

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2003

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-3295

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**MINERALS TECHNOLOGIES INC.**  
(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**25-1190717**

(I.R.S. Employer  
Identification No.)

**405 Lexington Avenue, New York, New York 10174-1901**  
(Address of principal executive offices, including zip code)

**(212) 878-1800**  
(Registrant's telephone number, including area code)

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

YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT April 25, 2003
Common Stock, \$0.10 par value	20,085,688

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MINERALS TECHNOLOGIES INC.

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## PART 1. FINANCIAL INFORMATION

### ITEM 1. Financial Statements

#### MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

(in thousands, except per share data)	<u>Three Months Ended</u>	
	March 30, 2003	March 31, 2002
Net sales	\$201,450	\$179,000
Operating costs and expenses:		
Cost of goods sold	151,683	133,424
Marketing and administrative expenses	21,137	18,436
Research and development expenses	<u>6,085</u>	<u>5,704</u>
Income from operations	22,545	21,436

Non-operating deductions, net	<u>1,027</u>	<u>1,938</u>
Income before provision for taxes on income and minority interests	21,518	19,498
Provision for taxes on income	6,134	5,635
Minority interests	<u>467</u>	<u>320</u>
Income before cumulative effect of accounting change	14,917	13,543
Cumulative effect of accounting change	<u>3,433</u>	<u>--</u>
Net income	\$ 11,484	\$ 13,543
	=====	=====
Earnings per share:		
Basic:		
Before cumulative effect of accounting change	\$ 0.74	\$ 0.68
Cumulative effect of accounting change	<u>(0.17)</u>	<u>--</u>
Basic earnings per share	\$ 0.57	\$ 0.68
	=====	=====
Diluted:		
Before cumulative effect of accounting change	\$ 0.74	\$ 0.66
Cumulative effect of accounting change	<u>(0.17)</u>	<u>--</u>
Diluted earnings per share	\$ 0.57	\$ 0.66
	=====	=====
Cash dividends declared per common share	\$ 0.025	\$ 0.025
Shares used in the computation of earnings per share:		
Basic	20,117	19,984
Diluted	20,223	20,564

See accompanying notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEET**

**ASSETS**

<b>(thousands of dollars)</b>	<b>March 30, December 31,</b>	
	<b>2003*</b>	<b>2002**</b>
	_____	_____
Current assets		
Cash and cash equivalents	\$ 37,295	\$ 31,762
Accounts receivable, net	152,566	129,608
Inventories	85,392	82,909
Prepaid expenses and other current assets	<u>43,139</u>	<u>46,686</u>
Total current assets	318,392	290,965
Property, plant and equipment, less accumulated depreciation and depletion -- March 30, 2003 - \$600,911; December 31, 2002 - \$578,580	533,394	537,424
Goodwill	51,061	51,291
Other assets and deferred charges	<u>20,759</u>	<u>20,197</u>
Total assets	\$923,606	\$899,877
	=====	=====

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Short-term debt	\$ 30,000	\$ 30,000
Current maturities of long-term debt	1,438	1,331
Accounts payable	42,058	37,435

Other current liabilities	<u>56,417</u>	<u>55,171</u>
Total current liabilities	129,913	123,937
Long-term debt	88,863	89,020
Other non-current liabilities	<u>98,502</u>	<u>92,763</u>
Total liabilities	317,278	305,720
Shareholders' equity:		
Common stock	2,699	2,694
Additional paid-in capital	191,531	190,144
Retained earnings	689,722	678,740
Accumulated other comprehensive loss	<u>(30,521)</u>	<u>(35,034)</u>
	853,431	836,544
Less treasury stock	<u>247,103</u>	<u>242,387</u>
Total shareholders' equity	<u>606,328</u>	<u>594,157</u>
Total liabilities and shareholders' equity	\$923,606	\$899,877
	=====	=====

\* Unaudited

\*\* Condensed from audited financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

(thousands of dollars)	<b>Three Months Ended</b>	
	<b>March 30,</b>	<b>March 31,</b>
	<b>2003</b>	<b>2002</b>
<b>Operating Activities</b>		
Net income	\$ 11,484	\$ 13,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	3,433	--
Depreciation, depletion and amortization	17,627	16,549
Write-down of impaired assets	--	750
Other non-cash items	1,620	2,573
Net changes in operating assets and liabilities	<u>(16,730)</u>	<u>(16,681)</u>
Net cash provided by operating activities	<u>17,434</u>	<u>16,734</u>
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(7,709)	(9,060)
Acquisition of business	<u>--</u>	<u>(10,175)</u>
Net cash used in investing activities	<u>(7,709)</u>	<u>(19,235)</u>
<b>Financing Activities</b>		
Proceeds from issuance of short-term debt	5,318	38,223
Repayment of debt	(5,318)	(49,720)
Purchase of common shares for treasury	(4,716)	--

Proceeds from issuance of stock under option plan	1,391	22,253
Cash dividends paid	<u>(502)</u>	<u>(505)</u>
Net cash provided by (used in) financing activities	<u>(3,827)</u>	<u>10,251</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(365)</u>	<u>(15)</u>
Net increase in cash and cash equivalents	5,533	7,735
Cash and cash equivalents at beginning of period	<u>31,762</u>	<u>13,046</u>
Cash and cash equivalents at end of period	\$ 37,295	\$ 20,781
	=====	=====
Interest paid	\$ 2,648	\$ 2,439
	=====	=====
Income taxes paid	\$ 1,726	\$ 2,651
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements.

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

**Note 1 -- Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month period ended March 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

**Note 2 -- Summary of Significant Accounting Policies**

*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 4%-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.

Property, plant and equipment are amortized 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 for use of those assets. The Company's sales of PCC are predominantly pursuant to long-term arrangements, generally 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. The Company also continues to supply PCC to three locations at which the PCC contract has expired. Failure of a PCC customer to renew an agreement or continue to purchase PCC from the Company could result in an impairment of assets charge at such facility.

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at International Paper Company's ("IP") mills due to an increased risk that some or all of these PCC contracts would not be renewed. As a result of this, the Company also reviewed the useful lives of the assets at its remaining satellite PCC facilities and merchant plants. During the first quarter of 2003, the Company revised the estimated useful lives of machinery and equipment pertaining to its natural stone mining and processing plants and chemical processing plants from 12.5 years (8%) to 15 years (6.67%) and reduced the useful lives of buildings at certain satellite PCC facilities from 25 years (4%) to 15 years (6.67%). The Company also reduced the estimated useful lives of certain software-related assets due to implementation of a new global system. The net effect of the changes in estimated useful lives, including the accelerated depreciation at the IP mills, was a reduction to diluted earnings per share of \$0.01 in the first quarter of 2003.

Depletion of mineral and quarry properties is determined, for financial reporting purposes, on a unit-of-extraction basis as the related materials are mined and for tax purposes on a percentage depletion basis.

Mining costs associated with waste gravel and rock removal in excess of the expected average life of mine stripping ratio are deferred. These costs are charged to production on a unit-of-production basis when the ratio of waste to ore mined is less than the average life of mine stripping ratio.

*Accounting for Stock-Based Compensation*

In December 2002, The FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation, and requires additional disclosures in interim and

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

annual financial statements. The disclosure in interim periods requires pro forma net income and net income per share as if the Company adopted the fair value method of accounting for stock-based awards. The fair value of stock-based awards to employees was calculated using the Black-Scholes option-pricing model, modified for dividends. Pro forma net income and earnings per share reflecting compensation cost for the fair value of stock options were as follows:

	<b>Three Months Ended</b>	
<b>(millions of dollars, except per share amounts)</b>	<b>March 30, 2003</b>	<b>March 31, 2002</b>
Income before cumulative effect of accounting change, as reported	\$ 14.9	\$ 13.5
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.4	0.5
Pro forma income before cumulative effect of accounting change	14.5	13.0
Cumulative effect of accounting change	3.4	--
Pro forma net income	\$ 11.1 =====	\$ 13.0 =====
Net income, as reported	\$ 11.5 =====	\$ 13.5 =====
<b>Basic EPS</b>		
Income before cumulative effect of accounting change, as reported	\$ 0.74	\$ 0.68
Pro forma income before cumulative effect of accounting change	\$ 0.72	\$ 0.65
Pro forma net income	\$ 0.55	\$ 0.65
Net income, as reported	\$ 0.57	\$ 0.68
<b>Diluted EPS</b>		
Income before cumulative effect of accounting change, as reported	\$ 0.74	\$ 0.66
Pro forma income before cumulative effect of accounting change	\$ 0.72	\$ 0.63
Pro forma net income	\$ 0.55	\$ 0.63
Net income, as reported	\$ 0.57	\$ 0.66

**Note 3 -- Inventories**

The following is a summary of inventories by major category:

(thousands of dollars)	March 30, 2003	December 31, 2002
	<u>          </u>	<u>          </u>
Raw materials	\$36,470	\$32,967
Work-in-process	7,011	7,153
Finished goods	24,963	25,459
Packaging and supplies	<u>16,948</u>	<u>17,330</u>
Total inventories	\$85,392 =====	\$82,909 =====

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

**Note 4 -- Long-Term Debt and Commitments**

The following is a summary of long-term debt:

(thousands of dollars)	March 30, 2003	December 31, 2002
	<u>          </u>	<u>          </u>
7.49% Guaranteed Senior Notes Due July 24, 2006	\$50,000	\$50,000
Yen-denominated Guaranteed Credit Agreement Due March 31, 2007	8,907	8,957
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
Other borrowings	<u>1,594</u>	<u>1,594</u>
	90,301	90,351
Less: Current maturities	<u>1,438</u>	<u>1,331</u>
Long-term debt	\$88,863 =====	\$89,020 =====

**Note 5 -- Earnings Per Share (EPS)**

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all dilutive potential common shares outstanding. The following table sets forth the computation of basic and diluted earnings per share:

**Three Months Ended**

<b>Basic EPS</b> (in thousands, except per share data)	<b>March 30, 2003</b>	<b>March 31, 2002</b>
Income before cumulative effect of accounting change	\$14,917	\$13,543
Cumulative effect of accounting change	(3,433)	--
Net income	\$11,484 =====	\$13,543 =====
Weighted average shares outstanding	<u>20,117</u>	<u>19,984</u>
Basic earnings per share before cumulative effect of accounting change	\$ 0.74	\$ 0.68
Cumulative effect of accounting change	<u>(0.17)</u>	--
Basic earnings per share	\$ 0.57 =====	\$ 0.68 =====
<b>Diluted EPS</b>		
Income before cumulative effect of accounting change	\$14,917	\$13,543
Cumulative effect of accounting change	(3,433)	--
Net income	\$11,484 =====	\$13,543 =====
Weighted average shares outstanding	20,117	19,984
Dilutive effect of stock options	<u>106</u>	<u>580</u>
Weighted average shares outstanding, adjusted	<u>20,223</u>	<u>20,564</u>
Diluted earnings per share before cumulative effect of accounting change	\$ 0.74	\$ 0.66
Cumulative effect of accounting change	<u>(0.17)</u>	--
Diluted earnings per share	\$ 0.57 =====	\$ 0.66 =====

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

**Note 6 -- Comprehensive Income (Loss)**

The following are the components of comprehensive income (loss):

(thousands of dollars)	<b>Three Months Ended</b>	
	<b>March 30, 2003</b>	<b>March 31, 2002</b>
Net income	\$ 11,484	\$ 13,543
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	4,513	(3,543)
Cash flow hedges:		
Net derivative gains	--	28
Reclassification adjustment	<u>--</u>	<u>(34)</u>
Comprehensive income	\$ 15,997	\$ 10,004



The components of accumulated other comprehensive loss, net of related tax, are as follows:

(millions of dollars)	March 30, 2003	December 31, 2002
Foreign currency translation adjustments	\$(28.3)	\$(32.8)
Minimum pension liability adjustment	(1.3)	(1.3)
Net gain on cash flow hedges	<u>_(0.9)</u>	<u>_(0.9)</u>
Accumulated other comprehensive loss	\$(30.5) =====	\$(35.0) =====

**Note 7 -- Segment and Related Information**

Segment information for the three months ended March 30, 2003 and March 31, 2002 was as follows:

(thousands of dollars)	Net Sales	
	Three Months Ended	
	March 30, 2003	March 31, 2002
Specialty Minerals	\$137,775	\$124,315
Refractories	<u>63,675</u>	<u>54,685</u>
Total	\$201,450 =====	\$179,000 =====

(thousands of dollars)	Income from Operations	
	Three Months Ended	
	March 30, 2003	March 31, 2002
Specialty Minerals	\$15,544	\$ 15,219
Refractories	<u>7,001</u>	<u>6,217</u>
Total	\$22,545 =====	\$ 21,436 =====

Included in income from operations of the Specialty Minerals segment for the three months ended March 30, 2003 was a charge for one-time termination benefits of \$660,000. Included in income from operations of the Specialty Minerals segment for the three months ended March 31, 2002, was a write-down of impaired assets of \$750,000.

The carrying amount of goodwill by reportable segment as of March 30, 2003 and December 31, 2002 was as follows:

(thousands of dollars)	Goodwill
------------------------	----------

	<u>March 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
Specialty Minerals	\$14,471	\$14,637
Refractories	<u>36,590</u>	<u>36,654</u>
Total	\$51,061 =====	\$51,291 =====

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

(thousands of dollars)

	<u>Three Months Ended</u>	
	<u>March 30,</u> <u>2003</u>	<u>March 31,</u> <u>2002</u>
<b>Income before provision for taxes on income and minority interests</b>		
Income from operations for reportable segments	\$ 22,545	\$ 21,436
Non-operating deductions, net	<u>1,027</u>	<u>1,938</u>
Income before provision for taxes on income and minority interests	\$ 21,518 =====	\$ 19,498 =====

#### Note 8 -- Goodwill and Other Intangible Assets

The Company accounts for goodwill and other tangible assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer amortized, but instead are tested for impairment at least annually in accordance with the provisions of SFAS No. 142.

The carrying amount of goodwill was \$51.1 million and \$51.3 million as of March 30, 2003 and December 31, 2002, respectively. The net change in goodwill since January 1, 2003 was attributable to the effects of foreign exchange rates.

Acquired intangible assets subject to amortization as of March 30, 2003 and December 31, 2002 were as follows:

(millions of dollars)	<u>March 30, 2003</u>		<u>December 31, 2002</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Patents and trademarks	\$ 5.8	\$ 0.7	\$ 5.8	\$ 0.7
Customer lists	1.4	0.2	1.4	0.1
Other	<u>0.2</u>	--	<u>0.2</u>	--
	\$ 7.4 ===	\$ 0.9 ===	\$ 7.4 ===	\$ 0.8 ===

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 16 years. Estimated amortization expense is \$0.4 million for each of the next five years through 2007.

#### Note 9 -- 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 long-lived assets to be disposed. 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 the first quarter of 2002, the Company recorded a write-down of impaired assets of \$750,000 for a precipitated calcium carbonate plant at a paper mill that has ceased operations. Such charge was included in cost of goods sold. There was no charge for impairment during the first quarter of 2003.

#### **Note 10 -- Accounting for Asset Retirement Obligations**

Effective January 1, 2003, the Company adopted SFAS No. 143, "Accounting for 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.

Upon adoption, the Company recorded a non-cash, after-tax charge to earnings of approximately \$3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with the Company's PCC satellite facilities and its mining properties, both within the Specialty Minerals segment. As a result of this pronouncement, the Company recorded additional depreciation and accretion expenses of approximately \$0.2 million in the first quarter of 2003. Such charge is included in cost of goods sold. The pro forma effect on results, assuming that SFAS No. 143 were applied retroactively, would be a non-cash, after-tax charge to earnings of approximately \$0.1 million for the first quarter of 2002.

The following is a reconciliation of asset retirement obligations as of March 30, 2003:

(thousands of dollars)

Asset retirement liability, beginning of period	\$ 8,953
Accretion expense	<u>127</u>
Asset retirement liability, end of period	\$ 9,080 =====

#### **Note 11 -- Accounting for Costs Associated with Exit or Disposal Activities**

Effective January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for costs associated with exit or disposal activities. During the first quarter of 2003, the Company paid approximately \$660,000 of one-time termination benefits to a group of employees at the Specialty Minerals facility in the United Kingdom. Such charge is included in cost of goods sold.

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### **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have reviewed the condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of March 30, 2003 and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 30, 2003 and March 31, 2002. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the condensed consolidated financial statements, effective January 1, 2003, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations."

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended (not presented herein); and in our report dated January 23, 2003, we expressed an unqualified opinion on those consolidated

financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

New York, New York  
April 24, 2003

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

	<b>Income and Expense Items As a Percentage of Net Sales Three Months Ended</b>	
	<b>March 30, 2003</b>	<b>March 31, 2002</b>
Net sales	100.0%	100.0%
Cost of goods sold	75.3	74.5
Marketing and administrative expenses	10.5	10.3
Research and development expenses	<u>3.0</u>	<u>3.2</u>
Income from operations	11.2	12.0
Income before cumulative effect of accounting change	7.4	7.6
Cumulative effect of accounting change	<u>1.7</u>	<u>--</u>
Net income	5.7%	7.6%
	===	===

**Results of Operations**

*Three Months Ended March 30, 2003 as Compared with Three Months Ended March 31, 2002*

Net sales in the first quarter of 2003 increased 12.6% to \$201.5 million from \$179.0 million in the first quarter of 2002. Foreign exchange had a favorable impact on sales of approximately \$8.2 million or 5 percentage points of growth.

Net sales in the Specialty Minerals segment, which includes the Precipitated Calcium Carbonate ("PCC") and Processed Minerals product lines, increased 10.9% in the first quarter of 2003 to \$137.8 million from \$124.3 million in the prior year.

Worldwide net sales of PCC, which is used primarily in the manufacturing process of the paper industry, increased 6.2% to \$109.3 million from \$102.9 million in the first quarter of 2002. Foreign exchange had a favorable impact on sales of \$3.4 million or approximately 3 percentage points of growth in the first quarter. Sales volume for PCC used for filling and coating paper increased approximately 2%. The volume growth of PCC used for filling and coating paper and the favorable effect of foreign exchange more than offset the shutdown in December 2002 of the Company's satellite PCC plant at Great Northern Paper Company in Millinocket, Maine, which is in bankruptcy proceedings.

Sales in the Specialty PCC product line, used in non-paper applications, increased 1.7% to \$12.0 million from \$11.8 million in the first quarter of 2002. Growth in sales for plastic and sealant applications from the Brookhaven, Mississippi, and Lifford, U.K., facilities increased but were partially offset by decreases in sales within the healthcare sector.

Net sales of Processed Minerals products increased 33.2% in the first quarter to \$28.5 million from \$21.4 million in the prior year. This increase was primarily the result of the acquisition of the business and assets of Polar Minerals in the third quarter of 2002 and to continued strong residential construction. Excluding the Polar Minerals acquisition, growth of 7% was achieved in the first quarter of 2003 despite the adverse impact of severe weather in the Northeast.

Net sales in the Refractories segment increased 16.5% to \$63.7 million as compared with \$54.7 million in the prior year. Approximately one-half of the sales growth in the first quarter of 2003 was attributable to the favorable impact of foreign exchange. The increase in sales was also due to higher volumes in North America and Latin America, and increased equipment sales, particularly in Europe.

Net sales in the United States in the first quarter of 2003 increased approximately 8% as compared with the first quarter of 2002. Approximately 5 percentage points of the growth was attributable to the Polar Minerals acquisition.

Foreign sales increased approximately 22% in the first quarter of 2003 due to increased sales in Europe. Approximately 13 percentage points of growth was due to the favorable impact of foreign exchange.

Income from operations increased 5.1% to \$22.5 million, as compared with \$21.4 million for the same period last year. Operating income in the Specialty Minerals segment increased 2.1% to \$15.5 million and represented 11.3% of its net sales. The Refractories segment's operating income increased 12.9% to \$7.0 million and was 11.0% of its net sales. Foreign exchange had a favorable effect on operating income in both segments. During the first quarter of 2003, the Company paid approximately \$660,000 of one-time termination benefits to a group of employees at the Specialty Minerals facility in the United Kingdom. In the first quarter of 2002, the Company recorded a write-down of impaired assets of \$750,000 for a PCC plant at a paper mill that ceased operations.

Non-operating deductions decreased in the first quarter of 2003 primarily due to reduced interest expense as a result of lower average borrowings, and foreign currency gains.

Income before the cumulative effect of accounting change increased 10.4% to \$14.9 million from \$13.5 million in the prior year. Diluted earnings per share before the cumulative effect of accounting change was \$0.74 in the first quarter of 2003 as compared with \$0.66 in the prior year.

Effective January 1, 2003, the Company adopted SFAS No. 143, "Accounting for 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.

Upon adoption, the Company recorded a non-cash, after-tax charge to earnings of approximately \$3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with the Company's PCC satellite facilities and its mining properties, both within the Specialty Minerals segment. As a result of this pronouncement, the Company recorded additional depreciation and accretion expenses of approximately \$0.2 million in the first quarter of 2003. Such charge is included in cost of goods sold. The pro forma effect on results, assuming that SFAS No. 143 were applied retroactively, would be a non-cash, after-tax charge to earnings of approximately \$0.1 million for the first quarter of 2002.

Net income after the cumulative effect of accounting change decreased 14.8% to \$11.5 million compared with \$13.5 million in the prior year. Diluted earnings per share after the cumulative effect of accounting change was \$0.57 per share in the first quarter of 2003 as compared with \$0.66 in the prior year.

The Company's sales of PCC are predominantly pursuant to long-term agreements, generally ten years in length, with paper companies at whose mills 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 number of the Company's customers to renew existing agreements on terms as favorable to the Company as those currently in effect could cause the future growth rate of the Company to differ materially from its historical growth rate, and could also result in impairment of the assets associated with the PCC plant.

There are presently three satellite locations at which contracts with host mills have expired and one location, representing less than one unit of PCC production, at which the host mill has informed the Company that the contract will not be renewed upon its expiration in 2004. The Company continues to supply PCC at all of these locations. At two of the three locations at which the contracts have expired, the Company hopes to reach agreement on a long-term extension of the contract; however, there can be no assurance that these negotiations will be successful. At the third location, the customer, International Paper Company ("IP"), has informed the Company that it intended to begin negotiations with alternative suppliers. The Company continues to supply PCC at this location, and expects to do so through 2003. IP also informed the Company at the end of the second quarter of 2002 that it would negotiate with other suppliers at other satellite locations as the contracts for those locations expire over the next several years, with the last contract expiring in 2010. That decision by IP increases the risk that some or all of these contracts will not be renewed. Because these contracts have various remaining terms, the full impact of these expirations on the Company would not be felt for several years. The Company is actively pursuing its own

negotiations with IP, and hopes to reach agreement to extend some or all of these contracts past their current expiration dates. The outcome of these negotiations cannot be predicted. The loss of a substantial amount of the Company's sales to IP would have a material adverse effect on the Company's results of operations and projected growth rate.

In recognition of this increased risk, during the third quarter of 2002, the Company shortened the periods over which existing satellite plants at IP mills are depreciated. In addition, during the first quarter of 2003, the Company revised the estimated useful lives of certain other long-lived assets. See "Critical

Accounting Policies" below. The net effect of the change in useful lives, including the accelerated depreciation at the IP mills, was a reduction in diluted earnings of approximately \$0.01 per share in the first quarter of 2003.

In addition, a complex of two paper mills at which the Company operates a satellite PCC plant, at Millinocket and East Millinocket, Maine, owned by Great Northern Paper, Inc., ceased operations on or about December 23, 2002. Great Northern Paper filed for bankruptcy protection on January 9, 2003 and as of May 8, 2003, the Millinocket and East Millinocket mills had not resumed operations. The Bankruptcy Court appointed new management which, on April 29, 2003, sold the Millinocket and East Millinocket mills to Brascan Corporation ("Brascan"), the parent company of Nexfor Fraser Papers Inc. Brascan announced that it intends to restart the East Millinocket mill within weeks, but that it may not start the Millinocket mill, at which the Company's satellite plant is located, for a year or more. The Company would supply the East Millinocket mill from other nearby PCC production facilities until the resumption of production at the Millinocket mill. If the Millinocket mill does not resume production, the Company could incur an impairment charge of approximately \$10 million.

### **Liquidity and Capital Resources**

Cash flows in the first quarter of 2003 were provided from operations and were applied principally to fund capital expenditures and purchases of common shares for treasury. Cash provided from operating activities amounted to \$17.4 million in the first quarter of 2003 as compared with \$16.7 million in the first quarter of the prior year.

The Company has available approximately \$115 million in uncommitted, short-term bank credit lines, of which \$30 million was in use at March 30, 2003. The Company anticipates that capital expenditures for 2003 should range between \$60 million and \$70 million. The Company expects to meet its financing requirements from internally generated funds, the uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants.

### **Prospective Information and Factors That May Affect Future Results**

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

The Company cannot guarantee that the outcomes suggested in any forward-looking statement will be realized, although it believes it has been prudent in its plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate 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 under the heading "Cautionary Factors That May Affect Future Results" in Exhibit 99 to this Quarterly Report.

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### **Recently Issued Accounting Standards**

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. The FASB recently indicated that they will require stock-based employee compensation to be recorded as a charge to earnings beginning in 2004. The Company will continue to monitor their progress on the issuance of this standard as well as evaluating its position with respect to current guidance.

### **Critical Accounting Policies**

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company 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, the Company evaluates its estimates and assumptions, including 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 taxes, income tax valuation allowances and litigation and environmental liabilities. The Company bases its estimates on historical experience and on other assumptions that it believes 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.

#### *Property, Plant and Equipment*

Property, plant and equipment are amortized 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 for use of those assets. The Company's sales of PCC are predominantly pursuant to long-term arrangements, generally 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. The Company also continues to supply PCC to three locations at which the PCC contract has expired. Failure of a PCC customer to renew an agreement or continue to purchase PCC from the Company could result in an impairment of assets charge at such facility.

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at IP mills due to an increased risk that some or all of these PCC contracts would not be renewed. As a result of this, the Company also reviewed the useful lives of the assets at its remaining satellite PCC facilities and merchant plants. During the first quarter of 2003, the Company revised the estimated useful lives of machinery and equipment pertaining to its natural stone mining and processing plants and chemical processing plants from 12.5 years (8%) to 15 years (6.67%) and reduced the useful lives of buildings at certain satellite PCC facilities from 25 years (4%) to 15 years (6.67%). The Company also reduced the estimated useful lives of certain software-related assets due to implementation of a new global system. The net effect of the changes in estimated useful lives, including the accelerated depreciation at the IP mills, was a reduction to diluted earnings per share of \$0.01 in the first quarter of 2003.

### **ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk represents the risk of loss that may impact the Company's financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency exchange rates and interest rates. The Company is exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. It does not anticipate that near-term changes in exchange rates will have a material impact on its future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on the Company's financial condition and results of

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operations. Approximately 25% of the Company's bank debt bears interest at variable rates; therefore the Company's results of operations would only be affected by interest rate changes to the variable-rate bank debt outstanding. An immediate 10 percent change in interest rates would not have a material effect on the Company's results of operations over the next fiscal year.

The Company is exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, the Company enters 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 the Company's operating results. The counterparties are major financial institutions. Such forward exchange contracts and interest rate swaps would not subject the Company 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. The Company had no open forward exchange contracts as of March 30, 2003. The Company entered into three-year interest rate swap agreements with a notional amount of \$30 million that expire in January 2005. These agreements effectively convert a portion of the Company's floating-rate debt to a fixed rate basis. The fair value of these instruments was a liability of \$1.5 million at March 30, 2003.

### **ITEM 4. Controls and Procedures**

Within the 90 days prior to the date of this report, and under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

Subsequent to the date the Company carried out its evaluation, there have been no significant changes in the Company's internal controls or in other factors which could significantly affect these controls.

## **PART II. OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

On April 9, 2003, the Connecticut Department of Environmental Protection ("DEP") issued an administrative consent order which had been agreed to by MTI, Specialty Minerals Inc. and Minteq International Inc. relating to the Canaan, Connecticut site at which both Minteq and Specialty Minerals have operations. The order settled claims relating to an accidental discharge of machine oil alleged to have contained polychlorinated biphenyls at or above regulated levels, as well as alleged violations of requirements pertaining to stormwater and water waste discharge and management of underground storage tanks. The order required payment of a civil penalty in the amount of \$11,000 and funding of several supplemental environmental projects totaling \$330,000. These amounts were included in other current liabilities in the consolidated balance sheet as of March 30, 2003 and were paid on April 21, 2003. Cost of remediation at the site remains uncertain.

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

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**ITEM 6. Exhibits and Reports on Form 8-K**

a) Exhibits:

- 10.1 - Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended April 24, 2003.
- 10.2 - Company Nonfunded Supplemental Retirement Plan, as amended April 24, 2003.
- 10.3 - Company Nonfunded Deferred Compensation and Supplemental Savings Plan, as amended April 24, 2003.
- 10.4 - Company Health and Welfare Plan, effective as of April 1, 2003.
- 15 - Accountants' Acknowledgment.
- 99.1 - Statement of Cautionary Factors That May Affect Future Results.
- 99.2 - Certification under Section 906 of the Sarbanes-Oxley Act of 2002.

b) Reports on Form 8-K.

On January 27, 2003, the Company filed a current report on Form 8-K under Item 5, reporting earnings for the fourth quarter of 2002.

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**SIGNATURE**

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

Minerals Technologies Inc.

By: **/s/John A. Sorel**

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John A. Sorel  
Senior Vice President-Finance and  
Chief Financial Officer  
(principal financial officer)



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**CERTIFICATION**

I, John A. Sorel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Minerals Technologies Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors:
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Senior Vice President - Finance and  
Chief Financial Officer

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**CERTIFICATION**

I, Paul R. Saueracker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Minerals Technologies Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors:
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 9, 2003

By: /s/Paul R. Saueracker

Chairman of the Board and  
Chief Executive Officer



## 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 may elect on or before the last business day of any calendar month to have payment of (a) 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 and/or (b) all or a specified part of all dividends and other distributions payable on stock held by him or her under the Minerals Technologies Inc. Restricted Stock Plan for Non-Employee Directors (hereinafter such dividends and other distributions are collectively referred to as "dividends") deferred until he or she ceases to be a director of the Company. Any such election 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 (whether dollars or units), with regard to fees and/or dividends to be paid during the following calendar month and thereafter, upon 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 and/or dividends would otherwise be payable. Modifying the form of deferral of fees and/or dividends 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 and/or dividends previously deferred or as to fees and/or dividends to be paid, may be made in any calendar year. Awarded Units, as defined in paragraph 3, shall not be affected by any such election.

2. An award consisting of 500 units shall be made to each director upon joining the Board. 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. An award of 65 units per year in equal quarterly amounts shall be made to each director who serves as a member of a committee of the Board. In addition, an award consisting of 15 units shall be made to each director upon commencement of service as chair of a committee of the Board, and each director who continues as chair of a committee on the date of any annual meeting of stockholders shall be awarded 15 units, effective as of such date. An award consisting of 25 units shall be made to each director who serves as chair of a meeting of a committee of the Board, and an award of 15 units shall be made to each Board member, other than the chair, who attends a meeting of a committee of the Board.

3. A general ledger account (the "Deferred Directors Fees Account") shall be set up on the Company's books and shall reflect the market value of the fees deferred by each director and of the units awarded to the director pursuant to paragraph 2 ("Awarded Units"). As fees and/or dividends are deferred by each director, they shall be credited to the Deferred Directors Fees Account. At the director's election, such credit shall be in the form of either (a) the dollar amount of the fees and/or dividends deferred or (b) a number of units, calculated to the nearest thousandth of a unit, determined by dividing the dollar amount of fees and/or dividends deferred by the closing market price of the Company's Common Stock on the last business day prior to the date such fees and/or dividends would otherwise have been paid, as published in The Wall Street Journal in its report of New York Stock Exchange Composite Transactions. 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, whether Awarded Units or deferred fee or dividend units pursuant to clause (b) above, or dividends thereon, shall be marked to market monthly. In the case of Awarded Units, the director's account shall be credited with the number of units so awarded on the date specified in paragraph 2. 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 last business day prior to 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 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 begun either in (a) the year in which the electing director ceases to be a director of the Company, or (b) the year following the director's termination as a director. 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 termination 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, whether they be Awarded Units credited pursuant to paragraph 2, units representing fees calculated as provided in paragraph 3, or units representing dividends, 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.

If the director receives the balance of his or her account in annual installments of Deferred Compensation, the first annual installment of Deferred Compensation shall be a fraction of the value of the balance of the deferred compensation and Awarded Units credited to the director's account either by way of interest or units calculated under paragraph 3 hereof, as the case may be, on the date of such payment, the numerator of which 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 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 filed with 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 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 Awarded Units shall not be affected by any such election.

7. The right of a director to any fees or Awarded 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 Awarded 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 Awarded 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.

(April 2003)

MINERALS TECHNOLOGIES INC. NONFUNDED  
SUPPLEMENTAL RETIREMENT PLAN

1. Minerals Technologies Inc. (the "Company") shall make payments supplementing the amounts payable under the Minerals Technologies Inc. Retirement Plan (the "Retirement Plan") to employees who retire under the Retirement Plan and to terminated employees who at the time of their termination were entitled to receive benefits, including deferred vested benefits, under the Retirement Plan (hereafter, "employees") and whose benefits under the Retirement Plan in either case are limited, by reason of Section 415 and Section 401(a)(17) of the Internal Revenue Code, to amounts less than would be payable under the provisions of said Plan if calculated without reference to the limitations imposed by Section 415 and Section 401(a)(17) of the Internal Revenue Code.

2. To the extent practicable, such supplemental payments by the Company shall, in the case of each such employee, be substantially equal to the difference between the benefits payable under the Retirement Plan and the benefits that would be payable under the provisions of the Retirement Plan if calculated without reference to the limitations imposed by Section 415 and Section 401(a)(17) of the Internal Revenue Code. For the purpose only of computing benefits that would otherwise be payable under the Retirement Plan to an employee, any income deferred by the employee pursuant to the Minerals Technologies Inc. Nonfunded Deferred Compensation and Supplemental Savings Plan shall be added to the employee's Career Earnings, as determined under the Retirement Plan, in the year of such deferral.

3. (a) Lump sum Payment. An employee eligible for retirement under the Retirement Plan and entitled to benefits under this plan shall receive his or her payment in a single lump sum, as early as administratively practicable in the January of the calendar year next following his or her termination of employment, unless he or she elects to receive payment in equal annual installments under paragraph (b) below, or to receive a "same-year payment" under paragraph (c) below.

(b) Installment Payments. An employee eligible for retirement under the Retirement Plan or his or her beneficiary may receive payments in equal annual installments over a period of up to ten years, as determined by the employee, if (i) the employee elects to do so, or modifies a previous election in order to do so, at least ninety days prior to his or her retirement under the Retirement Plan, and (ii) as of the first business day of the January following such employee's retirement or death, the benefit to which he or she is entitled under this plan is at least \$100,000. No payments under this paragraph (b) shall be made prior to the employee's next taxable year following termination of employment. All such future payments shall be made as early as administratively practicable in such January and each succeeding January, in accordance with the Company's procedures, until all installments have been paid.

(c) Same-year Payment. An employee eligible for retirement under the Retirement Plan who wishes to receive, or for his or her beneficiary to receive, a payment in the year of the employee's termination must elect to do so no later than October 1 of the year preceding the employee's scheduled retirement date. Any such payment will be in a lump sum, made as soon after the date of the employee's retirement as is administratively practicable.

(d) Non-retirement Eligible Employees. An employee who is not eligible for retirement under the Retirement Plan and who terminates employment with the Company shall be paid the full amount due him or her in a lump-sum in the January of the calendar year next following the later of (i) his or her termination of employment or (ii) the date of his or her fifty-fifth birthday. If the employee is deceased at the time such payment becomes due, it will be made to his or her beneficiary.

(e) Valuation. (i) Benefits paid as same-year payments will be valued as of the date of retirement or the next business day if the date of retirement is not a business day. (ii) Other benefits shall be valued as of the first business day of the January following the date of termination of employment, in accordance with the administrative procedures of the Company.

4. An employee's right to supplemental payments hereunder may not be assigned. If an employee does assign such right, the Company may disregard such assignment and discharge its obligation by making payment as though no such assignment had been made. Notwithstanding the above, an employee may elect, or may modify an election previously made, to name a beneficiary to whom in the event of the employee's death the Company shall make such lump sum payment or, if applicable, annual installment payments. If the employee fails to elect a beneficiary then the estate of the employee shall be considered his or her beneficiary hereunder.

5. This Minerals Technologies Inc. Nonfunded Supplemental Retirement Plan shall be governed and construed in accordance with the laws of the state of Delaware.

(April 2003)

**MINERALS TECHNOLOGIES INC. NONFUNDED DEFERRED  
COMPENSATION AND SUPPLEMENTAL SAVINGS PLAN**

1. Each Member of the Minerals Technologies Inc. Savings and Investment Plan (the "Savings and Investment Plan") who is or will be prevented, because of the restrictions of Section 415 and Section 401(a)(17) of the Internal Revenue Code of 1986, as amended from time to time (the "Internal Revenue Code"), from contributing on a pre-tax or post-tax basis to the Savings and Investment Plan up to six per cent (6%) of annual Regular Earnings or, if greater, the percentage of Regular Earnings permitted to Members of the Savings and Investment Plan who are "highly compensated," as that term is defined under Section 414(q) of the Internal Revenue Code, may elect on or before the last day of any calendar year to defer, beginning with the following calendar year, payment of up to the greater of (a) six per cent (6%) or (b) that percentage of his or her future Regular Earnings, in whole percents, that he or she would otherwise have been able to so contribute on a before-tax basis to the Savings and Investment Plan, until he or she ceases to be a Member of the Savings and Investment Plan; provided, however, that the amount so deferred plus the amount contributed under the Savings and Investment Plan shall not exceed the greater of (a) six per cent (6%) or (b) that percentage, of his or her future Regular Earnings, in whole percents, that he or she would otherwise have been able to so contribute on a before-tax basis to the Savings and Investment Plan. At the election of the affected Member, this deferral shall be credited to his or her account with the Company in the dollar amount of the deferred Regular Earnings or as the number of units (calculated to the nearest thousandth of a unit) produced by dividing the dollar amount of Regular Earnings deferred by the closing market price of the Company's Common Stock on the last business day of the month in which the payment of such Regular Earnings would otherwise have been made, as published in The Wall Street Journal in its report of New York Stock Exchange Composite Transactions. Company matching contributions and forfeitures shall be held in the general funds of the Company and shall be credited to the affected Member's account in the form of units only, calculated as described above.

If the restrictions of Section 415 and Section 401(a)(17) of the Internal Revenue Code prevent a Member of the Savings and Investment Plan from receiving any Company matching contributions or employee forfeitures under the Savings and Investment Plan, any amount that would have been contributed on that Member's behalf to the Savings and Investment Plan by the Company as a matching contribution and any amount that would have been credited to that Member by way of forfeitures, if it were not for such restrictions, shall be credited to the affected Member hereunder. Company matching contributions and/or forfeitures shall be held in the general funds of the Company and shall be credited to the affected Member's account in the form of units only.

Any election by a Member of the Savings and Investment Plan to defer a percentage of his or her Regular Earnings as provided for above, shall be made by written notice directed to the Vice President-Organization and Human Resources of the Company. Any such election may be terminated, or may be modified as to the amount of deferral (in whole percents of Regular Earnings only) or as to the form of deferral (whether dollars or units) with regard to future Regular Earnings, commencing with the following calendar year, upon written notice directed to the Vice President-Organization and Human Resources of the Company on or before the last day of the calendar year preceding the calendar year in which such Regular Earnings would otherwise be payable. Changing the form of deferral (whether dollars or units) of amounts previously deferred may be done as of the last business day of any calendar month, by notice in writing to the Vice President-Organization and Human Resources of the Company before such date.

2. All Regular Earnings deferred by a Member hereunder and all Company matching contributions and forfeitures shall be held in the general funds of the Company for the account of the Member. The dollar amounts in the Member's account shall be credited with interest at a rate equal to the rate of return on Fund I of the Savings and Investment Plan for the corresponding period. The units in the Member's account shall be marked to market monthly. In addition, whenever a dividend is declared on the Company's Common Stock, the number of units in the Member's account shall be increased by the result of the following calculations: (i) the number of units in said account multiplied by any cash dividend declared by the Company on its Common Stock, divided by the closing market price of such Common Stock on the related dividend record date; and/or (ii) the number of units in said 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 of outstanding shares of the Common Stock of the Company including 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 said account.

3. (a) Lump sum Payment. A Member eligible for benefits under this plan shall receive his or her payment in a single lump sum, as early as administratively practicable in the January of the calendar year next following his or her termination of employment, unless he or she elects to receive payment in equal annual installments under paragraph (b) below, or to receive a "same-year payment" under paragraph (c) below.

(b) Installment Payments. A Member taking retirement under the Minerals Technologies Inc. Retirement Plan (the "Retirement Plan"), or his or her beneficiary, may receive payments in equal annual installments over a period of up to ten years, as determined by the employee, if (i) the Member elects to do so, or modifies a previous election in order to do so, at least ninety days prior to his or her retirement and (ii) as of the first business day of the January following such Member's retirement or death, the benefit to which he or she is entitled under this plan is at least \$100,000. No payments under this paragraph (b) shall be made prior to the Member's next taxable year following retirement. All such future payments shall be made as early as administratively practicable in the January following retirement and each succeeding January, in accordance with the Company's procedures, until all installments have been paid.

(c) Same-year Payment. A Member eligible for retirement under the Retirement Plan who wishes to receive, or for his or her beneficiary to receive, a payment in the year of the Member's termination must elect to do so no later than October 1 of the year preceding his or her scheduled retirement date. Any such payment will be in a lump sum, made as soon after the date of the Member's retirement as is administratively practicable.

(e) Valuation. (i) To the extent that a Member's account has been credited with units calculated as provided in paragraph 2, the amount payable to the Member shall be determined by multiplying the number of such units by the closing market price of the Company's stock on the first business day of the January following termination of employment, as published in The Wall Street Journal in its report of New York Stock Exchange Composite Transactions; interest on dollars in the employee's account will be credited with interest to the same date. (ii) Benefits paid as same-year payments will be valued as of the date of retirement, or the next business day if the date of retirement is not a business day. (iii) Other benefits shall be valued as of the first business day of the January following the date of termination of employment, in accordance with the administrative procedures of the Company.

4. A Member who is entitled to receive benefits hereunder who dies prior to terminating employment or who terminates his or her employment because he or she becomes disabled shall be paid all such benefits in a single lump sum as soon as reasonably practicable following such death or termination, without regard to any prior election made under paragraph 3, above. If a Member who elects to receive annual installment payments dies after such annual payments have begun, the balance of such annual payments shall be made to his or her designated beneficiary or beneficiaries under the Savings and Investment Plan, or to his or her estate if no beneficiary or beneficiaries are named under the Savings and Investment Plan or if the named beneficiary or beneficiaries have predeceased him. If a Member wishes to designate a different beneficiary or beneficiaries than are provided for by the method set forth above, he or she may do so by written notice to

the Vice President-Organization and Human Resources of the Company. At any time, and from time to time, any such designation may be changed or cancelled by the Member without the consent of any beneficiary. Any such designation, change or cancellation must be by written notice delivered to the Vice President-Organization and Human Resources of the Company and shall not be effective until received by the Vice President-Organization and Human Resources of the Company. If an affected Member designates more than one beneficiary, any payments to such beneficiaries shall be made in equal shares unless the affected Member has designated otherwise.

5. A Member's election to defer receipt of a portion of his or her Regular Earnings shall continue until he or she ceases to be a Member of the Savings and Investment Plan unless he or she earlier terminates such election with respect to future compensation by written notice delivered to the Vice President-Organization and Human Resources of the Company. Any such notice shall become effective as of the end of the calendar year in which such notice is received by the Vice President-Organization and Human Resources. Amounts credited to the account of an affected Member prior to the effective date of such notice shall not be affected thereby and shall be paid to him or her in accordance with paragraph 1, paragraph 3 or paragraph 4, as appropriate.

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

7. Unless indicated to the contrary by the context in which used herein, all capitalized terms shall have the meanings assigned to them in the Savings and Investment Plan.

8. This Minerals Technologies Inc. Nonfunded Deferred Compensation and Supplemental Savings Plan shall be governed and construed in accordance with the laws of the state of Delaware.

(April 2003)



**MINERALS TECHNOLOGIES INC.  
HEALTH AND WELFARE PLAN**

**(Effective April 1, 2003)**

**April 2003**

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**MINERALS TECHNOLOGIES INC.**

**HEALTH AND WELFARE PLAN**

**(Effective April 1, 2003)**

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**MINERALS TECHNOLOGIES INC.  
HEALTH AND WELFARE PLAN**

**(Effective April 1, 2003)**

**INTRODUCTION**

Minerals Technologies Inc. hereby establishes 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 of Minerals Technologies Inc. and participating Affiliates. The Welfare Plan includes and encompasses: (i) the Minerals Technologies Inc. Flexible Benefits Plan (the "Cafeteria Program"), which in turn includes the Premium Conversion Program benefit component, 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.

THE 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 offered in lieu of coverage under any such Benefit Components, shall constitute a single plan for

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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 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 is part of the Welfare Plan, as listed in Appendix A. Existing Benefit Components may be discontinued

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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.

- 1.9. *Code.* The Internal Revenue Code of 1986, as amended.
- 1.10. *Company.* Minerals Technologies Inc.
- 1.11. *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).
- 1.12. *Effective Date.* April 1, 2003.
- 1.13. *Eligible Employee.* Any Employee who meets the applicable eligibility requirements under any Benefit Component(s), but then only with respect to such Benefit Component(s).
- 1.14. *Employee.* Any person who is a full-time, salaried 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 24 hours per week and who is paid from sources within the United States.
- 1.15. *Employee Plan Contributions.* The contributions, if any, made by a Participant in accordance with any Benefit Component.
- 1.16. *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.
- 1.17. *Employer Plan Contributions.* The contributions, if any, made by an Employer in accordance with Section 3.1.
- 1.18. *ERISA.* The Employee Retirement Income Security Act of 1974, as amended.

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- 1.19. *FMLA.* The Family and Medical Leave Act of 1993, as amended.
- 1.20. *HIPAA.* The Health Insurance Portability and Accountability Act of 1996, as amended.
- 1.21. *HMO.* A health maintenance organization.
- 1.22. *Participant.* An Eligible Employee who meets the requirements of Section 2.1 or a Dependent.
- 1.23. *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.
- 1.24. *Plan Year.* The twelve-month period beginning January 1st and ending on the following December 31st.
- 1.25. *Service Provider.* Any insurance company, HMO, point of service provider ("POS"), 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.
- 1.26. *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.
- 1.27. *USERRA.* The Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.
- 1.28. *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.
- 1.29. *Welfare Plan Committee.* The committee established under Article VIII.

## **Article II.**

### **Participation**

- 2.1. **Participation.** An Eligible Employee shall be eligible to participate in the Welfare Plan on the Effective Date, to the extent that he is eligible to participate in one of more of the Benefit Components forming a part of the Welfare Plan on such

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date; or, if he becomes an Eligible Employee after the Effective Date, in accordance with the following:

(i) with respect to any Benefit Component providing medical or dental Benefits, on the first day of the month coincident with or next following [completion of one full calendar month of employment with an Employer]; and

(ii) 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).

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, elections, beneficiary designations, proof of reimbursable expenses, 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. 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 and/or his eligible Dependents generally will terminate when such Participant no longer is an Eligible Employee, or in accordance with the terms and provisions of any Benefit Component.

2.3. Continuation Coverage. The term "Participant" shall include any former Participant and/or Dependent of such 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 under the terms of any Benefit Component.

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3.2. Employee Plan Contributions. Any Participant 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 with the 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 must file a claim for Benefits on a form prescribed by the Claims Processor or Plan Administrator, 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 the Welfare Plan's claims procedure 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.

5.2. Claims Procedure. A Claims Processor or the Plan Administrator shall review all applications for Benefits. A Claims Processor or the Plan Administrator generally shall notify the claimant in writing 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, a Claims Processor or the Plan Administrator shall notify the claimant in writing of such extension prior to the expiration of the initial ninety-day period.



Any denial of a claim for Benefits shall be stated in writing and shall state clearly, in language calculated to be understood by the claimant:

(i) the specific reason(s) for the decision;

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(ii) references to the pertinent provisions of the Welfare Plan, or any Benefit Component;

(iii) 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

(iv) a copy of the appeals procedures under the Welfare Plan.

5.3. Appeal and Review Procedure. A claim is deemed denied if the claimant has not received a response within the time period set forth in Section 5.2 above. If a claim has been denied, such person may appeal the denial within sixty (60) days after receipt of written notice thereof by submitting a request for review of the denial of the claim in writing to the Plan Administrator. The claimant also may submit a written statement of issues and comments concerning a claim and may request an opportunity to review the Welfare Plan document and any other pertinent documents. If so requested, the Claims Processor or Plan Administrator shall make such documents available to the claimant, at a convenient location during regular business hours, within thirty (30) days after its receipt of such request.

If a claimant appeals in accordance with the foregoing, the Claims Processor or Plan Administrator shall render its final decision, setting forth the specific reasons therefore in writing, and transmit such written decision to the affected claimant by certified mail 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 before the end of the original sixty-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.

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. 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. Payment of any claim will be made to the Participant unless he has previously authorized payment to a person rendering services, treatment or supplies. 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

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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 after the date of the loss for which claim is made, provided that the Welfare Plan has not been terminated, or, if the Welfare Plan has been terminated, within 90 days of such termination. 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 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

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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 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.

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## ***Article VII.***

### ***Adoption of Welfare Plan by Participating Employer***

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 and/or their Dependents and thereby become a participating Employer.

7.1. Any participating 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 participating Employer's participation in the Welfare Plan as of any termination date specified by the Board for the failure of such participating 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 a participating Employer's participation upon complete and final discontinuance of any required contributions.

7.2. Upon termination of the Welfare Plan as to any participating Employer, such participating 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 participating 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 participating 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 participating Employer's participation in the Welfare Plan, and any Participant then employed by such participating Employer.

7.3. All determinations, approvals, and notifications referred to above 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 participating Employer shall not in any way affect any other participating Employer's participation in the Welfare Plan.

7.4. A participating Employer shall have no rights with respect to the Welfare Plan except as specifically provided in the Welfare Plan.

7.5. 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.

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## ***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 power, 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 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

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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 Eligible Employees under the Plan and/or their Dependents:

(i) for the exclusive purpose of providing benefits under the Welfare Plan to Eligible Employees and/or their Dependents 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 persons to whom administrative duties with respect to the Welfare Plan have been delegated, for all expenses,

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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

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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 thereunder 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

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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.

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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. 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.

10.16. 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.

10.17. 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.

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**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

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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.

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(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.

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(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;

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(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"):

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(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

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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

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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 Individuals 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.

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(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.

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(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).

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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

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(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;

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(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).

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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

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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).

Section 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:

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(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.

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## **APPENDIX A**

### **LIST OF BENEFIT COMPONENTS**

Minerals Technologies Inc. Flexible Benefits Plan (the "Cafeteria Program")

The Minerals Technologies Inc. Group Benefit Program (a Principal Life Insurance Company program providing group medical, dental and prescription drug coverage)

Delta USA Group Dental Program for Employees of Minerals Technologies Inc.

Minerals Technologies Inc. Long Term Disability Program (benefits provided through American International Life Assurance Company of New York)

Minerals Technologies Inc. Group Life and Supplemental Life Insurance Program (benefits provided through Hartford Life Insurance Company)

Minerals Technologies Inc. Business Travel Accident Insurance Program (benefits provided through Hartford Life Insurance Company)

Minerals Technologies Inc. Educational Assistance Program (benefits provided by Minerals Technologies Inc.)

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## **APPENDIX B**

### **PARTICIPATING EMPLOYERS**

Minerals Technologies Inc.

Specialty Minerals Inc.

Minteq International Inc.

Specialty Minerals Michigan Inc.





**ACCOUNTANTS' ACKNOWLEDGEMENT**

Board of Directors  
Minerals Technologies Inc.:

Re: Registration Statement Nos. 33-59080, 33-65268, 33-96558 and 333-62739

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated April 24, 2003, related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of sections 7 and 11 of the Act.

Very truly yours,

KPMG LLP

New York, New York  
May 9, 2003

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## CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

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," "will" 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.

- ***Historical Growth Rate***

Continuance of the historical growth rate 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; and developing, introducing and selling new products. Difficulties, delays or failures of any of these strategies could cause the future growth rate of the Company to differ materially from its historical growth rate.

- ***Contract Renewals***

The Company's sales of PCC are predominantly pursuant to long-term agreements, generally 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 plant. Failure of a number of the Company's customers to renew existing agreements on terms as favorable to the Company as those currently in effect could cause the future growth rate of the Company to differ materially from its historical growth rate, 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.

The Company's largest customer, International Paper Company, has informed the Company that it intended to begin negotiations with alternative suppliers at one satellite location at which the contract has expired and would negotiate with other suppliers at other satellite locations as the contracts for those locations expire over the next several years, with the last contract expiring in 2010. That decision by IP increases the risk that some or all of these contracts will not be renewed. Because these contracts have various remaining terms, the full impact of these expirations on the Company would not be felt for several years. The Company is actively pursuing its own negotiations with IP, and hopes to reach agreement to extend some or all of these contracts past their current expiration dates. The outcome of these negotiations, however, cannot be predicted. The loss of a substantial amount of the Company's sales to IP would have a material effect on the Company's results of operations and projected growth rate.

- ***Consolidation in Paper Industry***

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 at which 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. There can be no assurance, however, that this will occur. In addition, such consolidations concentrate purchasing power in the hands of a smaller number of papermakers, 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 to 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.

- ***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 expected results.

- ***Competition; Protection of Intellectual Property***

Particularly in its PCC and Refractory product lines, 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 the 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 for the Processed Minerals product line, and on having adequate access to the 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 bulk of the Company's sales are to customers in two industries, paper manufacturing and steel manufacturing, which have historically been cyclical. 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 contract. 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.

**Certification**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

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, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 30, 2003 (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2003

/s/ Paul R.

**Saueracker** \_\_\_\_\_

Paul R. Saueracker

Chairman of the Board  
and Chief Executive Officer  
(principal executive officer)

Dated: May 9, 2003

/s/ John A.

**Sorel** \_\_\_\_\_

John A. Sorel

Senior Vice President-Finance and  
Chief Financial Officer; Treasurer  
(principal financial officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to Minerals Technologies Inc. and will be retained by Minerals Technologies Inc. and furnished to the Securities and Exchange Commission or its staff upon request.