purposes of this Section 5.2, a document, record or other information shall be considered relevant to a Claimant's claim if such document, record or other information (i) was relied upon in making the Adverse Benefit Determination; (ii) was submitted, considered, or generated in the course of making the Adverse Benefit Determination, irrespective of whether or not it was relied



upon in making such Adverse Benefit Determination; (iii) demonstrates compliance with the administrative processes and safeguards that ensure that determinations are made in accordance with governing Welfare Plan documents and that where appropriate, Welfare Plan provisions have been applied consistently; or (iv) constitutes a statement of policy or guidance with respect to the Welfare Plan concerning the denied treatment option or Benefit for the Claimant's diagnosis, without regard to whether such advice or statement was relied upon in making the Adverse Benefit Determination.

The review of such Claimant's appeal of the Adverse Benefit Determination must take into account all comments, documents, records, and other information submitted by the Claimant relating to his claim, without regard to whether such information was submitted or considered in the making of the initial Adverse Benefit Determination. The decision on review must not afford deference to the initial Adverse Benefit Determination, and will be conducted by an appropriate named fiduciary of the Welfare Plan who is neither the individual who made the initial Adverse Benefit Determination, nor a subordinate of such individual. In deciding an appeal of any Adverse Benefit Determination that is based in whole or in part on medical judgment, including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate, the appropriate named fiduciary must consult with a Health Care Professional who has appropriate training and experience in the field of medicine involved in the medical judgment. The medical or vocational experts whose advice was obtained on behalf of the Welfare Plan in connection with the Claimant's Adverse Benefit Determination will be identified, whether or not the advice was relied upon in making the Adverse Benefit Determination. Any such Health Care Professional engaged for purposes of a consultation must be an individual who is neither one of the individuals who was consulted in connection with the initial Adverse Benefit Determination, nor a subordinate of any such individual.

A Claimant must be notified of the Welfare Plan's benefit determination upon review in writing or electronically. Notice of the decision with respect to an Adverse Benefit Determination on review must set forth clearly, in a manner to be understood by the Claimant:

- (i) the specific reason(s) for the Adverse Benefit Determination on review;
- (ii) reference to the specific Welfare Plan, or any Benefit Component, provisions on which the Adverse Benefit Determination on review is based;
- (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's claim for Benefits;
- (iv) a statement describing the Welfare Plan's claims review procedures, and the time limits applicable to such procedures, and the Claimant's right to obtain the information about such procedures, including a statement of a Claimant's right to bring a civil action under Section 502(a) of ERISA;
- (v)

(A) if an internal rule, guideline, protocol or other similar criterion was relied upon in making the Adverse Benefit Determination on review, either the specific rule, guideline, protocol, or other similar criterion; or a statement that such a rule, guideline, protocol, or other similar criterion was relied upon in making the Adverse Benefit Determination on review, and that a copy of such rule, guideline, protocol, or other similar criterion will be provided free of charge to the Claimant upon request; or

(B) if the Adverse Benefit Determination on review is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Welfare Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and

(vi) the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

*Urgent Care Claims.* With respect to an Urgent Care Claim, if a Claimant appeals the Welfare Plan's initial Adverse Benefit Determination with respect to his claim, the Plan Administrator must notify the Claimant of the Welfare Plan's Benefit determination on review as soon as possible, taking into account the medical exigencies, but not later than seventy-two (72) hours after receipt of the Claimant's request for review of an Adverse Benefit Determination by the Welfare Plan.

*Expedited Review, Urgent Care Claims.* Solely with respect to an Urgent Care Claim, if a Claimant appeals the Welfare Plan's initial Adverse Benefit Determination with respect to his claim, an expedited review process must be afforded such Claimant pursuant to which (i) the Claimant may submit, orally or in writing, a request for an expedited appeal and (ii) all necessary information must be transmitted between the Welfare Plan and the Claimant by telephone, facsimile, or other available similarly expeditious method. The Plan Administrator must notify such Claimant of the Welfare Plan's determination on appeal as soon as possible (depending on the medical circumstances), but in no case later than seventy-two (72) hours after its receipt of the Claimant's appeal of the initial Adverse Benefit Determination.

*Pre-Service Claims.* With respect to a Pre-Service Claim, if a Claimant appeals the Welfare Plan's initial Adverse Benefit Determination with respect to his claim, the Plan Administrator must notify such Claimant of the Welfare Plan's decision with respect to the appeal of his Pre-Service Claim within a reasonable time, appropriate to the medical circumstances. If the Benefit Component provides for a single appeal of the Adverse Benefit Determination the Claimant must be notified of the Welfare Plan's decision on review no later than thirty (30) days after its receipt of such Claimant's appeal. If the Benefit Component provides for two appeals of an Adverse Benefit Determination (A) the Claimant must be notified of the Welfare Plan's initial decision on review no later than fifteen (15) days after its receipt of such Claimant's appeal and (B) if the Claimant appeals such initial decision on review, the Claimant must be notified of the Welfare Plan's subsequent decision on re-review no later than

fifteen (15) days after the Welfare Plan's receipt of the Claimant's appeal of the initial decision on review.

*Post-Service Claims.* With respect to a Post-Service Claim, if a Claimant appeals the Welfare Plan's initial Adverse Benefit Determination with respect to his claim, such Claimant must be notified within a reasonable time period of such determination. With respect to Benefit Components which provide for a single appeal of the Adverse Benefit Determination, the Claimant must be notified of the Welfare Plan's decision on review no later than sixty (60) days after its receipt of such Claimant's appeal. With respect to Benefit Components which provide for two appeals of an Adverse Benefit Determination: (A) the Claimant must be notified of the Welfare Plan's initial decision on review no later than thirty (30) days after its receipt of such Claimant's appeal and (B) if the Claimant appeals such initial decision on review, he must be notified of the Welfare Plan's subsequent decision on re-review no later than thirty (30) days after the Welfare Plan's receipt of the Claimant's appeal of the initial decision on review. The number of appeals of an Adverse Benefit Determination with respect to all Benefit Components are as set forth in each such Benefit Component.

*Concurrent Care Claims.* With respect to a Concurrent Care Claim, if a Claimant appeals the Welfare Plan's initial Adverse Benefit Determination with respect to his claim, the Plan Administrator must notify such Claimant of the Welfare Plan's Benefit determination within a reasonable period of time, but not later than sixty (60) days following receipt by the Welfare Plan of the Claimant's request for review, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing, if applicable) require an extension of time for processing the Concurrent Care Claim. If the Plan Administrator determines that an extension of time for processing such Concurrent Care Claim is required, written notice of the extension of time must be furnished to the Claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension of time exceed a period of sixty (60) days from the end of the initial sixty (60) day period. Notice of such extension of time must indicate the special circumstances requiring the extension of time, and the date by which the Welfare Plan expects to render the determination on review.

If, on appeal, a Concurrent Care Claim also qualifies as an Urgent Care Claim, a Pre-Service Claim or a Post-Service Claim, an Adverse Benefit Determination with respect to such claim must be treated as an Urgent Care Claim, a Pre-Service Claim or a Post-Service Claim, as appropriate.

*Disability Claims.* With respect to a Disability Claim, if a Claimant appeals the Welfare Plan's initial Adverse Benefit Determination with respect to his claim, the Plan Administrator must notify such Claimant of the Welfare Plan's Benefit determination within a reasonable period of time, but not later than forty-five (45) days following receipt by the Welfare Plan of the Claimant's request for review, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing, if applicable) require an extension of time for processing the Concurrent Care Claim. If the Plan Administrator determines that an extension of time for processing such Concurrent Care Claim is required, written notice of the extension of time must be furnished to the Claimant prior to the termination of the initial forty-five (45) day period. In no event shall such extension of time exceed a period of forty-five (45) days from the end of the initial forty-five (45) day period. Notice of such extension of time must indicate the

special circumstances requiring the extension of time, and the date by which the Welfare Plan expects to render the determination on review.

5.3. Claims Procedure, All Other Benefits. The procedures set forth in this Section 5.3 apply to claims with respect to Benefit Components providing Benefits other than group health insurance benefits or group disability insurance benefits ( *i.e.*, the Mineral Technologies Inc. Group Life, Supplemental Life and Accidental Death and Dismemberment Program), except to the extent that any such Benefit Component utilizes a claims and appeals procedure that is more favorable to Participants than the claims and appeals procedure set forth in this Section 5.3, in which case such claims and appeals procedure shall supercede the claims and appeals procedure set forth in this Section 5.3; *provided*, that such claims and appeals procedure complies with applicable law, including the applicable DOL regulations.

For purposes of this Section 5.3, an “Adverse Benefit Determination” is a (i) denial, (ii) reduction or termination of a Benefit, or (iii) failure to make a total payment for a Benefit. For purposes of the foregoing, any such (i) denial, (ii) reduction or termination, or (iii) failure to provide or make a total payment for a Benefit that is based upon eligibility is an “Adverse Benefit Determination.”

*Initial Claims.*

The Plan Administrator must provide a Claimant with written or electronic notification of any Adverse Benefit Determination, written in a manner calculated to be understood by the Claimant and within the time frames set forth in this Section 5.3. The Plan Administrator must notify the Claimant in writing (which may be transmitted electronically) of its decision within ninety (90) days of receipt of the application. If special circumstances require any extension of time (not to exceed an additional ninety (90) days) for processing the claim, the Plan Administrator must notify the Claimant in writing (which may be transmitted electronically) of such extension prior to the expiration of the initial ninety (90) day period.

Any Adverse Benefit Determination with respect to a claim for Benefits shall be stated in writing (which may be transmitted electronically) and shall state clearly, in language calculated to be understood by the Claimant:

- (i) the specific reason(s) for the Adverse Benefit Determination;
- (ii) references to the specific provisions of the Welfare Plan, or any Benefit Component, on which the Adverse Benefit Determination is based;
- (iii) a description of the additional material or information (if any) that the claimant must provide to the Plan Administrator or Claims Processor in order for the Plan Administrator or Claims Processor to reconsider the claim, and an explanation of why such material or information is necessary; and
- (iv) a description of the appeals procedures under the Welfare Plan and the time limits applicable to such procedures, including a statement of the claimant’s right to bring a civil action under ERISA Section 502(a) following an Adverse Benefit Determination on review.

*Appeals of Adverse Benefit Determinations.*

If a Claimant has received an Adverse Benefit Determination, he may appeal the Adverse Benefit Determination within sixty (60) days following his receipt of written notice thereof by submitting a request for review of the Adverse Benefit Determination of the claim in writing to the Plan Administrator. The Claimant also may submit written comments, documents, records and other information relating to his claim for Benefits. A Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, the Welfare Plan document and all other documents, records and other information that is relevant to such claim. The review of the Adverse Benefit Determination shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial Adverse Benefit Determination.

If a Claimant appeals in accordance with the foregoing, the Plan Administrator or Claims Processor shall render its final decision, setting forth the specific reasons therefore in writing (which may be transmitted electronically), within sixty (60) days of its receipt of the request for review, unless extenuating circumstances require an extension of time. If there are such extenuating circumstances, written notice of such extension of time shall be given to the Claimant prior to the expiration of the original sixty (60)-day period, and a decision shall be rendered as soon as administratively feasible, but not later than one hundred and twenty (120) days after receipt of the initial request for review. The written notice of the Welfare Plan's decision upon review shall state clearly, in language calculated to be understood by the Claimant:

- (i) the specific reason(s) for the Adverse Benefit Determination on appeal;
- (ii) reference to the specific provisions of the Welfare Plan, or any Benefit Component, on which the Adverse Benefit Determination appeal is based;
- (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Welfare Plan document and all documents, records and other information relevant to the claim; and
- (iv) a statement describing the Claimant's right to bring an action under ERISA Section 502(a).

5.4. Notices. Notices and documents relating to the Welfare Plan may be delivered, or mailed via registered mail, postage prepaid, to the Plan Administrator in care of the Vice President Organization and Human Resources, Minerals Technologies Inc., 405 Lexington Avenue, New York, New York 10174-1901. Any notice required under the Welfare Plan may be waived by the person entitled to such notice.

5.5. Evidence. Evidence required of anyone under the Welfare Plan may be fulfilled by means of certificate, affidavit, or other documentation, or such other information as the Welfare Plan Committee and/or Claims Processor shall require under rules uniformly applicable.

No legal action, grievance, or arbitration proceeding against the Welfare Plan, an Employer, the Plan Administrator, a Claims Processor, or any other person for the recovery of

any claim may be commenced until the Welfare Plan's claims procedures as set forth in this Section have been exhausted.

5.6. Payment. Unless specifically provided to the contrary under the terms of any Benefit Component, payment of any claim will be made to the Participant unless he has previously authorized payment to be made to a Service Provider. If the Participant dies before all benefits have been paid, the remaining benefits, if any, will be paid to the Participant's estate or to any person or corporation appearing to the Welfare Plan to be entitled to payment. Such payment will fully discharge the Welfare Plan's obligations with respect to that claim. If a Participant is a minor, or otherwise not competent to give a valid receipt for payment of any Benefit due him under the Welfare Plan and if no request for payment has been received from a duly appointed guardian or other legally appointed representative of that person, payment may be made directly to the individual or institution that has assumed the custody or the principal support of that person.

5.7. Coordination of Benefits. If a Participant is covered under another group medical plan, the payment of Benefits will be determined in accordance with the rules in effect with respect to any applicable Benefit Component, as stated in such Benefit Component or one or more written documents approved by the Welfare Plan Committee or the Board with respect to such Benefit Component.

5.8. Proof of Loss. Written proof of loss must be furnished to the Plan Administrator or Claims Processor within two years, or such longer or shorter period as may be provided under a particular Benefit Component, after the date of the loss for which the claim is made, provided that the Welfare Plan, or applicable Benefit Component, has not been terminated, or, if the Welfare Plan, or applicable Benefit Component, has been terminated, within 90 days of such termination (or, with respect to a Benefit Component, as otherwise provided in such Benefit Components). Failure to furnish written proof of loss within that time will neither invalidate nor reduce any claim if it is shown that it was not reasonably possible to furnish written proof of loss within that time, provided that such proof is furnished as soon as reasonably possible and in no event, in the absence of legal incapacity, later than one year from the time proof is otherwise required. Notwithstanding the foregoing, an individual claiming Benefits must always comply with any applicable proof of loss or substantiation of claims provisions or requirements contained in any applicable Benefit Component.

5.9. Nonassignment. Except for assignments of reimbursements payable for coverage for hospital, surgical, or medical charges, or made pursuant to a "qualified medical child support order," no assignment of any rights or benefits under the Welfare Plan may be made.

5.10. Government-Provided Benefits. The Welfare Plan does not provide Benefits in lieu of, and does not affect any requirement for coverage by, any benefits provided under any federal, state or local government including, without limitation, any workers' compensation insurance or benefit.

5.11. Receipt and Release of Information. The Plan Administrator (or, for purposes of this Section 5.11, any person or entity to whom specific fiduciary responsibilities have been delegated by the Plan Administrator in accordance with Section 8.1) may, without consent of or

notice to any person, release to or obtain from any insurance company or other organization or person any data or other information, with respect to any person, which the Plan Administrator, in its sole discretion, deems to be necessary for the administration of the Welfare Plan. The Plan Administrator will be free from any liability that might arise in relation to such action. Any person claiming benefits under the Welfare Plan will furnish to the Plan Administrator such information as may be necessary to implement this provision.

5.12. Subrogation. If any payment for benefits under the Welfare Plan are paid, the Welfare Plan will, to the extent of such payment, be subrogated to all the rights of recovery of the Participant arising out of any claim or cause of action which may occur because of the negligence or willful misconduct of a third party. Each Participant or his legal guardian agrees to reimburse the Welfare Plan for amounts paid for such claims, out of any monies recovered from the third party, including but not limited to, any third parties and the Participant's own insurance company as the result of judgment, settlement or otherwise. In addition, each Participant agrees to assist a Claims Processor or the Plan Administrator in enforcing these rights.

5.13. Right of Recovery. Whenever payments for a claim have been made in excess of the maximum limit for that claim under the Welfare Plan, the Welfare Plan will have the right to recover such amounts to the extent of the excess from whoever received the excess payment and/or the Participant.

## ***ARTICLE VI.***

### ***Purpose and Funding***

6.1. Purpose. The purpose of the Welfare Plan is to provide medical benefits and certain other welfare benefits to Participants and/or their Dependents.

6.2. Funding Policy. All contributions under Article III shall be made on a timely basis, in accordance with the terms and provisions of any Benefit Component. Except as otherwise provided, benefits under each Benefit Component shall be funded in the following manner:

(i) Trust Fund. The Company may establish a trust fund into which contributions are made to pay benefits under one or more of the Benefit Components. If Benefits under a Benefit Component are funded through a trust fund, the Employers shall contribute to such trust fund the amount required to fund the Benefit payments and to accumulate such reserves as such Employer deems reasonable and necessary.

(ii) Self-Insured. If Benefits under a Benefit Component are funded on a self-insured basis, the Employers shall pay Benefits under such Benefit Component from their general assets. However, an Employer, in its sole discretion, may establish a separate bank account for the payment of Benefits. If a separate bank account is established for such purpose, it shall be for bookkeeping purposes only. The Employers shall contribute any amounts necessary to provide any Benefits under a self-insured Benefit Component.

(iii) Insured. The Plan Administrator may purchase insurance either to provide benefits under a Benefit Component or, in the case of a Benefit Component funded by a trust fund or on a self-insured basis, to insure the Employers against certain excess claims or large aggregate losses. Any such insurance policy or policies shall contain terms that are consistent with the provisions of the Benefit Components, as applicable and with the Benefits provided under such Benefit Component. Such policy or policies may contain any additional provisions as the Plan Administrator or Board may authorize.

## **ARTICLE VII.**

### ***Adoption of Welfare Plan by Participating Employer***

7.1. Adoption by Subsidiary or Affiliate. With the approval of the Board, any subsidiary or Affiliate, by appropriate action of its board of directors or other governing entity, may adopt the Welfare Plan for the exclusive benefit of its eligible employees, retirees and/or their dependents and thereby become an Employer. Employers that have adopted the Welfare Plan pursuant to the foregoing are listed in Appendix B hereto.

7.2. Termination of Participation. An Employer, with the approval of the Board, may terminate its participation in the Welfare Plan by giving the Welfare Plan Committee prior written notice specifying a termination date which shall be the last day of a month at least 60 days subsequent to the date such notice is received by the Welfare Plan Committee, or in accordance with such rules and procedures as may be adopted by the Welfare Plan Committee. The Board may terminate any Employer's participation in the Welfare Plan as of any termination date specified by the Board for the failure of such Employer to make proper contributions in accordance with Section 3.1, or to comply with any other provision of the Welfare Plan, or any provision of any Benefit Component, and shall terminate an Employer's participation upon complete and final discontinuance of any required contributions.

7.3. Contributions and Liabilities. Upon termination of the Welfare Plan as to any Employer, such Employer shall not make any further contributions under the Welfare Plan and no amount shall thereafter be payable under the Welfare Plan to, or in respect of, any Participants then employed by such Employer, except as may be agreed to, in writing, between the Company and any such Employer. To the maximum extent permitted by ERISA or other applicable law, any rights of Participants no longer employed by such Employer, and of former Participants and their Dependents (if any), shall be unaffected by such terminations. Any transfers, distributions or other dispositions of the assets of the Welfare Plan shall constitute a complete discharge of all liabilities under the Welfare Plan with respect to such Employer's participation in the Welfare Plan, and any Participant then employed by such Employer.

7.4. Actions, Approvals and Notification. All actions, approvals, and notifications referred in this Article VII shall be in the form and substance and from a source satisfactory to the Welfare Plan Committee, or counsel retained by the Welfare Plan Committee. To the maximum extent permitted by ERISA or other applicable law, the termination of the Welfare Plan as to any Employer shall not in any way affect any other Employer's participation in the Welfare Plan.



7.5. Rights. An Employer shall have no rights with respect to the Welfare Plan except as specifically provided in the Welfare Plan.

7.6. Successor. If the Company transfers substantially all of its business by sale, merger, consolidation, or reorganization, the Welfare Plan may be adopted by the successor entity upon acceptance in writing of the terms of the Welfare Plan by the successor entity. The successor entity shall then succeed to all of the power, rights, and duties of the Company under the Welfare Plan. If the successor entity does not adopt the Welfare Plan, then the Welfare Plan shall terminate.

## ***ARTICLE VIII.***

### ***Plan Administration***

8.1. Allocation of Plan Administration Responsibilities. The Welfare Plan, including each Benefit Component, shall be administered by the Plan Administrator, which shall have the discretionary authority to control and manage the operation of the Welfare Plan as named fiduciary. The Plan Administrator shall have such powers, in its sole discretion, to administer the Welfare Plan in all of its details, including, but not limited to, the following powers:

A. Interpretation of the Welfare Plan, including each Benefit Component, and including determinations as to eligibility for Welfare Plan benefits, such interpretation to be final and conclusive on all individuals claiming rights under the Welfare Plan;

B. Adoption of such procedures and regulations as in its opinion are necessary for the proper and efficient administration of the Welfare Plan and are consistent with the terms and purposes of the Welfare Plan, and each Benefit Component;

C. Enforcement of the Welfare Plan according to its terms and to the rules and regulations adopted by the Welfare Plan Committee;

D. The responsibility to administer and manage each Benefit Component;

E. The responsibility to prepare, report, file and disclose any forms, documents and other information required by law or otherwise to be reported or filed with any governmental agency, or to be prepared and disclosed to Eligible Employees, Retirees or other persons entitled to Benefits under the Welfare Plan; and

F. The responsibility to review claims or claim denials and to determine benefit eligibility under the Welfare Plan and each Benefit Component;

Notwithstanding the foregoing, the Plan Administrator may delegate to insurance companies, Service Providers, Claims Processors, Third Party Administrators, organizations or persons (who also may be Employees) specific fiduciary responsibilities in administering the Welfare Plan. Any such delegation must be in writing and in accordance with ERISA or other applicable law.

8.2. Committee Membership. The Board shall appoint no fewer than three members to the Welfare Plan Committee. Each member shall remain in office at the will of, and may be removed, with or without cause, by the Board. Any member of the Welfare Plan Committee may resign at any time, upon proper written notice in accordance with procedures authorized by the Welfare Plan Committee. No member of the Welfare Plan Committee shall be entitled to act on or decide any matters relating solely to himself or herself or any of his or her rights or benefits under the Welfare Plan. The members of the Welfare Plan Committee shall not receive any special compensation for serving in such capacity but shall be reimbursed for any reasonable expenses incurred in connection therewith. Except as otherwise required by ERISA, no bond or other security need be required of the Welfare Plan Committee or any member thereof in any jurisdiction.

8.3. Committee Meetings. The Welfare Plan Committee shall designate a Chairman, establish its own procedures and the time and place for its meetings, and provide for the keeping of minutes of all meetings. Any action of the Welfare Plan Committee may be taken upon the affirmative vote of a majority of its members at a meeting or, at the direction of its Chairman, without a meeting, by mail, facsimile, telephone, or other electronic means, provided that all of the members of the Welfare Plan Committee are informed in writing of the vote.

8.4. Fiduciary Duties. Each fiduciary shall discharge his duties hereunder solely in the interest of Participants in the Plan:

(i) for the exclusive purpose of providing benefits under the Welfare Plan to Participants in accordance with the provisions of the Welfare Plan insofar as they are consistent with ERISA or other applicable law, and any regulations issued thereunder; and

(ii) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

A fiduciary shall be liable for a breach of fiduciary responsibility by another fiduciary or any other party deemed a fiduciary pursuant to the applicable provisions of the Welfare Plan (or of ERISA) only if such fiduciary:

- (i) participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or
- (ii) by failing to act prudently, enables another fiduciary to commit a breach; or
- (iii) has knowledge of a breach of such other fiduciary, unless he or she makes reasonable efforts under the circumstances to remedy such breach.

In the event that it is determined by ERISA or any other statute, court decision, ruling by the Internal Revenue Service or Department of Labor, or otherwise, that part or all of the responsibilities prescribed for fiduciaries by ERISA as set forth in this Section 8.4 are not applicable, this Section or the appropriate part thereof shall be ineffective with respect to such responsibilities without a formal amendment to the Welfare Plan.

8.5. Indemnification of Fiduciaries. When making a determination or calculation, the Plan Administrator and anyone acting on its behalf may rely on information furnished by a Participant, an Employer, or by any actuaries, accountants, or counsel retained by, or on behalf of, the Welfare Plan.

Each Employer will, as permitted by applicable law, indemnify and reimburse all Board members, Welfare Plan Committee members, and any other person to whom administrative duties with respect to the Welfare Plan have been delegated, for all expenses, losses, and liabilities incurred by such Board member, Welfare Plan Committee member, or person arising from an act or omission in the management of the Welfare Plan.

An Employer may purchase insurance for all Welfare Plan fiduciaries employed by an Employer, and for all persons who are employees, officers, or agents of an Employer, to cover the potential liability of those persons with respect to their actions and lack of actions concerning the Welfare Plan other than with respect to willful misconduct.

8.6. Discretionary Power of Plan Administrator. All discretion conferred upon the Plan Administrator will be absolute. However, no discretionary power conferred on the Plan Administrator shall be exercised in a manner that is arbitrary or capricious. The discretionary power of the Plan Administrator will be exercised in a non-discriminatory manner with regard to all similarly situated employees or Participants.

8.7. Miscellaneous. Notwithstanding anything contained in this Article VIII to the contrary:

- (i) any person may serve in more than one fiduciary capacity;
- (ii) any named fiduciary with respect to the Welfare Plan may employ one or more persons to render advice regarding any responsibility such fiduciary has under the Welfare Plan; and
- (iii) any person who is a fiduciary with respect to the control or management of any assets with respect to the Welfare Plan may appoint an investment manager to manage any assets of the Welfare Plan.

## ***ARTICLE IX.***

### ***Amendment and Termination***

9.1. Amendment. The Board may amend, in writing, any part or all of the Welfare Plan, including any insurance contract providing Benefits under the Welfare Plan (with the agreement of such insurance company or Service Provider, if required under any such contract) at any time or from time to time. The Board may also remove or change any insurance company, Service Provider, Claims Processor, or Third Party Administrator at any time and from time to time. Such amendment shall be made effective through a formally approved Board resolution and written plan amendment. Any such amendment, removal or change may be effective retroactively or prospectively.

9.2. Termination. The Board may terminate any part or all of the Welfare Plan, including any Benefit Component and/or any insurance contract providing benefits under the Welfare Plan, or may terminate any contract with an insurance company, Service Provider, Claims Processor, or Third Party Administrator at any time or from time to time. No termination shall operate to reduce the amount of any benefit payment otherwise payable under the Welfare Plan or any Benefit Component for charges incurred prior to the effective date of such termination. A termination of all or part of the Welfare Plan shall be made effective through a formally approved Board resolution and written plan amendment.

## ***ARTICLE X.***

### **Miscellaneous**

10.1. State of Jurisdiction. Except to the extent superseded by the laws of the United States, the Welfare Plan and all rights and duties hereunder shall be governed, construed, and administered in accordance with the laws of the State of New York.

10.2. Severability. If any provision of the Welfare Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provisions of the Welfare Plan, and the Welfare Plan shall be construed and enforced as if such provision had not been included herein.

10.3. Welfare Plan Not An Employment Contract. The Welfare Plan is not an employment contract. Nothing in the Welfare Plan shall be construed to limit in any way the right of an Employer to terminate an Employee's employment at any time for any reason whatsoever, with or without cause.

10.4. Non-Transferability of Interest and Facility of Payment. Except as otherwise expressly permitted by the Welfare Plan, the interests of persons entitled to benefits under the Welfare Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any other applicable law, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered. The right of a Participant to receive a Benefit payable under the Welfare Plan shall not be considered to be an asset of such Participant or his beneficiary (if applicable) in the event of his divorce, insolvency, or bankruptcy. When any person entitled to benefits under the Welfare Plan is under legal disability, or in an Employer's opinion is in any way incapacitated so as to be unable to manage his affairs, such Employer may cause such person's benefits to be paid to such person's legal representative for his benefit, or to be applied for the benefit of such person in any other manner that such Employer may determine.

10.5. Mistake of Fact. Any mistake of fact or misstatement of fact shall be corrected, and proper adjustment made by reason thereof, to the extent practicable, provided that such mistake or misstatement is brought to the attention of the Plan Administrator or its delegate within a reasonable time, not to exceed six months. An Employer shall not be liable in any manner for any determination of fact made in good faith.

10.6. Cost of Administering the Welfare Plan. The costs and expenses incurred by an Employer in administering the Welfare Plan shall be paid by such Employer.

10.7. Withholding for Taxes. Notwithstanding any other provision of the Welfare Plan, an Employer or other organization, insurance company, Service Provider, or institution providing benefits under the Welfare Plan, may withhold from any payment to be made under the Welfare Plan such amount or amounts as may be required for purposes of complying with the tax withholding provisions of the Code or any other applicable law.

10.8. Bonding and Insurance. To the extent required by ERISA or other applicable law with respect to benefits subject to ERISA, every fiduciary of the Welfare Plan, including any Benefit Component, and every person handling funds of the Welfare Plan or such component thereunder shall be bonded. The Plan Administrator may apply for and obtain fiduciary liability insurance insuring the Welfare Plan against damages by reason of breach of fiduciary responsibility at the Welfare Plan's expense and insuring each fiduciary against liability to the extent permissible by law at the Employers' expense.

10.9. Nondiscrimination Requirements. If the Plan Administrator determines, before or during any applicable period of coverage, that the Welfare Plan may fail to satisfy for such period of coverage:

- (i) any nondiscrimination requirement imposed by the Code; or
- (ii) the requirement that benefits provided under the Cafeteria Program to Employees who are "key employees" as defined in Section 125 of the Code may not exceed 25 percent of the aggregate of such benefits provided for all Participants covered under the Cafeteria Program,

the Plan Administrator shall take such action as it deems appropriate, under rules uniformly applicable to similarly situated Participants, to assure compliance with such requirement or limitation. Such action may include, without limitation, a modification of elections under the Cafeteria Program by Employees who are "highly compensated employees" as defined in Section 414(h) of the Code, or "key employees," with or without the consent of such Employees.

10.10. Prohibition on Compensation. No person appointed by the Plan Administrator to serve as an administrator or in any other function shall receive any additional compensation for serving as such administrator or in such function, if he is a full-time employee of an Employer, but he shall be reimbursed by such Employer for any reasonable expenses incurred in connection therewith.

10.11. No Vested Rights. The Welfare Plan creates no vested rights of any kind. No Participant, nor any person claiming through him, shall have any right, title or interest in or through the Welfare Plan, or part thereof, except as otherwise expressly provided herein. Nothing in the Welfare Plan shall be construed as giving any person rights against the Welfare Plan, the Company, the Plan Administrator, or any Employer, or any of their employees or agents, except as provided in the Welfare Plan.

10.12. Titles and Headings. The captions preceding the provisions of the Welfare Plan are used solely as a matter of convenience and in no way define, modify or limit the scope or intent of any provision of the Welfare Plan.

10.13. Tax Effects. Neither the Plan Administrator nor any Employer makes any warranty or other representation as to whether any payments received, under the Cafeteria Program or otherwise, will be treated as includible by a Participant or Dependent in gross income for federal or state income tax purposes.

10.14. Continuation Coverage under COBRA or Other Applicable Law. COBRA requires that certain Participants and/or Dependents (“qualified beneficiaries”) be given the opportunity to elect to continue coverage under certain Benefit Components under the Welfare Plan upon the occurrence of a “qualifying event,” as such term is defined in COBRA. Continuation coverage under each such Benefit Component shall be extended and financed in accordance with administrative procedures that are adopted by each Employer to comply with COBRA, and with any other similar applicable law. If COBRA or other similar applicable law requires that continuation coverage be extended, financed, or offered under any such Benefit Component in any manner which is inconsistent with any of the terms contained herein or in any such Benefit Component, the Welfare Plan and/or such Benefit Component shall be deemed amended to comply with the minimum requirements of COBRA or such applicable law, and shall be administered in accordance therewith. In no case shall this provision be interpreted in such a way as to implement changes required by COBRA or other applicable law earlier than the latest effective date required by COBRA, or such other applicable law.

10.15. Procedures for Providing Certain Notices. A Participant or “qualified beneficiary,” as such term is defined in COBRA (a “Qualified Beneficiary”), must notify the Company of certain Qualifying Events as a prerequisite to eligibility for continuation coverage with respect to such Qualifying Events. In the event that a Participant, a spouse of a Participant or a Dependent experiences a Qualifying Event that constitutes: (i) a divorce or legal separation; (ii) a loss of Dependent child status; (iii) the occurrence of a second Qualifying Event while such Participant or Qualified Beneficiary is covered under COBRA continuation coverage; (iv) a disability determination by the Social Security Administration (“SSA”) with respect to a Participant or Qualified Beneficiary who is covered under COBRA continuation coverage; or (v) a determination by the SSA that a Participant or Qualified Beneficiary, who is covered under extended COBRA continuation coverage due to a SSA determination of disability, is no longer totally disabled. Such Participant or Qualified Beneficiary shall provide written notice to the Plan Administrator in accordance with the procedures and timelines described in this Section 10.15.

All notices provided in accordance with this Section 10.15 shall be in writing. A Participant or Qualified Beneficiary subject to this Section 10.15 must mail, fax or hand-deliver, his notice to the Plan Administrator, in care of the Human Resources Department, Minerals Technologies Inc., 405 Lexington Avenue, New York, New York 10174-1901. Such notice shall include the following information:

(1) the name of the Benefit Component(s) and the group health (including dental) program(s) thereunder in which the Participant, his spouse and/or Dependents are covered;

(2) the name and address of the Participant and/or Qualified Beneficiary covered under such Benefit Component(s);

(3) a description of the Qualifying Event and the date on which such Qualifying Event occurred;

(4) if the notice relates to a SSA determination of disability, the name of the disabled Qualified Beneficiary, the date on which such Qualified Beneficiary became disabled, the date the SSA made its determination of disability, and a copy of the SSA determination letter; and

(5) evidence of the Qualifying Event (such as a copy of a divorce decree, documentation acceptable to the Plan Administrator as to the age of a Dependent, a death certificate, or such other documentation acceptable to the Plan Administrator, as is applicable).

Notice of a Qualifying Event pursuant to this Section 10.15 must be postmarked (or received by the Plan Administrator, if submitted by hand-delivery or fax) within sixty (60) days of the later of: (i) the Qualifying Event; (ii) the date on which coverage would be lost due to the Qualifying Event; or (iii) the date on which the Qualified Beneficiary is informed, through the furnishing of a copy of the summary plan description with respect to the Welfare Plan (the "SPD") or by the applicable notice described in U.S. Department of Treasury Regulations Section 2590.606 -1 (the "Regulation"), which Regulation is incorporated herein by reference, of both the Participant's or Qualified Beneficiary's responsibility to provide notice of a Qualifying Event, and the Welfare Plan's procedures for providing such notice to the Plan Administrator.

With respect to a notice relating to an extension of continuation coverage due to disability, such notice must be post-marked, hand-delivered, or received by fax within sixty (60) days of the later of: (i) the date of the disability determination by the SSA; (ii) the date on which a Qualifying Event occurs; (iii) the date on which the Qualified Beneficiary loses coverage under the applicable Benefit Component of the Welfare Plan as a result of the Qualifying Event; or (iv) the date on which the Qualified Beneficiary is informed, through the furnishing of a copy of the SPD or by the applicable notice described in the Regulation, of both the Qualified Beneficiary's responsibility to provide the notice relating to an extension of continuation coverage due to disability, and the Welfare Plan's procedures for providing such notice to the Plan Administrator. Notwithstanding the foregoing, in no event may the notice required by this paragraph be provided to the Plan Administrator after the end of the Qualified Beneficiary's initial eighteen (18) month continuation coverage period.

In the event that a Qualified Beneficiary whose disability resulted in an extended COBRA coverage period is determined by the SSA to be no longer disabled, such Qualified Beneficiary must provide notice to the Plan Administrator within thirty (30) days after the later of: (i) the date of the SSA's determination; or (ii) the date on which the Qualified Beneficiary is informed, through the furnishing of a copy of the SPD or by the applicable notice described in the Regulation, of both the Qualified Beneficiary's responsibility to provide the notice relating to the determination that he is no longer disabled, and the Welfare Plan's procedures for providing such notice to the Plan Administrator.

Any notice required under this Section 10.15 may be provided by either the Participant or Qualified Beneficiary, or the authorized representative of such Participant or Qualified Beneficiary; and the provision of any such notice by any such person shall satisfy any responsibility to provide notice pursuant to this Section 10.15 on behalf of all related Qualified Beneficiaries with respect to a Qualifying Event.

Notwithstanding anything in this Section 10.15 to the contrary, no notice provided in accordance with this Section 10.15 shall be deemed to be untimely if such notice, although not containing all of the information required under this Section 10.15, is provided within the time limits contained within this Section 10.15, and the Plan Administrator is able to determine from such notice: (i) the name of the Benefit Component(s) and the group health (including dental) program(s) thereunder in which the Participant or Qualified Beneficiary is covered; (ii) the identity of the covered Participant or Qualified Beneficiary; and (iii) the nature and date of the Qualifying Event, disability determination, or determination that a Qualified Beneficiary is no longer disabled, as applicable; *provided, that*, the Plan Administrator may, in its sole discretion, require the Participant or Qualified Beneficiary to subsequently provide such additional information as is required under this Section 10.15, to the extent that the Plan Administrator deems necessary.

10.16. FMLA or USERRA Leaves of Absence. To the extent required by the FMLA, the USERRA, or other applicable law, participation in the Welfare Plan or any applicable Benefit Component will be extended to any Participant qualifying for such extension under such law(s), subject to timely payment of any required premiums or other amount by such Participant and/or Dependent, and subject to any other condition or requirement set forth in such law(s). If the FMLA, the USERRA, or other applicable law requires that participation in the Welfare Plan, or any applicable Benefit Component be extended, financed, or offered under the Welfare Plan in any manner which is inconsistent with any of the terms contained herein or in such Benefit Component, the Welfare Plan and/or such Benefit Component shall be deemed amended to comply with the minimum requirements of the FMLA, the USERRA, or such applicable law, and shall be administered in accordance therewith. In no case shall this provision be interpreted in such a way as to implement changes required by the FMLA, the USERRA, or other applicable law earlier than the latest effective date required by the FMLA, the USERRA, or such other applicable law.

10.17. Qualified Medical Child Support Orders. Notwithstanding anything in the Welfare Plan to the contrary, Benefits under the Welfare Plan will be provided in accordance with any "qualified medical child support order" as that term is defined in ERISA Section 609, in accordance with written procedures established under the Welfare Plan.

10.18. Entire Document. This Welfare Plan (including the provisions of any Benefit Component that is part of the Welfare Plan), constitutes the entire plan document, and no other written or oral statements shall be deemed or construed to constitute part of the Welfare Plan.



## **ARTICLE XI.**

### **HIPAA Privacy**

11.1. Definitions: Whenever used in this Article XI, the following terms shall have the respective meanings set forth below.

(a) *Affiliated Companies* – means the subsidiary and affiliated companies of the Company that are participating employers in the Welfare Plan.

(b) *CFR* – means the Code of Federal Regulations.

(c) *Covered Entity* – means (i) a Health Plan, (ii) a Health Care Clearinghouse, or (iii) a Health Care Provider who transmits any Health Information in electronic form in connection with a transaction covered by HIPAA. For purposes of this Article XI, a Covered Entity shall include the Welfare Plan.

(d) *Group Health Plan* – means an employee welfare benefit plan (as defined in section 3(1) of ERISA), including insured and self-insured plans, to the extent that the plan provides medical care, as defined in section 2791(a)(2) of the Public Health Service Act, including items and services paid for as Health Care to employees or their dependents directly or through insurance, reimbursement, or otherwise, that:

- (1) has 50 or more participants (as defined in section 3(7) of ERISA); or
  - (2) is administered by an entity other than the employer that established and maintains the plan.
- (e) *Health Care* – means care, services, or supplies related to the health of an Individual. Health Care includes, but is not limited to, the following:
- (1) preventative, diagnostic, therapeutic, rehabilitative, maintenance, or palliative care, and counseling, service, assessment, or procedure with respect to the physical or mental condition or functional status of an Individual or that affects the structure or function of the body; and
  - (2) the sale or dispensing of a drug, device, equipment, or other item in accordance with a prescription.

(f) *Health Care Clearinghouse* – means a public or private entity, including a billing service, re-pricing company, community health management information system or community health information system, and “value-added” networks and switches, that performs either of the following functions:

- (1) processes or facilitates the processing of Health Information received from another entity in a nonstandard format or containing nonstandard data content into standard data elements or a standard transaction; or
- (2) receives a standard transaction from another entity and processes or facilitates the processing of Health Information into a nonstandard format or nonstandard data content for the receiving party.

(g) *Health Care Component* – means a component or combination of components of a Hybrid Entity that are designated by the Hybrid Entity in accordance with 45 CFR Section 164.103(a)(2)(iii)(C).

(h) *Health Care Provider* – has the meaning set forth in 45 CFR Section 160.103 and includes a provider of medical or health services (as defined therein), as well as any other person or organization that furnishes, bills, or is paid for Health Care in the normal course of business.

(i) *Health Information* – means information, whether oral or recorded in any form or medium (including, but not limited to, verbal conversations, telephonic communications, electronic mail or messaging over computer networks, the Internet and intranets, as well as written documentation, photocopies, facsimiles and electronic data) that:

- (1) is created or received by a Health Care Provider, Health Plan, the Company, a life insurer, school or university, or a Health Care Clearinghouse; and
- (2) relates to the past, present, or future physical or mental health or condition of an Individual, the provision of Health Care to an Individual, or the past, present, or future payment for the provision of Health Care to an Individual.

(j) *Health Insurance Issuer* – means an insurance company, insurance service, or insurance organization (including an HMO) that is licensed to engage in the business of insurance in a State and is subject to State law that regulates insurance. Such term does not include a Group Health Plan.

(k) *Health Plan* – has the meaning set forth in 45 CFR Section 160.103 and includes the Welfare Plan.

(l) *HIPAA* – means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time.

(m) *HMO* – means a “Health Maintenance Organization” (as defined in 45 CFR Section 160.103) .

(n) *Hybrid Entity* — means a single legal entity that is a Covered Entity whose business activities include both covered functions and non-covered functions and that designates Health Care Components in accordance with 45 CFR Section 164.103(c)(2)(iii)(C) for purposes of fulfilling the Hybrid Entity requirements of HIPAA. For purposes of this definition, “covered functions” means those functions of a Covered Entity, the performance of which makes the entity a Health Plan, Health Care Provider or Health Care Clearinghouse.

(o) *Individual* – means the person who is the subject of Protected Health Information.

(p) *Individually Identifiable Health Information* – means information that is a subset of Health Information, including demographic information, collected from an Individual, and

- (1) is created or received by a Health Care Provider, Health Plan, employer, or Health Care Clearinghouse; and
- (2) relates to the past, present, or future physical or mental health or condition of an Individual, the provision of Health Care to an Individual, or the past, present, or future payment for the provision of Health Care to an Individual; and
  - (i) that identifies the Individual, or
  - (ii) with respect to which there is a reasonable basis to believe the information may be used to identify the Individual.

; (q) *Organized Health Care Arrangement* – has the meaning set forth in 45 CFR Section 160.103 and includes:

- (1) a Group Health Plan and a Health Insurance Issuer or HMO with respect to such Group Health Plan, but only with respect to Protected Health Information created or received by such Health Insurance Issuer or HMO that relates to Individuals who are or who have been participants or beneficiaries in such Group Health Plan;
- (2) a Group Health Plan and one (1) or more other Group Health Plans each of which are maintained by the same Plan Sponsor; or
- (3) the Group Health Plans described in paragraph (2) immediately above and Health Insurance Issuers or HMOs with respect to such Group Health Plans, but only with respect to Protected Health Information created or received by such Health Insurance Issuers or HMOs that relates to Individuals who are or have been participants or beneficiaries in any of such Group Health Plans.

(r) *Plan Administration Functions* – means administrative functions performed by the Plan Administrator on behalf of the Welfare Plan, excluding functions performed by the Plan Administrator in connection with any other benefit or benefit plan of the Company.

(s) *Plan Sponsor* – means the entity defined in Section 3(16)(B) of ERISA.

(t) *Privacy Notice* – means the statement communicated to Welfare Plan Participants that sets forth the uses and disclosures of Protected Health Information that may be made by the Welfare Plan under HIPAA, as more fully described in 45 CFR Section 164.520.

(u) *Privacy Official* – means the individual appointed by the Company, or its delegate, on behalf of the Welfare Plan and named in Section 11.8 hereof who is responsible for developing and implementing policies and procedures for protecting the privacy and confidentiality of Protected Health Information that is held by or on behalf of the Company's Health Plans and Health Care Providers, in accordance with 45 CFR Section 164.530.

(v) *Protected Health Information* – means Individually Identifiable Health Information that is transmitted by electronic media, maintained in electronic media, transmitted or maintained in any other form or medium, including oral or written information, excluding Individually Identifiable Health Information in education records covered by the Family Educational Rights and Privacy Act, as amended (within the meaning of 20 USC Section 1232g), employment records held by the Covered Entity in its role as an employer, and other records described in 20 USC Section 1232g(a)(4)(B)(iv).

(w) *Required by Law* – means a mandate contained in law that compels an entity to make a use or disclosure of Protected Health Information and that is enforceable in a court of law including, but not limited to, a court order, a court-ordered warrant, subpoena, or summons issued by a court, grand jury, a governmental or inspector general, or an administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions of participation with respect to Health Care Providers participating in the program; and statutes or regulations that require the production of information, including statutes or regulations that require such information if payment is sought under a government program providing public benefits.

(x) *Summary Health Information* – means information that may be Individually Identifiable Health Information that summarizes the claims history, expenses, or types of claims by Individuals for whom the Company has provided benefits under the Welfare Plan, and from which the following information has been removed:

- (1) names;
- (2) all geographical subdivisions smaller than a State, including street address, city, county, precinct, zip code, and their equivalent geocodes, except for the initial three digits of a zip code (if permitted under 45 CFR Section 164.514(b)(2)(i)(B));

- (3) all elements of dates (except year) directly relating to the Individual including birth date, admission date, discharge date, date of death; and all ages over eighty-nine (89) and all elements of dates (including year) indicative of such age, except that such ages and elements may be aggregated into a single category of ages over age eighty-nine (89);
  - (4) other identifying numbers, such as Social Security, telephone, fax, account or medical record numbers, e-mail or Internet addresses, URLs or Internal Protocol (IP) address numbers, vehicle identifiers and serial numbers;
  - (5) facial photographs or biometric identifiers (e.g., finger and voice prints);
  - (6) any other unique identifying number, characteristic, or code; and
  - (7) any information of which the Company has knowledge that could be used alone or in combination with other information to identify an Individual.
- (y) *USC* – means the United States Code.

11.2. Disclosure of Summary Health Information. The Welfare Plan may disclose Summary Health Information to the Company if the Company requests such information for the purpose of obtaining premium bids for providing health insurance coverage under the Welfare Plan or for modifying, amending or terminating the Welfare Plan, including analyzing Welfare Plan costs and the effectiveness of the Welfare Plan's administration or for such other purposes as may be permitted under the provisions of this Article XI.

11.3. Disclosure of Protected Health Information to the Company. The Welfare Plan will disclose Protected Health Information to the Company only in accordance with CFR Section 164.504(f) and the provisions of this Article XI.

11.4. Permitted Use and Disclosure of Protected Health Information. The Welfare Plan may generally not use or disclose Protected Health Information. Notwithstanding the foregoing, however, Protected Health Information may be used or disclosed by the Welfare Plan, without an Individual's written authorization (that meets the requirements of 45 CFR Section 164.508), for any purpose permitted under HIPAA, the CFR and/or other guidance issued by the U.S. Department of Health and Human Services, including, but not limited to, the following (hereinafter referred to as "permitted uses and disclosures"):

(a) *Health Care Treatment*. The provision, coordination, or management of Health Care and related services by one or more Health Care Providers, including the coordination or management of Health Care by a Health Care Provider with a third party, consultation between Health Care Providers relating to a patient, or the referral of a patient for Health Care from one Health Care Provider to another.

(b) *Payment for Health Care*. Activities undertaken by the Welfare Plan to obtain premiums or reimbursement, or to determine or fulfill its responsibility for coverage and

provision of Welfare Plan benefits that relate to an Individual to whom Health Care is provided. These activities include, but are not limited to, the following:

- (1) determination of eligibility or coverage (including coordination of benefits or the determination of cost sharing amounts), and adjudication or subrogation of health benefit claims;
- (2) risk adjusting amounts due based on enrollee health status and demographic characteristics;
- (3) billing, claims management, collection activities, obtaining payment under a contract for reinsurance (including stop-loss and excess of loss insurance), and related Health Care data processing;
- (4) review of Health Care services with respect to medical necessity, coverage under a Health Plan, appropriateness of care, or justification of charges;
- (5) utilization review, including pre-certification and preauthorization of services, concurrent review and retrospective review of services; and
- (6) disclosure to consumer reporting agencies of any of the following Protected Health Information relating to the collection of premiums or reimbursement: name and address, date of birth, Social Security number, payment history, account number, name and address of the Health Care Provider and/or Health Plan;

(c) *Health Care Operations.* The activities of a Covered Entity under 45 CFR Section 164.501, to the extent that the activities are related to covered functions, including, but not limited to:

- (1) conducting quality assessment and improvement activities including outcomes evaluation and development of clinical guidelines, provided that the obtaining of generalizable knowledge is not the primary purpose of any studies resulting from such activities;
- (2) population-based activities relating to improving health or reducing Health Care costs, protocol development, case management and care coordination, disease management, contacting Health Care Providers and patients with information about treatment alternatives and related functions that do not include treatment;
- (3) reviewing the competence or qualifications of Health Care professionals, evaluating practitioner performance, rating Health Care Provider and plan performance, including accreditation, certification, licensing and/or credentialing activities;

- (4) underwriting, premium rating and other activities relating to the creation, renewal or replacement of a contract of health insurance or health benefits, securing or placing a contract for reinsurance of risk relating to Health Care claims, including stop-loss insurance and excess of loss insurance;
- (5) conducting or arranging for medical review, legal services and auditing functions, including fraud and abuse detection and compliance programs;
- (6) business planning and development, such as conducting cost-management and planning related analysis associated with managing and operating the plan, including formulary development and administration, development or improvement of payment methods or coverage policies;
- (7) business management and general administrative activities of the Welfare Plan, including, but not limited to:
  - (i) management activities relating to the implementation of and compliance with HIPAA's administrative simplification requirements, or
  - (ii) customer service, including the provision of data analysis for policyholders, plan sponsors or other customers;
  - (iii) resolution of internal grievances;
  - (iv) the sale, transfer, merger or consolidation of all or part of the Covered Entity with another Covered Entity, or an entity that following such activity will become a Covered Entity, and due diligence related to such activity; and
  - (v) consistent with the applicable requirements of 45 CFR Section 164.514, creating de-identified health information or a limited data set, and fundraising for the benefit of the Covered Entity.

(d) *Organized Health Care Arrangement.* On behalf of the Welfare Plan, the Company may designate, with the concurrence of the Privacy Official, that the Welfare Plan, or any Health Care Component of the Welfare Plan, is part of an Organized Health Care Arrangement. If the Welfare Plan participates in an Organized Health Care Arrangement, it may disclose Protected Health Information about an Individual to another Covered Entity that participates in the Organized Health Care Arrangement for any Health Care Operation activities of the Organized Health Care Arrangement.

(e) *Pursuant to an Authorization.* The Welfare Plan may disclose Protected Health Information pursuant to an authorization that meets the requirements of 45 CFR Section 164.508.

(f) *Required by Law*. The Welfare Plan may disclose Protected Health Information when required to do so by federal, state or local law (including but not limited to those laws that require the reporting of certain types of wounds, illnesses or physical injuries) and when the use or disclosure complies with and is limited to the relevant requirements of such law.

(g) *Business Associates*. The Welfare Plan may disclose Protected Health Information to a “business associate” (as defined in 45 CFR Section 164.103) and may allow such business associate to create or receive Protected Health Information on its behalf; *provided* that the Welfare Plan has obtained satisfactory assurance that the business associate will appropriately safeguard the information.

(h) *Avert a Serious Threat to Public Health or Safety*. The Welfare Plan may, consistent with the applicable law and standards of ethical conduct, use or disclose Protected Health Information if the Welfare Plan, in good faith, believes the use or disclosure is necessary to prevent a serious and imminent threat to an Individual’s health and safety or the health and safety of the public or another person, and such disclosure is made to a person or persons reasonably able to help prevent or lessen the threat, including the target of the threat, as and to the extent required by 45 CFR Section 164.512(j).

(i) *Workers’ Compensation*. The Welfare Plan may disclose an Individual’s Protected Health Information to the extent authorized by and to the extent necessary to comply with workers’ compensation laws or other similar programs established by law that provide benefits for work-related injuries or illness without regard to fault.

(j) *Public Health Activities*. The Welfare Plan may disclose Protected Health Information for the public health activities and purposes described in 45 CFR Section 164.512(b), including, but not limited to: preventing or controlling disease, injury or disability; reporting births and deaths; reporting child abuse or neglect; reporting reactions to medications or problems with medical products; notifying Individual’s of recalls of products they have been using; notifying Individuals who may have been exposed to a disease or may be at risk for contracting or spreading a disease or condition; or notifying the appropriate government authority if the Welfare Plan believes an Individual has been the victim of abuse, neglect or domestic violence.

(k) *Health Oversight Activities*. The Welfare Plan may disclose an Individual’s Protected Health Information to a health oversight agency for oversight activities authorized by law, including audits; civil, administrative, or criminal investigations; inspections; licensure or disciplinary actions; civil, administrative, or criminal proceedings or actions; or other activities necessary for the government to monitor the health care system and government programs, as and to the extent permitted by 45 CFR Section 164.512(d).

(l) *Judicial and Administrative Proceedings*. If an Individual is involved in a lawsuit, dispute or other legal action, the Welfare Plan may disclose such Individual’s Protected Health Information in response to a court or administrative order, or subpoena, warrant, discovery request, or other forms of lawful due process; *provided* that efforts have been made to



inform the Individual about the request and to obtain an order protecting the information requested, as and to the extent permitted by 45 CFR Section 164.512(e).

(m) *Law Enforcement*. As and to the extent permitted by 45 CFR Section 164.512(f), the Welfare Plan may release an Individual's Protected Health Information if requested to do so by a law enforcement official in a court order, subpoena, warrant, summons or similar process, including: to report child abuse, to identify or locate a suspect, fugitive, material witness or missing person, or to report a crime, the crime's location or victims, or the identity, description, or location of the person who committed the crime.

(n) *Coroners, Medical Examiners and Funeral Directors*. The Welfare Plan may disclose Protected Health Information to (1) a coroner or medical examiner when necessary to identify a deceased person or determine the cause or death or other duties as authorized by law, and (2) a funeral director, consistent with applicable law, as necessary to carry out their duties with respect to the decedent.

(o) *Organ and Tissue Donation*. If an Individual is an organ donor, the Welfare Plan may release Protected Health Information to organizations that handle organ procurement or organ, eye or tissue transplantation, or to an organ donation bank, as necessary to facilitate organ, eye or tissue donation or transplantation.

(p) *Military and Veterans*. If an Individual is a member of the armed forces, the Welfare Plan may disclose Protected Health Information about such Individual as required by military command authorities and may also release Protected Health Information about foreign military personnel to an appropriate foreign military authority, as and to the extent provided by 45 CFR Section 164.512(k).

(q) *National Security and Intelligence Activities*. The Welfare Plan may disclose Protected Health Information about Individuals to authorized federal officials for the conduct of lawful intelligence, counter-intelligence, and other national security activities authorized by law and to enable them to provide protection to the members of the U.S. government or foreign heads of state, or to conduct special investigations.

(r) *Victims of Abuse, Neglect or Domestic Violence*. The Welfare Plan may disclose Protected Health Information about an Individual (subject to the notification requirements of 45 CFR Section 164.512(c)(2)) whom the Welfare Plan reasonable believes to be a victim of abuse, neglect, or domestic violence to a government authority, including a social service or protective services agency, authorized by law to receive reports of such abuse, neglect, or domestic violence:

- (1) to the extent the disclosure is Required by Law and the disclosure complies with and is limited to the relevant requirements of such law;
- (2) if the Individual agrees to the disclosure; or

(3) to the extent the disclosure is expressly authorized by statute or regulation and:

- (i) the Welfare Plan, in the exercise of professional judgment, believes the disclosure is necessary to prevent serious harm to the Individual or other potential victims; or
- (ii) if the Individual is unable to agree because of incapacity, a law enforcement or other public official authorized to receive the report represents that the Protected Health Information for which disclosure is sought is not intended to be used against the Individual and that an immediate enforcement activity that depends upon the disclosure would be materially and adversely affected by waiting until the Individual is able to agree to the disclosure.

11.5. Required Uses and Disclosures of Protected Health Information. The Welfare Plan is required to disclose Protected Health Information:

(a) to an Individual, when requested, under, and as required by 45 CFR Section 164.524 or 164.528; and

(b) when required by the Secretary of the Department of Health and Human Services (or any other officer or employee of the Department of Health and Human Services to whom the authority involved has been delegated) under 45 CFR Sections 160.300 through 160.312 to investigate or determine the Welfare Plan's compliance with HIPAA.

11.6. Minimum Necessary. When using or disclosing Protected Health Information, as permitted or required hereby, or when requesting Protected Health Information from another Covered Entity, the Welfare Plan shall make reasonable efforts to limit Protected Health Information to the minimum necessary to accomplish the intended purpose of the use, disclosure or request, except as provided under 45 CFR Section 164.502(b)(2).

11.7. Employer Certification and Responsibility. The Welfare Plan hereby incorporates the following provisions (a) through (j) to enable it to disclose Protected Health Information to the Company or Affiliated Companies and acknowledges receipt of a written certification from the Company that the Welfare Plan has been so amended to comply with the requirements of 45 CFR Section 164.504(f). Additionally, the Company and Affiliated Companies agree:

(a) to use or disclose Protected Health Information only to the extent permitted in Section 11.4, to the extent provided under HIPAA, or as otherwise Required by Law;

(b) to ensure that any and all of its agents or subcontractors to whom the Company or Affiliated Companies provide Protected Health Information received from the Welfare Plan agree to the same restrictions and conditions as are imposed upon the Company and Affiliated Companies;

(c) not to use or disclose Protected Health Information for employment-related actions or in connection with any other benefit or employee benefit plan of the Company and Affiliated Companies;

(d) to report to the Welfare Plan any use or disclosure of Protected Health Information that is inconsistent with the permitted uses and disclosures in Section 11.4 hereof of which it becomes aware;

(e) to make Protected Health Information available to Individuals in accordance with 45 CFR Section 164.524;

(f) to make Protected Health Information available for amendment and incorporate any amendments in accordance with 45 CFR Section 164.526;

(g) to make the Protected Health Information available that will provide Individuals with an accounting of disclosures in accordance with 45 CFR Section 164.528;

(h) to make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from the Welfare Plan available to the Secretary of the U.S. Department of Health and Human Services upon request for purposes of determining compliance with HIPAA;

(i) if feasible, to return or destroy all Protected Health Information received from the Welfare Plan that the Company or Affiliated Companies maintain in any form and retain no copies of such information when such Protected Health Information is no longer needed for the purpose for which disclosure was made, except that, if such return or destruction is not feasible, the Company or Affiliated Companies, as applicable, will limit further uses and disclosures of the Protected Health Information to those purposes that make the return or destruction of the information infeasible; and

(j) to ensure that adequate separation required by 45 CFR Section 164.504(f)(2)(iii) and provided in Sections 11.8, 11.9 and 11.10 hereof between the Welfare Plan and the Company is established and maintained.

11.8. Employees with access to Protected Health Information. In accordance with HIPAA, the Welfare Plan shall disclose Protected Health Information only to the following Employees or classes of Employees:

(a) the Company's Executive Director of Human Resources, who is the named HIPAA Privacy Official; and

(b) any other Individual who is under the control of the Company or Affiliated Companies and who receives Protected Health Information pertaining to the Welfare Plan in the ordinary course of business (within the meaning of 45 CFR Section 164.504(f)(2)(iii)) and who has been designated, in writing, by the Privacy Official.

11.9. Limitations to Protected Health Information Access and Disclosure. Access to and use of Protected Health Information by the Individuals described in Section 11.8 above shall be restricted to those Plan Administration Functions that the Company or Affiliated Companies perform for the Welfare Plan and/or the uses set forth in Section 11.4 hereof. Such access or use shall be permitted only to the extent necessary for these Individuals to perform their respective duties for the Welfare Plan.

11.10. Noncompliance. Instances of noncompliance with the permitted uses and disclosures of Protected Health Information set forth in Section 11.4 hereof by Individuals described in Section 11.8 hereof shall be addressed in the following manner:

(a) *Potential Sanctions*: The Welfare Plan shall establish and communicate a set of sanctions that are applicable to a wide variety of breaches of covered health policies and procedures. The range of sanctions may include:

- (1) additional/remedial privacy training;
- (2) counseling by supervisor;
- (3) notation in personnel files;
- (4) letter of reprimand from supervisor;
- (5) removal from being within the firewall;
- (6) removal from current position;
- (7) suspension from current position;
- (8) termination of employment; and
- (9) other sanctions as the Privacy Official shall deem appropriate.

(b) *Administration of Sanctions*: The Welfare Plan, in consultation with the Privacy Official, shall develop a procedure for:

- (1) determining the appropriate sanction to be administered to a member of its “workforce” for a breach of a covered health policy or procedure.
- (2) determining who (e.g., the Privacy Official, etc.) has responsibility for assessing the sanction against the “workforce” member; and
- (3) determining a process for administering any sanctions.

For purposes of this subparagraph, “workforce” shall mean an Employee, volunteer, trainee or other person who performs duties under the direct control of the Covered Entity, whether or not he or she is paid by the Covered Entity.

(c) Documentation of Sanctions: The Privacy Official, on behalf of the Welfare Plan, shall develop and implement a system for maintaining a record of each sanction administered. The record of sanctions shall conform to the recordkeeping and documentation standards and implementation specifications required under HIPAA. The Welfare Plan will have the option of having this record maintained by the Privacy Official or his or her designee.

11.11. Nondisclosure of Protected Health Information by HMOs. A Health Insurance Issuer or HMO that provides services to the Welfare Plan is not permitted to disclose Protected Health Information to the Company except as would be permitted by the Welfare Plan under this Article XI and only if a Privacy Notice is maintained and provided as required by 45 CFR Section 164.520(a)(2)(ii) .

11.12. Notice to Employees. The Welfare Plan shall not use or disclose Protected Health Information in a manner inconsistent with the Privacy Notice required by 45 CFR Section 164.520, and shall not disclose, and may not permit a Health Insurance Issuer or HMO providing services to the Welfare Plan to disclose Protected Health Information to the Company or Affiliated Companies unless a separate statement, as set forth in 45 CFR Section 164.520(b)(1)(iii)(C), describing the intention of the Welfare Plan to make such disclosure, is included in a Privacy Notice that is maintained and provided as required by 45 CFR Section 164.520.

11.13. Policies and Procedures. The Company shall adopt on behalf of the Welfare Plan policies and procedures as necessary to administer the terms and conditions of this Article XI and the Welfare Plan's obligations under HIPAA. Such policies and procedures shall meet the requirements of 45 CFR Section 164.530(i).

11.14. Hybrid Entity Designation. On behalf of the Welfare Plan, the Company may designate, with the concurrence of the Privacy Official, one or more Health Care Components as part of a Hybrid Entity for purposes of complying with this Article XI and the HIPAA requirements. If such designation is made, the following rules shall apply:

(a) references to:

- (1) the Welfare Plan or a Covered Entity in this Article XI shall also refer to the Health Care Component of the Welfare Plan or Covered Entity;
- (2) Health Plan, Health Care Provider or Health Care Clearinghouse in this Article XI shall refer to the Health Care Component of the Covered Entity if such Health Care Component performs the functions of a Health Plan, Health Care Provider or Health Care Clearinghouse, as applicable;
- (3) Protected Health Information in this Article XI shall refer to Protected Health Information that is created or received by or on behalf of the Health Care Component of the Welfare Plan or Covered Entity; and

- (4) electronic Protected Health Information shall refer to electronic Protected Health Information that is created, received, maintained or transmitted by or on behalf of the Health Care Component of the Welfare Plan or Covered Entity.

(b) the Welfare Plan shall be responsible for complying with the requirements of HIPAA, as set out in this Article XI, and as fully set forth in 45 CFR Section 164.105(a), including, but not limited to, ensuring:

- (1) that the Health Care Component does not disclose Protected Health Information and electronic Protected Health Information to another component of the Welfare Plan under circumstances where HIPAA would prohibit such disclosure if the Health Care Component and the other component were separate and distinct legal entities;
- (2) that a Health Care Component whose activities would make it a business associate does not use or disclose Protected Health Information or electronic Protected Health Information that it creates or receives from or on behalf of the Health Care Component in a way prohibited by HIPAA; and
- (3) that if a person performs duties for both the Health Care Component in the capacity of an Employee, volunteer, trainee or other person performing duties under the direct control of such component and for another component of the Welfare Plan in the same capacity with respect to that component, such Employee, volunteer, trainee or other person performing duties under the direct control of such component must not use or disclose Protected Health Information created or received in the course of or incident to the Employee's work for the Health Care Component in a manner prohibited by HIPAA.

(c) The Welfare Plan shall retain documentation of the Hybrid Entity designation for six (6) years from the date it was created or was last in effect, whichever is later, in accordance with 45 CFR Section 164.530(j).

11.15. Electronic Data Security Standards. The Welfare Plan shall apply the following provisions (a) and (b) to enable it to disclose electronic Protected Health Information to the Company and Affiliated Companies and acknowledges receipt of a written certification from the Company that the Welfare Plan has been so amended to comply with the requirements of 45 CFR Section 164.314(b).

(a) Except when electronic Protected Health Information is disclosed to the Company or Affiliated Companies with the safeguards set forth in (1) through (3) below, the Welfare Plan and the Company shall reasonably and appropriately safeguard electronic Protected Health Information that is created, received, maintained or transmitted to or by the Company or Affiliated Companies on behalf of the Welfare Plan.

- (1) The Welfare Plan may disclose electronically Summary Health Information to the Company or Affiliated Companies if requested by the Company or Affiliated Companies for the purpose of obtaining premium bids from Health Plans, for providing health insurance coverage under the Welfare Plan or for modifying, amending, or terminating the Welfare Plan in accordance with 45 CFR Section 504(f)(1)(ii).
- (2) The Welfare Plan, a Health Insurance Issuer or HMO with respect to the Welfare Plan, may disclose electronically to the Company or Affiliated Companies information on whether an Individual is participating in the Welfare Plan, or is enrolled in or has dis-enrolled from a Health Insurance Issuer or HMO offered by the Welfare Plan in accordance with 45 CFR Section 504(f)(1)(iii).
- (3) The Welfare Plan may disclose Protected Health Information to the Company or Affiliated Companies for which it has obtained from the Individual about which the Protected Health Information concerns, a valid authorization that meets the requirements of 45 CFR Section 164.508.

(b) Additionally, effective April 21, 2005, the Company agrees to comply with 45 CFR Section 164.314, including the following:

- (1) the Company shall implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic Protected Health Information that it creates, receives, maintains or transmits on behalf of the Welfare Plan.
- (2) the Company shall ensure that the separation requirements applicable to the Welfare Plan set out in Sections 11.8, 11.9 and 11.10 hereof and 45 CFR Section 164.504(f)(2)(iii) shall be supported by reasonable and appropriate security measures.
- (3) the Company shall ensure that any agent, including a subcontractor, to whom it provides electronic Protected Health Information agrees to implement reasonable and appropriate security measures to protect the information.
- (4) the Company shall report to the Welfare Plan any security incident (within the meaning of 45 CFR Section 164.304) of which it becomes aware.

(c) The Welfare Plan and the Company shall take any such further action as is required to comply with the electronic data security standards requirements of HIPAA.

## **APPENDIX A**

### **LIST OF BENEFIT COMPONENTS**

Minerals Technologies Inc. Cafeteria Program (the “Cafeteria Program”)

The Minerals Technologies Inc. Group Benefit Program (a Principal Life Insurance Company program providing group medical, dental, vision and prescription drug coverage)

The Minerals Technologies Inc. Retiree Medical Program (benefits provided by Minerals Technologies Inc.)

Delta USA Group Dental Program for Employees of Minerals Technologies Inc.

Minerals Technologies Inc. Long Term Disability Program (benefits provided through Aetna Life Insurance Company)

Minerals Technologies Inc. Group Life, Supplemental Life and Accidental Death and Dismemberment Insurance Program (benefits provided through American General Life Companies)

Minerals Technologies Inc. Business Travel Accident Insurance Program (benefits provided through Aetna Life Insurance Company)

Minerals Technologies Inc. Educational Assistance Program (benefits provided by Minerals Technologies Inc.)

Minerals Technologies Inc. Employee Assistance Program (benefits provided by Minerals Technologies Inc.)



**APPENDIX B**

**PARTICIPATING EMPLOYERS**

Minerals Technologies Inc.

Specialty Minerals Inc.

Minteq International Inc.

Specialty Minerals Michigan Inc.

Specialty Minerals Mississippi Inc.

Barretts Minerals Inc.

Synsil Products Inc.

Minteq Shapes & Services Inc.

## SUBSIDIARIES OF THE COMPANY

<u>Name of the Company</u>	<u>Jurisdiction of Organization</u>
APP China Specialty Minerals Pte Ltd.	Singapore
ASMAS Agir Sanayi Malzemeleri Imal ve Tic. A.S.	Turkey
Barretts Minerals Inc.	Delaware
ComSource Trading Ltd.	Delaware
Ferrottron Technologies GmbH	Germany
Gold Lun Chemicals (Zhenjiang).	China
Gold Sheng Chemicals (Zhenjiang) Co., Ltd.	China
Gold Zuan Chemicals (Suzhou).	China
Hi-Tech Specialty Minerals Company, Limited	Thailand
Minerals Technologies do Brasil Comercio e Industria de Minerais Ltda.	Brazil
Minerals Technologies Europe N.V.	Belgium
Minerals Technologies Holdings Ltd.	United Kingdom
Minerals Technologies Mexico Holdings, S. de R. L. de C.V.	Mexico
Minerals Technologies South Africa (Pty) Ltd.	South Africa
Mintech Canada Inc.	Canada
Mintech Japan K.K.	Japan
Minteq Australia Pty Ltd.	Australia
Minteq B.V..	The Netherlands
Minteq Europe Limited.	Ireland
Minteq India Private Limited	India
Minteq International GmbH	Germany
Minteq International Inc.	Delaware
Minteq International (Suzhou) Co.,Ltd.	China
Minteq Italiana S.p.A.	Italy
Minteq Korea Inc.	Korea
Minteq Kosovo LLC.	Kosovo
Minteq Magnesite Limited	Ireland
Minteq Metallurgical Materials (Suzhou) Co., Ltd.	China
Minteq Shapes and Services Inc.	Delaware
Minteq UK Limited.	United Kingdom
MTI Holdings GmbH	Germany
MTX Finance Inc.	Delaware
MTX Finance Ireland	Ireland
PT Sinar Mas Specialty Minerals	Indonesia
Rijnstaal U.S.A., Inc.	Pennsylvania
RL Vision Tech OY	Finland
SMI Poland Sp. z o.o.	Poland
Specialty Minerals Benelux	Belgium
Specialty Minerals FMT K.K.	Japan
Specialty Minerals France s.p.a.s.	France
Specialty Minerals GmbH	Germany
Specialty Minerals Inc.	Delaware
Specialty Minerals International Inc.	Delaware
Specialty Minerals Israel Limited	Israel
Specialty Minerals Malaysia Sdn. Bhd.	Malaysia
Specialty Minerals (Michigan) Inc.	Michigan
Specialty Minerals Mississippi Inc.	Delaware
Specialty Minerals Nordic Oy Ab	Finland
Specialty Minerals (Portugal) Especialidades Minerais, S.A.	Portugal
Specialty Minerals S.A. de C.V.	Mexico
Specialty Minerals Servicios S. de R. L. de C.V.	Mexico
Specialty Minerals Slovakia, spol. sr.o.	Slovakia
Specialty Minerals South Africa (Pty) Limited	South Africa
Specialty Minerals (Thailand) Limited	Thailand
Specialty Minerals UK Limited	United Kingdom
Synsil Products Inc.	Delaware
Tecnologias Minerales de Mexico, S.A. de C.V.	Mexico

Consent of Independent Registered Public Accounting Firm

The Board of Directors  
Minerals Technologies Inc.:

We consent to the incorporation by reference in the registration statements (No. 33-59080, 333-62739, and 333-138245) on Form S-8 of Minerals Technologies Inc. of our reports dated February 27, 2007, with respect to the consolidated balance sheets as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2006, and the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 and the effectiveness of internal control over financial reporting as of December 31, 2006, which reports appear in the December 31, 2006 annual report on Form 10-K of Minerals Technologies Inc.

Our report refers to the adoption in 2006 of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Shared-Based Payment," SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," Emerging Issues Task Force Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry," and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)."

Minerals Technologies Inc. acquired a refractories company effective October 2, 2006, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, this refractories company's internal control over financial reporting associated with approximately 2.5% of consolidated total assets, excluding the refractories company's goodwill, and less than 1% of consolidated net sales. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of this acquired refractories company.

/s/ KPMG LLP

New York, New York  
February 27, 2007

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**RULE 13a-14(a)/15d-14(a) CERTIFICATIONS**

I, Paul R. Saueracker, certify that:

1. I have reviewed this Annual Report on Form 10-K of Minerals Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2007

<b>/s/ Paul R. Saueracker</b>
Paul R. Saueracker
Chairman of the Board, President and Chief Executive Officer

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**RULE 13a-14(a)/15d-14(a) CERTIFICATIONS**

I, John A. Sorel, certify that:

1. I have reviewed this Annual Report on Form 10-K of Minerals Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2007

<b>/s/John A. Sorel</b>
John A. Sorel
Senior Vice President - Finance and
Chief Financial Officer

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**SECTION 1350 CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18, United States Code), each of the undersigned officers of Minerals Technologies Inc., a Delaware corporation (the "Company"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2006 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2007

<b>/s/Paul R. Saueracker</b>
Paul R. Saueracker
Chairman of the Board, President and
Chief Executive Officer

Dated: February 27, 2007

<b>/s/John A. Sorel</b>
John A. Sorel
Senior Vice President-Finance and
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Exchange Act Rule 13a-14(b); is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section; and is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act of 1934.

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