

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): JUNE 11, 1999

KENNAMETAL INC.
(Exact name of registrant as specified in its charter)

Commission file number 1-5318

PENNSYLVANIA
(State or other jurisdiction
of incorporation)

25-0900168
(I.R.S. Employer
Identification No.)

WORLD HEADQUARTERS
1600 TECHNOLOGY WAY
P.O. BOX 231
LATROBE, PENNSYLVANIA 15650-0231
(Address of registrant's principal executive offices)

Registrant's telephone number, including area code: (724) 539-5000

ITEM 5. OTHER EVENTS

On May 4, 1999, Kennametal Inc. entered into an Executive Employment Agreement ("Agreement") with Markos I. Tambakeras, pursuant to which Mr. Tambakeras will serve as President and Chief Executive Officer of Kennametal Inc. and a member of the Board of Directors, effective July 1, 1999. This Agreement, and other related agreements, are filed herewith.

ITEM 7. EXHIBITS

(10) Material Contracts

- (10.1) Executive Employment Agreement dated May 4, 1999 between Kennametal Inc. and Markos I. Tambakeras. Filed herewith.
- (10.2) Nonstatutory Stock Option Agreement dated April 30, 1999 between Kennametal Inc. and Markos I. Tambakeras. Filed herewith.
- (10.3) Restricted Stock Agreement dated May 4, 1999 between Kennametal Inc. and Markos I. Tambakeras. Filed herewith.
- (10.4) Stock Option Agreement dated May 4, 1999 between Kennametal Inc. and Markos I. Tambakeras. Filed herewith.
- (10.5) Kennametal Inc. 1999 Stock Plan. Filed herewith.

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 hereunto duly authorized.

KENNAMETAL INC.

Date: June 11, 1999

By: /s/ FRANK P. SIMPKINS

Frank P. Simpkins
Corporate Controller and
Chief Accounting Officer

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT, is made and entered into this 4th day of May, 1999 (the "Effective Date"), by and between KENNAMETAL INC., a corporation organized under the laws of the Commonwealth of Pennsylvania, for and on behalf of itself and on behalf of its subsidiary companies (hereinafter referred to as "Kennametal"), and Markos I. Tambakeras, an individual (hereinafter referred to as "Employee");

WITNESSETH:

WHEREAS, Kennametal and the Employee desire to enter into this Agreement in order to set forth the terms and conditions of Employee's employment with Kennametal; and

WHEREAS, Employee acknowledges that by reason of employment by Kennametal, it is anticipated that Employee will work with, add to, create, have access to and be entrusted with trade secrets and confidential information belonging to Kennametal which are of a technical nature or business nature or pertain to future developments, the disclosure of which trade secrets or confidential information would be highly detrimental to the interests of Kennametal;

NOW, THEREFORE, Kennametal and Employee, each intending to be legally bound hereby, do mutually covenant and agree as follows:

1. (a) Kennametal hereby agrees to employ the Employee and the Employee hereby agrees to be employed by the Company commencing on July 1, 1999 for the Term (as hereinafter defined) of the Agreement, in the position and with the duties and responsibilities set forth in paragraph 1(b) below, and upon the other terms and subject to the conditions hereinafter stated.

(b) During the Term, the Employee shall serve as the President and Chief Executive Officer of Kennametal and a member of the Board of Directors. The Employee shall have general executive supervision over the business and affairs of Kennametal, subject to the policies and directions of, and the executive responsibilities that may be assigned to him (which in each case shall be consistent with his position and title) by the Board of Directors of Kennametal (the "Board of Directors"). The Employee shall generally be responsible for supervising the development, coordination and implementation of the strategies for Kennametal's business. Employee's duties shall be performed principally at Kennametal's executive offices which are located in the Latrobe, Pennsylvania area. A demotion in Employee's position will be considered termination without Cause (as defined herein) by Kennametal.

(c) The Employee shall devote his full time and attention to the business and affairs of Kennametal; provided, however, that nothing contained herein shall prohibit the Employee from (a) serving as a member of the Board of Directors of any other for-profit entity so long as Employee has obtained the prior consent of Board of Directors, or (b) engaging in charitable and community affairs.

(d) The term of this Agreement shall be for a period of three (3) years, commencing on July 1, 1999 and ending on June 30, 2002 (the "Term").

(e) For the services rendered by Employee to Kennametal during the Term, the Employee shall be paid the compensation and receive the benefits as follows:

(i) Employee shall be entitled to receive a salary at the rate of \$550,000 per annum, payable in accordance with Kennametal's payroll practices ("Base Salary");

(ii) Employee shall receive a sign-on bonus of \$300,000 which will be paid to Employee not later than August 31, 1999;

(iii) During the three years ended June 30, 2002, Employee shall be eligible to receive future bonuses of not less than \$300,000 per annum under Kennametal's bonus plan for executive officers;

(iv) Employee shall receive stock options covering 150,000 shares of the Capital Stock of Kennametal, priced prior to the public announcement of Employee's position with Kennametal, and under the terms and conditions and pursuant to the Stock Option Agreement in the form of Exhibit A attached hereto;

(v) Employee shall receive, as of the Effective Date, a restricted stock grant for 83,000 shares of Capital Stock under the terms and conditions and pursuant to the Restricted Stock Agreement in the form of Exhibit B attached hereto; and

(vi) Kennametal agrees to provide Employee with pension benefits in an amount not less than the following benefits (in the event that the benefits Employee would receive under Kennametal's pension plans would exceed the following benefits, Employee will receive those amounts instead of the following benefits):

(A) If Employee is terminated by Kennametal without Cause, by Employee for Employer's Breach (as defined herein) or by Employee at or after age 60, in any year set forth in Column A of Schedule I attached hereto, then Employee will be entitled to receive from Kennametal the Lump Sum Amount (as hereinafter defined) equal to the annual benefit set forth in the row in Column B of Schedule I corresponding to the row in Column A of the year of termination; and

(B) If Employee voluntarily terminates his employment with Kennametal after four or more years of service in any year set forth in Column A of Schedule I attached hereto, then Employee will be entitled to receive from Kennametal the Lump Sum Amount equal to one-half of the annual benefit set forth in the row in Column B of Schedule I corresponding to the row in Column A of the year of termination.

"Lump Sum Amount" shall mean a single payment amount equal to the present value of the relevant annual benefit determined in accordance with the actuarial methods and assumptions used by the Pension Benefit Guaranty Corporation for valuing immediate annuity contracts reduced by the present value, determined in accordance with such methods, of any benefit provided to Employee under Kennametal's other pension benefit plans.

2. In addition to the compensation set forth or contemplated elsewhere herein, Employee, subject to the terms and conditions of this Agreement, shall be entitled to participate in all group insurance programs, retirement income (pension) plans, thrift plans and vacation and holiday programs normally provided for other executives of Kennametal. Nothing herein contained shall be deemed to limit or prevent Employee, during his employment hereunder, from being reimbursed by Kennametal for out-of-pocket expenditures incurred for travel, lodging, meals, entertainment expenses or any other expenses in accordance with the policies of Kennametal applicable to the executives of Kennametal.

3. Employee's employment may be terminated with or without any reason for termination by either party hereto at any time by giving the other party prior written notice thereof; provided, however, that any termination on the part of Kennametal shall occur only if specifically authorized by its Board of Directors; provided further, however, that termination by Kennametal for Cause shall be made by written notice which states that it is a termination for Cause; and provided further, however, that termination by Employee, other than termination for Good Reason (as hereinafter defined) following a Change-in-Control (as hereinafter defined), shall be on not less than 30 days prior written notice to Kennametal.

4. (a) (i) In the event that Employee's employment is terminated during the Term by Kennametal prior to a Change-in-Control and other than for Cause, or by Employee for Employer's Breach, Employee will receive as severance pay, in addition to all amounts due him at the Date of Termination (as hereinafter defined), a lump sum payment equal to the greater of: (A) the amount of Base Salary and any bonuses that Employee would have earned during the Term under Kennametal bonus plans then in effect had Employee been employed by Kennametal as its President and Chief Executive Officer for the full Term and had plan been met for each period during the Term, or (B) the amount equal to two (2) times (y) Base Salary plus Employee's targeted bonus (but not less than 60% of Base Salary) for the year in which the Date of Termination occurs. Additionally, the stock options and restricted stock granted to Employee under paragraphs 1(e)(iv) and (v) will vest immediately upon the occurrence of the events stated above in this paragraph 4(a)(i). All amounts will be paid within five (5) business days after such termination.

"Employer's Breach" shall be defined as a material breach of this Agreement by Kennametal, including specifically any reduction in Employee's position, authority or responsibility.

(ii) In the event that Employee's employment is terminated after the Term by Kennametal prior to a Change-in-Control and other than for Cause, Employee will receive as severance pay, in addition to all amounts due him at the Date of Termination, an amount, payable promptly after the Date of Termination, equal to two years' annual base salary at the rate then in effect on the Date of Termination plus Employee's targeted bonus (but not less than 60% of then base salary) for the year in which the Date of Termination occurs.

(b) In the event that Employee's employment is terminated by Employee without Good Reason following a Change-in-Control (as hereinafter defined) or prior to a Change-in-Control other than for Employer's Breach, Employee will not be entitled to receive any severance pay other than the amounts, if any, due him at the Date of Termination.

(c) In the event that, at or after a Change-in-Control and prior to the third anniversary of the date of the Change-in-Control, Employee's employment is terminated by Employee for Good Reason or by Kennametal other than for Cause or Disability pursuant to paragraph 5, then Employee will receive as severance pay (in addition to all other amounts due him at the Date of Termination) an amount equal to the product of:

- (i) three (3) times
- (ii) the sum of
 - (x) Employee's Base Salary at the annual rate in effect on the Date of Termination (or, at Employee's election, at the annual rate in effect on the first day of the calendar month immediately prior to the Change-in-Control), plus
 - (y) Employee's targeted bonus (but not less than 60% of then base salary) for the year in which the Date of Termination occurs.

Such severance pay shall be paid by delivery of a cashier's or certified check to the Employee at Kennametal's executive offices on a date which is no later than five (5) business days following the Date of Termination.

If there is a Change-in-Control, and if Employee elects to terminate his employment for any reason or no reason during the thirty (30) day period commencing twelve (12) months after the date of the Change-in-Control, the Employee shall be paid severance benefits as though Employee had been terminated by Kennametal without Cause.

In addition to the severance payments provided for in this paragraph 4(c), Employee also will receive the same or equivalent medical, dental, disability and group insurance benefits as were provided to the Employee at the Date of Termination, which benefits shall be provided to Employee for a three year period commencing on the Date of Termination. The Employee shall also be deemed and shall be credited for computing benefits, for vesting and for all other purposes under any pension or retirement income plan of Kennametal (including any supplemental retirement plan) to have continuously remained in the employment of Kennametal for the three year period following the Date of Termination at an annual compensation equal to the sum of the base salary and bonus which were used to compute the payment due the Employee under the first paragraph of this paragraph 4(c).

(d) If for any reason, whether by law or provisions of Kennametal's employee medical, dental or group insurance, pension or retirement plan or other benefit plans, any benefits which the Employee would be entitled to under the foregoing paragraph 4(c) cannot be paid pursuant to such employee benefit plans, then Kennametal hereby contractually agrees to pay to the Employee the difference between the benefits which the Employee would have received in accordance with the foregoing paragraph 4(c) if the relevant employee medical,

dental or group insurance or pension or retirement plan or other benefit plan could have paid such benefit and the amount of benefits, if any, actually paid by such employee medical, dental or group insurance or pension or retirement plan or other benefit plan. Kennametal shall not be required to fund its obligation to pay the foregoing difference.

(e) In the event of a termination of employment under the circumstances described above in paragraph 4(a) or paragraph 4(c), Employee shall have no duty to seek any other employment after termination of Employee's employment with Kennametal and Kennametal hereby waives and agrees not to raise or use any defense based on the position that Employee had a duty to mitigate or reduce the amounts due him hereunder by seeking other employment whether suitable or unsuitable and should Employee obtain other employment, then the only effect of such on the obligations of Kennametal hereunder shall be that Kennametal shall be entitled to credit against any payments which would otherwise be made for medical, dental or group insurance or similar benefits (excluding, however, any credit against Kennametal payments relating to pension or retirement benefits including under any supplemental retirement plan) pursuant to the benefit provisions set forth in paragraph 4(c) hereof, any comparable payments to which Employee is entitled under the employee benefit plans maintained by Employee's other employer or employers in connection with services to such employer or employers after termination of his employment with Kennametal.

(f) The term "Change-in-Control" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date hereof ("1934 Act"), or if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the 1934 Act which serve similar purposes; provided that, without limitation, such a change in control shall be deemed to have occurred if (A) Kennametal shall be merged or consolidated with any corporation or other entity other than a merger or consolidation with a corporation or other entity all of whose equity interests are owned by Kennametal immediately prior to the merger or consolidation, or (B) Kennametal shall sell all or substantially all of its operating properties and assets to another person, group of associated persons or corporation, or (C) any "person" (as such term is used in Sections 13(d) and 14(d) of the 1934 Act), is or becomes a beneficial owner, directly or indirectly, of securities of Kennametal representing 25% or more of the combined voting power of Kennametal's then outstanding securities coupled with or followed by the existence of a majority of the board of directors of Kennametal consisting of persons other than persons who either were directors of Kennametal immediately prior to or were nominated by those persons who were directors of Kennametal immediately prior to such person becoming a beneficial owner, directly or indirectly, of securities of Kennametal representing 25% or more of the combined voting power of Kennametal's then outstanding securities.

(g) For purposes of this agreement "Date of Termination" shall mean:

(i) if Employee's employment is terminated due to his death or retirement, the date of death or retirement, respectively; or

(ii) if Employee's employment is terminated for any other reason, the date on which the termination becomes effective as stated in the written notice of termination

given to or by the Employee or, if no written notice is given, the date determined by Kennametal in good faith.

(h) The term "Good Reason" for termination by the Employee shall mean the occurrence of any of the following at or after a Change-in-Control:

(i) without the Employee's express written consent, the assignment to the Employee of any duties materially and substantially inconsistent with his positions, duties, responsibilities and status with Kennametal immediately prior to a Change-in-Control, or a material change in his reporting responsibilities, titles or offices as in effect immediately prior to a Change-in-Control, or any removal of the Employee from or any failure to re-elect the Employee to any of such positions, except in connection with the termination of the Employee's employment due to Cause or as a result of the Employee's death;

(ii) a reduction by Kennametal in the Employee's base salary as in effect immediately prior to any Change-in-Control;

(iii) a failure by Kennametal to continue to provide incentive compensation, under the rules by which incentives are provided, comparable to that provided by Kennametal immediately prior to any Change-in-Control;

(iv) the failure by Kennametal to continue in effect any benefit or compensation plan, stock option plan, pension plan, life insurance plan, health and accident plan or disability plan in which Employee is participating immediately prior to a Change-in-Control (provided, however, that there shall not be deemed to be any such failure if Kennametal substitutes for the discontinued plan, a plan providing Employee with substantially similar benefits) or the taking of any action by Kennametal which would adversely affect Employee's participation in or materially reduce Employee's benefits under any of such plans or deprive Employee of any material fringe benefit enjoyed by Employee immediately prior to a Change-in-Control;

(v) the failure of Kennametal to obtain the assumption of this Agreement by any successor as contemplated in paragraph 11 hereof;

(vi) the relocation of the Employee to a facility or a location more than 50 miles from the Employee's then present location, without the Employee's prior written consent; or

(vii) any purported termination of the employment of Employee by Kennametal which is not for Cause as provided in paragraph 5.

5. In the event that Employee

(a) shall be guilty of malfeasance, willful misconduct or gross negligence in the performance of the services contemplated by this Agreement;

(b) shall willfully, deliberately and continually fail to perform his duties or to implement the policies or directives of the Board of Directors;

(c) shall not make his services available to Kennametal on a full time basis in accordance with paragraph 1 hereof for any reason (excluding Disability) prior to termination other than arising from Employee's incapacity due to physical or mental illness or injury which does not constitute Disability;

(d) shall breach the provisions of paragraph 8 of this Agreement; or

(e) shall be convicted of a felony.

(each of the matters described in subparagraphs (a), (b), (c), (d) and (e)) above shall be "Cause"), Kennametal shall have the right, exercised by resolution adopted by a majority of its Board of Directors, to terminate Employee's employment for Cause by giving prior written notice to Employee of its election so to do.

In that event, Employee's employment shall be deemed terminated for Cause, Kennametal shall not be obligated to pay and Employee shall not be entitled to the benefits set forth in paragraphs 1 and 4; provided, however, that Kennametal shall have the obligation to pay Employee the unpaid portion of Employee's base salary for the period from the last period from which Employee was paid to the Date of Termination; provided further, however, that if Employee's employment is terminated as a result of the Disability of Employee, the benefits set forth in paragraphs 1 and 4 shall not be paid or payable but Employee shall be entitled to receive the annual supplement under the supplemental retirement plan and Employee's employment by Kennametal shall not be deemed terminated for purposes of the Long-Term Disability Plan, Retirement Income Plan for US Salaried Employees or any other benefit plan which so provides.

For purposes of this agreement "Disability" shall mean such incapacity due to physical or mental illness or injury which results in the Employee's being absent from his principal office at Kennametal's offices for the entire portion of 180 consecutive business days. "Cause" shall not be deemed to include opposition by Employee to a Change-in-Control or any matter incidental thereto and any determination by the Board of Directors that "Cause" existed shall not be final or binding upon the Employee or his rights hereunder or entitled to any deference in any court or other tribunal.

6. Kennametal agrees to indemnify Employee from his net losses arising from Section 4(c) of Exhibit A to that certain Stock Option Agreement dated February 17, 1998 or any such similar provisions contained in any stock options granted to Employee. In the event Employee's current employer cancels or otherwise refuses to honor Employee's currently vested stock options, Kennametal will immediately pay Employee, in cash, an amount equal to the amount by which the fair market value of the option shares (measured as of the date of Employee's termination from his current employer) exceeds the option exercise price on such options. In consideration of the foregoing, Employee will use his reasonable best efforts to prevent any such loss and, so long as Kennametal agrees to pay the costs of such, to contest and assist Kennametal in contesting any such potential loss. It is expected that Employee will, within his employment period with his current employer, exercise all vested options and sell the shares received upon such exercises.

7. Nothing herein contained shall affect the right of Employee to participate in and receive benefits under and in accordance with the then current provisions of any retirement

income, profit-sharing, additional year-end or periodic remuneration or bonus, incentive compensation, insurance or any other employee welfare plan or program of Kennametal and all payments hereunder shall be in addition to any benefits received thereunder (including long term disability payments).

8. During the period of employment of Employee by Kennametal and for three years thereafter (provided, however, that this paragraph 8 shall not apply to the Employee following a termination of Employee's employment (x) if a Change-in-Control shall have occurred prior to the Date of Termination or (y) if Employee's employment is terminated by Kennametal other than for Cause or by Employee due to Employer's Breach), Employee will not, in any geographic area in which Kennametal is offering its services and products, without the prior written consent of Kennametal:

(a) directly or indirectly engage in, or

(b) assist or have an active interest in (whether as proprietor, partner, investor, shareholder, officer, director or any type of principal whatsoever), or

(c) enter the employ of, or act as agent for, or advisor or consultant to, any person, firm, partnership, association, corporation or business organization, entity or enterprise which is or is about to become directly or indirectly engaged in, any business which is competitive with any business of Kennametal or any subsidiary or affiliate thereof in which Employee is or was engaged; provided, however, that the foregoing provisions of this paragraph 8 are not intended to prohibit and shall not prohibit Employee from purchasing, for investment, not in excess of 1% of any class of stock or other corporate security of any company which is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

Employee acknowledges that the breach by him of the provisions of this paragraph 8 would cause irreparable injury to Kennametal, acknowledges and agrees that remedies at law for any such breach will be inadequate and consents and agrees that Kennametal shall be entitled, without the necessity of proof of actual damage, to injunctive relief in any proceedings which may be brought to enforce the provisions of this paragraph 8. Employee acknowledges and warrants that he will be fully able to earn an adequate livelihood for himself and his dependents if this paragraph 8 should be specifically enforced against him and that such enforcement will not impair his ability to obtain employment commensurate with his abilities and fully acceptable to him.

If the scope of any restriction contained in this paragraph 8 is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law and Employee and Kennametal hereby consent and agree that such scope may be judicially modified in any proceeding brought to enforce such restriction.

9. (a) Employee acknowledges and agrees that in the course of his employment by Kennametal, Employee may work with, add to, create or acquire trade secrets and confidential information ("Confidential Information") which could include, in whole or in part, information:

(i) of a technical nature such as, but not limited to, Kennametal's manuals, methods, know-how, formulae, shapes, designs, compositions, processes, applications, ideas, improvements, discoveries, inventions, research and development projects, equipment, apparatus, appliances, computer programs, software, systems documentation, special hardware, software development and similar items; or

(ii) of a business nature such as, but not limited to, information about business plans, sources of supply, cost, purchasing, profits, markets, sales, sales volume, sales methods, sales proposals, identity of customers and prospective customers, identity of customers' key purchasing personnel, amount or kind of customers' purchases and other information about customers; or

(iii) pertaining to future developments such as, but not limited to, research and development or future marketing or merchandising.

Employee further acknowledges and agrees that (i) all Confidential Information is the property of Kennametal; (ii) the unauthorized use, misappropriation or disclosure of any Confidential Information would constitute a breach of trust and could cause irreparable injury to Kennametal; and (iii) it is essential to the protection of Kennametal's goodwill and to the maintenance of its competitive position that all Confidential Information be kept secret and that Employee not disclose any Confidential Information to others or use any Confidential Information to the detriment of Kennametal.

Employee agrees to hold and safeguard all Confidential Information in trust for Kennametal, its successors and assigns and Employee shall not (except as required in the performance of Employee's duties), use or disclose or make available to anyone for use outside Kennametal's organization at any time, either during employment with Kennametal or subsequent thereto, any of the Confidential Information, whether or not developed by Employee, without the prior written consent of Kennametal.

(b) Employee agrees that:

(i) he will promptly and fully disclose to Kennametal or such officer or other agent as may be designated by Kennametal any and all inventions made or conceived by Employee (whether made solely by Employee or jointly with others) during employment with Kennametal (A) which are along the line of the business, work or investigations of Kennametal, or (B) which result from or are suggested by any work which Employee may do for or on behalf of Kennametal; and

(ii) he will assist Kennametal and its nominees during and subsequent to such employment in every proper way (entirely at its or their expense) to obtain for its or their own benefit patents for such inventions in any and all countries; the said inventions, without further consideration other than such salary as from time to time may be paid to him by Kennametal as compensation for his services in any capacity, shall be and remain the sole and exclusive property of Kennametal or its nominee whether patented or not; and

(iii) he will keep and maintain adequate and current written records of all such inventions, in the form of but not necessarily limited to notes, sketches, drawings, or

reports relating thereto, which records shall be and remain the property of and available to Kennametal at all times.

(c) Employee agrees that, promptly upon termination of his employment, he will disclose to Kennametal, or to such officer or other agent as may be designated by Kennametal, all inventions which have been partly or wholly conceived, invented or developed by him for which applications for patents have not been made and shall thereafter execute all such instruments of the character hereinbefore referred to, and will take such steps as may be necessary to secure and assign to Kennametal the exclusive rights in and to such inventions and any patents that may be issued thereon any expense therefor to be borne by Kennametal.

(d) Employee agrees that he will not at any time aid in attacking the patentability, scope, or validity of any invention to which the provisions of subparagraphs (b) and (c), above, apply.

10. In the event that (a) Employee institutes any legal action to enforce his rights under, or to recover damages for breach of this Agreement, or (b) Kennametal institutes any action to avoid making any payments due to Employee under this Agreement, Employee, if he is the prevailing party, shall be entitled to recover from Kennametal any actual expenses for attorney's fees and other disbursements incurred by him in relation thereto. Except as set forth above, Employee's sole and exclusive remedy for breach of this Agreement by Kennametal shall be recovery of the amounts due to Employee for Employer's Breach in paragraphs 1(e)(vi) and 4(a)(i) and 4(c). Employee acknowledges that Employee's actual damages in the event of Employer's Breach would be difficult to determine and that such amount is a reasonable amount of liquidated damages for any such Employer's Breach.

11. The terms and provision of this Agreement shall be binding upon, and shall inure to the benefit of, Employee and Kennametal, it subsidiaries and affiliates and their respective successors and assigns.

12. This Agreement constitutes the entire Agreement between the parties hereto and supersedes all prior agreements and understandings, whether oral or written, among the parties with respect to the subject matter hereof. This Agreement may not be amended orally, but only by an instrument in writing signed by each of the parties to this Agreement.

13. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

14. Any pronoun and any variation thereof used in this agreement shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the parties hereto may require.

15. Kennametal shall be entitled as a condition to paying any severance pay or providing any benefits hereunder upon a termination of the Employee's employment to require the Employee to deliver on or before the making of any severance payment or providing of any benefit a release in the form of Exhibit C attached hereto.

16. (a) During the Term, any payments under this Agreement or any other payments or benefits received or to be received by Employee in connection with a change in control of Kennametal, Employee's termination of employment, or Employee's cessation of active service (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with Kennametal, or any person affiliated with Kennametal) (the "Severance Payments") will be subject to the tax (the "Excise Tax") imposed by section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any similar tax that may hereafter be imposed, Kennametal shall pay to Employee, at the time specified below, an additional amount (the "Excise Tax Payment") such that the amount retained by Employee, after deduction of any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax upon the payment provided for by this paragraph 16(a), but not including any deduction for federal, state or local income tax on the original amount of the Severance Payments, shall be equal to the Severance Payments.

For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all Severance Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Board of Directors, such Severance Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax, (ii) the amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Severance Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Kennametal's independent auditors in accordance with the principles of Section 280G(d)(3) and (4) of the Code.

For purposes of determining the amount of the Excise Tax Payment, Employee shall be deemed to pay federal income taxes at Employee's highest marginal rate of federal income taxation in the calendar year in which the Excise Tax Payment is to be made and state and local income taxes at Employee's highest marginal rate of taxation in the state and locality of Employee's residence on the Date of Termination (or earlier cessation of Employee's active service), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Employee's employment (or earlier cessation of Employee's active service), Employee shall repay to Kennametal at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Excise Tax Payment attributable to such reduction (plus the portion of the Excise Tax Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Excise Tax Payment being repaid by Employee if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such

repayment from the date the Excise Tax Payment was initially made to the date of repayment at the rate provided in Section 1274(b)(2)(B) of the Code (the "Applicable Rate").

In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of Employee's employment or earlier cessation of Employee's active service (including by reason of any payment the existence or amount of which cannot be determined at the time of the Excise Tax Payment), Kennametal shall make an additional Excise Tax Payment in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined. Any payment to be made to Employee under this paragraph shall be payable within five (5) business days of Employee's Date of Termination (or within five (5) business days of Employee's earlier cessation of active service).

(b) (i) After the Term, notwithstanding any other provision of this Agreement, in the event that any payment or benefit received, or to be received, by Employee in connection with a change in control of Kennametal, or the termination of the Employees' employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with Kennametal, any person whose actions result in a change in control or any person affiliated with Kennametal or such person), as provided by paragraph 16(a) (collectively, the "Total Payments"), would not be deductible, in whole or in part, by Kennametal, an affiliate or other person making such payment or providing such benefit as a result of Section 280G of the Code, the payments due under this Agreement (the "Contract Payments") shall be reduced until no portion of the Total Payments is not deductible, or the Contract Payments are reduced to zero. In the event that Kennametal determines that the Total Payments would not be deductible, in whole or part, as a result of Section 280G of the Code, Kennametal shall immediately notify Employee of this determination and the amount which would not be so deductible as well as a computation of Total Payments. Employee shall have five (5) business days after receipt of the foregoing notice and computation to waive in writing all or any portion of any of the Total Payments and any portion of the Total Payments, the receipt or enjoyment of which Employee shall have effectively waived in writing, shall not be taken into account. If Kennametal had already withheld any Contract Payments prior to receipt of such waiver, Kennametal upon receipt of such waiver shall immediately pay to Employee any withheld Contract Payments which would have been paid had Kennametal had the Employee's written waiver prior to the date Kennametal withheld any such payments.

(ii) For purposes of the limitation described in this paragraph 16(b):

(A) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Board of Directors does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code,

(B) the Contract Payments shall be reduced only to the extent necessary so that the Total Payments (other than those Contract Payments which are waived in writing by the Employee or referred to in clause (b)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code or are otherwise not subject to disallowance as deductions, in the opinion of the tax counsel referred to in clause (a); and

(C) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by Kennametal's independent auditors in accordance with the principles of Section 280G(d) (3) and (4) of the Code.

17. This agreement shall be governed by the laws of the Commonwealth of Pennsylvania without regard to its conflict or choice of law provisions.

WITNESS the due execution hereto the day and year first above written.

WITNESS: KENNAMETAL INC.

/s/ Ronald Basso

By: /s/ William R. Newlin

Chairman of the Board

WITNESS: EMPLOYEE:

/s/ Carie Blake

/s/ Markos I. Tambakeras

Markos I. Tambakeras

Schedule I

SUPPLEMENTAL BENEFITS TABLE

COLUMN A ----- YEAR OF TERMINATION -----	TOTAL BENEFIT AT AGE 60 -----	COLUMN B ----- TOTAL BENEFIT AT AGE 63 -----	TOTAL BENEFIT AT AGE 66 -----
2000			\$ 29,224
2001			57,291
2002			82,904
2003			103,783
2004			129,910
2005			160,413
2006			192,926
2007			228,852
2008		\$267,512	
2009		309,440	
2010 and beyond	\$295,826		

EXHIBIT A

KENNAMETAL INC.

NONSTATUTORY STOCK OPTION AGREEMENT

DATE OF GRANT OF THIS OPTION: APRIL 30, 1999

THIS AGREEMENT made by and between KENNAMETAL INC., a Pennsylvania corporation (hereinafter called the "Company"), and Markos I. Tambakeras (hereinafter called the "Optionee") is made as of the above date under the Kennametal Inc. 1999 Stock Option Plan (the "Plan").

WITNESSETH:

1. The Company grants to the Optionee a Nonstatutory Stock Option (the "Option") to purchase 150,000 shares of the \$1.25 Par Value Capital Stock of the Company at the price of \$ 26.00 per share, subject to the terms and conditions of the Plan, except as expressly provided in the Agreement.

2. The Option must be exercised within ten (10) years from July 1, 1999, and only at the times and for the number of shares indicated as follows: (a) prior to June 30, 2000, this Option is not exercisable as to any shares; (b) on June 30, 2000, this Option shall become exercisable as to 50,000 shares; (c) on June 30, 2001, this Option shall become exercisable as to 50,000 shares; and (d) on June 30, 2002, this Option shall become exercisable as to the remaining 50,000 shares.

3. In addition to the vesting provisions stated in the Plan, the Shares subject to this Agreement shall immediately vest upon termination of Employee without Cause or upon Employee's termination of employment due to an Employer's Breach, or upon a Change-in-Control, all as defined in Employee's Executive Employment Agreement dated as of May 4, 1999.

4. It is intended that the Option not constitute an Incentive Stock Option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

5. The Optionee or any purchaser permitted to purchase the shares pursuant to the terms of the Plan shall purchase not less than 100 shares at any one purchase (or the total number of shares purchasable under this Option at such time, if less than 100).

6. If the Optionee shall cease to be employed by the Company or any of its subsidiaries, the Option will continue its normal vesting period as provided above, unless such termination of employment shall be for Cause (as defined in Optionee's Executive Employment Agreement dated as of May 4, 1999) or in violation of an agreement by the Optionee to remain in the employ of the Company or one of its subsidiaries, in which case the Option shall forthwith terminate; provided however, that the Plan Administrator may in its sole discretion extend the

option period of any option for up to three years from the date of termination of employment regardless of the original option period.

7. The Option may be exercised only by written request to the Treasurer of the Company at Latrobe, Pennsylvania, accompanied by payment of the option price in full either (i) in cash for the shares with respect to which it is exercised, (ii) by delivering to the Company a notice of exercise with an irrevocable direction to a registered broker-dealer under the Securities Exchange Act of 1934, as amended, to sell a sufficient portion of the shares and deliver the sale proceeds directly to the Company, (iii) by delivering shares of the \$1.25 Par Value Capital Stock ("Capital Stock") of the Company; provided however that the shares of Capital Stock delivered in payment of the option price must have been held by the participant for at least six (6) months in order to be utilized to pay the option price; or (iv) a combination of payment procedures set forth above.

8. The Optionee may pay the Company the amount required to be withheld under applicable tax withholding requirements (i) in cash; (ii) through the delivery to the Company of previously owned shares of Capital Stock having an aggregate fair market value on the Tax Date equal to the tax obligation; or (iii) through any combination of payment procedures set forth in subsections (i)-(ii). Tax withholding obligations may not be satisfied by withholding shares of Capital Stock otherwise issuable in connection with an exercise of the Option.

9. Each capitalized term used herein without being defined herein shall have the meaning ascribed to it in the Plan.

IN WITNESS WHEREOF, the undersigned have executed this Stock Option Agreement as of the date first above written.

EXECUTED IN DUPLICATE

ATTEST:

KENNAMETAL INC.

Secretary

By: _____
Vice President

WITNESS:

Optionee:

Markos I. Tambakeras

KENNAMETAL INC.

RESTRICTED STOCK AGREEMENT

DATE OF GRANT: MAY 4, 1999

THIS AGREEMENT made by and between KENNAMETAL INC., a Pennsylvania corporation (hereinafter called the "Company"), and Markos I. Tambakeras (hereinafter called the "Employee") is made as of the above date under the Kennametal Inc. 1999 Stock Plan (the "Plan").

WHEREAS, pursuant to the provisions of the Company's Plan, the Committee on Executive Compensation of the Company's Board of Directors (the "Compensation Committee") has taken action effective April 26, 1999, pursuant to which action Employee became eligible to receive a restricted stock grant for 83,000 shares of the \$1.25 Par Value Capital Stock (the "Shares"), in accordance with the Plan and as more particularly provided herein.

WITNESSETH:

1. Tendered to Employee herewith is a copy of a certificate for the Shares registered in the name of Employee.

2. The Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of, except as described in the Plan, to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company or employing subsidiary (i) for Cause (as defined in Optionee's Executive Employment Agreement dated the date hereof) or (ii) in violation of an agreement by Employee to remain in the employ of the Company or one of its subsidiaries, Employee shall, for no consideration, forfeit to the Company all Shares to the extent then subject to the Forfeiture Restrictions. The prohibition against transfer and the obligation to forfeit and surrender Shares to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Shares.

3. The Forfeiture Restrictions shall lapse as to the Shares in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the lapse date:

- a. One-third of the shares shall become vested and no longer subject to a risk of forfeiture eight (8) months after July 1, 1999.
- b. The second one-third of the Shares shall vest and no longer be subject to a risk of forfeiture sixteen (16) months after July 1, 1999.
- c. The third one-third of the shares shall vest and no longer be subject to a risk of forfeiture twenty-four (24) months after July 1, 1999.

4. In no case will this Agreement result in Employee being vested in (or becoming eligible to become vested in) more than a total of 83,000 Shares.

5. At such time as any Shares vest under this Agreement, the Company shall cancel the certificate referenced in paragraph 1, above (or any certificate issued in its place), and issue two new certificates in place of the canceled certificate, one to be delivered to Employee for the number of Shares vested (reduced by any Shares withheld for taxes pursuant to Section 10 of the Plan), and one to be retained by the Company pursuant to the terms hereof (with a copy delivered to Employee), for the number of Shares remaining unvested pursuant hereto. the Company shall not be obligated to issue or deliver any Shares if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any government authority or national securities exchange.

6. The original of any certificate for unvested Shares issued pursuant to this Agreement shall, until any of such shares become vested, remain in the custody of the Office of the Treasurer of the Company.

7. Employee agrees that the Shares will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Shares may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Shares on the stock transfer records of the Company which constitute a violation of any applicable securities law, and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Shares.

8. In the event that any withholding for tax purposes is required or elected upon vesting of any Shares pursuant to this Agreement and Section 10 of the Plan, the Company will withhold in Shares that number of whole shares with a fair market value which is as nearly equal to but less than the amount to be withheld, and will remit in cash that the Fair Market Value of Shares so withheld to satisfy such withholding requirements (along with any cash required of Employee pursuant to Section 10 of the Plan).

9. All Shares subject to this Agreement shall have become vested if at all, on or before July 1, 2001 on which date this Agreement shall terminate and any shares subject to this Agreement and unvested at the date shall, without any action on the part of Employee, be transferred to the Company for its use and ownership.

10. In addition to the vesting provisions stated in the Plan, the Shares subject to this Agreement shall immediately vest upon termination of Employee without Cause or upon Employee's termination of employment due to an Employer's Breach, or upon a Change-in-Control, all as defined in Employee's Executive Employment Agreement dated as of May 4, 1999.

11. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company any successor corporation or a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company or any successor corporation. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Compensation Committee, or its delegate, as appropriate, and its determination shall be final.

12. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

13. Capitalized terms not defined in this Agreement have the meaning assigned to them in the Plan.

Witness the signatures of the parties effective the day first written above.

ATTEST:

KENNAMETAL INC.

Secretary

Vice President

WITNESS:

Markos I. Tambakeras

EXHIBIT C

RELEASE

KNOW ALL MEN BY THESE PRESENTS that the undersigned for good and valuable consideration, the receipt of which is hereby acknowledged, and intending to be legally bound, hereby releases, remises, quitclaims and discharges completely and forever Kennametal Inc. and its directors, officers, employees, subsidiaries and affiliates from any and all claims, causes of action or rights which the undersigned has or may have, whether arising by virtue of contract or of applicable state laws or federal laws, and whether such claims, causes of action or rights are known or unknown; provided, however, that this Release shall not release, raise, quitclaim or discharge any claims, causes of action or rights which the undersigned may have (i) under that certain Executive Employment Agreement dated as of May 4, 1999 between the undersigned and Kennametal Inc., (ii) to any unreimbursed expense account or similar out-of-pocket reimbursement amounts owing the undersigned, or (iii) under the bylaws of Kennametal Inc. or the applicable state corporate statutes to indemnification for having served as an officer and/or employee of Kennametal Inc. and/or its subsidiaries.

EMPLOYEE:

Markos I. Tambakeras

Dated: _____

KENNAMETAL INC.

NONSTATUTORY STOCK OPTION AGREEMENT

DATE OF GRANT OF THIS OPTION: APRIL 30, 1999

THIS AGREEMENT made by and between KENNAMETAL INC., a Pennsylvania corporation (hereinafter called the "Company"), and Markos I. Tambakeras (hereinafter called the "Optionee") is made as of the above date under the Kennametal Inc. 1999 Stock Option Plan (the "Plan").

WITNESSETH:

1. The Company grants to the Optionee a Nonstatutory Stock Option (the "Option") to purchase 150,000 shares of the \$1.25 Par Value Capital Stock of the Company at the price of \$ 26.00 per share, subject to the terms and conditions of the Plan, except as expressly provided in the Agreement.

2. The Option must be exercised within ten (10) years from July 1, 1999, and only at the times and for the number of shares indicated as follows: (a) prior to June 30, 2000, this Option is not exercisable as to any shares; (b) on June 30, 2000, this Option shall become exercisable as to 50,000 shares; (c) on June 30, 2001, this Option shall become exercisable as to 50,000 shares; and (d) on June 30, 2002, this Option shall become exercisable as to the remaining 50,000 shares.

3. In addition to the vesting provisions stated in the Plan, the Shares subject to this Agreement shall immediately vest upon termination of Employee without Cause or upon Employee's termination of employment due to an Employer's Breach, or upon a Change-in-Control, all as defined in Employee's Executive Employment Agreement dated as of May 4, 1999.

4. It is intended that the Option not constitute an Incentive Stock Option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

5. The Optionee or any purchaser permitted to purchase the shares pursuant to the terms of the Plan shall purchase not less than 100 shares at any one purchase (or the total number of shares purchasable under this Option at such time, if less than 100).

6. If the Optionee shall cease to be employed by the Company or any of its subsidiaries, the Option will continue its normal vesting period as provided above, unless such termination of employment shall be for Cause (as defined in Optionee's Executive Employment Agreement dated as of May 4, 1999) or in violation of an agreement by the Optionee to remain in the employ of the Company or one of its subsidiaries, in which case the Option shall forthwith terminate; provided however, that the Plan Administrator may in its sole discretion extend the

option period of any option for up to three years from the date of termination of employment regardless of the original option period.

7. The Option may be exercised only by written request to the Treasurer of the Company at Latrobe, Pennsylvania, accompanied by payment of the option price in full either (i) in cash for the shares with respect to which it is exercised, (ii) by delivering to the Company a notice of exercise with an irrevocable direction to a registered broker-dealer under the Securities Exchange Act of 1934, as amended, to sell a sufficient portion of the shares and deliver the sale proceeds directly to the Company, (iii) by delivering shares of the \$1.25 Par Value Capital Stock ("Capital Stock") of the Company; provided however that the shares of Capital Stock delivered in payment of the option price must have been held by the participant for at least six (6) months in order to be utilized to pay the option price; or (iv) a combination of payment procedures set forth above.

8. The Optionee may pay the Company the amount required to be withheld under applicable tax withholding requirements (i) in cash; (ii) through the delivery to the Company of previously owned shares of Capital Stock having an aggregate fair market value on the Tax Date equal to the tax obligation; or (iii) through any combination of payment procedures set forth in subsections (i)-(ii). Tax withholding obligations may not be satisfied by withholding shares of Capital Stock otherwise issuable in connection with an exercise of the Option.

9. Each capitalized term used herein without being defined herein shall have the meaning ascribed to it in the Plan.

IN WITNESS WHEREOF, the undersigned have executed this Stock Option Agreement as of the date first above written.

EXECUTED IN DUPLICATE

ATTEST: KENNAME TAL INC.

/s/ David T. Cofer

Secretary

By: /s/ Timothy D. Hudson

Vice President

WITNESS: Optionee:

/s/ Nancy Torba

/s/ Markos I. Tambakeras

Markos I. Tambakeras

KENNAMETAL INC.

RESTRICTED STOCK AGREEMENT

DATE OF GRANT: MAY 4, 1999

THIS AGREEMENT made by and between KENNAMETAL INC., a Pennsylvania corporation (hereinafter called the "Company"), and Markos I. Tambakeras (hereinafter called the "Employee") is made as of the above date under the Kennametal Inc. 1999 Stock Plan (the "Plan").

WHEREAS, pursuant to the provisions of the Company's Plan, the Committee on Executive Compensation of the Company's Board of Directors (the "Compensation Committee") has taken action effective April 26, 1999, pursuant to which action Employee became eligible to receive a restricted stock grant for 83,000 shares of the \$1.25 Par Value Capital Stock (the "Shares"), in accordance with the Plan and as more particularly provided herein.

WITNESSETH:

1. Tendered to Employee herewith is a copy of a certificate for the Shares registered in the name of Employee.

2. The Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of, except as described in the Plan, to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company or employing subsidiary (i) for Cause (as defined in Optionee's Executive Employment Agreement dated the date hereof) or (ii) in violation of an agreement by Employee to remain in the employ of the Company or one of its subsidiaries, Employee shall, for no consideration, forfeit to the Company all Shares to the extent then subject to the Forfeiture Restrictions. The prohibition against transfer and the obligation to forfeit and surrender Shares to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Shares.

3. The Forfeiture Restrictions shall lapse as to the Shares in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the lapse date:

- a. One-third of the shares shall become vested and no longer subject to a risk of forfeiture eight (8) months after July 1, 1999.
- b. The second one-third of the Shares shall vest and no longer be subject to a risk of forfeiture sixteen (16) months after July 1, 1999.
- c. The third one-third of the shares shall vest and no longer be subject to a risk of forfeiture twenty-four (24) months after July 1, 1999.

4. In no case will this Agreement result in Employee being vested in (or becoming eligible to become vested in) more than a total of 83,000 Shares.

5. At such time as any Shares vest under this Agreement, the Company shall cancel the certificate referenced in paragraph 1, above (or any certificate issued in its place), and issue two new certificates in place of the canceled certificate, one to be delivered to Employee for the number of Shares vested (reduced by any Shares withheld for taxes pursuant to Section 10 of the Plan), and one to be retained by the Company pursuant to the terms hereof (with a copy delivered to Employee), for the number of Shares remaining unvested pursuant hereto. The Company shall not be obligated to issue or deliver any Shares if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any government authority or national securities exchange.

6. The original of any certificate for unvested Shares issued pursuant to this Agreement shall, until any of such shares become vested, remain in the custody of the Office of the Treasurer of the Company.

7. Employee agrees that the Shares will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Shares may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Shares on the stock transfer records of the Company which constitute a violation of any applicable securities law, and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Shares.

8. In the event that any withholding for tax purposes is required or elected upon vesting of any Shares pursuant to this Agreement and Section 10 of the Plan, the Company will withhold in Shares that number of whole shares with a fair market value which is as nearly equal to but less than the amount to be withheld, and will remit in cash that the Fair Market Value of Shares so withheld to satisfy such withholding requirements (along with any cash required of Employee pursuant to Section 10 of the Plan).

9. All Shares subject to this Agreement shall have become vested if at all, on or before July 1, 2001 on which date this Agreement shall terminate and any shares subject to this Agreement and unvested at the date shall, without any action on the part of Employee, be transferred to the Company for its use and ownership.

10. In addition to the vesting provisions stated in the Plan, the Shares subject to this Agreement shall immediately vest upon termination of Employee without Cause or upon Employee's termination of employment due to an Employer's Breach, or upon a Change-in-Control, all as defined in Employee's Executive Employment Agreement dated as of May 4, 1999.

11. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company any successor corporation or a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company or any successor corporation. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Compensation Committee, or its delegate, as appropriate, and its determination shall be final.

12. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

13. Capitalized terms not defined in this Agreement have the meaning assigned to them in the Plan.

Witness the signatures of the parties effective the day first written above.

ATTEST:

KENNAMETAL INC.

/s/ David T. Cofer

Secretary

/s/ Timothy D. Hudson

Vice President

WITNESS:

/s/ Nancy Torba

/s/ Markos I. Tambakeras

Markos I. Tambakeras

KENNAMETAL INC.

STOCK OPTION AGREEMENT

DATE OF GRANT OF THIS OPTION: MAY 4, 1999

THIS AGREEMENT made by and between KENNAMETAL INC., a Pennsylvania corporation (hereinafter called the "Company"), and Markos I. Tambakeras (hereinafter called the "Optionee") is made as of the above date under the Kennametal Inc. 1999 Stock Option Plan (the "Plan").

WITNESSETH:

1. The Company grants to the Optionee a Nonstatutory Stock Option (the "Option") to purchase 35,000 shares of the \$1.25 Par Value Capital Stock of the Company at the price of \$ 38.00 per share, subject to the terms and conditions of the Plan, except as expressly provided in the Agreement.

2. The Option must be exercised within ten (10) years from July 1, 1999, and only at the times and for the number of shares indicated as follows: (a) prior to June 30, 2000, this Option is not exercisable as to any shares; (b) on June 30, 2000, this Option shall become exercisable as to 11,667 shares; (c) on June 30, 2001, this Option shall become exercisable as to 11,667 shares; and (d) on June 30, 2002, this Option shall become exercisable as to the remaining 11,666 shares.

3. In addition to the vesting provisions stated in the Plan, the Shares subject to this Agreement shall immediately vest upon termination of Employee without Cause or upon Employee's termination of employment due to an Employer's Breach, or upon a Change-in-Control, all as defined in Employee's Executive Employment Agreement dated as of May 4, 1999.

4. It is intended that the Option not constitute an Incentive Stock Option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

5. The Optionee or any purchaser permitted to purchase the shares pursuant to the terms of the Plan shall purchase not less than 100 shares at any one purchase (or the total number of shares purchasable under this Option at such time, if less than 100).

6. If the Optionee shall cease to be employed by the Company or any of its subsidiaries, the Option will continue its normal vesting period as provided above, unless such termination of employment shall be for Cause (as defined in Optionee's Executive Employment Agreement dated as of May 4, 1999) or in violation of an agreement by the Optionee to remain in the employ of the Company or one of its subsidiaries, in which case the Option shall forthwith terminate; provided however, that the Plan Administrator may in its sole discretion extend the

option period of any option for up to three years from the date of termination of employment regardless of the original option period.

7. The Option may be exercised only by written request to the Treasurer of the Company at Latrobe, Pennsylvania, accompanied by payment of the option price in full either (i) in cash for the shares with respect to which it is exercised, (ii) by delivering to the Company a notice of exercise with an irrevocable direction to a registered broker-dealer under the Securities Exchange Act of 1934, as amended, to sell a sufficient portion of the shares and deliver the sale proceeds directly to the Company, (iii) by delivering shares of the \$1.25 Par Value Capital Stock ("Capital Stock") of the Company; provided however that the shares of Capital Stock delivered in payment of the option price must have been held by the participant for at least six (6) months in order to be utilized to pay the option price; or (iv) a combination of payment procedures set forth above.

8. The Optionee may pay the Company the amount required to be withheld under applicable tax withholding requirements (i) in cash; (ii) through the delivery to the Company of previously owned shares of Capital Stock having an aggregate fair market value on the Tax Date equal to the tax obligation; or (iii) through any combination of payment procedures set forth in subsections (i)-(ii). Tax withholding obligations may not be satisfied by withholding shares of Capital Stock otherwise issuable in connection with an exercise of the Option.

9. Each capitalized term used herein without being defined herein shall have the meaning ascribed to it in the Plan.

IN WITNESS WHEREOF, the undersigned have executed this Stock Option Agreement as of the date first above written.

EXECUTED IN DUPLICATE

ATTEST: KENNAMETAL INC.

/s/ David T. Cofer

Secretary

By: /s/ Timothy D. Hudson

Vice President

WITNESS: Optionee:

/s/ Nancy Torba

/s/ Markos I. Tambakeras

Markos I. Tambakeras

KENNAMETAL INC.
1999 STOCK PLAN

SECTION 1. ESTABLISHMENT. There is hereby established the Kennametal Inc. 1999 Stock Plan (hereinafter called the "Plan") pursuant to which directors, officers and key employees of Kennametal Inc. (hereinafter called the "Company") and its subsidiaries, including prospective directors, officers and key employees, who are or will be mainly responsible for its continued growth and development and future financial success may be granted options to purchase shares of Capital Stock of the Company (as defined in Section 5 below) and/or may receive awards of shares of Capital Stock in order to secure to the Company the advantage of the incentive and sense of proprietorship inherent in stock ownership by such persons, to reward such persons for services previously performed and/or as an added inducement to continue or begin to provide service to the Company.

SECTION 2. DURATION. Options and share awards under this Plan may be granted only within the ten-year period beginning on the date on which the Plan is adopted by the board of directors. Any options or share awards outstanding after the expiration of such ten-year period may be exercised within the periods prescribed by Section 7.

SECTION 3. ADMINISTRATION. The Plan shall be administered by the full Board of Directors or a committee constituted so as to permit transactions under the Plan to comply with Rule 16b-3 (or any successor rule) promulgated under the Securities Exchange Act of 1934, as amended (the "Plan Administrator"). Subject to the provisions of the Plan, the Plan Administrator is authorized to adopt such rules and regulations and to take such action in the administration of the Plan as it shall deem proper.

SECTION 4. ELIGIBILITY. Directors, officers and key employees of the Company and its subsidiaries, including prospective directors, officers and key employees, who, in the opinion of the Plan Administrator, are or will be mainly responsible for the continued growth, development and future financial success of the business, shall be eligible to participate in the Plan. The Plan Administrator shall, in its sole discretion, from time to time, select from such eligible persons those to whom options shall be granted or shares awarded and determine the number of shares to be included in such option or award. No participant shall have any right to receive an option or share award, except as the Plan Administrator in its discretion shall determine. The term "subsidiary," where used in the Plan or in any stock option agreement entered into under the Plan, means a "subsidiary corporation" as defined in Section 425 of the Internal Revenue Code of 1986, as it may be amended from time to time (the "Code").

SECTION 5. SHARES SUBJECT TO THE PLAN. The total number of shares of stock which may be issued pursuant to the Plan shall be 600,000 shares of capital stock, par value \$1.25 per share, of the Company (the "Capital Stock") provided, however, that: (i) the number of shares of Capital Stock to be issued pursuant to the Plan is subject to adjustment as provided in Section 11; (ii) to the extent that options granted under the Plan shall expire or terminate without being exercised or shares awarded under the Plan shall be forfeited, such shares shall remain available for purposes of the Plan; and (iii) shares used to exercise options or pay tax obligations shall be available for purposes of the Plan. Capital Stock to be issued under the Plan may be either authorized and unissued shares or shares held in treasury by the Company.

SECTION 6. TYPES OF OPTIONS. Options granted pursuant to the Plan will not qualify as incentive stock options under the Code.

SECTION 7. TERMS OF OPTIONS. Each option granted under the Plan shall be evidenced by a stock option agreement between the Company and the person to whom such option is granted and shall be subject to the following terms and conditions:

(a) Subject to adjustment as provided in Section 11 of this Plan, the price at which each share covered by an option may be purchased shall be determined in each case by the Plan Administrator; provided, however, that such price shall not be less than the fair market value thereof at the time the option is granted.

(b) During the lifetime of the optionee the option may be exercised only by the optionee. The option shall not be transferable by the optionee otherwise than by will or by the laws of descent and distribution or, if in compliance with Rule 16b-3 (or any successor rule), pursuant to a domestic relations order. After the death of the optionee, the option may be transferred to the Company upon such terms and conditions, if any, as the Plan Administrator and the personal representative or other person entitled to the option may agree within the period specified in subsection 7(c) (iii) hereof.

(c) An option may be exercised in whole at any time, or in part from time to time, within such period or periods as may be determined by the Plan Administrator and set forth in the stock option agreement (such period or periods being hereinafter referred to as the "option period"), provided that:

(i) If the optionee who is an employee of the Company or any of its subsidiaries shall cease to be employed by the Company or any of its subsidiaries, the option may be exercised only within three months after the termination of employment and within the option period or, if such termination was due to disability or retirement (as hereinafter defined), within one year after termination of employment and within the option period, unless such

termination of employment shall be for cause or in violation of an agreement by the optionee to remain in the employ of the Company or one of its subsidiaries, in which case the option shall forthwith terminate; provided, however, that the Plan Administrator may in its sole discretion extend the option period of any option for up to three years from the date of termination of employment regardless of the original option period. For purposes of the Plan, retirement shall mean the termination of employment with the Company at a time when the participant in the Plan is eligible to receive immediately payable retirement benefits under the Company's then existing retirement plan or under any other retirement plan that is maintained by a Company subsidiary.

(ii) If the optionee who is a director of the Company or any of its subsidiaries shall cease to serve as a director of the Company or any of its subsidiaries, the option may be exercised only within three months after the cessation of service and within the option period or, if such cessation was due to disability, within one year after cessation of service and within the option period, unless such cessation of service as a director was the result of removal for cause, in which case the option shall forthwith terminate; provided, however, that the Plan Administrator may in its sole discretion extend the option period of any option for up to three years from the date of cessation of service regardless of the original option period.

(iii) If the optionee shall die, the option may be exercised only within 450 calendar days after the optionee's death and within the option period and only by the optionee's personal representative or persons entitled thereto under the optionee's will or the laws of descent and distribution; and

(iv) The option may not be exercised for more shares (subject to adjustment as provided in Section 11) after the termination of the optionee's employment, cessation of service as a director or the optionee's death (as the case may be) than the optionee was entitled to purchase thereunder at the time of the termination of the optionee's employment or the optionee's death.

(d) The option price of each share purchased pursuant to an option shall be paid in full at the time of each exercise (the "Payment Date") of the option (i) in cash; (ii) by delivering to the Company a notice of exercise with an irrevocable direction to a registered broker-dealer under the Securities Exchange Act of 1934, as amended, to sell a sufficient portion of the shares and deliver the sale proceeds directly to the Company to pay the exercise price; (iii) in the discretion of the Plan Administrator, through the delivery to the Company of previously owned shares of Capital Stock having an aggregate fair market value equal to the option price of the shares being purchased pursuant to the exercise of the option; provided, however, that shares of Capital Stock delivered in payment of the option price must have been held by the participant for at least six (6) months in order to be utilized to pay the option price; (iv) through an

election pursuant to Section 8 hereof to have shares of Capital Stock otherwise issuable to the optionee withheld to pay the exercise price of such option; or (v) in the discretion of the Plan Administrator, through any combination of the payment procedures set forth in subsections (i)-(iv) of this Section 7(d).

(e) The Plan Administrator, in its discretion, may authorize "stock retention options" which provide, upon the exercise of an option granted under this Plan, the Stock Option and Incentive Plan of 1988, the Stock Option and Incentive Plan of 1992 or the Stock Option and Incentive Plan of 1996 (a "prior option") using previously owned shares, for the automatic issuance of a new option under this Plan with an exercise price equal to the current fair market value and for up to the number of shares equal to the number of previously owned shares delivered in payment of the exercise price of the prior option. Such stock retention option shall have the same option period as the prior option.

(f) In consideration for the granting of each option, the optionee shall agree to remain in the employment of the Company or one of its subsidiaries, at the pleasure of the Company or such subsidiary, for at least one year from the date of the granting of such option or until the first day of the month coinciding with or next following the optionee's sixty-fifth birthday, whichever may be earlier. Nothing contained in the Plan nor in any stock option agreement shall confer upon any optionee any right with respect to the continuance of employment by the Company or any of its subsidiaries nor interfere in any way with the right of the Company or any subsidiary to terminate his employment or change his compensation at any time.

(g) The Plan Administrator may include such other terms and conditions not inconsistent with the foregoing as the Plan Administrator shall approve. Without limiting the generality of the foregoing sentence, the Plan Administrator shall be authorized to determine that options shall be exercisable in one or more installments during the term of the option and the right to exercise may be cumulative as determined by the Plan Administrator.

SECTION 8. SHARE WITHHOLDING.

(a) An optionee may, in the discretion of the Plan Administrator, elect to pay the exercise price of an option, in whole or in part, by requesting that the Company withhold shares of stock otherwise issuable to the optionee having a fair market value equal to the portion of the exercise price of the option being paid pursuant to such election (a "Share Withholding Election").

(b) A Share Withholding Election must be in writing and must be delivered to the Company no later than with the delivery of the notice of exercise of the option.

SECTION 9. SHARE AWARDS.

(a) The Plan Administrator may, from time to time, subject to the provisions of the Plan, award shares to participants.

(b) The award of shares shall be evidenced by a share award agreement executed by the Company and the grantee setting forth the number of shares of Capital Stock awarded, the vesting period, the vesting schedule or criteria and such other terms and conditions as the Plan Administrator may determine.

(c) The grantee of a share award shall receive shares of Capital Stock without payment to the Company immediately upon grant; provided, however, that the grantee's ownership of such shares shall be subject to the following terms and conditions:

(i) Any single award of shares to a participant in an amount greater than 100 shares shall vest in installments upon the passage of time or upon the achievement by the Company or grantee of specified performance goals as determined by the Plan Administrator and as provided in the share award agreement;

(ii) If the grantee or the Company, as the case may be, fails to achieve the designated goals or the grantee ceases to be employed by the Company for any reason (including death, permanent disability or retirement) prior to the expiration of the vesting period, the grantee shall forfeit all shares so awarded which have not then vested;

(iii) A grantee who has received a share award pursuant to the Plan shall have all rights of a stockholder in such Capital Stock, including but not limited to the right to vote and receive dividends with respect thereto; provided, however, that shares awarded pursuant to the Plan which have not vested may not be sold or otherwise transferred by the grantee and stock certificates representing such shares shall bear a restrictive legend to that effect; and

(iv) No share award (or portion thereof) granted to a person subject to Section 16(b) shall vest within the six-month period beginning on the date of grant of such share award.

SECTION 10. TAX WITHHOLDING.

(a) Whenever shares are to be issued under the Plan, the Company shall have the right to require the grantee to remit to the Company an amount sufficient to satisfy federal, state and local tax withholding requirements prior to the delivery of any

certificate for such shares; provided, however, that in the case of a grantee who receives an award of shares under the Plan which is not fully vested, the grantee shall remit such amount on the first business day following the Tax Date. The "Tax Date" for purposes of this Section 10 shall be the date on which the amount of tax to be withheld is determined.

(b) A grantee who is obligated to pay the Company an amount required to be withheld under applicable tax withholding requirements may pay such obligated amount (i) in cash; (ii) in the discretion of the Plan Administrator, through the delivery to the Company of previously owned shares of Capital Stock having an aggregate fair market value on the Tax Date equal to the tax obligation provided that the previously owned shares delivered in satisfaction of the withholding obligations must have been held by the participant for at least six (6) months; or (iii) in the discretion of the Plan Administrator, through a combination of the procedures set forth in subsections (i) and (ii) of this Section 10(b).

(c) A grantee who is obligated to pay to the Company an amount required to be withheld under applicable tax withholding requirements in connection with either the exercise of a stock option or a share award under the Plan may, in the discretion of the Plan Administrator, elect to satisfy this withholding obligation, in whole or in part, by requesting that the Company withhold shares of stock otherwise issuable to the grantee having a fair market value on the Tax Date equal to the amount of the tax required to be withheld; provided, however, that shares may be withheld by the Company only if such withheld shares have vested. Any fractional amount shall be paid to the Company by the optionee in cash or shall be withheld from the optionee's next regular paycheck.

(d) An election by a grantee to have shares of stock withheld to satisfy federal, state and local tax withholding requirements pursuant to Section 10(c) (a "Tax Withholding Election") must be in writing.

SECTION 11. ADJUSTMENT OF NUMBER AND PRICE OF SHARES.

(a) In the event that a dividend shall be declared upon the Capital Stock of the Company payable in shares of said stock, the number of shares of Capital Stock covered by each outstanding option and the number of shares which may be issued pursuant to the Plan but are not yet covered by outstanding options shall be adjusted by adding thereto the number of shares of Capital Stock which would have been distributable thereon if such shares had been outstanding on the date fixed for determining the stockholders entitled to receive such stock dividend.

(b) In the event that the outstanding shares of Capital Stock of the Company shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or

consolidation, then there shall be substituted for the shares of Capital Stock covered by each outstanding option, and the shares which may be issued pursuant to the Plan but are not yet covered by outstanding options, the number and kind of shares of stock or other securities which would have been substituted therefor if such shares had been outstanding on the date fixed for determining the stockholders entitled to receive such changed or substituted stock or other securities.

(c) In the event there shall be any change, other than specified in this Section 11, in the number or kind of outstanding shares of Capital Stock of the Company or of any stock or other securities into which such Capital Stock shall be changed or for which it shall have been exchanged, then, if the Board of Directors shall determine, in its discretion, that such change equitably requires an adjustment in the number or kind of shares covered by outstanding options and the shares which may be issued pursuant to the Plan but are not yet covered by outstanding options, such adjustment shall be made by the Board of Directors and shall be effective and binding for all purposes of the Plan and on each outstanding stock option agreement.

(d) In the event that, by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board of Directors shall authorize the issuance or assumption of a stock option or stock options in a transaction to which Section 424(a) of the Code applies, then, notwithstanding any other provision of the Plan, the Plan Administrator may grant an option or options upon such terms and conditions as it may deem appropriate for the purpose of assumption of the old option, or substitution of a new option for the old option, in conformity with the provisions of Code Section 424(a) and the rules and regulations thereunder, as they may be amended from time to time.

(e) No adjustment or substitution provided for in this Section 11 shall require the Company to issue or to sell a fractional share under any stock option agreement or share award agreement and the total adjustment or substitution with respect to each stock option and share award agreement shall be limited accordingly.

(f) In the case of any adjustment or substitution provided for in this Section 11, the option price per share in each stock option agreement shall be equitably adjusted by the Board of Directors to reflect the greater or lesser number of shares of stock or other securities into which the stock covered by the option may have been changed or which may have been substituted therefor.

(g) In the event of a Business Combination (as defined below) under the terms of which holders of Capital Stock of the Company will receive upon consummation thereof a cash payment for each share of Capital Stock of the Company surrendered pursuant to such Business Combination (the "Cash Purchase Price"), the Board of Directors may provide that all outstanding options shall terminate upon consummation of the Business Combination and each optionee shall receive, in

exchange therefor, a cash payment equal to the amount (if any) by which (i) the Cash Purchase Price multiplied by the number of shares of Capital Stock of the Company subject to outstanding options held by such optionee exceeds (ii) the aggregate exercise price of such options.

SECTION 12. FAIR MARKET VALUE. In any determination of fair market value hereunder, fair market value shall be deemed to be the mean between the highest and lowest sales prices for the Capital Stock of the Company as reported in the New York Stock Exchange --Composite Transactions reporting system for the date immediately prior to the date in question, or if no sales were made on that date, on the next preceding date on which sales were made.

SECTION 13. CHANGE IN CONTROL.

(a) In the event of a Change in Control of the Company, as hereinafter defined, the following provisions shall apply to options and share awards previously awarded under the Plan, notwithstanding any provision herein or in any agreement to the contrary:

(i) All options which provide for exercise in one or more installments shall become exercisable in full immediately prior to the change in control;

(ii) If any optionee shall cease to be employed by the Company or any of its subsidiaries within one (1) year following a Change in Control, then the option may in all events be exercised for a period of three months after such termination of employment and within the option period; and

(iii) All awards of shares under the Plan which have not previously vested shall become vested immediately prior to the change in control.

(b) The term "Change in Control" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Exchange Act as in effect on the date thereof or, if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Exchange Act which serve similar purposes; provided that, without limitation, such a Change in Control shall be deemed to have occurred if: (i) the Company shall be merged or consolidated with another corporation or entity, other than a corporation or entity which is an "affiliate" of the Company (as such term is defined in Rule 144(a) promulgated under the Securities Act of 1933) (a "Business Combination"), or (ii) the Company shall sell all or substantially all of its operating properties and assets to another person, group of associated persons or corporation, excluding affiliates of the Company, if any, or (iii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes a

beneficial owner, directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities coupled with or followed by the election as directors of the Company of persons who were not directors at the time of such acquisition if such person shall elect a majority of the Board of Directors of the Company.

SECTION 14. AMENDMENT AND DISCONTINUANCE. The Board of Directors may alter, amend, suspend or discontinue the Plan, provided that no such action shall deprive any person without such person's consent of any rights theretofore granted pursuant hereto.

SECTION 15. COMPLIANCE WITH GOVERNMENTAL REGULATIONS. Notwithstanding any provision of the Plan or the terms of any agreement entered into pursuant to the Plan, the Company shall not be required to issue any shares hereunder prior to registration of the shares subject to the Plan under the Securities Act of 1933 or the Exchange Act, if such registration shall be necessary, or before compliance by the Company or any participant with any other provisions of either of those acts or of regulations or rulings of the Securities and Exchange Commission thereunder, or before compliance with other federal and state laws and regulations and rulings thereunder, including the rules of the New York Stock Exchange, Inc. The Company shall use its best efforts to effect such registrations and to comply with such laws, regulations and rulings forthwith upon advice by its counsel that any such registration or compliance is necessary.

SECTION 16. COMPLIANCE WITH SECTION 16. With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 (or its successor rule). To the extent that any grant of an option or share award fails to so comply, it shall be deemed null and void to the extent permitted by law and to the extent deemed advisable by the Plan Administrator.

SECTION 17. PARTICIPATION BY FOREIGN NATIONALS. The Plan Administrator may, in order to fulfill the purposes of the Plan and without amending the Plan, modify grants to foreign nationals or United States citizens employed abroad in order to recognize differences in local law, tax policy or custom.

Approved by the Board of Directors on April 26, 1999