As filed with the Securities and Exchange Commission on April 23, 1996

Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PARKER-HANNIFIN CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-0451060
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

17325 Euclid Avenue
Cleveland, Ohio 44112-1290
(216) 531-3000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Joseph D. Whiteman, Esq.
Vice President, General Counsel and Secretary
Parker-Hannifin Corporation
17325 Euclid Avenue
Cleveland, Ohio 44112-1290
(216) 531-3000
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Thomas C. Daniels, Esq.	Earl D. Weiner, Esq.
Jones, Day, Reavis & Pogue	Sullivan & Cromwell
901 Lakeside Avenue	125 Broad Street
Cleveland, Ohio 44114	New York, NY 10004
(216) 586-3939	(212) 558-4000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of the Registration Statement as determined in light of market conditions.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.[_]

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

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

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

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

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price(1)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Debt Securities	$400,000,000	100%	$400,000,000	$137,931.04

(1) Such amount in U.S. dollars or the equivalent thereof in foreign currencies or foreign currency units as shall result in an aggregate initial public offering price for all securities of $400,000,000.

(2) Estimated solely for the purpose of calculating the registration fee.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

(Along the left margin of the prospectus document)
INFORMATON CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITITES AND EXCHANGE COMMISSION. THESE SECURITITES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

Subject to Completion, Dated April 23, 1996

PROSPECTUS

$400,000,000

PARKER-HANNIFIN CORPORATION

Senior Debt Securities

Parker-Hannifin Corporation (the "Company") intends to issue from time to time in one or more series its senior unsecured debt securities (the "Senior Debt Securities"), consisting of debentures, notes, bonds and/or other unsecured evidences of indebtedness, at an aggregate initial offering price not to exceed U.S. $400,000,000, or the equivalent thereof if Senior Debt Securities are denominated in one or more foreign currencies or foreign currency units, at prices and on terms to be determined at or prior to the time of sale.

Specific terms of the Senior Debt Securities in respect of which this Prospectus is being delivered (the "Offered Securities") will be set forth in an accompanying supplement to this Prospectus (each, a "Prospectus Supplement"), together with the terms of the offering of the Offered Securities, the initial offering price and the net proceeds to the Company from the sale thereof. The accompanying Prospectus Supplement will set forth, among other items, the following with respect to the Offered Securities: the specific designation, aggregate principal amount, authorized denominations, maturity, rate or method of calculation of interest, if any, and dates for payment thereof, any redemption, prepayment or sinking fund provisions, any exchange rights, and the currency, currencies or currency units in which principal, premium, if any, or interest, if any, is payable.

The Offered Securities may be sold through underwriters, dealers or agents or may be sold directly to purchasers. If any underwriters, dealers or agents are involved in the sale of any Offered Securities, their names and any applicable fee, commission or discount arrangements will be set forth in the accompanying Prospectus Supplement. The net proceeds to the Company of the sale of Offered Securities will be the purchase price of such Offered Securities less attributable issuance expenses, including underwriters', dealers' or agents' compensation. See "Plan of Distribution" for indemnification arrangements for underwriters, dealers and agents.

This Prospectus may not be used to consummate sales of Senior Debt Securities unless accompanied by a Prospectus Supplement.

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

The date of this Prospectus is _____ __, 1996.

No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this Prospectus

or the accompanying Prospectus Supplement and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any agent, dealer or underwriter. Neither the delivery of this Prospectus or the accompanying Prospectus Supplement nor any sale made hereunder or thereunder shall, under any circumstances, create any implication that the information contained herein or in the accompanying Prospectus Supplement is correct as of any date subsequent to the date hereof or thereof or that there has been no change in the affairs of the Company since the date hereof or thereof. Neither this Prospectus nor the accompanying Prospectus Supplement constitutes an offer to sell or solicitation of an offer to buy Senior Debt Securities in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at the following regional offices of the Commission: New York Regional Office, Seven World Trade Center, Suite 1300, New York, New York 10048, and Chicago Regional Office, Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained by mail at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Company's Common Stock is listed on the New York Stock Exchange, and such reports, proxy and information statements and other information concerning the Company may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a Registration Statement on Form S-3 (the "Registration Statement") filed by the Company with the Commission under the Securities Act of 1933 (the "Securities Act"). This Prospectus and the accompanying Prospectus Supplement omit certain of the information contained in the Registration Statement in accordance with the rules and regulations of the Commission. Reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Company and the Senior Debt Securities. Statements contained herein concerning the provisions of any document are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the Commission are incorporated by reference in this Prospectus:

(i) The Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995; and

(ii) The Company's Quarterly Reports on Form 10-Q for the quarters ended September 30, 1995 and December 31, 1995.

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

incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein or in the accompanying Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

The Company will provide, without charge, to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all of the documents which have been incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests should be directed to Parker-Hannifin Corporation, 17325 Euclid Avenue, Cleveland, Ohio 44112-1290, Attention: Joseph D. Whiteman, Esq., Vice President, General Counsel and Secretary, telephone (216) 531-3000.

THE COMPANY

Parker-Hannifin Corporation (the "Company") is a leading worldwide full-line manufacturer of motion control products, including fluid power systems, electromechanical controls and related components. Fluid power involves the transfer and control of power through the medium of liquid, gas or air, in both hydraulic and pneumatic applications. Fluid power systems move and position materials, control machines, vehicles and equipment and improve industrial efficiency and productivity. Components of a simple fluid power system include a pump which generates pressure, valves which control the fluid's flow, an actuator which translates the pressure in the fluid into mechanical energy, a filter to remove contaminants and numerous hoses, couplings, fittings and seals. Electromechanical control involves the use of electronic components and systems to control motion and precisely locate or vary speed in automation applications.

The Company's manufacturing, service, distribution and administrative facilities are located in 33 states, Puerto Rico and worldwide in 30 foreign countries. Its motion control technology is used in products of its two business segments: Industrial and Aerospace. The products are sold as original and replacement equipment through product and distribution centers worldwide. The Company markets its products through its direct-sales employees and more than 6,000 independent distributors. The Company's products are supplied to over a quarter million customer outlets in virtually every major manufacturing, transportation and processing industry.

The Company was incorporated in Ohio in 1938. Its principal executive offices are located at 17325 Euclid Avenue, Cleveland, Ohio 44112-1290, telephone (216) 531-3000.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the Company for each of the last five fiscal years ended June 30, 1995 and for the six months ended December 31, 1995 and December 31, 1994. For the purpose of calculating the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes and fixed charges (excluding capitalized interest). "Fixed charges" consist of (i) interest on indebtedness, whether expensed or capitalized, and (ii) that portion of rental expense the Company believes to be representative of interest.

	Six Months Ended		Fiscal Year Ended June 30,				
	December 31, 1995	December 31, 1994	1995	1994	1993	1992	1991
Ratio of earnings to fixed charges	10.09	8.64	10.16	3.68	3.05	2.81	2.54

USE OF PROCEEDS

The Company intends to use the net proceeds from the sale of the Senior Debt Securities for general corporate purposes, which may include refinancing or repayment of indebtedness, financing acquisitions as they may arise, repurchasing the Company's equity securities, financing of capital expenditures and working capital. Further details relating to the uses of the net proceeds of any such offering will be set forth in the applicable Prospectus Supplement.

DESCRIPTION OF SENIOR DEBT SECURITIES

The following description of the Senior Debt Securities sets forth certain general terms and provisions of the Senior Debt Securities to which any Prospectus Supplement may relate. The particular terms of the Senior Debt Securities offered by any Prospectus Supplement (the "Offered Securities") and the extent, if any, to which such general provisions may apply to the Senior Debt Securities so offered will be described in the Prospectus Supplement or Prospectus Supplements relating to such Offered Securities.

The Offered Securities are to be issued under an Indenture (the "Indenture") between the Company and National City Bank, as Trustee (the "Trustee"). A form of the Indenture is filed as an exhibit to the Registration Statement. The following summaries of certain provisions of the Senior Debt Securities and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms, and, with respect to any particular Offered Securities, to the description of the terms thereof included in the Prospectus Supplement relating thereto. Section numbers below refer to provisions of the Indenture.

General

The Senior Debt Securities will be unsecured obligations of the Company and will rank on a parity with all other unsecured unsubordinated indebtedness of the Company. The Indenture does not limit the amount of Senior Debt Securities that may be issued thereunder and provides that Senior Debt Securities may be issued from time to time in one or more series. (Section 301)

The Prospectus Supplement or Prospectus Supplements relating to the particular series of Senior Debt Securities offered thereby will describe the following terms of the Offered Securities or the series of which they are a part: (i) the title of the Offered Securities; (ii) any limit on the aggregate principal amount

of the Offered Securities; (iii) the Person to whom any interest on the Offered Securities shall be payable, if other than the Person in whose name that Offered Security is registered on the Regular Record Date for such interest; (iv) the date or dates on which the principal of any Offered Security is payable; (v) the rate or rates at which the Offered Securities will bear interest, if any, and the date or dates from which such interest will accrue and the dates on which such interest will be payable and the Regular Record Dates for such Interest Payment Dates; (vi) the place or places where the principal of and any premium and interest on any Offered Securities is payable; (vii) the period or periods within which, the price or prices at which and the terms and conditions upon which the Offered Securities may be redeemed in whole or in part at the option of the Company; (viii) any mandatory or optional sinking fund or analogous provisions; (ix) if other than denominations of $1,000 and any integral multiple thereof, the denominations in which any securities will be issuable; (x) if the amount of payments of principal of and any premium or the interest on the Offered Securities may be determined with reference to an index or pursuant to a formula, the manner in which such amounts shall be determined; (xi) if other than the currency of the United States of America, the currency, currencies or currency units in which the principal of or any premium or interest on any Offered Securities is payable and the manner of determining the equivalent thereof in the currency of the United States of America under the Indenture; (xii) if the principal of or any premium or interest on any Offered Securities is to be payable, at the election of the Company or the Holder thereof, in one or more currencies or currency units other than that or those in which such Offered Securities are stated to be payable, the currency, currencies or currency units in which the principal of or any premium or interest on such Securities as to which such election is made shall be payable, the periods within which and the terms and conditions upon which such election is to be made and the amount so payable (or the manner in which such amount shall be determined); (xiii) if other than the entire principal amount thereof, the portion of the principal amount of any Offered Securities which will be payable upon declaration of acceleration of the Maturity thereof; (xiv) if the principal amount payable at the Stated Maturity of any Offered Securities will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which shall be deemed to be the principal amount of such Offered Securities as of any such date for any purpose under the Indenture; (xv) if applicable, that the Offered Securities, in whole or any specified part, shall be defeasible pursuant to the Indenture; (xvi) if applicable, that any Offered Securities will be issuable in whole or in part in the form of one or more Global Securities and, if so, the respective Depositaries for such Global Securities, the form of any legend or legends to be borne by any such Global Security in addition to or in lieu of the legend referred to under "Book-Entry System" and, if different from those described under such caption, any circumstances under which any such Global Security may be exchanged in whole or in part for Senior Debt Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the names of persons other than the Depositary for such Global Security or its nominee; (xvii) any addition to or change in the Events of Default applicable to any Offered Securities and any change in the right of the Trustee or the requisite Holders of such Offered Securities to declare the principal amount thereof due and payable pursuant to the Indenture; (xviii) any addition to or change in the covenants set forth in Article Ten of the Indenture (including, without limitation, those described in "Certain Covenants of Senior Debt Securities") which apply to such Offered Securities; and (xix) any other terms of the Offered Securities not inconsistent with the provisions of the Indenture. (Section 301)

Denominations, Registration of Transfer and Exchange

Unless otherwise indicated in the Prospectus Supplement or Prospectus Supplements relating thereto, the Senior Debt Securities will be issued only in registered form, without coupons and only in denominations of $1,000 or any integral multiple thereof. (Section 302)

Senior Debt Securities may be issued under the Indenture as Original Issue Discount Securities to be offered and sold at a substantial discount below their stated principal amount. Certain United States federal income tax consequences (if any) and other special considerations applicable to any such Original Issue Discount Securities will be described in the Prospectus Supplement or Prospectus Supplements relating thereto. "Original Issue Discount Security" means any Senior Debt Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof upon the occurrence of an Event of Default and the continuation thereof. (Section 101) In

addition, certain United States federal income tax or other considerations (if any) applicable to any Senior Debt Securities which are denominated in a currency or currency unit other than United States dollars may be described in the applicable Prospectus Supplement.

Subject to the terms of the Indenture and the limitations applicable to Global Securities, upon surrender for registration of transfer of any Senior Debt Security of a series at the office or agency of the Company in the Place of Payment for that series, the Company will execute, and the Trustee will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Senior Debt Securities of the same series, of any authorized denominations and of like tenor and aggregate principal amount. At the option of the Holder, subject to the terms of the Indenture and the limitations applicable to Global Securities, Senior Debt Securities of any series may be exchanged for other Senior Debt Securities of the same series, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Senior Debt Securities to be exchanged at such office or agency. No service charge will be made for any registration of transfer or exchange of the Offered Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. (Section 305)

Certain Definitions

Set forth below is a summary of certain defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

"Subsidiary" is defined as a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company and/or one or more Subsidiaries of the Company.

"Restricted Subsidiary" is defined as a Subsidiary of the Company substantially all the property of which is located, or substantially all of the business of which is carried on, within the United States and which owns a Principal Property.

"Principal Property" is defined to mean any manufacturing or processing plant or warehouse owned by the Company or any Restricted Subsidiary which is located within the United States and the gross book value of which (including related land, improvements, machinery and equipment without deduction of any depreciation reserves) on the date as of which the determination is being made, exceeds 1% of Consolidated Net Tangible Assets, other than properties or any portion of a particular property which in the opinion of the Company's Board of Directors are not of material importance to the Company's business or to the use or operation of such property.

"Attributable Debt" is defined to mean the total net amount of rent required to be paid during the remaining primary term of certain leases, discounted at a rate per annum equal to the weighted average yield to maturity of the Senior Debt Securities calculated in accordance with generally accepted financial practices.

"Consolidated Net Tangible Assets" is defined to mean the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting (i) all liabilities other than deferred income taxes, Funded Debt and shareholders' equity, and (ii) all goodwill and other intangibles of the Company and its consolidated Subsidiaries.

"Funded Debt" is defined to mean (i) all indebtedness for money borrowed having a maturity of more than 12 months from the date as of which the determination is made or having a maturity of 12 months or less but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower and (ii) rental obligations payable more than 12 months from such date under leases which are capitalized in accordance with generally accepted accounting principles (such rental obligations to be included as Funded Debt at the amount so capitalized at the date of such computation and to be included

for the purposes of the definition of Consolidated Net Tangible Assets both as an asset and as Funded Debt at the respective amounts so capitalized).

Certain Covenants of Senior Debt Securities

The Indenture contains, among other things, the following covenants:

Restrictions of Secured Debt. The Company will not itself, and will not permit any Restricted Subsidiary to, incur, issue, assume or guarantee any evidence of indebtedness for money borrowed ("Debt") secured by a mortgage, pledge or lien ("Mortgage") on any Principal Property of the Company or any Restricted Subsidiary, or on any shares of stock of or Debt of any Restricted Subsidiary, without effectively providing that the Senior Debt Securities are secured equally and ratably with (or, at the Company's option, prior to) such secured Debt, unless the aggregate amount of all such secured Debt, together with all Attributable Debt of the Company and its Restricted Subsidiaries with respect to sale and leaseback transactions involving Principal Properties (with the exception of such transactions which are excluded as described in "Restrictions on Sales and Leasebacks" below), would not exceed 10% of Consolidated Net Tangible Assets.

The above restriction does not apply to, and there will be excluded from Debt in any computation under such restriction, (i) Debt secured by Mortgages on property of, or on any shares of stock of or Debt of, any corporation existing at the time such corporation becomes a Restricted Subsidiary, (ii) Debt secured by Mortgages in favor of the Company or a Restricted Subsidiary, (iii) Debt secured by Mortgages in favor of governmental bodies to secure progress or advance payments or payments pursuant to contracts or statute, (iv) Debt secured by Mortgages on property, shares of stock or Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) and Debt secured by Mortgages to finance the acquisition of property, shares of stock or Debt or to finance construction on property which is incurred within 180 days of such acquisition or completion of construction, (v) Debt secured by Mortgages securing industrial revenue or pollution control bonds, or (vi) any extension, renewal or replacement of any Debt referred to in the foregoing clauses (i) through (v) inclusive, provided, however, that such extension, renewal or replacement Mortgage shall be limited to all or part of the same property, shares of stock or Debt that secured the Mortgage extended, renewed or replaced (plus improvements on such property). (Section 1007)

Restrictions on Sales and Leasebacks. Neither the Company nor any Restricted Subsidiary may enter into any sale and leaseback transaction involving any Principal Property, unless the aggregate amount of all Attributable Debt of the Company and its Restricted Subsidiaries with respect to such transaction plus all secured Debt to which the restrictions described under "Restrictions on Secured Debt" above apply would not exceed 10% of Consolidated Net Tangible Assets.

This restriction does not apply to, and there shall be excluded from Attributable Debt in any computation under such restriction, any sale and leaseback transaction if (i) the lease is for a period of not in excess of three years, including renewal rights, (ii) the sale or transfer of the Principal Property is made within 180 days after the later of its acquisition or completion of construction, (iii) the lease secures or relates to industrial revenue or pollution control bonds, (iv) the transaction is between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, or (v) the Company or such Restricted Subsidiary, within 180 days after the sale is completed, applies (A) to the retirement of the Senior Debt Securities, other Funded Debt of the Company ranking on a parity with or senior to the Senior Debt Securities, or Funded Debt of a Restricted Subsidiary, or (B) to the purchase of other property which will constitute a Principal Property having a value at least equal to the value of the Principal Property leased, an amount equal to the greater of (i) the net proceeds of the sale of the Principal Property leased, or (ii) the fair market value of the Principal Property leased. In lieu of applying proceeds to the retirement of Funded Debt, the Company may surrender debentures or notes (including the Senior Debt Securities) to the Trustee for retirement and cancellation, or the Company or a Restricted Subsidiary may receive credit for the principal amount of Funded Debt voluntarily retired within 180 days after such sale. (Section 1008)

Events of Default

The Indenture defines an Event of Default with respect to Senior Debt Securities of any series as being any one of the following events and such other events as may be established for the Senior Debt Securities of a particular series: (i) default for 30 days in any payment of interest on any Senior Debt Security of such series; (ii) default in any payment of principal of or any premium on any Senior Debt Security of such series when due; (iii) default in the payment of any sinking fund installment with respect to such series when due; (iv) default for 60 days after appropriate notice in performance of any other covenant or warranty included in the Indenture (other than those covenants or warranties included solely for the benefit of series of Senior Debt Securities other than that series); (v) default under any evidence of indebtedness of the Company or any Restricted Subsidiary exceeding $10,000,000 in aggregate principal amount (including a default with respect to Senior Debt Securities of series other than that series) or under any mortgage, indenture or instrument under which any such indebtedness is issued or secured (including the Indenture), which default results in acceleration of the maturity of such indebtedness, if such acceleration is not rescinded or annulled or if such indebtedness is not discharged within 10 days after written notice as provided in the Indenture; (vi) certain events in bankruptcy, insolvency or reorganization; or (vii) any other Event of Default provided with respect to Senior Debt Securities of that series. (Section 501) If an Event of Default with respect to Senior Debt Securities of any series at the time Outstanding occurs and is continuing, either the Trustee or the Holders of at least 25% in principal amount of the Outstanding Senior Debt Securities of that series may declare the principal of such series (or, if the Senior Debt Securities of that series are Original Issue Discount Securities, such portion of the principal as may be specified by the terms of that series) to be due and payable immediately. At any time after a declaration of acceleration with respect to Senior Debt Securities of any series has been made, but before a judgment or decree based on acceleration has been obtained, the Holders of a majority in principal amount of the Outstanding Senior Debt Securities of that series may, under certain circumstances, rescind and annul such acceleration. (Section 502)

Reference is made to the Prospectus Supplement or Prospectus Supplements relating to each series of Offered Securities which are Original Issue Discount Securities for the particular provisions relating to acceleration of the Maturity of a portion of the principal amount of such Original Issue Discount Securities upon the occurrence of an Event of Default and the continuation thereof.

The Indenture requires the Company to file annually with the Trustee an Officers' Certificate as to the absence of certain defaults under the terms of the Indenture. (Section 1009) The Indenture provides that if a default occurs with respect to Senior Debt Securities of any series, the Trustee will give the Holders of such series notice of such default when, as and to the extent provided by the Trust Indenture Act, provided, however, that in the case of any default under any covenant referenced in clause (iv) above with respect to such series, no such notice to Holders will be given until at least thirty days after the occurrence thereof. (Section 602)

The Indenture provides that the Trustee will be under no obligation, subject to the duty of the Trustee during default to act with the required standard of care, to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable indemnity. (Section 603) Subject to such provisions for indemnification of the Trustee, the Holders of a majority in principal amount of the Outstanding Senior Debt Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Senior Debt Securities of that series. (Section 512)

Modification and Waiver

Without the consent of any Holders, the Company and the Trustee, at any time from time to time, may modify or amend the Indenture to (i) evidence the succession of another Person to the Company and such Person's assumption of any covenants of the Company under the Indenture and any Senior Debt Securities; (ii) add covenants of the Company for the benefit of Holders of all or any series of Senior Debt Securities or to surrender any right or power conferred upon the Company; (iii) add any additional Events of Default for the benefit of the Holders of all or any series of Senior Debt Securities; (iv) add to or change any provisions of the Indenture to the extent necessary to permit or facilitate the issuance of Senior Debt Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of Senior Debt Securities in uncertificated form; (v) add to, change or eliminate any of the provisions of the Indenture in respect of one or more series of Senior Debt Securities, subject to certain limitations; (vi) secure the Senior Debt Securities; (vii) establish the form or terms of Senior Debt Securities of any series; (viii) evidence and provide for the acceptance of appointment by a successor Trustee with respect to one or more series of Senior Debt Securities; or (ix) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision of the Indenture, provided that such action will not adversely affect the interests of Holders of Senior Debt Securities of any series in any material respect. (Section 901)

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of 66 2/3 % in principal amount of the Outstanding Senior Debt Securities of each series affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the Holder of each outstanding Senior Debt Security affected thereby, (i) change the stated maturity date of the principal of, or any installment of principal of or interest on, any Senior Debt Security, (ii) reduce the principal amount of, or any premium or interest on, any Senior Debt Security, (iii) reduce the amount of principal of an Original Issue Discount Security or any other Senior Debt Security payable upon acceleration of the Maturity thereof, (iv) change the place or currency of payment of principal of, or any premium or interest on, any Senior Debt Security, (v) impair the right to institute suit for the enforcement of any payment on or with respect to any Senior Debt Security or (vi) reduce the percentage in principal amount of Outstanding Senior Debt Securities of any series, the consent of whose Holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults. (Section 902)

The Holders of 66 2/3 % in principal amount of the Outstanding Senior Debt Securities of any series may on behalf of the Holders of all Senior Debt Securities of that series waive, insofar as that series is concerned, compliance by the Company with certain restrictive provisions of the Indenture. (Section 1010) The Holders of a majority in principal amount of the Outstanding Senior Debt Securities of any series may on behalf of the Holders of all Senior Debt Securities of that series waive any past default under the Indenture with respect to that series, except a default in the payment of the principal of, or any premium or interest on, any Senior Debt Security of that series or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Senior Debt Security of that series affected. (Section 513)

Consolidation, Merger and Sale of Assets

The Company may not consolidate with or merge into or convey, transfer or lease its property and assets substantially as an entirety to any person (a "successor Person") unless (i) that person is a corporation, partnership or trust organized and validly existing under the laws of the United States of America or any State or the District of Columbia, (ii) the successor Person assumes by supplemental indenture all of the Company's obligations on the Senior Debt Securities outstanding at that time, (iii) after giving effect thereto, no Event of Default, and no event which, after notice or lapse of time would become an Event of Default shall have occurred and be continuing and (iv) certain other conditions are met. The Indenture further provides that no consolidation or merger of the Company with or into any other corporation and no conveyance, transfer or lease of its property substantially as an entirety to another corporation may be made if, as a result thereof, any Principal Property of the Company or any Restricted Subsidiary or any shares of

Capital Stock or Debt of a Restricted Subsidiary would become subject to a Mortgage which is not expressly excluded from the restrictions or permitted by the provisions of Section 1008 (see "Restrictions on Secured Debt"), unless the Senior Debt Securities are secured equally and ratably with (or prior to) all indebtedness secured thereby. (Section 801)

Defeasance and Discharge, Covenant Defeasance

The Company may elect, at its option at any time, to effect a defeasance and discharge (a "Defeasance") or a covenant defeasance (a "Covenant Defeasance") in respect of the Senior Debt Securities or any series thereof designated as being defeasible pursuant to its terms.

Upon the Company's exercise of its option to effect a Defeasance, the Company will be deemed to have been discharged from its obligations with respect to such Senior Debt Securities on and after the date the conditions to Defeasance described below are satisfied. For purposes of the Indenture, Defeasance means the Company will be deemed to have paid and discharged the entire indebtedness represented by such Senior Debt Securities and to have satisfied all of its other obligations under or with respect to such Senior Debt Securities and under the Indenture, except for the following (i) the rights of Holders of such Senior Debt Securities to receive, solely from the trust fund described in the Indenture, payments in respect of principal of, and any premium and interest on, such Senior Debt Securities when due, (ii) certain of the Company's obligations under the Indenture with respect to temporary securities; registration, registration of transfer and exchange; mutilated, destroyed, lost or stolen securities; maintenance of an office or agency; and money held in trust for the benefit of Holders of Senior Debt Securities, (iii) the rights, powers, trusts, duties and immunities of the Trustee and (iv) the foregoing provisions. (Section 1302)

Upon the Company's exercise of its option to effect a Covenant Defeasance with respect to any Senior Debt Securities or any series thereof, (i) the Company will be released from its obligations with respect to liens resulting from consolidations or mergers and its covenants relating to existence, maintenance of properties, payment of taxes and other claims as well as any additional covenants specified in the terms of such series of Senior Debt Securities or any supplemental indenture related thereto, and (ii) the occurrence of certain events of default related to the foregoing covenants will be deemed not to be or result in an Event of Default, in each case after the date that the conditions to Covenant Defeasance described below are satisfied. (Section 1303)

The conditions that the Company must satisfy in order to effect a Defeasance or a Covenant Defeasance in respect of the Senior Debt Securities or any series thereof are as follows: (i) the Company will irrevocably deposit or cause to be deposited with the Trustee as trust funds for the purpose of making payments when due under the Indenture money or U.S. Government Obligations or a combination thereof in an amount sufficient to pay and discharge the principal of and any premium and interest on such Senior Debt Securities on the respective Stated Maturities in accordance with the terms of such Senior Debt Securities and the Indenture; (ii) delivery by the Company of an Opinion of Counsel regarding the tax effects of such action on the Holders of Senior Debt Securities; (iii) delivery of an Officer's Certificate to the effect that no listed Senior Debt Securities will be delisted; (iv) no Event of Default shall have occurred and be continuing at the time of the deposit or, regarding bankruptcy-related events, at any time on or prior to the 90th day after such deposit; (v) such deposit will not cause the Trustee to have a conflicting interest under the Trust Indenture Act; (vi) such Defeasance or Covenant Defeasance will not result in a breach of or default under any other agreement to which the Company is a party or by which it is bound; (vii) such Defeasance or Covenant Defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act unless the trust is registered or exempted thereunder; and (viii) delivery by the Company to the Trustee of any Officer's Certificate and Opinion of Counsel, each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with. (Section 1304)

Payment and Paying Agents

Unless otherwise indicated in the applicable Prospectus Supplement, payment of interest on a Senior Debt Security on any Interest Payment Date will be made to the person in whose name such Senior Debt Security (or one or more Predecessor Senior Debt Securities) is registered at the close of business on the Regular Record Date for such interest. (Section 307)

The Company will maintain in each Place of Payment for any series of Senior Debt Securities an office or agency where Senior Debt Securities of that series may be presented or surrendered for payment, where Senior Debt Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Senior Debt Securities of that series and the Indenture may be served. (Section 1002)

If the Company acts as its own Paying Agent with respect to any series of Senior Debt Securities, it will, on or before each due date of the principal of, or any premium or interest on, any securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and any premium and interest so becoming due until such sums are paid to such Persons or otherwise disposed of and will promptly notify the Trustee of its action or failure to so act. Whenever the Company will have one or more Paying Agents for any series of Senior Debt Securities, it will, prior to each due date of the principal of, or any premium or interest on, any Senior Debt Securities of that series, deposit with the Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure to so act.

The Company will cause each Paying Agent for any series of Senior Debt Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent agrees with the Trustee, subject to the Indenture, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Senior Debt Securities of that series) in the making of any payment in respect of the Senior Debt Securities of that series, upon the written request of the Trustee, pay to the Trustee all sums held in trust by such Paying Agent for payment in respect of the Senior Debt Securities of that series. (Section 1003)

Regarding the Trustee

National City Bank is the Trustee under the Indenture. National City Bank is currently committed to provide loans to the Company under (i) a $100,000,000 unsecured revolving credit facility, which expires October 31, 2000, and (ii) a $3,000,000 unsecured line of credit for the leasing of manufacturing equipment, which expires October 31, 1999. National City Bank also provides the Company with a $10,000,000 unsecured discretionary foreign exchange guideline, which expires October 31, 1996. Duane E. Collins, President, Chief Executive Officer and Director of the Company, is a director of National City Bank.

Book-Entry System

If so specified in the Prospectus Supplement or Prospectus Supplements, Senior Debt Securities of any series may be issued under a book-entry system in the form of one or more global securities (each a "Global Security"). Each Global Security will be deposited with, or on behalf of, a depositary, which, unless otherwise specified in the Prospectus Supplement or Prospectus Supplements, will be The Depository Trust Company, New York, New York (the "Depositary"). The Global Securities will be registered in the name of the Depositary or its nominee and will bear a legend regarding the restrictions on exchanges and registration of transfers thereof referred to below and any other matters as may be provided for pursuant to the Indenture.

The Depositary has advised the Company that the Depositary is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depositary was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depositary's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own the Depositary. Access to the Depositary's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Upon the issuance of a Global Security in registered form, the Depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of the Senior Debt Securities represented by such Global Security to the accounts of participants. The accounts to be credited will be designated by the underwriters, dealers or agents, if any, or by the Company, if such Senior Debt Securities are offered and sold directly by the Company. Ownership of beneficial interests in the Global Security will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests by participants in the Global Security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by such participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interest in a Global Security.

So long as the Depositary or its nominee is the registered owner of a Global Security, it will be considered the sole owner or holder of the Senior Debt Securities represented by such Global Security for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in such Global Security will not be entitled to have the Senior Debt Securities represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificates representing the Senior Debt Securities and will not be considered the owners or holders thereof under the Indenture. Accordingly, each person owning a beneficial interest in such Global Security must rely on the procedures of the Depositary and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Indenture. The Company understands that under existing practice, in the event that the Company requests any action of the holders or a beneficial owner desires to take any action a holder is entitled to take, the Depositary would act upon the instructions of, or authorize, the participant to take such action.

Payment of principal of and any premium and interest on Senior Debt Securities represented by a Global Security will be made to the Depositary or its nominee, as the case may be, as the registered owner and holder of the Global Security representing such Senior Debt Securities. None of the Company, the Trustee, any paying agent or registrar for such Senior Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company has been advised by the Depositary that the Depositary will credit participants' accounts with payments of principal and any premium or interest on the payment date thereof in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security as shown on the records of the Depositary. The Company expects that payments by participants to owners of beneficial interests in the Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name," and will be the responsibility of such participants.

A Global Security may not be exchanged or transferred except as a whole by the Depositary to a nominee or successor of the Depositary or by a nominee of the Depositary to another nominee of the Depositary. A Global Security representing all but not part of the Senior Debt Securities being offered hereby is exchangeable or transferable for Senior Debt Securities in definitive form of like tenor and terms if (i) the Depositary notifies the Company that it is unwilling or unable to continue as depositary for such Global Security or if at any time the Depositary is no longer eligible to be or in good standing as a clearing agency registered under the Exchange Act, and in either case, a successor depositary is not appointed by the Company within 90 days of receipt by the Company of such notice or of the Company becoming aware of such ineligibility, or (ii) the Company in its sole discretion at any time determines not to have all of the Senior Debt Securities represented by a Global Security and notifies the Trustee thereof. A Global Security exchangeable pursuant to the preceding sentence shall be exchangeable for Senior Debt Securities registered in such names and in such authorized denominations as the Depositary for such Global Security shall direct. (Section 305)

PLAN OF DISTRIBUTION

The Company may sell the Offered Securities in four ways: (i) directly to purchasers, (ii) through agents, (iii) to or through underwriters and (iv) to dealers.

The distribution of Senior Debt Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

In connection with the sale of Senior Debt Securities, underwriters or agents may receive compensation from the Company or from purchasers of Senior Debt Securities for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters may sell Senior Debt Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commission from the purchasers from whom they may act as agents. Any underwriters or agents participating in the distribution of Senior Debt Securities may be deemed to be underwriters, and any discounts or commissions received by them from the Company and any profit on the resale of Senior Debt Securities may be deemed to be underwriting discounts and commission under the Securities Act.

Offers to purchase Offered Securities may be solicited directly by the Company and sales thereof may be made by the Company directly to institutional investors or others. The terms of any such sales will be set forth in the accompanying Prospectus Supplement.

Offers to purchase Offered Securities may be solicited by agents designated by the Company from time to time. Any such agent, who may be deemed to be an underwriter as that term is defined in the Securities Act, involved in the offer or sale of the Offered Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Company to such agent set forth, in the accompanying Prospectus Supplement. Unless otherwise indicated in the accompanying Prospectus Supplement, any such agent will be acting on a reasonable efforts basis for the period of its appointment. Agents may be entitled under agreements which may be entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

If any underwriters are utilized in the sale of the Offered Securities in respect of which this Prospectus is delivered, the Company will enter into an underwriting agreement with such underwriters at the time of sale to them and the names of the specific managing underwriter or underwriters, as well as any other underwriters and the terms of the transaction will be set forth in the accompanying Prospectus Supplement, which will be used by the underwriters to make resales of the Offered Securities in respect of

which this Prospectus is delivered to the public. The underwriters may be entitled, under the relevant underwriting agreement, to indemnification by the Company against certain liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

If a dealer is utilized in the sale of the Offered Securities in respect of which this Prospectus is delivered, the Company will sell such Offered Securities to the dealer, as principal. The dealer may then resell such Offered Securities to the public at varying prices to be determined by such dealer at the time of resale. Dealers may be entitled to indemnification by the Company against certain liabilities, including liabilities under the Securities Act, and may be customers of, engaged in transactions with, or perform services of, the Company in the ordinary course of business.

Offered Securities may also be offered or sold, if so indicated in the accompanying Prospectus Supplement, in connection with a remarketing upon their purchase, in accordance with their terms, by one or more firms ("remarketing firms"), acting as principals for their own accounts or as agents for the Company. Any remarketing firm will be identified and the terms of its agreement, if any, with the Company and its compensation will be described in the accompanying Prospectus Supplement. Remarketing firms may be entitled under agreements which may be entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with or perform services for the Company in the ordinary course of business.

If so indicated in the accompanying Prospectus Supplement, the Company will authorize agents and underwriters or dealers to solicit offers by certain purchasers to purchase Offered Securities from the Company at the public offering price set forth in the accompanying Prospectus Supplement pursuant to delayed delivery contracts providing for payments and delivery on a specified date in the future. Such contracts will be subject to only those conditions set forth in the accompanying Prospectus Supplement, and the accompanying Prospectus Supplement will set forth the commission payable for solicitation of such offers. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of such Senior Debt Securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts.

Any underwriters, agents or dealers utilized in the sale of Offered Securities will not confirm sales to accounts over which they exercise discretionary authority.

LEGAL MATTERS

The validity of the Senior Debt Securities offered hereby will be passed upon for the Company by Jones, Day, Reavis & Pogue, Cleveland, Ohio, and for any underwriters or agents by Sullivan & Cromwell, New York, New York. Sullivan & Cromwell has on occasion been retained to perform legal services for the Company.

EXPERTS

The consolidated financial statements of the Company contained in its Annual Report on Form 10-K for the fiscal year ended June 30, 1995, filed with the Commission and incorporated in this Prospectus have been examined by Coopers & Lybrand L.L.P., independent accountants, to the extent and for the periods set forth in their report dated August 3, 1995, incorporated in this Prospectus by reference, and are incorporated by reference in reliance upon the report and the authority of said firm as experts in accounting and auditing.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following is a list of the expenses to be incurred by the Company in connection with the issuance and distribution of the Senior Debt Securities being registered hereby, other than underwriting discounts and commissions. All of the amounts shown are estimates except for the Commission registration fee.

Commission registration fee	$137,931.04
Printing and engraving costs	$ 15,000.00
Accounting fees and expenses	$ 16,500.00
Trustee fees and expenses	$ 17,500.00
Legal fees and expenses (not including Blue Sky)	$ 40,000.00
Blue Sky fees and expenses	$ 15,000.00
Rating Agencies' fees	$175,000.00
Miscellaneous expenses	$ 8,068.96
Total	$425,000.00

Item 15. Indemnification of Directors and Officers.

Article VII of the Registrant's Code of Regulations provides as follows:

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

The Corporation shall indemnify, to the full extent permitted or authorized by the Ohio General Corporation Law as it may from time to time be amended, any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer or employee of another corporation, partnership, joint venture, trust or other enterprise. The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under the articles of incorporation or the regulations, or any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, trustee, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 1701.13(E) of the Ohio Revised Code provides as follows:

(E)(1) A corporation may indemnify or agree to indemnify any person who was or is a party or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee,

officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of it self, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

(2) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any of the following:

(a) Any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless, and only to the extent that, the court of common pleas or the court in which such action or suit was brought determines, upon application, that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper;

(b) Any action or suit in which the only liability asserted against a director is pursuant to section 1701.95 of the Revised Code.

(3) To the extent that a director, trustee, officer, employee, member, manager, or agent has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in division (E)(1) or (2) of this section, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the action, suit, or proceeding.

(4) Any indemnification under division (E)(1) or (2) of this section, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, trustee, officer, employee, member, manager, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in division (E)(1) or (2) of this section. Such determination shall be made as follows:

(a) By a majority vote of a quorum consisting of directors of the indemnifying corporation who were not and are not parties to or threatened with any such action, suit, or proceeding referred to in division (E)(1) or (2) of this section;

(b) If the quorum described in division (E)(4) (a) of this section is not obtainable or if a majority vote of a quorum of disinterested directors so directs, in a written opinion

by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation or any person to be indemnified within the past five years;

(c) By the shareholders;

(d) By the court of common pleas or the court in which the action, suit, or proceeding referred to in division (E)(1) or (2) of this section was brought.

Any determination made by the disinterested directors under division (E)(4) (a) or by independent legal counsel under division (E)(4)(b) of this section shall be promptly communicated to the person who threatened or brought the action or suit by or in the right of the corporation under division (E)(2) of this section, and within ten days after receipt of such notification, such person shall have the right to petition the court of common pleas or the court in which such action or suit was brought to review the reasonableness of such determination.

(5)(a) Unless at the time of a director's act or omission that is the subject of an action, suit, or proceeding refereed to in division (E)(1) or (2) of this section, the articles or the regulations of a corporation state, by specific reference to this division, that the provisions of this division do not apply to the corporation and unless the only liability asserted against a director in an action, suit, or proceeding referred to in divisions (E)(1) and (2) of this section is pursuant to section 1701.95 of the Revised Code, expenses, including attorney's fees, incurred by a director in defending the action, suit, or proceeding shall be paid by the corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the director in which be agrees to do both of the following:

(i) Repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation;

(ii) Reasonably cooperate with the corporation concerning the action, suit, or proceeding.

(b) Expenses, including attorney's fees, incurred by a director, trustee, officer, employee, member, manager, or agent in defending any action, suit, or proceeding referred to in division (E)(1) or (2) of this section, may be paid by the corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding, as authorized by the directors in the specific case, upon receipt of an undertaking by or on behalf of the director, trustee, officer, employee, member, manager, or agent to repay such amount, if it ultimately is determined that he is not entitled to be indemnified by the corporation.

(6) The indemnification authorized by this section shall not be exclusive of, and shall be in addition to any other rights granted to those seeking indemnification under the articles or the regulations, any agreement, a vote of shareholders or disinterested directors, or otherwise, both as to action in their official capacities and as to action in another capacity while holding their offices or positions, and shall continue as to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

(7) A corporation may purchase and maintain insurance or furnish similar protection, including, but not limited to, trust funds, letters of credit, or self-insurance, on behalf of or for any person who is or was a director, officer, employee, member, manager, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or

agent of another corporation, domestic or foreign, nonprofit or for profit, limited liability company, or a partnership, joint venture, trust, or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

(8) The authority of a corporation to indemnify persons pursuant to division (E)(1) or (2) of this section does not limit the payment of expenses as they are incurred, indemnification, insurance, or other protection that may be provided pursuant to divisions (E)(5), (6), and (7) of this section. Divisions (E) (1) and (2) of this section do not create any obligation to repay or return payments made by the corporation pursuant to division (E)(5), (6), or (7).

(9) As used in division (E) of this section, "corporation" includes all constituent entities in a consolidation or merger and the new or surviving corporation, so that any person who is or was a director, officer, employee, trustee, member, manager, or agent of such a constituent entities, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee, trustee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, limited liability company, or partnership, joint venture, trust, or other enterprise, shall stand in the same position under this section with respect to the new or surviving corporation as would if he had served the new or surviving corporation in the same capacity.

The Company carries directors' and officers' liability insurance that covers certain liabilities and expenses of the Company's directors and officers.

Reference is also made to the indemnification provisions in the form of Underwriting Agreement filed as exhibit 1.1 to this Registration Statement and to the undertaking "(c)" in Item 17 of this Registration Statement.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits. The following exhibits are filed herewith and made a part hereof:

Exhibit Number	Description of Exhibit
1.1	Form of Underwriting Agreement.
2.1	Stock Acquisition Agreement, dated as of February 23, 1996, among Parker Pneumatic AB, the Company, AVC Intressenter AB, Volvo Aero Corporation and Atlas Copco AB.
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Exhibit Number	Description of Exhibit
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12.1	Computation of Ratio of Earnings to Fixed Charges.
23.1	Consent of Jones, Day, Reavis & Pogue (included in Exhibit 5.1).
23.2	Consent of Coopers & Lybrand L.L.P.
24.1	Powers of Attorney.
25.1	Statement of Eligibility of National City Bank under the Trust Indenture Act of 1939 on Form T-1 relating to the Indenture.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

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

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

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

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

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

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

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

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

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

(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cleveland, State of Ohio, on April 23, 1996.

PARKER-HANNIFIN CORPORATION

By: _____/s/_Joseph D. Whiteman_____
Joseph D. Whiteman
Vice President, General Counsel and Secretary

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

	Signature	Title	Date
*	P. S. PARKER P. S. Parker	Chairman of the Board and Director	April 23, 1996
*	D. E. COLLINS D. E. Collins	President, Chief Executive Officer and Director (Principal Executive Officer)	April 23, 1996
*	M. J. HIEMSTRA M. J. Hiemstra	Vice President - Finance and Administration (Principal Financial Officer)	April 23, 1996
*	H. C. GUERITEY, JR. H. C. Gueritey, Jr.	Controller (Principal Accounting Officer)	April 23, 1996
*	F. A. LEPAGE F. A. LePage	Director	April 23, 1996
*	ALLAN L. RAYFIELD Allan L. Rayfield	Director	April 23, 1996

*	J. G. BREEN J. G. Breen	Director	April 23, 1996
*	P. G. SCHLOEMER P. G. Schloemer	Director	April 23, 1996
*	P. C. ELY, JR. Paul C. Ely, Jr.	Director	April 23, 1996
*	W. R. SCHMITT W. R. Schmitt	Director	April 23, 1996
*	W. SEIPP Walter Seipp	Director	April 23, 1996
*	D. W. SULLIVAN D. W. Sullivan	Director	April 23, 1996
*	S. A. STREETER S. A. Streeter	Director	April 23, 1996

* The undersigned, by signing his name hereto, does hereby sign and execute this Registration Statement pursuant to the Powers of Attorney executed by the above-named officers and directors of the Registrant and which have been filed with the Securities and Exchange Commission on behalf of such officers and directors.

/s/Joseph D. Whiteman — April 23, 1996
Joseph D. Whiteman, Attorney-in-Fact

EXHIBIT INDEX

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$_____

Parker-Hannifin Corporation

____% Debentures Due _____ __, ____

UNDERWRITING AGREEMENT

_____ __, 1996

[Name[s] and address[es] of managers]

Gentlemen:

The undersigned PARKER-HANNIFIN CORPORATION, an Ohio corporation ("Company"), confirms its agreement with the several Underwriters ("Underwriters") as follows:

1. Description of Securities. The Company proposes to issue and sell to the several Underwriters $_____ principal amount of its ____% Debentures Due _____ __, ____ ("Securities"), to be issued under an indenture ("Indenture"), dated as of April __, 1996, between the Company and National City Bank, as trustee ("Trustee").

2. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, each Underwriter that:

(a) A registration statement (File No. 333-_____) with respect to the Securities, including a preliminary form of prospectus, has been carefully prepared by the Company in conformity with the requirements of the Securities Act of 1933 ("Act'), the Trust Indenture Act of 1939 ("Trust Indenture Act") and the rules and regulations ("Rules and Regulations") of the Securities and Exchange Commission ("Commission") thereunder and has been filed with the Commission and has become effective. No stop order suspending the effectiveness of the registration statement has been issued and no proceeding for that purpose has been instituted or threatened by the Commission. No amendment or supplement thereto or to any document incorporated by reference therein has heretofore been filed with the Commission. Copies of such registration statement, any such amendments and each related preliminary prospectus ("Preliminary Prospectus") have been delivered to you. A supplemental prospectus relating to the Securities has been or will be so prepared and will be filed pursuant to Rule 424 under the Act. Such registration statement as amended at the time it became effective is herein referred to as the "Registration Statement", and such supplemental prospectus (including all documents and information incorporated by reference therein), as the "Prospectus". Reference herein to any Preliminary Prospectus or to any amendment or supplement to the Prospectus includes all documents and information incorporated by reference therein and shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934 ("Exchange Act") and so incorporated by reference.

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission and each Preliminary Prospectus, at the time of filing thereof, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the foregoing shall not apply to statements in or omissions from any Preliminary Prospectus in reliance upon, and in conformity with, written information furnished to the Company by you specifically for use in the preparation thereof.

(c) Each part of the registration statement, when such part became or becomes effective, each Preliminary Prospectus, on the date of filing thereof with the Commission, and the Prospectus and any amendment or supplement thereto, on the date of filing thereof with the Commission and on the Closing Date, conformed or will conform in all material respects with the requirements of the Act, the Trust Indenture Act and the Rules and Regulations; each part of the registration statement, when such part became or becomes effective, did not or will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; each Preliminary Prospectus, on the date of filing thereof with the Commission, and the Prospectus and any amendment or supplement thereto, on the date of filing thereof with the Commission and on the Closing Date, did not or will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except

that the foregoing shall not apply to statements in or omissions from any such document in reliance upon, and in conformity with, written information furnished to the Company by you specifically for use in the preparation thereof.

(d) The documents from which information is incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and any documents so filed and incorporated by reference subsequent to the effective date of the Registration Statement will, when they are filed with the Commission, conform in all material respects to the requirements of the Act and the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder.

(e) The financial statements of the Company and its subsidiaries set forth in the Registration Statement and Prospectus fairly present the financial condition of the Company and its subsidiaries as of the dates indicated and the results of operations and changes in financial position for the periods therein specified in conformity with generally accepted accounting principles consistently applied throughout the periods involved (except as otherwise stated therein).

(f) The Company and each of its subsidiaries has been duly incorporated and is an existing corporation in good standing under the laws of its jurisdiction of incorporation, has full power and authority (corporate and other) to conduct its business as described in the Registration Statement and Prospectus and is duly qualified to do business in each jurisdiction in which it owns or leases real property or in which the conduct of its business requires such qualification except where the failure to be so qualified, considering all such cases in the aggregate, does not

involve a material risk to the business, properties, financial position or results of operations of the Company and its subsidiaries (taken as a whole); and all of the outstanding shares of capital stock of each such subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and (except as otherwise stated in the Prospectus) are owned beneficially by the Company subject to no security interest, other encumbrance or adverse claim.

(g) The Indenture and the Securities have been duly authorized, the Indenture has been duly qualified under the Trust Indenture Act, executed and delivered and constitutes, and the Securities, when duly executed, authenticated, issued and delivered as contemplated hereby and by the Indenture, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(h) Except as contemplated in the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries has incurred any liabilities or obligations, direct or contingent, or entered into any transactions, not in the ordinary course of business, that are material to the Company and its subsidiaries (taken as a whole), and there has not been any material change, on a consolidated basis, in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, or any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or other), business, prospects, net worth or results of operations of the Company and its subsidiaries (taken as a whole).

(i) Except as set forth in the Prospectus, there is not pending or, to the knowledge of the Company, threatened, any action, suit or proceeding to which the Company or any of its subsidiaries is a party before or by any court or governmental agency or body, which might result in any material adverse change in the condition (financial or other), business, prospects, net worth or results of operations of the Company and its subsidiaries, or might materially and adversely affect the properties or assets thereof.

(j) There are no contracts or documents of the Company or any of its subsidiaries that are required to be filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations that have not been so filed.

(k) The performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any agreement or instrument to which the Company is a party or by which it is bound or to which any of the property of the Company is subject, the Company's Amended Articles of Incorporation or Regulations, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its properties; no consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the consummation of the transactions contemplated by this Agreement in connection with the issuance or sale of the Securities by the Company, except such as may be required under the Act, the Trust Indenture Act or state securities laws; and the Company has full power and authority to authorize, issue and sell the Securities as contemplated by this Agreement.

(l) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

3. Purchase, Sale and Delivery of Securities. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at a purchase price of _____% of the principal amount of the Securities, the amount of Securities set forth opposite the name of such Underwriter in Schedule A hereto.

The Securities will be delivered by the Company to you against payment of the purchase price therefor by wire transfer in same day funds payable to the order of the Company, at the office of Sullivan & Cromwell, 125 Broad Street, New York, New York, at 10:00 A.M., New York City time, on _____ __, 1996 (or if the New York or American Stock Exchanges or commercial banks in The City of New York are not open on such day, the next day on which such exchanges and banks are open), or at such other time not later than eight full business days thereafter as you and the Company determine, such time being herein referred to as the "Closing Date." The Securities, in the form of one or more global certificates registered in the name of Cede & Co., will be made available for checking and packaging at the office of The Depository Trust Company, 55 Water Street, New York, New York, 10004, at least one business day prior to the Closing Date.

4. Covenants. The Company covenants and agrees with each Underwriter that:

(a) The Company will use its best efforts to cause any amendments to the Registration Statement to become effective as promptly as possible; it will notify you promptly of the time when any such amendment to the Registration Statement has become effective or any supplement to the Prospectus has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or for additional information; it will prepare and file with the Commission, promptly upon your request, any amendments or supplements to the Registration Statement or Prospectus that, in your opinion, may be necessary or advisable in connection with the distribution of the Securities by the Underwriters; and it will file no amendment or supplement to the Registration Statement or Prospectus (other than any document required to be filed under the Exchange Act that upon filing is deemed to be incorporated by reference therein) to which you shall reasonably object by notice to the Company after having been furnished a copy a reasonable time prior to the filing, and it will furnish to you at or prior to the filing thereof a copy of any document that upon filing is deemed to be incorporated by reference in whole or in part in the Prospectus.

(b) The Company will advise you, promptly after it shall receive notice or obtain knowledge thereof, of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; and it will promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued.

(c) Within the time during which a prospectus relating to the Securities is required to be delivered under the Act, the Company will comply as far as it is able with all requirements imposed upon it by the Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Securities as contemplated by the provisions hereof and the Prospectus. If during such period any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend the Registration Statement or supplement the Prospectus to comply with the Act, the Company will promptly notify you and will amend the Registration Statement or supplement the Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(d) The Company will use its best efforts to qualify the Securities for sale under the securities law of such jurisdictions as you reasonably designate and to continue such qualifications in effect so long as required for the distribution of the Securities, except that the Company shall not be required in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process in any state. The Company will also arrange for the determination of the eligibility for investment of the Securities under the laws of such jurisdictions as you reasonably request.

(e) The Company will furnish to the Underwriters copies of the Registration Statement (three of which will be signed and will include all exhibits), each Preliminary Prospectus, the Prospectus (including all documents from which information is incorporated by reference), and all amendments and supplements to such documents, in each case as soon as available and in such quantities as you may from time to time reasonably request.

(f) The Company will make generally available to its security holders as soon as practicable, but in any event not later than 15 months after the end of the Company's current fiscal quarter, an earnings statement (which need not be audited) covering a 12-month period beginning after the date upon which the Prospectus is filed pursuant to Rule 424 under the Act that shall satisfy the provisions of Section 11(a) of the Act.

(g) The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay all expenses incident to the performance of its obligations hereunder, will pay the expenses of printing all documents relating to the offering, and will reimburse the Underwriters for any expenses (including fees and disbursements of counsel) incurred by them in connection with the matters referred to in Section 4(d) hereof and the preparation of memoranda relating thereto and for any fees charged by investment rating agencies for rating the Securities. If the sale of the Securities provided for herein is not consummated by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the several Underwriters for all reasonable out-of-pocket disbursements (including fees and disbursements of counsel) incurred by the Underwriters

in connection with their investigation, preparing to market and marketing the Securities or in contemplation of performing their obligations hereunder. The Company shall not in any event be liable to any of the Underwriters for loss of anticipated profits from the transactions covered by this Agreement.

(h) The Company will apply the net proceeds from the sale of the Securities to be sold by it hereunder for the purposes set forth in the Prospectus.

5. Conditions of Underwriters' Obligations. The obligations of the several Underwriters to purchase and pay for the Securities, as provided herein, shall be subject to the accuracy, as of the date hereof and the Closing Date (as if made at the Closing Date), of the representations and warranties of the Company herein, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been instituted or, to the knowledge of the Company or any Underwriter, threatened by the Commission, and any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to your satisfaction.

(b) No Underwriter shall have advised the Company that the Registration Statement or Prospectus, or any amendment or supplement thereto, contains an untrue statement of fact which in your opinion is material, or omits to state a fact which in your opinion is material and is required to be stated therein or is necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading.

(c) Except as contemplated in the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have been any change, on a consolidated basis, in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, or any adverse change, or any development involving a prospective adverse change, in the condition (financial or other), business, prospects, net worth or results of operations of the Company and its subsidiaries or any change in the rating assigned to any securities of the Company, that, in your judgment, makes it impractical or inadvisable to offer or deliver the Securities on the terms and in the manner contemplated in the Prospectus.

(d) You shall have received the opinion of Jones, Day, Reavis & Pogue, counsel for the Company, dated the Closing Date, in substantially the form attached as Exhibit I hereto.

(e) You shall have received the opinion of Joseph D. Whiteman, Esq., Vice President, General Counsel and Secretary of the Company, dated the Closing Date, to the effect that each of Parker-Hannifin GmbH, Parker-Hannifin plc, Parker-Hannifin S.p.A., Parker-Hannifin (Canada) Inc., Parker-Hannifin RAK, S.A., VOAC Hydraulics AB and Parker Pneumatic AB (collectively referred to as the "Significant Foreign Subsidiaries") has been duly organized and is in good standing under the laws of its respective jurisdiction of incorporation; each of the Significant Foreign Subsidiaries has full power and authority (corporate and other) to conduct its business as described in the Registration Statement; each of the Significant Foreign Subsidiaries is not, and is not required to be, registered or qualified to do business as a foreign corporation under the laws of any jurisdiction other than its jurisdiction of incorporation, and all of the outstanding shares of capital stock of each of the Significant Foreign Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and (except for shareholders' or directors'

qualifying shares) are owned, directly or indirectly, by the Company subject to no security interest, other encumbrance, or adverse claim (such counsel being entitled to rely upon opinions of local counsel, provided that such counsel shall furnish to you signed copies thereof and state that he believes that both you and he are justified in relying upon such opinion).

(f) You shall have received from Sullivan & Cromwell, counsel for the several Underwriters, such opinion or opinions, dated the Closing Date, with respect to the incorporation of the Company, the validity of the Securities, the Registration Statement, the Prospectus and other related matters as you reasonably may request, and such counsel shall have received such papers and information as they request to enable them to pass upon such matters. In rendering their opinion, such counsel may rely upon the opinion of Jones, Day, Reavis & Pogue referred to above as to all matters governed by Ohio law.

(g) At the time of execution of this Agreement and on the Closing Date, you shall have received a letter from Coopers & Lybrand, dated the date of delivery thereof, to the effect set forth in Exhibit II hereto.

(h) You shall have received from the Company a certificate, signed by the Chairman of the Board, the President or a Vice President and by the principal financial or accounting officer, dated the Closing Date, to the effect that, to the best of their knowledge based upon reasonable investigation:

(i) The representations and warranties of the Company in this Agreement are true and correct, as if made at and as of the Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued, and no proceeding for that purpose has been instituted or is threatened by the Commission; and

(iii) Since the effective date of the Registration Statement, there has occurred no event required to be set forth in an amendment or supplement to the Registration Statement or Prospectus that has not been so set forth, and there has been no document required to be filed under the Exchange Act and the rules and regulations thereunder that upon such filing would be deemed to be incorporated by reference in the Prospectus that has not been so filed.

(i) The Company shall have furnished to you such further certificates and documents as you shall have reasonably requested.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to you. The Company will furnish you with such conformed copies of such opinions, certificates, letters and other documents as you shall reasonably request.

6. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Underwriter or any such controlling person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either paragraph (a) or (b) of this Section 6, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by [name of lead manager], in the case of parties indemnified pursuant to paragraph (a) above and by the Company, in the case of parties indemnified pursuant to paragraph (b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party

from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in paragraph (a) or (b) of this Section 6 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Securities (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Securities. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 6 are several in proportion to the respective principal amounts of Securities they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) of this Section 6. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred

by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

7. Representations and Agreements to Survive Delivery. All representations, warranties, and agreements of the Company herein or in certificates delivered pursuant hereto, and the agreements of the several Underwriters contained in Section 6 hereof, shall remain operative and in full force and effect regardless of any termination of this Agreement, any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, or the Company or any of its officers, directors or any person controlling the Company, and shall survive delivery of the Securities to the Underwriters hereunder.

8. Substitution of Underwriters. (a) If any Underwriter or Underwriters shall fail to take up and pay for the amount of Securities agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such Securities in accordance with the terms hereof, and the amount of Securities not purchased does not aggregate more than 10% of the total amount of Securities set forth in Schedule A hereto, the remaining Underwriters shall be obligated to take up and pay for (in proportion to their respective underwriting obligations hereunder as set forth in Schedule A hereto except as may otherwise be determined by you) the Securities that the withdrawing or defaulting Underwriters agreed but failed to purchase.

(b) If any Underwriter or Underwriters shall fail to take up and pay for the amount of Securities agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such Securities in accordance with the terms hereof, and the amount of Securities not purchased aggregates more than 10% of the total amount of Securities set forth in Schedule A hereto, and arrangements satisfactory to you and the Company for the purchase of such Securities by other persons are not made within 36 hours thereafter, this Agreement shall terminate. In the event of any such termination the Company shall not be under any liability to any Underwriter (except to the extent provided in Section 4(g) and Section 6 hereof) nor shall any Underwriter (other than an Underwriter who shall have failed, otherwise than for some reason permitted under this Agreement, to purchase the amount of Securities agreed by such Underwriter to be purchased hereunder) be under any liability to the Company (except to the extent provided in Section 6 hereof).

9. Termination. You shall have the right to terminate this Agreement by giving notice as hereinafter specified at any time at or prior to the Closing Date if (i) the Company shall have failed, refused or been unable, at or prior to the Closing Date, to perform any agreement on its part to be performed hereunder, (ii) any other condition of the Underwriters' obligations hereunder is not fulfilled, (iii) trading on the New York Stock Exchange or the American Stock Exchange shall have been wholly suspended, (iv) minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, on the New York Stock Exchange or the American Stock

Exchange, by such Exchange or by order of the Commission or any other governmental authority having jurisdiction, (v) a banking moratorium shall have been declared by Federal or New York authorities, (vi) any downgrading shall have occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities, or (vii) an outbreak or material escalation of major hostilities in which the United States is involved, a declaration of war by Congress, any other substantial national or international calamity or any other event or occurrence of a similar character shall have occurred since the execution of this Agreement that, in your judgment, makes it impractical or inadvisable to proceed with the completion of the sale of and payment for the Securities. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4(g) and Section 6 hereof shall at all times be effective. If you elect to prevent this Agreement from becoming effective or to terminate this Agreement as provided in this Section, the Company shall be notified promptly by you by telephone or telegram, confirmed by letter.

10. Notices. All notices or communications hereunder, except as herein otherwise specifically provided, shall be in writing and if sent to you shall be mailed, delivered or telegraphed and confirmed to you, [name and address of lead manager] Attention: _____ or if sent to the Company; shall be mailed, delivered or telegraphed and confirmed to the Company at 17325 Euclid Avenue, Cleveland, Ohio 44112 Attention: Treasurer. Notice to any Underwriter pursuant to Section 6 shall be mailed, delivered or telegraphed and confirmed to such Underwriter's address as it appears in such Underwriter's questionnaire or other notice furnished to the Company in writing for the purpose of communications hereunder. Any party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

11. Parties. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons, officers and directors referred to in Section 6, and no other person will have any right or obligation hereunder.

12. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

13. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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

Very truly yours,

Parker-Hannifin Corporation

By:
Name:
Title:

Accepted at _____ as of the date first above written.

[Name[s] of managers]

Acting severally on behalf of themselves and the several Underwriters named herein.

By:

SCHEDULE A

Underwriter	Principal Amount of Securities to be Purchased
Total	$

Exhibit I

(1) The Company and each of its domestic subsidiaries are duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, with corporate power and authority to own its properties and to conduct its business as described in the Prospectus and are qualified to do business in each state in which it owns or leases real property, except where the failure to be so qualified, considering all such cases in the aggregate, does not involve a material risk to the business, properties, financial position or results of operations of the Company and its subsidiaries (taken as a whole).

(2) All of the outstanding shares of capital stock of each of the Company's domestic subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable and (except as otherwise stated in the Prospectus) are owned beneficially by the Company.

(3) The Indenture has been duly authorized, executed, and delivered by the Company and duly qualified under the Trust Indenture Act of 1939 and is a valid and binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the effect of (i) general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, and (ii) any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

(4) The Debt Securities have been duly authorized, executed by duly authorized officers of the Company, authenticated by the Trustee, and delivered, and are validly issued and outstanding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the effect of (i) general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, and (ii) any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

(5) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(6) Neither the execution and delivery of the Underwriting Agreement nor the performance of the transactions therein contemplated will result in the violation of any statute or regulation or any order or

decree of any court or governmental authority known to us which is binding upon the Company or its property, or conflict with or result in a default under any of the terms and provisions of the Company's Amended Articles of Incorporation or Code of Regulations or any indenture, loan agreement or any agreement listed on Exhibit A attached hereto.

(7) No consent, approval, authorization or order of any governmental agency or body is required for the issuance or sale by the Company of the Debt Securities except such as have been obtained under the Act and the Trust Indenture Act and such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Debt Securities by the Underwriters.

We have participated in the preparation of the Registration Statement and Prospectus (certain of the documents incorporated into the Prospectus by reference having previously been prepared and filed by the Company without our participation). From time to time we have had discussions with officers, directors, and employees of the Company, accountants and auditors, the independent accountants who examined certain of the financial statements of the Company and its consolidated subsidiaries included in the Registration Statement and Prospectus, and your representatives concerning the information contained in the Registration Statement and Prospectus and the proposed responses to various items in Form S-3. Based thereupon we are of the opinion that the Registration Statement and the Prospectus (except for financial statements, financial schedules, and other financial data included therein, as to which we express no opinion) at the time the Registration Statement became effective under the Act complied as to form in all material respects with the Act and the Trust Indenture Act and the respective rules and regulations thereunder, and that the documents incorporated or deemed to be incorporated by reference into the Prospectus that were filed prior to the date of this opinion (except for financial statements, financial schedules, and other financial data included therein, as to which we express no opinion) at the time they were filed complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder.

We do not know of any litigation or governmental proceedings required to be described in the Prospectus that are not described as required, or of any contracts or other documents of a character required to be described in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required. The descriptions in the Registration Statement and Prospectus of statutes, legal and governmental proceedings, contracts and other documents present fair summaries of such statutes, legal and governmental proceedings, contracts or other documents. We further are of the opinion that the statements contained in the Prospectus under the caption

"Description of Senior Debt Securities," insofar as they purport to summarize the provisions of the documents referred to therein, present fair summaries of such provisions.

The Registration Statement has become effective under the Act, and to the best of our knowledge no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose or challenging the accuracy of any document incorporated by reference into the Prospectus are pending or, to the best of our knowledge, threatened by the Commission.

We have not independently verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness, or fairness (except as set forth in the second preceding paragraph above) of the information contained in the Registration Statement and Prospectus, including any document incorporated or deemed to be incorporated therein by reference. Based upon the participation and discussions described above, however, no facts have come to our attention that cause us to believe that the Registration Statement (except for financial statements, financial schedules, and other financial data included therein), at the time it became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Prospectus (with the foregoing exceptions), on the date of the Prospectus and the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(1) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the Rules and Regulations and the answer to Item 10 of the Registration Statement form inancial statements and schedules examined by them and included or incorporated by reference in the Registration Statement and Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act or the Exchange Act, as applicable, and the published rules and regulations thereunder.

(3) On the basis of procedures referred to in such letter, including a reading of the latest available interim financial statements of the Company and inquiries of officials of the Company responsible for financial and accounting matters, nothing caused them to believe that:

(A) any unaudited financial statements included or incorporated in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act and the published rules and regulations thereunder or are not stated on a basis substantially consistent with that of the audited financial statements included in the Company's most recent Annual Report on Form 10-K; or

(B) at a specified date not more than five days prior to the date of such letter, there was any change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries or any decrease in consolidated net current assets or net assets as compared with amounts shown in the most recent unaudited balance sheet included or incorporated by reference in the Prospectus, except in all cases for changes or decreases which the Prospectus discloses have occurred or may occur or as may be set forth in such letter; or

(C) for the period from the date of the most recent unaudited balance sheet included or incorporated by reference in the Prospectus to a subsequent specified date not more than five days prior to the date of such letter, there was any decrease, as compared with the corresponding period of the previous year and with the period of corresponding length ended the date of such unaudited balance sheet, in consolidated net sales, consolidated net income before taxes, or net income, except in all cases for changes or decreases which the Prospectus discloses have occurred or may occur or as may be set forth in such letter.

(4) In addition to their examination referred to in their report included or incorporated by reference in the Registration Statement and Prospectus and the procedures referred to in (3) above, they have carried out certain other specified procedures, not constituting an audit, with respect to certain of the dollar amounts, percentages and other financial information to bc agreed upon by the Company and the Underwriters (in each case to the extent that such dollar amounts, percentages and other financial information, are derived directly or by analysis or computation, from the general accounting records of the Company and its subsidiaries) that are included or incorporated by reference in the Prospectus and appear or are incorporated by reference in the Company's Annual Report on Form 10-K under the captions "Item 1. Business", "Item 6. Selected Financial Data", and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", and have found such dollar amounts, percentages and financial information to be in agreement with the general accounting records of the Company and its subsidiaries.

VOAC HYDRAULICS AB

STOCK ACQUISITION AGREEMENT

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STOCK ACQUISITION AGREEMENT

This STOCK ACQUISITION AGREEMENT ("Agreement") is made as of this 23rd day of February, 1996, among PARKER PNEUMATIC AB, a corporation organized under the laws of Sweden, whose head office is located at Karlsnasvagen 9, S-523 23 Ulricehamn ("Buyer"), PARKER HANNIFIN CORPORATION, an Ohio corporation, whose head office is located at 17325 Euclid Avenue, Cleveland, OHIO 44112-1290, USA, AVC INTRESSENTER AB, a corporation organized under the laws of Sweden, whose head office is located at c/o Lagerlof & Leman Advokatbyra AB, Vastra Hamngatan 23, S-403 14 Goteborg ("Seller"), VOLVO AERO CORPORATION, a corporation organized under the laws of Sweden, whose head office is located at Stallbacka, S-461 81 Trollhattan, ("Volvo") and ATLAS COPCO AB , a corporation organized under the laws of Sweden, whose head office is located at Sickla Industrivag 3, S-105 23 Stockholm, ("Atlas Copco").

W I T N E S S E T H

WHEREAS, Seller is the owner of 100% of the shares of VOAC Hydraulics AB ("VOAC"), a Swedish company having a corporate capital of SEK 50,000,000 divided into 500,000 shares of SEK 100 par value per share, whose head office is located at Boras, Sweden.

WHEREAS, VOAC conducts its worldwide business through itself and wholly owned subsidiaries in Sweden and abroad which subsidiaries are listed in Schedule 2.1.6 ("Subsidiary"), together the "VOAC Group".

WHEREAS, Seller wishes to sell to Buyer and Buyer wishes to purchase all of the outstanding shares of VOAC ("VOAC Shares") and including subsidiary shares as described below constituting in the aggregate the worldwide hydraulic business conducted

within the VOAC Group ("VOAC Business") for the purchase price and upon terms and conditions hereinafter set forth.

WHEREAS, Buyer has certain affiliated entities ("Local Buyers") that will be acquiring prior to the Closing the shares of certain Subsidiaries (as hereinafter defined).

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein the parties hereto agree as follows:

ARTICLE I. PURCHASE AND SALE OF VOAC SHARES

1.1 Sale of VOAC Shares. Subject to the terms and conditions hereof, Seller agrees to sell, assign and transfer to Buyer and Buyer agrees to purchase from Seller, on the Closing Date (as defined in Section 5.1), the VOAC Shares.

As conditions precedent for Buyer's obligation to purchase the VOAC Shares (any of which Buyer may waive in its sole discretion), Seller shall procure the following:

(i) with respect to the Subsidiaries located in the United States, United Kingdom and Finland, at any time after 1 January, 1996, but prior to the transaction envisaged in clause (ii) below, such Subsidiaries shall have distributed, as a dividend retained earnings to VOAC as set forth in Schedule 1.1; and

(ii) with respect to each non-Swedish Subsidiary set forth in Schedule 1.1, VOAC on a date not earlier than February 28, 1996 and not later than February 29, 1996, to be agreed with Buyer ("Date of Transfer") shall sell all of the shares of such Subsidiary to the Local Buyer set forth opposite to the name thereof in Schedule 1.1 and at the price stated therein.

The transactions referred to in clause (ii) above shall be made by means of executed agreements in the forms set forth in Appendix 1. Buyer shall procure that the respective Local

Buyers of the Subsidiaries enter into such agreements ("Related Agreements") and perform their obligations thereunder.

No transaction contemplated in this Article I shall be deemed to have been completed unless all transactions under this Article I are completed.

1.2 Price and Payment Provisions. The following shall apply:

1.2.1 Purchase Price and Payment. The purchase price for the VOAC Shares shall be the cash sum of SEK 1,099 million ("Purchase Price") which will be payable at Closing.

1.2.2 General Method of Payment. The payment of the Purchase Price, and any other cash payments under this Agreement, shall be made to the receiving party: (i) by depositing, by bank wire transfer, the required amount (in immediately available funds) in an account of the recipient designated by it for such purpose; or (ii) upon the prior written request of the recipient, by delivery of one or more certified or official bank checks (in immediately available funds) drawn on a bank reasonably acceptable to the recipient and made payable to the order of the recipient.

1.2.3 Base Balance Sheet. Attached hereto as Schedule 1.2.3 (i) is a consolidated balance sheet of the VOAC Group as at December 31, 1995 ("1.2.3 (i) Statement" or "Base Balance Sheet"). The Base Balance Sheet consists of the audited balance sheet of the VOAC Group and has been prepared on a basis consistent with prior consolidated balance sheets of the VOAC Group and in accordance with generally accepted Swedish accounting principles. The Base Balance Sheet includes all accruals normally made as of a year-end closing. Schedule 1.2.3 (ii) describes the accounting principles used to prepare the Base Balance Sheet ("VOAC's Accounting Principles"). The audit has been performed by independent accountants of Seller, and Coopers & Lybrand, on behalf of Buyer, have been permitted to observe the calculations made in connection with the preparation of the Base Balance Sheet and have had access to all workpapers of the Seller used in connection

therewith. The aggregate net asset value of the VOAC Group ("Net Asset Value") equal to the sum of the net equity reflected on the 1.2.3 (i) Statement, was kSEK 392,691.

1.2.4 Currency. Whenever this Agreement requires or necessitates a conversion of (a) SEK into another currency or (b) a currency other than SEK into SEK, then such conversion shall be effected at the buying rate of such other currency against SEK, offered by Skandinaviska Enskilda Banken, Stockholm at the close of business on the banking day immediately preceding the Closing Date.

ARTICLE II. REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Seller, Volvo and Atlas Copco. Except in the case of representations and warranties made as of a specific date, which shall be deemed made as of such date, Seller, Volvo and Atlas Copco, jointly and severally, represent and warrant to the Buyer as of the date hereof and as of the Closing Date as follows:

2.1.1 Corporate Status.

(a) Seller. Seller is a corporation duly organized and validly existing under the laws of Sweden and has the corporate power to own its properties and carry on its business as now being conducted.

(b) VOAC. VOAC is a corporation duly organized and validly existing under the laws of Sweden and has the corporate power to own its properties and carry on its business as now being conducted.

(c) Subsidiaries. Each of the Subsidiaries is duly organized and validly existing under the laws of its jurisdiction of incorporation and has the corporate power to own its properties and carry on its business as now being conducted.

2.1.2 Share Capital. At the Closing, the share capital of VOAC will be SEK 50,000,000, consisting of 500,000 shares, par value SEK 100 per share and the share

capital of each Subsidiary is as set forth at Schedule 2.1.2. All of the shares of VOAC and of each Subsidiary are fully paid-up and validly issued and are not subject to any calls or assessments. At the Closing, there will be no declaration or payment of dividends outstanding and no commitments providing for the issuance of any additional shares of capital stock of VOAC or of Subsidiaries (with or without voting rights), or providing for the issuance of securities convertible into shares of capital stock or providing for the issuance of other securities.

2.1.3 Title to Shares. At the Closing, (i) Seller will have good and marketable title to the VOAC Shares and to all of the rights afforded thereby, and (ii) VOAC will have, or will have transferred to a Local Buyer, good and marketable title to the shares of the Subsidiaries and to all of the rights afforded thereby, in each case free of any and all liens, pledges, encumbrances, charges, agreements or claims of any kind whatsoever.

2.1.4 Authority. Seller and VOAC has the full corporate power and authority to enter into this Agreement and the Related Agreements, respectively, and the other documents contemplated hereby, and to transfer, assign and deliver the VOAC Shares and the shares of Subsidiaries, as the case may be, as provided in this Agreement, and such delivery will convey to Buyer and the Local Buyer good and marketable title to the Shares and the shares of Subsidiaries, as the case may be, free and clear of any and all liens, pledges, encumbrances, charges, agreements or claims of any kind whatsoever.

2.1.5 Financial Statements

(a) Seller has previously delivered to Buyer audited financial statements for VOAC for each of 1993 and 1994 fiscal years and unaudited financial statements as at September 30, 1995. Said financial statements were prepared by VOAC in accordance with VOAC's Accounting Principles and in accordance with generally accepted Swedish accounting principles ("god redovisningssed") and on a consistent basis and fairly present the financial condition and results of operations for each of such fiscal years/period.

(b) The Base Balance Sheet has been prepared in accordance with VOAC's Accounting Principles and in accordance with generally accepted Swedish accounting principles and on a consistent basis with those of prior years and fairly presents the financial condition and results of operations of the VOAC Group at December 31, 1995.

2.1.6 Subsidiaries. Prior to the transactions envisaged in Section 1.1 (ii), VOAC has no subsidiaries other than those listed in Schedule 2.1.6. With the exception of a 49% participation in Aqurat AB, VOAC does not directly or indirectly own any capital stock of or other equity interests in any other corporation, partnership, or other entity and VOAC is not a member of or a participant in any partnership, joint venture or similar enterprise. The Subsidiaries do not directly or indirectly own any capital stock of or other equity interests in any corporation, partnership, or other entity and are not members of or participants in any partnership, joint venture or similar enterprise.

2.1.7 Actions Since October 1, 1995. Since October 1, 1995, except as set forth in or contemplated by Schedule 2.1.7 or this Agreement, neither VOAC nor any Subsidiary nor Seller with respect to any of them, has:

(a) incurred any material obligation or material liability or entered into any material transaction, in each case other than in the ordinary course of business;

(b) satisfied or discharged any material lien, or paid any material obligation or material liability other than current liabilities included in the Base Balance Sheet or notes thereto or in the ordinary course of business;

(c) made any general wage or salary increase or any increase in compensation payable or to become payable to any officers or management employees, or entered into any employment contract with any officer or key salaried employee except as has been made available to Buyer under Section 2.1.20;

(d) declared payment of any dividends except dividends declared and paid as set forth in Schedule 1.1;

(e) permitted or allowed any real or personal property to be mortgaged, pledged, charged or subjected to lien or other encumbrance, except for any Permitted Liens as defined in Section 2.1.11;

(f) sold or transferred any of its assets or prepaid or cancelled any debts or claims, except in each case in the ordinary course of business;

(g) sold, assigned or granted rights under any patent, trade name, trademark or copyright, or any application therefor, or any trade secrets or designs for any products currently manufactured or marketed by the VOAC Group or any other Proprietary Property as defined in Section 2.1.8 below;

(h) knowingly waived any rights of material value;

(i) acquired, or entered into negotiations to acquire, any other business or entered into any licensing arrangement or joint venture;

(j) become involved in or, to the best of Seller's knowledge, been threatened with any labor dispute which has had or could have a material effect on the VOAC Business or its financial condition; or

(k) suffered any damage or destruction, whether or not covered by insurance, materially and adversely affecting the VOAC Business or its properties.

2.1.8 Proprietary Property. As used in the conduct of the VOAC Business, Schedule 2.1.8 contains a complete and correct list of (i) each patent, patent application, registered copyright and applications therefor, registered trademark and applications therefor, registered trade name and design owned by Seller, VOAC or any Subsidiary (including application and expiration dates), and (ii) each license or other

agreement relating thereto or relating to any other proprietary property (the foregoing, together with all know-how or trade secrets of Seller, VOAC or any Subsidiary, the "Proprietary Property"). After the Closing, Seller will, at its cost, transfer, or cause the transfer of title to the Proprietary Property (not already owned by VOAC or a Subsidiary) as soon as possible to VOAC, Parker Intangibles, Inc. or other entity designated by Buyer. All maintenance and renewal fees due and payable prior to the Closing Date will have been paid with respect to the Proprietary Property and all Proprietary Property will be maintained on the Closing Date. The Proprietary Property constitutes all the proprietary property used in the conduct of the VOAC Business. Neither VOAC nor any Subsidiary will be a party to any agreement by which it is granted a license or by which it grants a license on Proprietary Property owned by it or by which it agrees to maintain the secrecy or confidentiality of any Proprietary Property, except as set forth in Schedule 2.1.8. None of the Proprietary Property is subject to any pending or, to the best of Seller's knowledge, threatened challenge nor has Seller, VOAC nor any Subsidiary received any notice or otherwise know that the foregoing are invalid or that the Proprietary Property or any products or services made, sold or used in connection with the VOAC Business conflict with or infringe the asserted rights of others except as set forth on Schedule 2.1.15. Neither Seller, VOAC nor any Subsidiary has knowledge that any third party is infringing any Proprietary Property rights of Seller, VOAC or any Subsidiary.

2.1.9 Real Property; Leases of Real Property. Schedule 2.1.9 contains a description of all real property owned by Seller, VOAC or any Subsidiary relating to the VOAC Business ("Owned Real Property") or leased by them ("Leased Real Property") (the Owned Real Property and the Leased Real Property collectively herein the "Real Property"). Except as set forth in Schedule 2.1.9, neither Seller nor VOAC nor any Subsidiary are party to any leases of real property relating to the VOAC Business. Except as set forth in Schedule 2.1.9, VOAC and the Subsidiaries have all material easements and rights of ingress and egress necessary for utilities and services and for all operations conducted on the Real Property.

2.1.10 Personal Property. Seller has made available to Buyer in reasonable detail accurate and adequate information regarding the personal property of the VOAC

Business ("Personal Property") and such Personal Property constitutes all of the personal property material to their operations and necessary for the conduct of such business.

2.1.11 Title to Property. Except as set forth in Schedule 2.1.11, as of the Closing or Date of Transfer, as the case may be, each of VOAC and the relevant Subsidiary will have good and marketable title to all Owned Real Property, Personal Property and Proprietary Property purported to be owned by it, subject to no mortgages, liens, pledges, security interests, or charges of any kind, except Permitted Liens. As used in this Agreement, the term "Permitted Lien" shall mean, collectively, liens for current taxes or assessments not delinquent, builder, mechanic, warehousemen, materialmen, contractor, workmen, repairmen, carrier liens, or other similar liens arising and continuing in the ordinary course of business for obligations which are not delinquent or which do not materially affect the value of the property or the usefulness thereof to the VOAC Business. Insofar as any property or asset of the VOAC Business is owned by an entity other than VOAC or a Subsidiary, then unless otherwise provided herein as at Closing or the Date of Transfer effective title thereto shall have been transferred to VOAC or any Subsidiary without consideration.

2.1.12 Contracts and Commitments. Except as set forth on Schedule 2.1.12, neither Seller, as it pertains to the VOAC Business, nor VOAC nor any Subsidiary, will be a party to or bound by any written or oral:

(a) contract not made in the ordinary course of business;

(b) employment termination or severance agreement (excluding termination in accordance with local law and collective bargaining agreements or other labor agreements), or expatriate or other employment agreement or consulting or personal services agreement which has an aggregate future liability in excess of SEK 200,000 (or the foreign currency equivalent thereof determined at the exchange rate prevailing on the date hereof);

(c) non-competition or secrecy agreement or any other agreement which materially restricts the use or exploitation or the carrying on of the VOAC Business as conducted on the date hereof;

(d) any other lease than listed in Schedule 2.1.9 with respect to any Real or Personal Property, whether as lessor or lessee, which is material to the carrying on of the VOAC Business;

(e) dealership, manufacturer's representative, distributor, or agency agreement terminable only upon notice of more than twelve months;

(f) contract or commitment for capital expenditures involving estimated total future payments in excess of SEK 600,000 (or the foreign currency equivalent thereof determined at the exchange rate prevailing on the date hereof);

(g) contract, agreement or understanding (non cancellable for a period of more than one year) for the sale of any product subject to special pricing agreements showing customer anticipated annual sales volumes and accompanying gross margins exceeding SEK 300,000 with less than a ten percent (10%) gross margin;

(h) order or contract for purchase or sale of products, materials, supplies, or services, in any case which is for a period of over six months or which will involve payments in excess of SEK 300,000 (or the foreign currency equivalent thereof determined at the exchange rate prevailing on the date hereof) on an annual basis not made in the ordinary course of business;

(i) partnership or joint venture agreement;

(j) mortgage, pledge, charge, factoring agreement or other similar agreement, not made in the ordinary course of business other than Permitted Liens;

(k) agreement, contract or other instrument under which VOAC or a Subsidiary has borrowed any money long term from, or issued any note, bond, debenture or other evidence of indebtedness to, any person and not in the ordinary course of business;

(l) any material agreement, contract or other instrument under which (i) any person has directly or indirectly guaranteed any indebtedness, liability or obligation of VOAC or any Subsidiary or (ii) VOAC or any Subsidiary has directly or indirectly guaranteed any indebtedness, liability or obligation of any person (in each case, other than endorsements for the purpose of collection in the ordinary course of business or product warranties);

(m) agreement, contract or other instrument, other than those already listed on Schedule 2.1.12, under which VOAC or any Subsidiary has, directly or indirectly, made any loan, extension of credit or capital contribution to, or other investment in, any person in excess of SEK 300,000 (or the foreign currency equivalent thereof determined at the exchange rate prevailing on the date hereof) and for a period in excess of six months;

(n) agreement or instrument, providing for indemnification (i) of any person with respect to the transfer of the VOAC Shares or (ii) by VOAC or any Subsidiary, respectively, with respect to breaches of representations and warranties, litigation, environmental liabilities or other business risks or losses, excluding standard provisions in contracts for sale and purchase of products; or

(o) agreement which will, to the best of Seller's knowledge, be terminated by a party thereto as a result of the transactions contemplated in this Agreement and which, if terminated by the other party, would have a material adverse effect on the business operations or financial condition of the VOAC Business.

2.1.13 Inventory. At the Closing the inventory of the VOAC Business will meet all the specifications for such inventories as described in their product sales documentation and will consist of usable items which, as to the quality and quantity, are

saleable in the normal course of business other than those items for which provisions have been made in accordance with VOAC's Accounting Principles and in accordance with gene-rally accepted Swedish accounting principles. Inventory will be valued at the lower of cost or market and will be reflected on the books in accordance with VOAC's Accounting Principles.

2.1.14 Powers of Attorney; Bank Accounts. Schedule 2.1.14 sets forth the name of each person, corporation, firm, association or business entity holding a proxy, general or special power of attorney, or other similar instrument from VOAC and any Subsidiary. Schedule 2.1.14 sets forth a brief description of each bank or other financial institution at which VOAC and the Subsidiaries have an account and the names of all persons having signature authority over any such account.

2.1.15 Litigation. Except as set forth on Schedule 2.1.15, there is no action, suit, inquiry, proceeding or investigation pending or, to the best of Seller's knowledge, threatened against the VOAC Business or against its property or assets except for claims made by customers in the ordinary course of business. Except as set forth on Schedule 2.1.15, neither Seller, VOAC nor a Subsidiary, respectively, has received notice that the VOAC Business is subject to any judgment, order or decree entered in any lawsuit or proceeding which would have a material adverse effect on the VOAC Business.

2.1.16 No Broker. Seller knows no broker, finder or financial advisor who is acting or has acted in its behalf, or of any person, firm or corporation entitled to receive any brokerage or finder's or financial advisory fee from Seller in connection with the transactions contemplated by this Agreement and the Related Agreements.

2.1.17 Governmental Permits; Compliance with Laws.

(a) Except as set forth in Schedule 2.1.17(a), to the best of Seller's knowledge, each of the permits, licenses, franchises and authorizations necessary to the conduct of the VOAC Business as heretofore conducted is in full force and effect. At the Closing or Date of Transfer, as the case may be, VOAC and the Subsidiaries will hold all material governmental or regulatory permits, licenses, franchises and authorizations of all

Governmental Entities (as defined in Section 4.3.1) which are required for their business as currently being conducted. To the best of Seller's knowledge, (i) no notices have been received by VOAC or the Subsidiaries relating to termination or cancellation, and (ii) there is no violation of the material terms and conditions, of any such permits, licenses or authorizations. Except as disclosed on Schedule 2.1.17(a), to the best of Seller's knowledge, VOAC and each Subsidiary has been and is in all respects in compliance with all laws, regulations, orders and permits of all Governmental Entities applicable to them (including, without limitation, those relating to antitrust and trade regulation, health and safety, labor, employment, and zoning and building codes). Neither Seller, VOAC nor any Subsidiary has received any complaint, citation or notice of violation with respect to their business from any Governmental Entity and, to the best of their knowledge, none is threatened, alleging that they have violated any such laws with respect to their business.

(b) Except as set forth in Schedule 2.1.17(b), since January 1, 1993: (i) none of Seller, VOAC, nor a Subsidiary or any of their officers, agents or employees have received any written communication from a Governmental Entity that alleges that VOAC or a Subsidiary is not in compliance in any material respect with any Environmental Laws (as defined below), and neither Seller, VOAC or any Subsidiary is aware of any circumstances which might give rise to such notice, order or other communication being received or of any intention on the part of any Governmental Entity to give any such notice; (ii) VOAC and each Subsidiary holds, and each is in compliance with, all permits, licenses, consents and governmental or municipal or other local authorizations required for each of them to conduct their business under the Environmental Laws ("Environmental Permits") in the manner in which such business is now conducted, and to the best of their knowledge are in compliance with all Environmental Laws, with all relevant codes of practice or guidance, notes, standards and other advisory material issued by any Governmental Entity; (iii) neither Seller, VOAC or any Subsidiary has knowledge of any environmental reports other than those set forth in Schedule 2.1.17(b); and (iv) neither VOAC nor any Subsidiary have entered into or agreed to any court decree or order and are not subject to any judgment, decree or order relating to compliance with any Environmental Law or to investigation or cleanup of Contaminants under any Environmental Law. Except as set forth in Schedule 2.1.17(b) neither Seller, VOAC nor any Subsidiary has knowledge of any currently existing or

potential environmental liabilities arising from any activities or operations of VOAC or any Subsidiary or the state or condition of any properties now or formerly owned or occupied by them or any facilities now or formerly used by them. To the best knowledge of Seller, VOAC or each Subsidiary, no Real Property is situated in proximity to other land the condition of which is such that it could give rise, in relation to any Real Property, to any environmental liabilities. As used in this Agreement, the term "Environmental Laws" means any and all applicable treaties, laws, regulations, enforceable requirements, binding determinations, orders, decrees, judgments, injunctions, permits, approvals, authorizations, licenses, variances, permissions, notices or binding agreements issued, promulgated or entered into by any Governmental Entity, in each case as in effect on the date hereof, relating to the environment, preservation or reclamation of natural resources, or to the management of Releases (as hereinafter defined) or threatened Releases of Contaminants or noxious odor. As used in this Agreement, the term "Contaminants" means those substances that are regulated by, or form the basis of, liability under any Environmental Law, including asbestos, polychlorinated biphenyls, Hazardous Materials, pollutants and solid wastes. As used in this Agreement, the term "Hazardous Materials" means all explosive or regulated radioactive materials or substances, hazardous or toxic substances, wastes or chemicals, petroleum (including crude oil or any fraction thereof) or petroleum distillates, asbestos or asbestos-containing materials, and all other materials or chemicals regulated pursuant to any Environmental Law. As used in this Agreement, the term "Release" means any spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, emanation or migration of any Contaminant in, into, onto, or through the environment (including ambient air, surface water, ground water, soils, land surface, subsurface strata, workplace, or structure).

(c) Schedule 2.1.17(c) contains to the best of Seller's, VOAC's or any Subsidiary's knowledge: (i) a description of all Hazardous Materials (i.e. acids, alcalics, cutting oils etc.) used or generated by VOAC or each Subsidiary incident to the manufacture of VOAC's products; (ii) a description of the past and present waste disposal practices of the VOAC Business, including the names and addresses of owners or operators of each location to which wastes were sent for treatment, storage or disposal; (iii) copies of the results of any environmental or safety inspections of the VOAC Business facilities within the last three (3) years; (iv) copies of all former and pending safety or environmental citations or citations by

authorities received by Seller, VOAC or each Subsidiary; (v) copies of all forms filed by VOAC or any Subsidiary which contain safety records and procedures at its facilities; (vi) a list and description of the location of all underground tanks, sumps or pits on the Real Property; and (vii) copies of any analysis of all Releases at VOAC Business facilities for the last three (3) years. Any environmental conditions disclosed in any Schedule hereto, and any other environmental condition hereafter identified by Buyer, Seller, VOAC, a Subsidiary or any Governmental Entity that arises in whole or in part from facts or circumstances dating prior to the Closing, is herein referred to as an "Environmental Condition".

2.1.18 Workers' Injuries. Except as set forth on Schedule 2.1.18, there are no pending or, to the best of Seller's or VOAC's knowledge or to the best of the relevant Subsidiary's knowledge, threatened claims by employees for compensation for any injury, disability or illness arising out of their employment.

2.1.19 Trade Union Activity. Except as set forth in Schedule 2.1.19, there has not been during the last three years, nor is there currently pending or, to the best of Seller's or VOAC's knowledge or to the best of the relevant Subsidiary's knowledge, threatened, any strike or work stoppage.

2.1.20 Employees; Employee Benefits. Seller has made available to Buyer (i) the names, current annual earnings and rates of pay of each of the current employees of the VOAC Business as of December 31, 1995, (ii) any general increase, since July 1, 1995, in the rate of compensation paid to their salaried and hourly employees; and (iii) at December 31, 1995, all outstanding loans and advances (other than routine travel advances) made in the VOAC Business to any employee of them and the current status thereof. All employee benefits, in cash or in kind, provided to employees of the VOAC Business have been made available to Buyer (collectively "Benefit Plans"). Except for retirement plans which are shown as a specific line item on the Base Balance Sheet, Seller has made available to Buyer details of all other pension or retirement benefits beyond mandatory Swedish (or other relevant country) statutory or regulatory obligations, bonus, profit sharing, stock purchase or stock option plans, or company savings plans or employee funds of the VOAC Business. The

VOAC Business is in compliance in all material respects with all statutory or regulatory requirements with respect to their employees.

2.1.21 Sales Volume; Adverse Trends. Except as fully and accurately disclosed in Schedule 2.1.21, as of the date hereof Seller or VOAC does not know of any fact which will lead to a loss of the benefit of any relationship with any suppliers or customers which loss would have a material adverse effect on the VOAC Business.

2.1.22 Taxes.

(a) In respect of the VOAC Business, Seller, VOAC and each Subsidiary have filed with the appropriate governmental entities all tax returns and tax reports required to be filed in respect of their activities and have either paid or accrued all taxes shown or claimed to be due thereon. Neither Seller, VOAC, nor a Subsidiary is a party to any agreement for the extension of time for the assessment or payment of taxes in respect of their activities. Neither Seller, VOAC nor any Subsidiary is a party to any action or proceeding by any governmental authority for assessment and collection of taxes, and none have received notice of any claim for such assessment and collection of taxes in respect of their activities. Neither, Seller, VOAC nor a Subsidiary has liabilities, contingent or otherwise, for any taxes except as provided in the Base Balance Sheet.

(b) For purposes hereof, "taxes" shall mean all income, capital, net worth, trade, withholding, value added, real and personal property, sales and use, and other taxes, all other official charges, duties and impositions of any kind, as well as social security or equivalent contributions or duties payable by employers.

(c) Seller agrees to reimburse Buyer on the basis of the tax laws as in force on the date hereof, for any taxes, interest or penalties assessed by any governmental agency for any tax that has not been properly paid or provided for and which relates to any period up to and including the Closing Date or the Date of Transfer, as the case may be, but excluding any tax assessed on VOAC or any Subsidiary solely as a consequence of that Subsidiary being transferred under a Related Agreement. Seller agrees with Buyer that

Seller have the sole and exclusive right for dealing with tax authorities on any and all issues which arise during any tax audit or investigation, for which Seller has an obligation to reimburse Buyer. Buyer and/or Local Buyers will use their best efforts to minimize any liability that Seller may incur, including producing any and all necessary records and documents. Buyer will give 60 days notice of any potential liability or audit or investigation. Seller will have the right, at its own expense, to contest with appropriate authorities, as permitted by law within the respective jurisdiction, any audit finding with which they disagree and for which they are liable under this Section 2.1.22.

2.1.23 Restrictions and Consents. Except as set forth in this Agreement or in the Schedules, including Schedule 2.1.23, neither the execution or delivery of this Agreement, the Related Agreements and the other documents contemplated hereby or thereby nor the consummation of the transactions contemplated hereby or thereby, will conflict with or result in a breach of, or give rise to a right of termination of, or accelerate the performance required by, any terms of any court order, consent decree, agreement or permit to which VOAC or a Subsidiary, is subject or a party, or constitute a default thereunder, or result in the creation of any lien, claim or encumbrance upon the assets of the VOAC Business or any of its contracts, assets or business.

2.1.24 Compliance With Laws. Except as set forth on Schedule 2.1.24, Seller, VOAC, and the Subsidiaries are in compliance with all requirements under applicable worker co-determination or equivalent laws in respect of the transactions envisaged by this Agreement or generally.

2.1.25 No Claims. Any claims by Seller against VOAC or any Subsidiary will be recorded on VOAC's books as at the Closing Date.

2.1.26 Discharge from Liability. For all full financial years of VOAC and each Subsidiary, the Board of Directors have been granted discharge from liability at the Annual Shareholders Meeting and all auditors reports in relation thereto have been subject to no qualification.

2.1.27 Accuracy of Statements. None of the information contained in the representations, warranties or covenants set forth in this Agreement, in the Schedules or in any of the certificates, lists, documents, exhibits or other instruments delivered or to be delivered to the Buyer as contemplated by any provision of this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, and when taken together, not misleading. All documents provided to Buyer are true, complete and correct copies of the documents they purport to represent.

2.1.28 Binding Effect. This Agreement, and the Related Agreements, are valid, binding and legal obligations of Seller, Volvo and Atlas Copco, and of VOAC, respectively, enforceable against each of them in accordance with their terms.

2.1.29 Backlog. At December 31, 1995, the backlog of unshipped orders of the VOAC Business amounted to approximately SEK 342,7 million compared to approximately SEK 259,3 million at December 31, 1994.

2.1.30 Accounts Receivable. The accounts receivable of the VOAC Business shown on the Base Balance Sheet, or obtained since that date, represents bonafide claims against the account debtors for sales, services or other charges, are collectible at the aggregate recorded amounts thereof (less stated reserves for uncollectible accounts, accounts set forth in Schedule 2.1.30 and accounts receivable collected since December 31, 1995) and are not, to the best of Seller's, VOAC's or any Subsidiary's knowledge, subject to any counterclaim, set-off, credit or adjustment whatsoever, except as described in Schedule 2.1.15.

2.1.31 Insurance. Set forth in Schedule 2.1.31 is a list of all policies of liability, including product liability, fire, automobile, property, business interruption and other forms of insurance covering the VOAC Business, all of which are valid and enforceable and in full force and effect.

2.1.32 Seller's Knowledge. Seller and its representatives are not aware of any facts or circumstances that would constitute a breach of any representations and warranties and covenants made hereunder by Seller, Volvo and Atlas Copco.

2.1.33 VOAC Engineering GmbH. The representations and warranties set forth in this Section 2.1 are true and correct as to any subsidiary, including VOAC Engineering GmbH, or other entity controlled by any Subsidiary,.

2.2 Representations and Warranties of Buyer. Except in the case of representations and warranties made as of a specific date, which shall be deemed made as of such date, Buyer represents and warrants to Seller as of the date hereof and as of the Closing Date as follows:

2.2.1 Corporate Status. Buyer is a corporation duly organized and validly existing under the laws of Sweden, and has the corporate power to own its properties and to carry on its business as now being conducted.

2.2.2 No Broker. Buyer does not know of any broker, finder or financial advisor acting or who has acted in its behalf, or of any person, firm or corporation entitled to receive any brokerage or finder's or financial advisory fee from any party other than Buyer in connection with the transactions contemplated by this Agreement, other than Lennart Brag acting through S.E.P. Normart. Buyer will be responsible to pay such fee.

2.2.3 Restrictions. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with or result in a breach of, or give rise to a right of termination of, or accelerate the performance required by, any terms of any court order, consent decree, agreement or permit to which Buyer is subject or a party, or constitute a default thereunder, or result in the creation of any lien, claim or incumbrance upon the assets of Buyer or violate any of the provisions of the charter documents of Buyer.

2.2.4 No Lawsuits; Consents. There is no lawsuit, proceeding or investigation pending or, to the best of Buyer's knowledge, threatened against Buyer or the Local Buyers which might prevent the consummation of any of the transactions contemplated by this Agreement and the Related Agreements, and no approval or authorization of any governmental authority (except cartel notification described in Section 4.3.1 below) or of any third party on the part of Buyer or any Local Buyer is required in connection with the execution and delivery of this Agreement or any instruments contemplated hereby or the consummation of any of the transactions contemplated hereby.

2.2.5 Execution and Effect of Agreement. Buyer, Parker Hannifin Corporation and each Local Buyer has the full corporate power and authority to enter into this Agreement and the respective Related Agreement. The execution and delivery of this Agreement and each Related Agreement and the consummation of the transactions contemplated thereby have been duly authorized by the necessary corporate action of Buyer and Local Buyers, as the case may be.

2.2.6 Financial Capacity. Buyer has adequate financial resources to complete the acquisition contemplated hereby and pay the purchase price, and the commitments of Buyer hereunder are not subject to obtaining bank financing.

2.2.7 Compliance With Laws. Except as set forth on Schedule 2.2.7, Buyer is in compliance with all requirements under applicable worker co-determination or equivalent laws in respect of the transactions envisaged by this Agreement or generally.

2.2.8 Accuracy of Statements. None of the information contained in the representations, warranties or covenants set forth in this Agreement, in the Schedules or in any of the certificates, lists, documents, exhibits or other instruments delivered or to be delivered to Seller as contemplated by any provision of this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, and when taken together, not misleading. All documents provided to Seller are true, complete and correct copies of the documents they purport to represent.

2.2.9 Parent. Parker Hannifin Corporation owns 100 percent of the shares of Buyer and by its signature below hereby guarantees the performance by Buyer and the Local Buyers of their respective obligations hereunder and under the respective Related Agreements.

2.2.10 Binding Effect. This Agreement and the Related Agreements are valid, legal and binding obligations of Buyer and the Local Buyers, respectively, enforceable against them in accordance with their terms.

2.2.11 Buyer's Knowledge. Buyer and its representatives are not aware of any facts or circumstances that would constitute a breach of any representations and warranties and covenants made hereunder by Buyer.

ARTICLE III. COVENANTS

3.1 Covenants of Seller. Seller hereby covenants and agrees that:

3.1.1 Access to Information. From November 16, 1995 to the Closing Date, authorized representatives of Buyer (including Buyer's employees, counsel, accountants and other advisors) shall have access, during normal business hours and in such reasonable manner as to avoid unnecessary disruption to the conduct of business, to all personnel, properties, books, records, contracts and documents of VOAC and each Subsidiary. Seller will furnish to Buyer all information with respect to the affairs and business of VOAC and each Subsidiary which Buyer may reasonably request, including, without limitation, requisite information with respect to intercompany pricing.

3.1.2 Business in Ordinary Course. From November 16, 1995 to the Closing Date or the Date of Transfer, as the case may be, Seller will carry on the operations of the VOAC Business in the ordinary and normal course in substantially the same manner as heretofore conducted, except as otherwise provided herein, and shall notify Buyer immediately of any changes or deviations from the ordinary and normal course of business. In particular, but without limitation, Seller shall cause the VOAC Business to maintain adequate levels of

inventory, and to manage their sales and the backlog of orders in accordance with past practice.

3.1.3 Maintain Properties. From November 16, 1995 to the Closing Date or the Date of Transfer, as the case may be, Seller shall, and shall cause VOAC and each Subsidiary to, maintain and keep its plants and equipment in as good repair, working order and condition as at present, except for ordinary wear and tear and damage due to casualty.

3.1.4 Maintain Net Asset Value. Seller shall cause the VOAC Business to have, at the Closing Date a Net Asset Value at least equal to kSEK 392,691.

3.1.5 Perform Contracts. Between November 16, 1995 and the Closing Date or the Date of Transfer, as the case may be, except to the extent performance would prove commercially unreasonable, and in such event after prior consultation with Buyer, Seller shall, and shall cause VOAC and each Subsidiary to, perform in all material respects obligations to be performed under all the contracts, leases and documents relating to their properties and business.

3.1.6 Maintain Organization. Between November 16, 1995 and the Closing Date or the Date of Transfer, as the case may be, Seller shall, and shall cause VOAC and each Subsidiary to, use commercially reasonable efforts to maintain and preserve their business organization intact, retain their present key officers and employees except the resignation referred to in Section 7.12, maintain their relationships with suppliers and customers and maintain the goodwill of the VOAC Business.

3.1.7 Prohibited Actions. Between the date hereof and the Closing Date, Seller will not undertake any of the acts described in Sections 2.1.7(a) through (k) without the prior written consent of Buyer, which will not be unreasonably withheld.

3.1.8 No Solicitation of Acquisition Offers. Between November 16, 1995 and the Closing Date Seller shall refrain, either directly or indirectly, from soliciting offers from third parties to acquire the VOAC Business, and from offering the VOAC Business, as

an acquisition candidate to any person, firm, group or corporation other than Buyer. Further, Seller shall not provide, subject to existing contracts or as may be required by law, to any party other than to Buyer access to VOAC's or each Subsidiary's properties, books, records, financial statements, contracts and documents of the VOAC Business.

3.1.9 Non-Competition. For a period of three (3) years from the Closing, Seller, Volvo or Atlas Copco and each of their subsidiaries and affiliates (collectively "Volvo/Atlas Copco Group") shall not, directly or indirectly engage anywhere throughout the world in: (i) developing, producing or marketing goods or services competitive with the products manufactured, or in the design stage, in the VOAC Business as of Closing; or (ii) assisting any person in any way to do, or attempt to do, anything prohibited by (i) above. Persons or entities engaged in such competitive activities are referred to herein as a "Competing Enterprise", provided, however, that should the Volvo/Atlas Copco Group within the next three year period as part of an acquisition of some other business become owner of a Competing Enterprise, then the Volvo/Atlas Copco Group shall agree to negotiate in good faith exclusively with Buyer in the first instance the sale of the Competing Enterprise, taking into account the reasonable commercial facts and circumstances at that time.

3.1.10 Intercompany Accounts. At the Closing hereunder all intercompany accounts involving the VOAC Business will be reconciled with no items in dispute.

3.1.11 Accounts Related Parties. At the Closing, trade accounts between VOAC and any Subsidiaries, on the one hand, and any of Seller, Volvo or Atlas Copco, on the other hand, will be settled within 60 days of Closing and any financial accounts between such parties will have been settled.

3.1.12 Adjustment of Accounts. Prior to Closing, Seller will cause VOAC to make an entry in its accounts to reflect the net favorable volume variance of kSEK 2,199 thereby reducing the value of the inventory and the profits in its accounts. Further, Seller will cause VOAC not to record any adjustment for the over-accruals relating to social costs (kSEK 260) and pension liabilities (kSEK 176).

3.2 Mutual Covenants. Each of Seller and Buyer covenants and agrees as follows:

3.2.1 Publicity. Seller and Buyer agree that, no public release or announcement concerning the transactions contemplated hereby shall be issued by either party without the prior consent of the other party (which consent shall not be unreasonably withheld), except as such release or announcement may be required by law or the rules or regulations of any United States or foreign securities exchange, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance; provided, however, that Buyer and Seller may make internal announcements to their respective employees that are consistent with the parties' public disclosures regarding the transactions contemplated hereby.

3.2.2 Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement, each party shall use its commercially reasonable efforts to cause each of the conditions to Closing to be timely fulfilled and the Closing to occur.

3.2.3 Shared Services . Atlas Copco, Volvo and Seller and Buyer will allow involved affiliates the right to continue to share the services set forth in Schedule 3.2.3. The costs and terms of such sharing arrangements will be borne by each party as heretofore or as otherwise mutually agreed. Termination of or changes in such sharing arrangements can be made by either party as provided in Schedule 3.2.3.

3.3 Covenants of Buyer. Buyer covenants and agrees as follows:

3.3.1 Guarantees. As to Seller's, Atlas Copco's or Volvo's guarantees referred to in subsection (n) of Schedule 2.1.12, Buyer will undertake to replace or substitute such guarantees as of the Closing Date.

3.3.2 Environmental Permit. With respect to the matters covered by that certain permit held by Volvo dated 23 November 1993 by Koncessionsnamnden for miljoskydd, Buyer shall cause VOAC to apply, as soon as reasonably possible after Closing,

for a permit in VOAC's name. Until such permit shall have been obtained, VOAC shall be entitled to benefit from and operate under Volvo's aforesaid permit on the terms and conditions currently applying between the parties.

3.3.3 Name Change. Buyer shall procure that any affected entity within the VOAC Group shall cause the word "Volvo" to be deleted from its corporate name without undue delay after Closing.

ARTICLE IV. CONDITIONS

4.1 Conditions to Obligations of Buyer. The obligations of Buyer to complete the purchase of the VOAC Shares on the Closing Date and to cause the relevant Local Buyers to fulfill their respective obligations under the relevant Related Agreements on the Date of Transfer are subject to the following conditions:

4.1.1 Representations and Warranties True and Correct. The representations and warranties made in section 2.1. of this Agreement shall be true and correct in all material respects as of the date hereof and as of the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall have been true and correct as of such date).

4.1.2 Compliance with Agreement. Seller and VOAC shall have performed and complied in all material respects with all of their obligations under this Agreement and the Related Agreements at or before the Closing Date, unless otherwise expressly provided hereunder.

4.1.3 No Adverse Change. Seller has disclosed to Buyer any adverse changes in the shipping or order levels, businesses, properties, assets or financial condition of the VOAC Business since the date of the Base Balance Sheet.

4.1.4 No Litigation. No litigation, proceeding, investigation or action shall be pending or threatened to enjoin or prevent the consummation of the sale of the

VOAC Business or to obtain damages or other relief by reason of such consummation, or involving the VOAC Business or any of the properties owned or leased by the VOAC Business which is likely to result in any material adverse change in the VOAC Business, apart from the pending cases set forth in Schedule 2.1.15.

The conditions contained in this Section 4.1 are for the benefit of Buyer and may be waived in whole or in part by Buyer.

4.2 Conditions to Obligations of Seller. The obligations of Seller and VOAC to complete the transactions contemplated hereby and by the Related Agreements prior or to on the Closing Date are subject to the following conditions:

4.2.1 Representations and Warranties True and Correct. The representations and warranties made in Section 2.2 of this Agreement shall be true and correct as of the date hereof and as of the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall have been true and correct as of such date).

4.2.2 Compliance with Agreement. Buyer and Local Buyers shall have performed and complied in all material respects with all of their obligations under this Agreement and the Related Agreements at or before the Closing Date.

4.2.3 No Litigation. No litigation, proceeding, investigation or action shall be pending or threatened to enjoin or prevent the consummation of the transactions contemplated by this Agreement or the Related Agreements or to obtain damages or other relief by reason of such consummation.

The conditions contained in this Section 4.2 are for the benefit of Seller and may be waived in whole or in part by Seller.

4.3 Mutual Conditions.

4.3.1 No Regulatory Impediment. No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order enacted, entered, promulgated, enforced or issued by any federal, state, local or foreign government or any court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign, including any court, administrative agency, cartel office or commission or other organ of a country where the VOAC Business is conducted or the European Union or any instrumentality or organ thereof ("Governmental Entity or Entities") or other legal restraint or prohibition preventing the purchase and sale of the VOAC Shares or the shares of the Subsidiary shall be in effect.

4.3.2 Governmental Consents. All consents of Governmental Entities required to consummate this Agreement or any of the Related Agreements shall have been obtained.

ARTICLE V. CLOSING

5.1 Closing. The Closing hereunder ("Closing") shall take place as of February 29, 1996 at the offices of Rydin & Carlsten Advokatbyra AB, Norrmalmstorg 1, S-111 87 Stockholm, Sweden, at 10 am, or at such other place and at such other time and date as may be mutually agreed upon in writing by Buyer and Seller ("Closing Date").

5.2 Deliveries.

5.2.1 Seller's Deliveries. Seller at its expense shall deliver, or shall cause to be delivered, to Buyer or the respective Local Buyer and procure the following:

Prior to Closing on Date of Transfer

(a) Executed counterparts of each of the Related Agreements.

(b) Duly endorsed certificates representing all of the shares transferred under the Related Agreements.

At the Closing:

(a) Duly endorsed certificates representing all of the VOAC Shares.

(b) A certificate dated the Closing Date signed by a duly authorized officer of Seller to the effect set forth in Sections 4.1.1, 4.1.2 and 4.1.4.

(c) A certificate dated the Closing Date of a duly authorized officer of each of Seller, Volvo and Atlas Copco setting forth certification of incumbency of signatory officers and the resolutions of the Board of Directors of Seller, VOAC, Volvo and Atlas Copco, respectively, authorizing the execution and delivery of this Agreement, the Related Agreements, and all other documents contemplated hereby and thereby and the consummation of the transactions contemplated hereby and thereby, and certifying that such resolutions were duly adopted and have not been rescinded or amended as of the Closing Date.

(d) The stockholder register of VOAC.

As Post-Closing Items:

(e) The location of all minutes of all meetings of shareholders and directors of VOAC and of each of the Subsidiaries held since their formation.

(f) Satisfactory evidence of the registration of title to the Owned Real Property in the name of VOAC or of the relevant Subsidiary to be accomplished on or after the Closing Date.

(g) All stock powers, certificates, instruments of conveyance, bills of sale, schedules, exhibits, statements and other documents necessary or appropriate under this Agreement and the Related Agreements.

(h) Transfer of signature powers to all of the VOAC Business bank accounts listed in Schedule 2.1.14.

5.2.2 Buyer's Deliveries. Buyer shall at its expense deliver, or shall cause to be delivered, to Seller the following:

Prior to Closing or Date of Transfer

Executed counterparts of each of the Related Agreements.

At the Closing

(a) The payment of the Purchase Price as set forth in Section 1.2.2.

(b) A certificate dated the Closing Date of the duly authorized officer of Buyer to the effect set forth in Sections 4.2.1, 4.2.2 and 4.2.3.

(c) Incumbency certificates with respect to signatory officers, certified copies of the resolutions of the Board of Directors of Buyer and Parker Hannifin Corporation authorizing the execution and delivery of this Agreement, the Related Agreements and all other documents contemplated hereby and thereby and the consummation of the transactions contemplated hereby and thereby, and certifying that such resolutions were duly adopted and have not been rescinded or amended as of the Closing Date.

ARTICLE VI. INDEMNIFICATION

6.1(a) Falkoping Site. Without prejudice to their other obligations and undertakings under this Agreement, Seller, Volvo and Atlas Copco jointly and severally agree, for a period of two (2) years from Closing, to retain liability with respect to the environmental matters set forth on Schedule 6.1(a). Buyer will not unilaterally investigate or notify such environmental matters unless required by law, and will only do so if required by official authorities. If such investigation is required, the parties shall then proceed as set forth in subsections (a) through (e) of Section 6.6. Seller, Volvo and Atlas Copco shall pay for the investigation, clean-up, testing and other expenses incurred. Such expenses shall be paid on a Krona for Krona basis and shall not be subject to the SEK 50 million cumulative requirement set forth in Section 6.1(b).

6.1(b) Indemnification by Seller, Volvo and Atlas Copco. Seller, Volvo and Atlas Copco jointly and severally agree to indemnify and hold the Buyer and Local Buyers under the Related Agreements (including officers, directors, agents, representatives, and employees) harmless from and against any and all liabilities, obligations, damages (excluding, however, consequential damages) deficiencies, losses, claims, actions, suits, proceedings, judgments, demands, costs, penalties, and expenses (including reasonable attorneys' fees) suffered or incurred by Buyer, VOAC or any Subsidiary and resulting from (i) any breach of representation or warranty contained herein, in any Related Agreement or in any certificate delivered pursuant hereto, (ii) any Environmental Condition, or (iii) any breach of covenant on the part of Seller; provided, however, that Seller, Volvo and Atlas Copco shall not have any liability under clause (i) and clause (ii) above, except with respect to the Known Environmental Conditions set forth in Schedule 6.1.(a), after the period of time described in Section 6.4, nor unless the aggregate of all losses, liabilities, costs and expenses relating thereto for which they would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to SEK 50 million (or the foreign currency equivalent thereof determined at the exchange rate prevailing on the date thereof) and they shall thereafter indemnify all claims in their entirety on a Krona for Krona basis. The maximum aggregate amount of liability under this Article VI and an agreement made on February 29, 1996 among Parker Hannifin Corporation, Seller, Volvo and Atlas Copco shall not exceed the Purchase Price. Any liability under clause (ii) above not known by Seller, Volvo or Atlas Copco (either by notification by Buyer or otherwise) within seven (7) years of the Closing Date shall cease.

6.1(c) Additional Indemnification. (1) Seller, Volvo and Atlas Copco jointly and severally agree, subject to no monetary threshold or amount, to indemnify and hold harmless Buyer from and against any and all costs, liabilities and claims arising from (i) the resignation or removal from office, as such, within 90 days of Closing, of Directors holding office at or prior to Closing in VOAC , (ii) the failure by Seller to demonstrate the possession by VOAC on the Closing Date of all mortgage deeds relating to the Owned Real Estate designated Ingenjoren 1 in Falkoping.

(2) Seller, Volvo, and Atlas Copco jointly and severally agree to indemnify and hold harmless Buyer, subject to no monetary threshold, in the event Aqurat AB defaults in the repayment of its outstanding loans to VOAC in the total amount of kSEK 4,362. If Buyer or any affiliate, without being obligated thereto, advance additional loans to Aqurat AB in any form or infuse additional share capital into Aqurat AB, Seller's, Volvo's and Atlas Copco's liability under this clause (2) is limited to kSEK 4,362, provided that such limit shall be decreased by two thirds of the amount of such advances or infusions, but not below kSEK 3,862. Buyer shall not be entitled to indemnification unless and until bankruptcy proceedings have been initiated. Buyer shall further not be entitled to any indemnification should Buyer or any affiliate employ any of the current employees of Aqurat AB unless bankruptcy proceedings have been initiated. Buyer's right of indemnification under this clause (2) shall survive the Closing Date for a period of three (3) years.

(3) Seller, Volvo and Atlas Copco, jointly and severally agree to indemnify and hold harmless Buyer, subject to no monetary threshold, in the event Inline defaults in its repayment of outstanding loans to VOAC Hydraulics GmbH in the total amount of DEM 1,468,273. Buyer recognises that Seller, Volvo and Atlas Copco's indemnification is based upon the assumption that VOAC will not initiate action to discontinue its distribution agreement with Inline unless Inline is in default thereunder. Buyer undertakes to take all reasonable actions to minimise Seller's, Volvo's and Atlas Copco's exposure under this clause (3) inclu-ding but not limited to the purchase of Inline's saleable inventory of VOAC products at Inline's manufactured cost, making use of any right to set-off and employment of all other procedures to recover from any right on patent, receivables, machinery etc. to the extent not pledged to any other creditor. Buyer shall not be entitled to claim under this clause (3) unless and to the extent the above actions have been taken. Seller's, Volvo's and Atlas Copco's liabi-

lity under this clause (3) is limited to the amount of DEM 1,468,273. Buyer's right of indemnification under this clause (3) shall survive the Closing Date for a period of two (2) years.

6.1(d) Inline Cleanup. Seller, Volvo and Atlas Copco represent that the cleanup agreed between VOAC Hydraulikfabrik Beteiligungs GmbH ("VOAC H") and Inline Hydraulik GmbH ("Inline") to be performed has been performed in accordance with an independent environmental consultant's specification and further that Inline has confirmed that it no longer has any claims on VOAC H in respect of such matter. Any breach of this warranty shall not be subject to any monetary threshold.

6.2 Indemnification by Buyer. Buyer agrees to indemnify, defend and hold harmless the Seller (including officers, directors, agents, representatives, and employees) from and against any and all liabilities, obligations, damages (excluding, however, consequential damages), deficiencies, losses, claims, actions, suits, proceedings, judgments, demands, costs, penalties, and expenses (including reasonable attorneys' fees) suffered or incurred by Seller and resulting from: (i) any breach of representation or warranty of Buyer contained herein, or by Local Buyers in Related Agreements, or in any certificate delivered pursuant hereto; (ii) third party claims against Seller that arise as a result of the conduct of the VOAC Business after the Closing by Buyer and do not involve a breach of a representation, warranty or covenant of Seller, an Environmental Condition, Seller's Product Liability, or any wrongful conduct of Seller; or (iii) any breach of covenant on the part of Buyer; provided, however, that Buyer shall not have any liability under clause (i) above after the period of time described at Section 6.4 nor unless the aggregate of all losses, liabilities, costs and expenses relating thereto for which Buyer would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to SEK 50 million (or the foreign currency equivalent thereof determined at the exchange rate prevailing on the date thereof) and shall thereafter indemnify all claims in their entirety on a Krona for Krona basis. The maximum aggregate amount of liability under this clause shall not exceed the Purchase Price. Any liability under clause (ii) above not known by Buyer (either by notification by Seller or otherwise) within seven (7) years of the Closing Date shall cease.

6.3 Knowledge of a Breach. Neither party shall have a right to indemnification under Sections 6.1(b), 6.1(c) and 6.2 with respect to any matter as to which it

had prior to signing this Agreement been provided with specific information, provided, however, that this shall not apply to:

(i) any matter within the scope of Section 6.1(a) and Schedule 6.1(a); and

(ii) any matter which is designated as a Post-Closing Item in Section 5.2.1 or as to which the Agreement or the Schedules are expressed to be incomplete.

6.4 Survival of Indemnification for Breach of Warranty. All representations and warranties contained in this Agreement and Related Agreements and the right of either party to make a claim for a breach of the other party's representations or warranties shall survive the Closing Date for a period of two (2) years except that: (a) claims for indemnification pursuant to Sections 2.1.1, 2.1.2, 2.1.3, 2.1.11 and 2.1.17 shall survive the Closing Date for five (5) years; and (b) claims for indemnification pursuant to Section 2.1.22 shall survive until six (6) months after final assessment of any taxes (as defined therein); provided that such written notice specifying in reasonable detail the nature and amount of the claim shall be given within the relevant survival period, it shall not be a condition to the indemnification of such claim that the payment, loss, cost or expense upon which the claim would be based actually be realized or incurred prior to the expiration of the relevant survival period. The covenants of the parties contained herein shall survive indefinitely, save to the extent a specific time period is identified in the relevant covenant.

6.5 Indemnification Procedures.

(a) Third Party Claims. In the event legal proceedings shall be instituted or any other claim or demand shall be asserted by any person in respect of which payment may be sought by a party indemnified pursuant to this Article VI ("Indemnitee"), the Indemnitee shall promptly cause written notice of the assertion of any claim of which it has knowledge which is covered by this indemnity to be forwarded to the other party ("Indemnitor"). The Indemnitor, at its expense, shall defend the Indemnitee against, negotiate, settle or otherwise deal with any proceeding, claim or demand which relates to any

loss, liability, damage or deficiency indemnified against hereunder; provided however, the Indemnitee may participate in any such proceeding with counsel of its choice and at its expense. In dealing with any such matter, the Indemnitor will act reasonably and in accordance with good faith business judgment in the best interests of the VOAC Business. To the extent the Indemnitor fails to defend such proceeding, claim or demand, and the Indemnitee defends against, settles or otherwise deals with any such proceeding, claim or demand, the Indemnitor shall reimburse the Indemnitee for all liabilities, costs and expenses (including attorney's fees) incurred. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such legal proceeding, claim or demand.

(b) Payment. After any final judgment or award shall have been rendered by a court, arbitration board or administrative agency of competent jurisdiction and the expiration of the time in which to appeal therefrom, or a settlement shall have been consummated, or Buyer and Seller shall have arrived at a mutually binding agreement with respect to such matter, or with regard to any other matter indemnified by the Indemnitor hereunder, the Indemnitee shall forward to the Indemnitor notice of any sums due owing pursuant thereto and the Indemnitor shall be required to pay all of the sums so owing to the Indemnitee, at its option, either by certified or official bank check in immediately available funds or by wire transfer of immediately available funds to an account it designates, within ten (10) days after the date of such notice.

6.6 Special Provisions for Environmental Indemnification. The following provisions shall apply to claims by Buyer for indemnification for any environmental liability pursuant to Section 2.1.17 ("Environmental Liability"):

(a) Buyer shall notify Seller without undue delay after receipt of knowledge of any facts which might give rise to an Environmental Liability. Such notice shall include copies of all documentation in Buyer's possession (e.g., notices or other communications from a Governmental Entity, studies, test results) concerning such Environmental Liability.

(b) Buyer shall notify Seller without undue delay of any Cleanup which it proposes to undertake on the Real Property. Promptly thereafter and prior to

undertaking any Cleanup, the parties will meet and attempt to agree, in good faith, on the consulting, engineering and other firms that will conduct the Cleanup. If the parties fail to agree within a period of fifteen (15) days following notice by Buyer to Seller of the proposed Cleanup, the parties shall, in good faith, jointly select an independent environmental consulting firm which firm shall determine the consulting, engineering and other firms that will conduct the Cleanup.

(c) Prior to Buyer entering into any written agreement with a Governmental Entity or commencing litigation concerning the scope, performance, or completion of Cleanup measures, Buyer agrees to consult with Seller in good faith and not to unreasonably withhold its consent to any reasonable suggestions of Seller concerning such proposed agreement or litigation.

(d) As Cleanup measures are undertaken, Buyer without undue delay shall notify Seller of any proposed course of action or expenditure of a material nature and will meet with Seller in good faith attempt to reach agreement concerning such proposed course of action or expenditure. If the parties cannot reach agreement on the necessity or reasonableness of any proposed course of action or expenditure of a material nature within fifteen (15) days following notice by Buyer to Seller of the proposed course of action or expenditure, the parties, shall, in good faith, jointly select an independent environmental consulting firm which shall determine the appropriate course of action or expenditures for the Cleanup (which firm shall not be responsible for implementing the Cleanup).

(e) As used in this Agreement, the term "Cleanup" means all actions taken to remedy any Environmental Liability.

ARTICLE VII. MISCELLANEOUS

7.1 Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or if sent by facsimile

transmission with confirmation of receipt addressed as follows or to such other address as the parties shall have given notice of pursuant hereto:

Buyer: Parker Pneumatic AB
c/o Parker Hannifin Corporation
17325 Euclid Avenue
Cleveland, Ohio 44112-1290
Attn: Joseph D. Whiteman, Esq.
Vice President, General Counsel
and Secretary
Telecopy: (216) 481-4057
Telephone: (216) 531 3000

With a copy to:

Rydin & Carlsten Advokatbyra AB
Attn: Hans Carlsten, Esq.
Box 1766
S-111 87 Stockholm
Sweden
Telecopy: +46-8-611 48 50
Telephone: +46-8-679 51 70

Seller: AVC Intressenter AB
c/o Lagerlof & Leman Advokatbyra AB
Box 2252
S-403 14 Goteborg
Sweden
Attn: Tryggve Wahlin, Esq.
Telecopy: +46-31-13 56 62
Telephone: +46-31-17 10 00

With copies to:

Volvo Aero Corporation
S-461 81 Trollhattan
Attn: Lars Lidman, Esq.
Telecopy: +46-520-134 91
Telephone: +46-520-949 79

Atlas Copco AB
S-105 23 Stockholm
Sweden
Attn: Hakan Osvald, Esq.
Assistant General Counsel
Telecopy: +46-8-743 80 37
Telephone: +46-8-743 89 95

The provision of copies shall be for convenience only and not a requirement for the effectiveness of any notice.

7.2 Entire Agreement. This Agreement, the Related Agreements, the Schedules and Appendices hereto and thereto represent the entire understanding and agreement and supersede all prior agreements, understandings or arrangements among the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of such amendment, supplement, modification or waiver is sought.

7.3 Entry-Way. Detailed plans for a new employee entry-way, paved parking area and fencing at Trollhattan, Sweden, are attached hereto as Schedule 7.3. The identified work will be completed by Seller at its expense as soon as practical after Closing but not later than June 30, 1996.

7.4 Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

7.5 Applicable Law/Forum. This Agreement shall be governed by and construed and enforced in accordance with the laws of Sweden. All disputes arising in connection with this Agreement or the Related Agreements shall be finally settled under the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce by arbitrators appointed in accordance with the said Rules. The arbitration proceedings shall take place in Stockholm and shall be conducted in English.

7.6 Expenses. Whether or not the transactions contemplated hereby are consummated, the parties hereto shall pay their own respective expenses.

7.7 Waiver. Any party may, by written notice to another party: (a) extend the time for the performance of any of the obligations or other actions of such other party; (b) waive any inaccuracies in the representations of such other party contained in this

Agreement; or (c) waive compliance with any of the agreements of such other party contained in this Agreement or waive or consent to the modification of performance of any of the obligations of such other party. No other action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, condition, or agreement contained herein.

7.8 Severability. If at any time subsequent to the date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

7.9 Incorporation by Reference. The Schedules and Appendices to this Agreement constitute integral parts of this Agreement and are hereby incorporated into this Agreement by this reference.

7.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

7.11 Assignment. The rights and obligations under this Agreement may not be assigned or delegated, in whole or in part, to any third party without the prior written consent of the other parties hereto, except that Buyer may assign its rights hereunder to Parker Hannifin Corporation or Parker Intangibles Inc. or any other wholly-owned subsidiary of Parker Hannifin Corporation, provided that Buyer shall guarantee the due performance by such subsidiary of its obligations hereunder, and provided further that the representations, warranties, covenants and indemnity obligations of Seller, Volvo and Atlas Copco for the benefit of Buyer shall be deemed to benefit, as and to the extent appropriate, each of the Local Buyers.

7.12 Resignation of VOAC President. Prior to the Closing Johan Halling, President of VOAC, will have submitted his resignation and all matters of his

employment, directorships and severance will have been completed. Seller will indemnify and hold Buyer harmless for all costs associated with his termination.

7.13 Discharge From Liability. At the next appropriate Annual Shareholders Meeting Buyer shall cause the directors of VOAC resigning in connection with Closing to be discharged from liability for 1996 provided that the auditors of VOAC recommend such discharge.

7.14 Certain Definitions. For purposes of this Agreement, the term:

(a) "affiliate" of a person means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person;

(b) "enforceability," "binding and enforceable in accordance with its terms" or terms of similar import, where they describe an obligation of a party to any agreement, shall be deemed in all cases to be subject to applicable bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect or by legal or equitable principles relating to or limiting creditors' rights generally;

(c) "business day" means any day other than a Saturday, Sunday or a public bank holiday, or equivalent for banks generally under the laws of Sweden;

(d) "person" means an individual, corporation, partnership, association, trust or any unincorporated organization; and

(e) "hold harmless" as set forth in Sections 6.1(a), 6.1(b) and 6.2 above shall mean having a nil impact on an after tax basis.

7.15 Further Assurances. The parties hereto agree to execute such other documents or agreements as may be necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby.

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

PARKER PNEUMATIC AB	AVC INTRESSENTER AB
By: Joseph D. Whiteman	By: Tryggve Wahlin
Name:	Name:
Title: Director	Title:
VOLVO AERO CORPORATION	ATLAS COPCO AB (publ)
By: Lars Lidman	By: Lennart Johansson
Name:	Name:
Title: General Counsel	Title: Senior Vice President
PARKER HANNIFIN CORPORATION	
By: Lawrence M. Zeno	By: Hakan Osvald
Name:	Name:
Title: Vice President	Title: Attorney-in-fact

LIST OF SCHEDULES

	Schedule 1.1:	List of Transferred Subsidiaries and Local Buyers and Purchase Prices and Dividends
*	Schedule 1.2.3 (i):	Base Balance Sheet
*	Schedule 1.2.3 (ii):	Accounting Principles used to prepare the Base Balance Sheet
*	Schedule 2.1.2:	Share Capital of VOAC and Subsidiaries
*	Schedule 2.1.6:	Subsidiaries
*	Schedule 2.1.7:	Actions since July 1, 1995
*	Schedule 2.1.8:	List of Proprietary Property
*	Schedule 2.1.9:	List of Real Property
*	Schedule 2.1.11:	Title to Property
*	Schedule 2.1.12:	List of contracts and commitments
*	Schedule 2.1.14:	List of powers of attorney and bank accounts
*	Schedule 2.1.15:	List of litigation judgments, decrees, etc.
*	Schedule 2.1.17(a):	List of permits, licenses, franchises, authorizations, etc.
*	Schedule 2.1.17(b):	Environmental disclosure
*	Schedule 2.1.17(c):	Hazardous materials
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*	Schedule 2.1.19:	Trade union activity
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*	Schedule 2.1.23:	List of consents, approvals and Contractual Consents
*	Schedule 2.1.24:	Compliance with Laws
*	Schedule 2.1.30	Uncollectible Accounts Receivable
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*	Schedule 6.1(a)	Falkoping Site
*	Schedule 7.3	Entry-Way

* Schedule omitted from EDGAR filing.

APPENDICES

1. Forms of Stock Transfer Agreement for Subsidiaries
(Omitted from EDGAR filing)

SCHEDULE 1.1

	Local Buyer	Purchase Price Preliminary	Dividend before closing
VOAC Hydraulics A/S, Denmark	Parker Hannifin Denmark A/S	TSEK 3,072	-
VOAC Hydraulics Ab, Finland	Parker Hannifin Oy	TSEK 7,145	TSEK 7,533
VOAC Hydraulics S.A., France	Parker Hannifin RAK SA	TSEK 10,074	-
VOAC Hydraulics GmbH, Germany	Parker Hannifin GmbH	TSEK 12,874	-
VOAC Hydraulics Ltd., Great Britain	Parker Hannifin plc	TSEK 9,045	TSEK 3,000
VOAC Hydraulics S.P.A., Italy	Parker Hannifin S.p.A.	TSEK 3,475	-
VOAC Hydraulics S.A., Spain	Parker Hannifin (espana) SA	TSEK 1,561	-
VOAC Hydraulics Inc., USA	Parker Hannifin Corp.	TSEK 4,974	TSEK 9,500

MASTER ASSET PURCHASE AGREEMENT

Dated as of January 15, 1996

By and Among

POWER CONTROL TECHNOLOGIES, INC.,

PNEUMO ABEX CORPORATION

and

PARKER HANNIFIN CORPORATION

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GLOSSARY OF DEFINED TERMS

MASTER ASSET PURCHASE AGREEMENT

MASTER ASSET PURCHASE AGREEMENT, dated as of January 15, 1996 (this "Agreement"), by and among Power Control Technologies Inc., a Delaware corporation (the "Parent"), Pneumo Abex Corporation, a Delaware corporation (the "Seller"), and Parker Hannifin Corporation, an Ohio corporation (the "Purchaser").

WHEREAS, the Purchaser and the Purchaser's Subsidiaries (as defined in Section 3.1(c)) desire to acquire all of the assets, properties and rights of every and all types whatsoever, whether real or personal, tangible or intangible, of the Parent and the Seller and their Subsidiaries used in, arising from or related to the design, manufacture and marketing of components, subsystems and specialty materials for the commercial aerospace, military aerospace, defense, turbine and racing car markets in the United States and abroad (the "Aerospace Business") (all such assets other than the Retained Assets (as defined in Section 1.2(b)) being referred to as the "Acquired Assets"), and to assume the Assumed Liabilities (as defined in Section 1.3(b)); and

WHEREAS, the Boards of Directors of each of the Parent, the Seller and the Purchaser deem the acquisition of the Acquired Assets and the assumption of the Assumed Liabilities by the Purchaser, subject to the terms, conditions and provisions hereinafter set forth, advisable and in the best interests of their respective stockholders and have authorized and approved by all requisite action this Agreement and the transactions provided for herein;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

ARTICLE I

ASSETS TO BE PURCHASED AND SOLD

Section 1.1 Structure of Transaction. The purpose of this Agreement is to set forth the basic framework and structure pursuant to which the Purchaser and the Purchaser's Subsidiaries will acquire the Aerospace Business. The parties acknowledge that the Purchaser is acquiring the assets and assuming the liabilities of the Aerospace Business only and that the Purchaser shall not be deemed to have any successor liability with respect to any other products manufactured or sold, or operations conducted, by any other businesses of the Seller, its predecessors, parents, subsidiaries or affiliates, including without limitation, the manufacture or sale of any asbestos-containing products.

The Aerospace Business includes all assets at the following locations, all of which are owned or leased by the Seller or one of its wholly-owned Subsidiaries: Kalamazoo, Michigan; Beaufort, South Carolina; Dublin, Georgia; Camarillo, California (the "Camarillo Facility"); Mainz-Kastel, Germany; and Yokohama, Japan. The Purchaser, through its direct or indirect wholly-owned subsidiaries, shall acquire the Aerospace Business as follows:

(a) Parker Hannifin GmbH ("Parker GmbH"), an indirect, wholly- owned affiliate of the Purchaser, will acquire all of the stock of the Seller's direct wholly-owned German subsidiary, Abex Industries Beteiligungs GmbH ("Abex Industries"), and all of the stock which the Seller owns in its indirect wholly-owned German subsidiary, Abex GmbH Aerohydraul ("Abex Aerohydraul"), from the Seller pursuant to the terms of the agreement to be entered into between Parker GmbH and the Seller in the form attached hereto as Exhibit A (the "German Stock Purchase Agreement");

(b) Parker Hannifin Japan, Ltd. ("Parker Japan"), a wholly-owned subsidiary of the Purchaser, will acquire the stock of the Seller's Japanese subsidiary, Abex Japan Ltd. ("Abex Japan"), pursuant to the terms of the agreement to be entered into between Parker Japan and the Seller in the form attached hereto as Exhibit B (the "Japanese Stock Purchase Agreement");

(c) Parker Intangibles Inc. ("Parker Intangibles"), a wholly-owned subsidiary of the Purchaser, will purchase certain patents and trademarks of the Aerospace Business in accordance with this Agreement; and

(d) the Purchaser will purchase other assets of the Aerospace Business and assume certain liabilities of the Aerospace Business from the Seller in accordance with this Agreement.

Section 1.2 Seller's Assets.

(a) Acquired Assets. On the Closing Date (as defined in Section 2.1(a)) and subject to the terms and conditions of this Agreement, the Seller and its Subsidiaries shall sell, assign, transfer, convey and deliver, or cause to be sold, assigned, transferred, conveyed and delivered, to the Purchaser and Parker Intangibles, and the Purchaser and Parker Intangibles shall purchase, pay for and accept from the Seller and its Subsidiaries all of the right, title and interest of the Seller and its Subsidiaries in all of the Acquired Assets held by the Seller or its Subsidiaries as of the Closing Date (provided, however, that for the purposes of this Section 1.2(a) the Acquired Assets shall not be deemed to include the assets of the Transferred Subsidiaries (as defined in Section 1.2(c))), free and clear of all

mortgages, liens, security interests or encumbrances other than the Assumed Liabilities and Permitted Liens (as defined in Section 3.7(c)), including, without limitation, the following assets, properties and rights, other than the Retained Assets (as defined in Section 1.2(b)):

(i) Acquired Facilities. All of the owned facilities Related to the Aerospace Business (as defined below), owned by the Seller, all of which are identified in Section 1.2(a)(i) of the disclosure schedule delivered by the Seller to the Purchaser on the date hereof (the "Seller Disclosure Schedule") (collectively, the "Acquired Facilities"), including, without limitation, the following:

(A) all real estate upon which the Acquired Facilities are situated;

(B) any and all presently existing easements or licenses necessary in connection with the use of, or in order to maintain free access to, the Acquired Facilities, except for those easements or licenses identified in Section 1.2(a)(i) of the Seller Disclosure Schedule which cannot be assigned by the Seller or its Subsidiaries;

(C) all improvements constituting a part of the Acquired Facilities; and

(D) all of the fixed plant, machinery and equipment and all other fixtures and fittings owned by the Seller or any of its Subsidiaries on the Closing Date and used in connection with any of the Acquired Facilities in, arising from or related to the Aerospace Business ("Related to the Aerospace Business") .

(ii) Tangible Personal Property. All moveable plant, machinery, equipment, computer hardware, furniture, fixtures, fittings, automobiles, trucks, tools and supplies, leasehold improvements, and other tangible personal property owned by the Seller or any of its Subsidiaries and, in each case, Related to the Aerospace Business.

(iii) Inventories. All inventories of finished goods, work in progress, raw materials, packaging, service parts and supplies of the Seller or any of its Subsidiaries Related to the Aerospace Business, whether or not

recorded on the Seller Balance Sheet (as defined in Section 1.2 (a)(xiii)), and wherever located at the Closing Date.

(iv) Contracts. All Contracts (as defined in Section 3.3) and contract rights of the Seller or any of its Subsidiaries Related to the Aerospace Business, including, without limitation, all Contracts set forth in Section 3.17 of the Seller Disclosure Schedule.

(v) Accounts and Notes Receivable. All accounts and notes receivable of the Seller or any of its Subsidiaries Related to the Aerospace Business.

(vi) Cash. All cash and marketable securities of the Seller or any of its Subsidiaries Related to the Aerospace Business.

(vii) Intangible Acquired Assets. All goodwill and other intangible assets owned by the Seller or any of its Subsidiaries Related to the Aerospace Business, excluding the Pneumo Abex name (the "Corporate Name") and the registrations for the Abex trademark or trade name set forth in Section 1.2(a)(vii) of the Seller Disclosure Schedule (together with the Corporate Name, the "Retained Intellectual Property") and subject to the existing licenses set forth in Section 3.17(i) of the Seller Disclosure Schedule, including, without limitation, the following intangible assets of an intellectual property nature Related to the Aerospace Business (collectively, but exclusive of the Retained Intellectual Property, the "Acquired Intellectual Property"):

(A) all know-how, confidential or proprietary technical information, trade secrets, designs, processes, computer software and data bases originating with the Seller or any of its Subsidiaries or as a "work for hire" created for the Seller or any of its Subsidiaries, research in progress, inventions and invention disclosures (whether patentable or unpatentable) and drawings, schematics, blueprints, flow sheets, designs and models, of any nature whatsoever;

(B) all copyrights, copyright registrations and copyright applications (the "Copyrights");

(C) all patents, patent applications, patents pending, patent disclosures on inventions and all patents

issued upon said patent applications or based upon such disclosures but excluding the Retained Intellectual Property (the "Patents"); and

(D) all registered and unregistered trade names, trademarks, service marks, part number designations, trade dress, logos and slogans, together with all registrations and recordings and all applications for registration therefor and all goodwill relating to all of the foregoing but excluding the Retained Intellectual Property (the "Trademarks").

(viii) Permits, Licenses, Registrations, Etc. To the extent assignable, all consents, permits, licenses, orders, registrations, franchises, certificates, approvals or other similar rights from any federal, state or local regulatory agencies Related to the Aerospace Business, including, without limitation, the Licenses (as defined in Section 3.15).

(ix) Books and Records. All books and records of the Seller and its Subsidiaries Related to the Aerospace Business, including, without limitation, financial records, customer lists, payment histories, sales and other records, promotional material, operating manuals and guidelines, software manuals and documentation, files, documents, papers, data stored in electronic, optical or magnetic form, agreements, books of account, Contracts, correspondence, plats, plans and drawings and specifications.

(x) Security Deposits and Prepaid Expenses and Third Party Claims. All security deposits and prepaid expenses and other prepaid items made by the Seller or any of its Subsidiaries Related to the Aerospace Business.

(xi) Causes of Action. Subject to Section 1.2(b) (v), all rights to causes of action, lawsuits, judgments, rights of recovery, warranties, guarantees, refunds, settlements, claims and demands of any nature available to or being pursued by the Seller or any of its Subsidiaries to the extent relating to any Assumed Liabilities (except to the extent the Purchaser has previously received indemnity payments from the Seller with respect thereto) or any Acquired Assets or otherwise Related to the Aerospace Business, whether arising by way of counterclaim or otherwise, including rights to recoveries under insurance policies with respect to insured liabilities that arise from or relate to the Acquired Assets or that are otherwise Related to the Aerospace Business, except, in all cases, to the

extent relating to the Retained Assets or the Retained Liabilities.

(xii) Indemnification Rights. Subject to Sections 1.2(b)(vi) and 6.3, all warranties, indemnities and similar rights in favor of the Seller or any of its Subsidiaries to the extent relating to any Assumed Liabilities (except to the extent the Purchaser has been indemnified by the Seller with respect thereto), any Acquired Assets or otherwise Related to the Aerospace Business, whether such rights arise prior to or after the Closing Date, except, in all cases, to the extent relating to the Retained Assets or the Retained Liabilities.

(xiii) Other Balance Sheet Assets. All assets of the Seller or any of its Subsidiaries which are reflected or of a type included on the balance sheet of the Seller as of September 30, 1995 (the "Seller Balance Sheet") included in Section 2.3 of the Seller Disclosure Schedule.

(b) Retained Assets. Notwithstanding anything contained herein to the contrary, the Seller shall not sell, transfer, convey or deliver, or cause to be sold, transferred, conveyed or delivered, to the Purchaser, and the Purchaser shall not purchase from the Seller the following assets, properties, interests and rights of the Seller and/or of its Subsidiaries (the "Retained Assets"; provided, however, that for the purpose of this Section 1.2(b), the Retained Assets shall not be deemed to include any assets of the Transferred Subsidiaries):

(i) Books and Records. All books and records of the Seller or any of its Subsidiaries related to the Retained Assets or the Retained Liabilities.

(ii) Tax Refunds. All claims of the Seller or any of the Retained Subsidiaries (as defined in Section 1.2(b)(vii)) for refunds, credits, carrybacks or carry forwards in connection with any Income Taxes or other Taxes (as each such item is defined in Section 3.13(b)) for tax periods ending on or prior to the Closing Date and the proceeds thereof.

(iii) Retained Intellectual Property. The Retained Intellectual Property.

(iv) Insurance. All insurance policies, binders and related prepaid expenses, other than insurance policies to the extent a Transferred Subsidiary is the first named insured.

(v) Causes of Action. All rights, claims, actions and causes of

action which the Seller or any of its Subsidiaries or affiliates may have against any person and all rights to recoveries under insurance policies to which a Transferred Subsidiary is the first named insured with respect to insured liabilities, in each case to the extent related to any Retained Liabilities or any Retained Assets, including all proceeds remitted to the Seller or any of its Subsidiaries from claims, rights and causes of action with respect thereto, or to Assumed Liabilities to the extent the Purchaser has previously received indemnity payments from the Seller with respect thereto.

(vi) Certain Agreements. The agreements identified on Section 1.2(b)(vi) of the Seller Disclosure Schedule (the "Retained Agreements"), including all rights of the Seller or any of its Subsidiaries thereunder.

(vii) Retained Subsidiaries. All of the capital stock or other equity interests held by the Seller or any of its Subsidiaries in the corporations identified in Section 1.2(b)(vii) of the Seller Disclosure Schedule (the "Retained Subsidiaries").

(viii) Other Retained Assets. All of the assets, properties, interests and rights of the Seller or any of its Subsidiaries described or listed in Section 1.2(b)(viii) of the Seller Disclosure Schedule.

(ix) Benefit Plans. Except as provided in Section 6.6(b), all assets related to or held under any Compensation and Benefit Plan (as defined in Section 3.9).

(c) Acquired Stock. On the Closing Date, the Seller shall sell, transfer, convey and deliver to Parker Japan all of the capital stock of Abex Japan and to Parker GmbH all of the capital stock of Abex Industries and all of the capital stock owned by the Seller in Abex Aerohydraul (Abex Japan, Abex Industries and Abex Aerohydraul are hereinafter referred to as the "Transferred Subsidiaries"), free and clear of all mortgages, liens, security interests or encumbrances, (the capital stock of the Transferred Subsidiaries is hereinafter referred to as the "Acquired Stock").

Section 1.3 Seller's Liabilities.

(a) Assumed Liabilities. On and as of the Closing Date and subject to the terms and conditions of this Agreement, the Purchaser shall assume and agree to pay, perform and discharge as and when due the following liabilities and obligations of the Seller or any of its Subsidiaries Related to the Aerospace

Business, whether fixed, absolute or contingent, material or immaterial, matured or unmatured, as the same exist as of the Closing Date except for the Retained Liabilities (as defined in Section 1.3(b)) (collectively, the "Assumed Liabilities") (it being understood, however, that the Purchaser is assuming all of the liabilities of the Transferred Subsidiaries, except as otherwise provided herein):

(i) all liabilities and obligations of the Seller or any of its Subsidiaries that are reflected or of a type reserved against on the 1 Seller Balance Sheet, to the extent such liabilities or obligations have not been paid or discharged prior to Closing Date, and such categories of liabilities and obligations incurred in the ordinary course of the Aerospace Business consistent with past practice since the date of the Seller Balance Sheet, including, without limitation, all accounts payable, accrued expenses, trade obligations, notes payable, general liability or automobile liability claims, Taxes (as defined in Section 3.13(b)) other than Income Taxes (as defined in Section 3.13(b)), and any other liabilities or obligations of a type which is reserved against on the Seller Balance Sheet, in each case Related to the Aerospace Business;

(ii) all capital commitments of the Seller or any of its Subsidiaries Related to the Aerospace Business either identified in Section 1.3(a)(ii) of the Seller Disclosure Schedule or made in the ordinary course of business and not exceeding $25,000 individually or $100,000 in the aggregate for each month from the date hereof through the Closing Date or otherwise agreed to in writing by the Purchaser;

(iii) with respect to all employees who are employed by the Seller or its Subsidiaries on the Closing Date, substantially all of whom are listed in Section 1.3(a)(iii) of the Seller Disclosure Schedule (the "Active Aerospace Business Employees"), all liabilities and obligations of the Seller and its Subsidiaries under, or relating to, wages, bonuses, commissions, FICA and FUTA payments, incentive compensation, vacation pay, and employment, consultant, severance or termination agreements and arrangements;

(iv) with respect to Active Aerospace Business Employees and those former employees of the Aerospace Business listed in Section 1.3(a)(iv) of the Seller Disclosure Schedule, all liabilities and obligations relating to continuation health coverage described in Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), or the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), currently

existing or that may arise as a result of the transactions contemplated by this Agreement or otherwise;

(v) with respect to those individuals listed in Section 1.3(a)(v) of the Seller Disclosure Schedule, all liabilities and obligations with respect to the provision of the benefits listed in Section 1.3(a)(v) of the Seller Disclosure Schedule after the Closing Date;

(vi) the Liabilities of the NWL Retirement Income Plan (both as defined in Section 6.6(b));

(vii) to the extent not otherwise constituting Retained Liabilities, all liabilities and obligations under or related to existing Licenses and Contracts which constitute Acquired Assets;

(viii) all liabilities and obligations Related to the Aerospace Business arising from outstanding commitments (in the form of accepted purchase orders or otherwise) to sell products, or outstanding quotations, proposals or bids with respect to the sale of products;

(ix) all liabilities and obligations Related to the Aerospace Business arising from outstanding commitments (in the form of issued purchase orders or otherwise), or outstanding quotations, proposals or bids, to purchase or acquire finished goods, raw materials, components, supplies or services;

(x) all liabilities and obligations Related to the Aerospace Business arising from any rights or claims of customers of the Aerospace Business to return or exchange products sold by the Aerospace Business or arising under any warranty related to such products;

(xi) all liabilities and obligations of the Seller and its Subsidiaries in respect of the foreign exchange contracts, letters of credit, guaranties, bid bonds, letters of comfort and performance bonds Related to the Aerospace Business set forth in Section 1.3(a)(xi) of the Seller Disclosure Schedule and those incurred in the ordinary course of the Aerospace Business consistent with past practice from the date hereof to the Closing Date (collectively, the "Guaranties");

(xii) all liabilities and obligations arising from or in connection with any claim or litigation Related to the Aerospace Business which is

described in Section 1.3(a)(xii) of the Seller Disclosure Schedule or arising from or alleged to have arisen from any actual or alleged injury to persons or property occurring after the Closing Date either as a result of the ownership, possession or use of any product manufactured or sold by the Aerospace Business (including for purposes of this Section 1.3(a)(xii) products manufactured, serviced or sold at or from the Seller's former facilities at Oxnard and Santa Maria, California and at or from the business formerly conducted by Jensen-Kelley Corporation) or of any violation of applicable law in the operation of the Aerospace Business, including any relating to workers' compensation, occupational health and safety, occupational disease, occupational injury or toxic tort; and

(xiii) all liabilities and obligations Related to the Aerospace Business arising from or connected with Environmental Laws or Hazardous Substances (each as defined in Section 3.19(b)) and response costs under 42 U.S.C. Section 7601 et seq. or any state law or Cleanup (as defined in Section 3.19(b)) expense (collectively, "Environmental Liabilities"), that relate to (A) Post-Closing Environmental Conditions (as defined in Section 3.19(b)), or (B) actions by the Purchaser or any of its affiliates that result in a violation of Section 12(g) of the Whitman Stock Purchase Agreement (as defined in Section 6.20(a)), as amended by the Settlement Agreement (as defined in Section 6.20(a)).

(b) Liabilities Not Assumed. Notwithstanding anything to the contrary contained in this Agreement, the Seller and its Subsidiaries shall retain and the Purchaser and its Subsidiaries shall not assume or in any manner become liable or responsible for any liability, obligation, commitment or expense of any kind, known or unknown, now existing or hereafter arising from the following (the "Retained Liabilities"):

(i) any liabilities and obligations to the extent arising out of the Retained Assets;

(ii) all liabilities and obligations of the Seller and its Subsidiaries under the Retained Agreements;

(iii) all Environmental Liabilities that relate to (A) Pre-Closing Environmental Conditions (as defined in Section 3.19(b)) and (1) are set forth in Section 3.19 of the Seller Disclosure Schedule or (2) as to which the Purchaser has notified the Seller, within three years following the Closing Date, in accordance with Section 6.20(c); and (B) Hazardous Substances shipped or removed from the Acquired Facilities prior to or on

the Closing Date (the "Off-Site Environmental Liabilities");

(iv) any Income Taxes payable with respect to the Acquired Assets or to the Seller's or its Subsidiaries' operations, assets or income (other than Income Taxes payable with respect to the Transferred Subsidiaries' operations, assets or income) for, or properly attributable to, any periods ending on or prior to the Closing Date (including any Income Taxes payable by the Seller or its Subsidiaries resulting from the transactions contemplated by this Agreement and including, with respect to any taxable period that includes but does not end on the Closing Date, Income Taxes (other than Income Taxes payable with respect to the Transferred Subsidiaries' operations, assets or income) with respect to the portion of such period that includes and ends on the Closing Date calculated as if such taxable period ended at the consummation of the Closing on the Closing Date);

(v) all liabilities and obligations arising from or alleged to have arisen from any actual or alleged injury to persons or property occurring on or prior to the Closing Date as a result of the ownership, possession or use of any product manufactured or sold by the Aerospace Business;

(vi) all liabilities and obligations arising from or alleged to have arisen from any actual or alleged injury to persons or property occurring at any time from the manufacture or sale of the asbestos-containing products identified on Section 3.27 of the Seller Disclosure Schedule;

(vii) all liabilities and obligations arising from or alleged to have arisen from occurrences on or prior to the Closing Date with respect to workers compensation matters (including for purposes of this Section 1.3(b)(vii) those relating to the Seller's former facilities in Oxnard or Santa Maria, California);

(viii) all liabilities and obligations arising from or alleged to have arisen from occurrences on or prior to the Closing Date with respect to automobile liability, general liability, and non-aircraft products matters; provided, however, that the Purchaser shall reimburse the Seller or at the Seller's direction the Seller's insurance carriers for any obligations arising from deductibles, self-insured retentions or retrospective rating premiums or letters of credit for the foregoing matters in effect after April 1, 1991 and shall provide, at the Purchaser's cost, any required oversight or administrative services in connection with such matters, including coordination with claims services and compliance with reporting

requirements;

(ix) except with respect to those liabilities and obligations specifically assumed by the Purchaser under Section 1.3(a) above, including, but not limited to, the assumption of liabilities provided in Section 1.3(a)(i), all liabilities and obligations under any Compensation and Benefit Plans or other similar arrangements of Seller and its Subsidiaries Related to the Aerospace Business, including without limitation: (A) those relating to medical, dental, disability, or life benefits for services incurred or death or disability occurring on or before the Closing Date; (B) except as provided in Section 6.6(b), all liabilities for benefits accrued or contributions due under any Pension Plan (as defined in Section 3.9) maintained by Seller or any Subsidiary or to which Seller or any Subsidiary makes or is obligated to make contributions; (C) all liabilities relating to or in respect of the Pneumo Abex ERISA Excess Plan (also known as the top Hat Plan; and (D) all liabilities with respect to the nonqualified pension arrangement for James Coakley;

(x) all liabilities or obligations (A) under any employment, compensation, stock option, severance, or other plan or agreement with Albert Indelicato, except that Mr. Indelicato shall be treated as a former employee of the Aerospace Business for purposes of Sections 1.3(a)(iv) and 6.6(b)(i) and (B) that arise out of or relate to the matter disclosed in the first paragraph of Section 3.13 of the Seller Disclosure Schedule;

(xi) subject to Section 6.7, expenses incurred by the Seller or its Subsidiaries in connection with the sale of the Acquired Assets pursuant to this Agreement or the other transactions contemplated hereby, including without limitation, the fees and expenses of the Seller's counsel, investment advisors and independent auditors;

(xii) any liabilities or obligations arising from or related to (a) the alleged nondisclosure by personnel at the Oxnard facility, during the period 1987 to 1990, of make-buy decisions involving McDonnell Douglas, Lockheed-Martin, and the United States Navy, including the notifications listed on Sections 3.8(a) (Paragraph 3), 3.26(h) and 3.26(i) of the Seller Disclosure Schedule, and (b) the alleged non-compliance by personnel at the Oxnard facility with CAS 402, 405, 410 and 418, including those matters listed on Section 3.8(a), Paragraph 4, of the Seller Disclosure Schedule; and

(xiii) subject to Sections 1.3(a)(xiii) and 1.3(b)(vii), any liabilities

or obligations of the Seller or its Subsidiaries not Related to the Aerospace Business, including without limitation, those relating to the manufacture or sale of any asbestos-containing products which were manufactured or sold by the Seller or its Subsidiaries other than as part of the Aerospace Business or Environmental Liabilities relating to the operation of any facilities other than those currently operated by the Aerospace Business (including without limitation the facilities formerly operated by the Aerospace Business in Oxnard, California and Santa Maria, California); provided, that no liability, obligation, commitment or expense of any of the Transferred Subsidiaries except Pre-Closing Environmental Liabilities and the liabilities described in Sections 1.3(b)(v) shall be treated as a Retained Liability.

ARTICLE II

CLOSING AND CLOSING DATE; PURCHASE PRICE

Section 2.1 The Closing.

(a) Closing Date. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York, commencing promptly following completion of the Stockholders' Meeting (as defined in Section 6.4) or, if not all of the conditions set forth in Article VIII shall then have been satisfied or waived, such later date and time as agreed by the parties once such conditions are satisfied or waived (the "Closing Date"); provided, however, that, if the Closing would otherwise occur later than the 20th day in PCT's business month, the Closing will be deferred until the last business day during such month; and provided, further, the parties may, by agreement in writing, change the Closing Date or place of the Closing to another date or place.

(b) Closing Documents.

(i) Seller's Documents. At or prior to the Closing, the Seller shall deliver or cause to be delivered to the Purchaser the following documents (the "Seller Documents"):

(A) executed and, if appropriate, acknowledged limited warranty deeds with covenants against grantor's acts only substantially in the forms attached as Exhibit 2.1(b)(i)(A) hereto (the "Deeds"), together with such

affidavits, certificates and other instruments as are ordinarily delivered to a purchaser of real estate or filed in the public records of Kalamazoo County, Michigan, Beaufort County, South Carolina and Laurens County, Georgia;

(B) an executed Bill of Sale, Assignment and Assumption in the form attached as Exhibit 2.1(b)(i)(B) hereto (the "Bill of Sale");

(C) an executed Lease Assignment for the lease at the Camarillo Facility, and the premises at St. Charles, Missouri, Seattle, Washington, Melbourne, Florida, and West Sussex, England in the form attached as Exhibit 2.1(b)(i)(C) hereto and an estoppel letter and consent to such assignment from the landlords under such leases (the "Lease Documents");

(D) executed copies of the German Stock Purchase Agreement and the Japanese Stock Purchase Agreement and duly executed copies of such other documents and certificates as are required to transfer title to the Acquired Stock to the Purchaser;

(E) such other executed and, if appropriate, acknowledged sale, conveyance and transfer documents in form and substance reasonably satisfactory to the Purchaser and its counsel in order to effectively vest in the Purchaser, Parker Intangibles, Parker GmbH or Parker Japan, as the case may be, title to all of the Acquired Assets and Acquired Stock (all such documents, together with the Deeds, the Intellectual Property Assignments, the Bill of Sale, the Lease Documents, the German Stock Purchase Agreement and the Japanese Stock Purchase Agreement, the "Conveyancing Agreements"); and

(F) the various other documents otherwise required by this Agreement to be delivered by the Seller or its Subsidiaries at or prior to the Closing.

(ii) Purchaser's Documents. At the Closing, the Purchaser shall deliver or cause to be delivered to the Seller the following documents (the

"Purchaser Documents"):

(A) the Conveyancing Agreements to which it will become a party, in each case executed by the Purchaser or Parker Intangibles; and

(B) the various other documents otherwise required by this Agreement to be delivered by the Purchaser at or prior to the Closing.

Section 2.2 Payments at the Closing. The consideration to be paid to the Seller on the Closing Date for the Acquired Assets shall be as follows:

(a) Cash Purchase Price. The Purchaser shall pay or cause to be paid to the Seller by wire transfer of immediately available funds to an account designated by the Seller (or other means acceptable to the Seller) an amount equal to $193,000,000, adjusted as follows: (i)(A) in the event that the Net Worth, as indicated on a balance sheet of the Aerospace Business as of the end of the most recent business month for which such information is available, and prepared on a basis consistent with the Seller Balance Sheet (the "Most Recent Net Worth"), exceeds $75,117,000 (the "Base Net Worth"), the purchase price shall be increased by the amount of such excess, or (B) in the event that the Most Recent Net Worth is less than the Base Net Worth, the purchase price shall be reduced by the amount of such shortfall; and (ii) the adjusted purchase price determined pursuant to clause (i) shall be increased by an interest factor calculated based on the thirty-day AA composite commercial paper rate (as last published by the Federal Reserve prior to the Closing Date) during the period beginning with but not including the last business day of the business month most recently completed preceding the month in which the Closing Date occurs through and including the Closing Date. For purposes of this Section 2.2(a), "Net Worth" shall mean the amount, determined pursuant to this Section 2.2, by which the total Acquired Assets as of the date of determination exceed the total Assumed Liabilities as of such date of determination.

(b) Assumed Liabilities. On the Closing Date, the Purchaser shall assume the Assumed Liabilities.

Section 2.3. Post-Closing Adjustment.

(a) Within 30 days following the Closing Date, the Seller shall provide to the Purchaser an unaudited combined balance sheet of the Aerospace

Business as of the Closing Date, if the Closing Date shall occur on the last business day of the Company's business month, or otherwise as of the last day of the business month most recently completed preceding the month in which the Closing Date occurs, but without giving effect to the Closing, prepared on the basis set forth on Section 2.3 of the Seller Disclosure Schedule and otherwise in accordance with United States generally accepted accounting principles and on a basis consistent with the Seller Balance Sheet (the "Closing Balance Sheet"). In the event of a conflict between the principles of United States generally accepted accounting principles and consistency with the Seller Balance Sheet, the principle of consistency shall apply. The inventory on the Closing Balance Sheet shall not include any inventory which existed as of the date of the Seller Balance Sheet and was not counted, costed, valued or included in the preparation of the Seller Balance Sheet. The Purchaser shall cooperate fully in good faith with the Seller in the preparation of the Closing Balance Sheet, such cooperation to include, without limitation, full access to the books and records of the Purchaser Related to the Aerospace Business for such purpose.

(b) The Purchaser shall have 30 days following receipt of the Closing Balance Sheet to notify the Seller of any dispute with the Closing Balance Sheet. In order to facilitate the Purchaser's review of the Closing Balance Sheet, the Seller shall cooperate fully in good faith with the Purchaser, such cooperation to include, without limitation, full access to the Seller's work papers relating to the Closing Balance Sheet. If the Purchaser fails to notify the Seller of any such dispute within such 30-day period, or, prior to the expiration thereof, notifies the Seller in writing that no such dispute exists, the Closing Balance Sheet shall be deemed to be the "Final Balance Sheet." In the event that the Purchaser shall so notify the Seller of any dispute, the Seller and the Purchaser shall cooperate in good faith to resolve such dispute as promptly as practicable. In the event that the Seller and the Purchaser are unable to resolve any such dispute within 20 days of the Purchaser's delivery of such notice, such dispute shall be resolved by the New York office of Price Waterhouse LLP or another accounting firm acceptable to the Seller and the Purchaser (the "Independent Accounting Firm"), with any fees being paid 50% by the Seller and 50% by the Purchaser. The determination of the Independent Accounting Firm shall be final and binding. The Closing Balance Sheet, as it may be modified by resolution of any disputes by the Seller and the Purchaser or by the Independent Accounting Firm pursuant hereto shall be the "Final Balance Sheet."

(c) In the event that the Closing Net Worth as reflected on the Final Balance Sheet is less than the Most Recent Net Worth used for purposes of adjusting the purchase price pursuant to Section 2.2(a), then the Seller shall

transfer to the Purchaser a cash amount equal to the amount by which the Closing Net Worth is less than such the Most Recent Net Worth. In the event that the Closing Net Worth is more than the Most Recent Net Worth, then the Purchaser shall transfer to the Seller a cash amount equal to the amount by which the Closing Net Worth is more than the Most Recent Net Worth. Such transfers shall be made to the account designated in writing for such purpose within two business days after delivery of the Final Balance Sheet by wire transfer in immediately available funds of the amount of such differences as determined pursuant to the preceding sentences, together with interest thereon from but not including the last day of the business month of the Seller most recently completed preceding the month in which the Closing Date occurs through and including the date of payment calculated based on the thirty-day AA composite commercial paper rate (as last published by the Federal Reserve prior to the Closing Date). For purposes of this Section 2.3, "Closing Net Worth" shall equal the amount, determined pursuant to this Section 2.3, by which the total Acquired Assets on the Final Balance Sheet exceed the total Assumed Liabilities on the Final Balance Sheet.

(d) The cash purchase price payable at the Closing, as adjusted pursuant to this Section 2.3, shall be deemed to be the "Final Purchase Price".

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants to the Purchaser and its Subsidiaries as follows:

Section 3.1 Organization; Subsidiaries.

(a) Each of the Parent, the Seller and the Transferred Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a "material adverse effect on the Aerospace Business" (as defined below). The Parent, the Seller and each of the Transferred Subsidiaries is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, have

a material adverse effect on the Aerospace Business. The Seller has heretofore made available to the Purchaser a complete and correct copy of the charter and by-laws or comparable organizational documents, each as amended to date, of the Parent, the Seller and each of the Transferred Subsidiaries. Such charters and by-laws are in full force and effect. None of the Parent, the Seller nor any of the Transferred Subsidiaries is in violation of any provision of its charter, by-laws or comparable organizational documents, except for such violations that would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business.

(b) Except for the Transferred Subsidiaries and the Retained Subsidiaries, neither the Seller nor any of its Subsidiaries has any direct or indirect equity interest in any corporation, partnership or other entity Related to the Aerospace Business. All of the outstanding shares of capital stock of each Transferred Subsidiary have been validly issued and are fully paid and nonassessable, and such shares are owned by the Seller or one of its Subsidiaries free and clear of any liens, claims, charges, security interests, encumbrances or other rights of third parties ("Liens") other than as set forth in Section 3.1(b) of the Seller Disclosure Schedule or Permitted Liens. Upon consummation of the transactions contemplated hereby, the Purchaser will acquire all of the Seller's or its Subsidiaries' interests in the outstanding shares of capital stock of each Transferred Subsidiary, free and clear of any adverse claims (within the meaning of Section 8-302 of the Uniform Commercial Code as in effect in the State of New York).

(c) For purposes of this Agreement, (i) the term "Subsidiary" means, with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which (A) such party or any other Subsidiary of such party is a general partner (excluding partnerships, the general partnership interests of which held by such party or any Subsidiary of such party do not have a majority of the voting interest in such partnership) or (B) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries, or by such party and one or more of its Subsidiaries, (ii) any reference to any event, change or effect having a "material adverse effect on the Aerospace Business" means such event, change or effect which is materially adverse to (A) the business, results of operations or financial condition of the Aerospace Business, taken as a whole, or (B) the ability of the Seller or any of its Subsidiaries to consummate the transactions contemplated hereby, and (iii) the phrase "to the Seller's knowledge,"

shall be deemed to include the actual knowledge of each of the persons described in Section 3.1(c)(iii) of the Seller Disclosure Schedule as to the specific representations and warranties indicated thereon for such person.

Section 3.2. Authority. The Parent, the Seller and each of its Subsidiaries which will be a party to any of the Seller Documents (each such subsidiary, a "Contracting Subsidiary") has the requisite corporate power and authority to execute and deliver this Agreement and the Seller Documents (to the extent it will be a party thereto) and to consummate the transactions contemplated hereby and thereby (other than the approval and adoption of this Agreement and the transactions contemplated herein by the affirmative vote of the stockholders of the Parent). The execution, delivery and performance of this Agreement and the Seller Documents by the Parent, the Seller and each Contracting Subsidiary and the consummation by the Parent, the Seller and each Contracting Subsidiary of the transactions contemplated hereby and thereby have been duly authorized by the respective Boards of Directors of the Parent, the Seller and each Contracting Subsidiary (to the extent it will be a party thereto), and no other corporate proceedings on the part of the Parent, the Seller or any Contracting Subsidiary are necessary to authorize this Agreement and the Seller Documents (to the extent it will be a party thereto), or to consummate the transactions so contemplated (other than the approval and adoption of this Agreement and the transactions contemplated herein by the affirmative vote of the stockholders of the Parent). This Agreement has been and each of the Seller Documents will be duly executed and delivered by the Parent, the Seller and each Contracting Subsidiary (to the extent it will be a party thereto) and constitutes or (to the extent such agreement is not being entered into as of the date hereof) will constitute a valid and binding obligation of each of the Parent, the Seller and each Contracting Subsidiary (to the extent it is or will be a party thereto), enforceable against it in accordance with its terms.

Section 3.3 Consents and Approvals; No Violations. Except as set forth in Section 3.3 of the Seller Disclosure Schedule, and except for such filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), ERISA, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Japanese antitrust laws or the German Cartel regulations, none of the execution, delivery or performance of this Agreement or the Seller Documents by the Parent, the Seller or any Contracting Subsidiary (to the extent it is or will

be a party thereto), or the consummation by the Parent, the Seller or any Contracting Subsidiary (to the extent it is or will be a party thereto) of the transactions contemplated hereby or thereby and compliance by the Parent, the Seller or any Contracting Subsidiary (to the extent it is or will be a party thereto) with any of the provisions hereof or thereof will (i) conflict with or result in any breach of any provisions of the charter or by-laws or comparable organizational documents of the Parent, the Seller or any of its Subsidiaries, (ii) require any filing by the Parent, the Seller or any of its Subsidiaries with, or any permit, authorization, consent or approval to be obtained by the Parent, the Seller or any of its Subsidiaries of, any court, arbitral tribunal, administrative agency or commission or other governmental or regulatory authority or administrative agency or commission whether domestic or foreign (a "Governmental Entity"), (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, or result in the creation of any Lien on any of the Acquired Assets (other than Permitted Liens); pursuant to, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement, franchise, permit, concession or other instrument, obligation, understanding, commitment or other arrangement to which the Seller or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or affected (each, a "Contract"), or (iv) violate any order, writ, injunction, decree, statute, ordinance, rule or regulation applicable to the Seller or any of its Subsidiaries except, in the case of clauses (ii) and (iii), for Contracts made by the Seller or a Subsidiary of the Seller with a Governmental Entity ("Government Contracts") which require the consent of the applicable Government Entities to the assignment of such Government Contracts to the Purchaser.

Section 3.4 SEC Reports and Financial Statements. The Parent has timely filed with the Securities and Exchange Commission (the "SEC"), and has heretofore made available to the Purchaser true and complete copies of, all forms, reports and documents required to be filed by it since June 15, 1995 under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act (as such documents have been amended since the time of their filing, collectively, the "Parent SEC Documents"). The Parent SEC Documents, including, without limitation, any financial statements or schedules included therein, at the time filed, in respect of the Aerospace Business (a) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (b) complied in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be. The consolidated financial statements of the Parent included in the Parent SEC Documents (including the notes and schedules thereto, the "Parent Financial Statements") comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of

the SEC with respect thereto, have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form l0-Q of the SEC) and fairly present in all material respects (subject, in the case of the unaudited statements, to normal audit adjustments) the consolidated financial position of the Parent and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended.

Section 3.5 Corporate Organization. Predecessors of the Seller were acquired by a predecessor of the Parent from IC Industries Inc. (now known as Whitman Corporation) in 1988. At the time of such acquisition, such predecessors were engaged in the Aerospace Business as well as in several other businesses which have since been sold by the Seller (the "Divested Businesses"). In June 1995, certain arrangements were entered into among the Parent, the Seller and Mafco Consolidated Group Inc. ("MCG") pursuant to which MCG agreed to indemnify and hold the Parent and the Seller harmless for certain liabilities relating to the Divested Businesses to the extent not covered by indemnification and insurance available from third parties. Copies of the material agreements relating to the sales of the Divested Businesses or such arrangements with MCG have been filed by the Parent or MCG with the SEC or otherwise been made available to the Purchaser.

Section 3.6 Seller Balance Sheet. The Seller Balance Sheet has been derived from the Parent's balance sheet as of September 30, 1995 included in the Parent SEC Documents by eliminating the Retained Assets and Retained Liabilities and by making the additional adjustments described in Section 2.3 of the Seller Disclosure Schedule.

Section 3.7 Title to Acquired Assets.

(a) Except as set forth in Section 3.7(a) of the Seller Disclosure Schedule, the Seller directly or indirectly owns or has a valid leasehold interest in the Acquired Assets, free and clear of any Liens, except for Permitted Liens and as may be reflected in the Seller Balance Sheet. At the Closing, the Purchaser will, directly or indirectly, acquire good and marketable title to, or a valid leasehold interest in, the Acquired Assets, free and clear of any Liens, except for Permitted Liens. On the Closing Date, the Acquired Assets will include the assets reflected on the Seller Balance Sheet and the capital stock interests in any Transferred Subsidiary, as such may have changed since the date of the Seller Balance Sheet consistent with the provisions of this Agreement, but in any event shall include all

of the Seller's direct and indirect right, title and interest in, any assets then used in connection with the Aerospace Business, other than the Retained Assets.

(b) Section 1.2(a)(i) of the Seller Disclosure Schedule contains a complete and accurate list of all of the Acquired Facilities. At the Closing, (i) the Purchaser will acquire good and marketable title in fee simple to the Acquired Facilities, other than those owned by the Transferred Subsidiaries, free and clear of all Liens, other than Permitted Liens, and (ii) the Transferred Subsidiaries will have good and marketable title in fee simple to the Acquired Facilities owned by them free and clear of all Liens other than Permitted Liens.

(c) For the purposes of this Agreement, "Permitted Liens" means Liens for (i) Taxes not yet due and payable or Taxes which are being contested in good faith and disclosed in Section 3.7(c) of the Seller Disclosure Schedule, (ii) workmen's, repairmen's or other similar Liens imposed by law but not yet asserted, arising or incurred in the ordinary course of business in respect of obligations which are not overdue, (iii) minor title defects, easements, encroachments, restrictions, covenants or encumbrances which do not materially impair the value or continued use of the property to which they relate, assuming that the property is used on the same basis as such property is currently being used, (iv) retention of title agreements with suppliers entered into in the ordinary course of business consistent with past practice (all such agreements in an individual amount in excess of $50,000 being set forth in Section 3.7(c) of the Seller Disclosure Schedule), and (v) Liens listed in Section 3.7(c) of the Seller Disclosure Schedule.

Section 3.8 Litigation. Except as set forth in Section 3.8(a) of the Seller Disclosure Schedule, as of the date hereof, there is no suit, claim, action, proceeding or, to the 1 Seller's knowledge, investigation pending or threatened, against the Seller or any of its Subsidiaries before any Governmental Entity Related to the Aerospace Business or related to the transactions contemplated by this Agreement. To the Seller's knowledge, as of the date hereof, all claims based upon any theory of tort (including but not limited to product liability) or contract (including but not limited to product or service warranty) which have been made or threatened in writing against the Seller or its Subsidiaries Related to the Aerospace Business since January 1, 1995 are described in Section 3.8(b) of the Seller Disclosure Schedule. Except as disclosed in Section 3.8(c) of the Seller Disclosure Schedule, as of the date hereof, neither the Seller nor any of its Subsidiaries is subject to any outstanding order, writ, injunction or decree, domestic or foreign, Related to the Aerospace Business or related to the transactions contemplated by this Agreement.

Section 3.9 Employee Benefits.

(a) Section 3.9(a) of the Seller Disclosure Schedule contains a list of all material bonus, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock and stock option plans, all employment or severance contracts, other material employee benefit plans and any applicable "change of control" or similar provisions in any plan, contract or arrangement which are or have been maintained by the Seller or any of its Subsidiaries and which cover employees of the Aerospace Business, and all other benefit plans, contracts or arrangements (regardless of whether they are funded or unfunded or foreign or domestic) which are or have been maintained by the Seller or any of its Subsidiaries and which cover employees of the Aerospace Business, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of ERISA, other than government plans (collectively, the "Compensation and Benefit Plans"). True and complete copies of all the Compensation and Benefit Plans, including any trust instruments, insurance contracts, summary plan descriptions, or other employee booklets, if any, forming a part of any such plans, and all amendments thereto, have been made available to the Purchaser.

(b) Except as set forth in Section 3.9(b) of the Seller Disclosure Schedule, each of the Compensation and Benefit Plans has been operated and administered in all material respects in compliance with its terms and applicable law, including but not limited to ERISA and the Code. All reports and returns have been filed and all disclosures have been made with respect to the Compensation and Benefit Plans, as required by ERISA and the Code. Except as set forth in Section 3.9(b) of the Seller Disclosure Schedule, each Compensation and Benefit Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA (a "Pension Plan") and which is intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter or a filing for such letter is pending with respect to the Tax Reform Act of 1986 and all subsequent legislations affecting qualified pension and profit sharing plans from the United States Internal Revenue Service (the "Service"), and the Seller is not aware of any circumstances that could result in revocation of any such favorable determination letter. Seller shall take whatever steps may be required by the Service to maintain the qualification of any Pension Plan through the Closing Date. Forms 5500, including Schedules P, have been filed for all Pension Plans including any plans that have been merged into any currently existing Pension Plans. Neither the Seller nor any entity that, together with the Seller, would be considered a "single employer" within the meaning of Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate") has engaged in a transaction with respect to any Compensation and Benefit Plan that is reasonably likely to subject the Seller or any ERISA Affiliate to a tax or penalty imposed by Sections 405, 409 or 502(i) of ERISA. The Seller has not engaged in a transaction with respect to any

Compensation and Benefit Plan that is reasonably likely to subject the Seller to a penalty imposed by Section 4975 of the Code. No multiemployer withdrawal liability will be imposed upon the Purchaser as a result of any obligation of the Seller or any ERISA Affiliate to contribute to any multiemployer plan (as defined in ERISA). The Seller has complied in all material respects with the continuation coverage requirements for its group health plans pursuant to Section 4980B of the Code and Part 6 of Title I of ERISA.

(c) Except as set forth in Section 3.9(c) of the Seller Disclosure Schedule, no material liability under Subtitles C or D of Title IV of ERISA has been or, to the Seller's knowledge, will be incurred by the Seller or any ERISA Affiliate with respect to any ongoing, frozen or terminated Pension Plan, currently or formerly maintained by any of them.

(d) Full payment has been made, or will be made, in accordance with Section 404 (a) (6) of the Code, of all amounts which the Seller or any ERISA Affiliate is required to pay under the terms of each Pension Plan as of the last day of the period ending on the Closing Date, including any amounts accrued as contributions under a defined contribution plan. No Pension Plan or any trust established thereunder has incurred an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA. Neither the Seller nor any ERISA Affiliate has provided, or is required to provide, security to any Pension Plan pursuant to Section 401 (a) (29) of the Code.

(e) Neither the Seller nor any of its Subsidiaries has any obligations for severance or retiree health and life benefits under any Compensation and Benefit Plan in respect of former or current employees of the Aerospace Business, except as set forth in Section 3.9(e) of the Seller Disclosure Schedule.

(f) Except as set forth in Section 3.9(f) of the Seller Disclosure Schedule, the consummation of the transactions contemplated by this Agreement or in the Conveyancing Agreements will not (i) entitle any employees of the Aerospace Business to severance pay, unemployment compensation or any other payment, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due or other benefits granted to any employees of the Aerospace Business. Except as set forth in Section 3.9(f) of the Seller Disclosure Schedule, no payments which will or may be made by the Seller or any ERISA Affiliate to

any employees of the Aerospace Business as a result of the transactions contemplated by this Agreement will constitute an "excess parachute payment" within the meaning of Section 280G of the Code.

(g) Except as provided in Section 3.9(g) of the Seller Disclosure Schedule, there are no pending, threatened or anticipated material claims under any Compensation and Benefit Plan by any employee or beneficiary covered under any such Compensation and Benefit Plan, or otherwise involving any such Compensation and Benefit Plan (other than routine claims for benefits).

Section 3.10 Absence of Undisclosed Liabilities. Except as set forth in Section 3.10 of the Seller Disclosure Schedule or as contemplated by this Agreement, neither the Seller nor any of its Subsidiaries had at September 30, 1995, or has incurred since that date, any liabilities or obligations (whether absolute, accrued, contingent or otherwise) of any nature which would be Assumed Liabilities, except liabilities, obligations or contingencies (i) which were accrued or reserved against on the Seller Balance Sheet or were not required to be so accrued or reserved under generally accepted accounting principles, or (ii) which were incurred after September 30, 1995 in the ordinary course of the Aerospace Business consistent with past practice and which would not, in the aggregate, have a material adverse effect on the Aerospace Business or which have been discharged or paid in full prior to the date hereof.

Section 3.11 Absence of Certain Changes or Events. Since September 30, 1995, the Seller and its Subsidiaries have conducted the Aerospace Business only in the ordinary course of business consistent with past practice and except as set forth in Section 3.11 of the Seller Disclosure Schedule, have not with respect to the Aerospace Business:

(a) satisfied and discharged any lien, or paid any obligation or liability, except in the ordinary course of business, or other than current liabilities included in the Seller Balance Sheet or notes thereto and current liabilities incurred since that date in the ordinary course of business;

(b) made any general wage or salary increase or any increase in compensation payable or to become payable to any key management employees (other than salary increases for specific employees granted in the ordinary course of business), or entered into any employment contract with any key management employees;

(c) mortgaged, pledged, charged or subjected to Lien or other

encumbrance any property other than Permitted Liens;

(d) sold or transferred any assets or prepaid or canceled any debts or claims, except in each case in the ordinary course of business or as contemplated by this Agreement;

(e) sold, assigned or granted rights to any third party under any patent, trade name, trademark or copy right, or any application therefor, or any trade secrets or designs for any products currently manufactured or services provided by the Aerospace Business;

(f) knowingly waived without receiving consideration any rights of material value;

(g) become involved or threatened with any labor dispute which has had or could have a material adverse effect on the Aerospace Business;

(h) suffered any damage or destruction, whether or not covered by insurance, materially and adversely affecting the properties of the Aerospace Business; or

(i) experienced any other event or condition of any character which is or with the lapse of time or occurrence of such event or condition would be, materially adverse to the financial condition, assets, properties or operations of the Aerospace Business.

Section 3.12 No Violation of Law. Except as set forth in Section 3.12 of the Seller Disclosure Schedule, neither the Seller nor any of its Subsidiaries is in conflict with, or in default or violation of, or, to the Seller's knowledge, is under investigation with respect to or has been given notice or been charged by any Governmental Entity with any violation of, any law, statute, order, rule, regulation, ordinance or judgment (other than any applicable Environmental Law, as to which the representations and warranties contained in Section 3.19 shall apply) of any Governmental Entity, except for violations which do not relate to the Aerospace Business.

Section 3.13 Taxes.

(a) Except as set forth in Section 3.13 of the Seller Disclosure Schedule and only to the extent Related to the Aerospace Business:

(i) the Seller and each of the Transferred Subsidiaries have (x) duly filed (or there has been filed on their behalf) on a timely basis with the appropriate governmental authorities all Tax Returns (as defined below) required to be filed by them on or prior to the date hereof, except where any failure to file such Tax Returns would not have a material adverse effect on the Aerospace Business or the Acquired Assets, taken as a whole, and such Tax Returns are true, correct and complete in all material respects, and (y) duly paid in full or made provision in accordance with generally accepted accounting principles (or there has been paid or provision has been made on their behalf) for the payment of (I) all material Taxes shown to be due on such Tax Returns and (II) all deficiencies and assessments of Taxes of which written notice has (or by the Closing Date will have) been received by the Seller or any of the Transferred Subsidiaries that are or may become payable by the Transferred Subsidiaries or chargeable as a Lien upon the Acquired Assets;

(ii) each of the Transferred Subsidiaries have established (and until the Closing will establish) on their books and records accruals or reserves in compliance with generally accepted accounting principles for the payment of all Taxes for which they will be required to file Tax Returns or reports and which are not yet due and payable;

(iii) there are no Liens for Taxes upon any of the Acquired Assets, except for Permitted Liens;

(iv) the Seller and its Subsidiaries have complied in all respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes (including, without limitation, withholding of Taxes pursuant to Sections 1441 and 1442 of the Code or similar provisions under any foreign laws) and have, within the time and the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities all amounts required to be so withheld and paid over under applicable laws;

(v) no federal, state, local or foreign audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Tax Returns of the Transferred Subsidiaries, and none of the Transferred Subsidiaries has received a written notice of any pending audits or proceedings;

(vi) there are no outstanding requests, agreements, consents or

waivers to extend the statutory period of limitations applicable to the assessment of any Taxes or deficiencies against the Transferred Subsidiaries, and no power of attorney granted by either the Seller or any of its Subsidiaries with respect to any Taxes of any Transferred Subsidiary is currently in force; and

(vii) neither the Seller nor any of its Subsidiaries has, with regard to any Acquired Assets, filed a consent to the application of Section 341(f) of the Code, or agreed to have Section 341(f) (2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in Section 341(f) (4) of the Code) owned by the Seller or any of its Subsidiaries.

(b) "Taxes" shall mean any and all taxes, charges, fees, levies or other assessments, including, gross receipts, excise, real or personal property, sales, withholding, social security, occupation, use, service, service use, license, net worth, payroll, transfer and recording taxes, fees and charges, imposed by the Service or any taxing authority (whether domestic or foreign including, without limitation, any state, county, local or foreign government or any subdivision or taxing agency thereof (including a United States possession)), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest whether paid or received, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies or other assessments; provided, that the term "Taxes," when referring to the Seller or its Subsidiaries other than the Transferred Subsidiaries, shall not include income or other taxes, charges, fees, levies or assessments determined or imposed solely on the basis of net income ("Income Taxes"). "Tax Return" shall mean any report, return, document, declaration or other information or filing required to be supplied to any taxing authority or jurisdiction (foreign or domestic) with respect to Taxes of the Seller or its Subsidiaries, including, without limitation, information returns, any documents with respect to or accompanying payments of estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information.

(c) The representations and warranties set forth in Section 3.13 (a) are not applicable with respect to matters constituting a breach of such representations and warranties unless and until, as a result of such breach:

(i) the Acquired Assets are made subject to Tax Liens;

(ii) the Purchaser or its Subsidiaries, including the Transferred

Subsidiaries, is made liable for Taxes; or

(iii) the payment of Taxes is sought from any of the Transferred Subsidiaries.

Section 3.14 Labor Controversies. Except as set forth in Section 3.14 of the Seller Disclosure Schedule, neither the Seller nor any of its Subsidiaries is a party to, or bound by, any collective bargaining agreement, contract or other understanding with a labor union or labor organization Related to the Aerospace Business or related to the Active Aerospace Business Employees. Except as set forth in Section 3.8(a) to the Seller Disclosure Schedule, as of the date hereof, there are no material controversies pending or, to the Seller's knowledge, threatened between the Seller or any of its Subsidiaries and any of their respective employees, and, to the Seller's knowledge, as of the date hereof, there are no organizational efforts presently being made involving any of the employees of the Seller or any of its Subsidiaries, in each case Related to the Aerospace Business or related to the Active Aerospace Business Employees. Except as set forth in Section 3.14 of the Seller Disclosure Schedule, the Seller and its Subsidiaries have complied in all material respects with all laws relating to wages, hours, collective bargaining, discrimination, and the payment of social security and similar Taxes with respect to the Aerospace Business, and, as of the date hereof, no person has, to the Seller's knowledge, asserted that the Seller or any of its Subsidiaries is liable with respect to the Aerospace Business for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

Section 3.15 Licenses. Except as set forth in Section 3.15 of the Seller Disclosure Schedule, the Seller or its Subsidiaries have, and as of the Closing Date the Purchaser will acquire, all permits, licenses, waivers and authorizations (collectively, "Licenses") which are necessary for the Aerospace Business to conduct its business in the manner in which it is presently being conducted, other than any Licenses the failure of which to have would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business. To the Seller's knowledge, no event has occurred or other fact exists with respect to the Licenses which permits, or after notice or lapse of time or both would permit, revocation or termination of any of the Licenses or would result in any other impairment of the rights of the holder of any of the Licenses, other than any revocation, termination or impairment which would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business. The Seller and its Subsidiaries have duly performed their respective obligations under the Licenses in all material respects. There is not pending or, to the Seller's knowledge, threatened, any application, petition, objection or other pleading with any Governmental Entity which challenges or questions the validity of or any rights of the holder under any License.

Section 3.16 Acquired Intellectual Property.

(a) Section 3.16 (a) of the Seller Disclosure Schedule contains a complete and accurate list of all of the Acquired Intellectual Property, other than (i) the Acquired Intellectual Property described in Section 1.2(a)(vii)(A), (ii) the unregistered Acquired Intellectual Property described in Sections 1.2(a)(vii)(B) and 1.2(a)(vii)(D), and (iii) the patent disclosures on inventions described in Section 1.2(a)(vii)(C). Except as set forth in Sections 3.16(a) and 3.16(a)(i) of the Seller Disclosure Schedule, the Seller and its Subsidiaries own all right, title and interest in and to the Acquired Intellectual Property, and have the right and authority to assign to the Purchaser, Parker Intangibles, Parker GmbH or Parker Japan, as the case may be, the entire right, title and interest in and to the Acquired Intellectual Property subject to the licenses to third parties set forth in Section 3.17(i) of the Seller Disclosure Schedule.

(b) Except as set forth in Sections 3.16(b) and 3.16(a)(i) of the Seller Disclosure Schedule, the Seller and its Subsidiaries have not, as of and since the date upon which they acquired any of the Acquired Intellectual Property, (i) transferred, conveyed, sold, assigned, pledged, mortgaged or granted a security interest in any of the Acquired Intellectual Property to any third party, (ii) entered into any license, franchise or other agreement with respect to any of the Acquired Intellectual Property with any third person other than those set forth in Section 3.17(i) of the Seller Disclosure Schedule, or (iii) otherwise encumbered any of the Acquired Intellectual Property. The Seller and its Subsidiaries have maintained and enforced the Acquired Intellectual Property in accordance with their customary practices in order to safeguard the secrecy of all the Acquired Intellectual Property that are considered to be trade secrets.

(c) The conduct of the Aerospace Business by the Seller and its Subsidiaries as currently conducted does not, to the Seller's knowledge, infringe any intellectual property right of any third party, and there is no claim, suit, action or proceeding pending or, to the Seller's knowledge, threatened against the Seller or any of its Subsidiaries (i) alleging that the conduct of the Aerospace Business or the use of the Acquired Intellectual Property by the Seller or any of its Subsidiaries infringes any third party's intellectual property rights, or (ii) challenging the Seller's or its Subsidiaries' ownership of or right to use or the validity of any Acquired Intellectual Property. To the Seller's knowledge, there are no infringements by any third party of any of the Acquired Intellectual Property.

(d) Each Copyright registration, Patent and Trademark registration and each application therefor listed in Section 3.16(a) of the Seller Disclosure Schedule is valid, subsisting and in proper form, and has been duly maintained, including the submission of all necessary filings in accordance with the legal and

administrative requirements of the appropriate jurisdictions, except for such failures which would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business. Except as set forth in Section 3.16(d) of the Seller Disclosure Schedule, to the Seller's knowledge, there have been no failures in complying with such requirements and no Copyright registration, Patent or Trademark registration has lapsed and there has been no cancellation or abandonment thereof, except for such failures, lapses, cancellations or abandonments which would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business.

(e) Except as contained in licenses identified in Section 3.17(i) of the Seller Disclosure Schedule, neither the Seller nor, to the Seller's knowledge, has any other person granted any release, covenant not to sue, or non-assertion assurance or entered into any indemnification or settlement agreement with any person with respect to any part of the Acquired Intellectual Property.

(f) To the Seller's knowledge, (i) the trademark registrations on Sections 3.16(a) and 1.2(a)(vii) of the Seller Disclosure Schedule are all of the ABEX trademark registrations owned by the Seller or its Subsidiaries that cover hydraulic or pneumatic products or products of the Aerospace Business, and (ii) the patents on Section 3.16(a) of the Seller Disclosure Schedule are all of the patents owned by the Seller or its Subsidiaries Related to the Aerospace Business. In the event that the Seller becomes aware of an additional ABEX trademark registration or a patent included in the Acquired Intellectual Property but not listed on Section 3.16(a) or 1.2(a)(vii) of the Seller Disclosure Schedule, such trademark registration or patent shall be deemed part of Section 3.16(a) or 1.2(a)(vii) of the Seller Disclosure Schedule, as the case may be, and the Seller shall assign such trademark registration or patent to the Purchaser or its designee pursuant to Sections 6.5(a) and 6.5(b) or Section 6.22 hereof, as appropriate.

Section 3.17 Material Contracts. Except as disclosed in Section 3.17 of the Seller Disclosure Schedule, as of the date hereof, neither the Seller nor any of its Subsidiaries is a party to any Contract Related to the Aerospace Business: (a) to undertake capital expenditures or to acquire any property in an aggregate amount exceeding $100,000; (b) to loan money or to extend credit in an amount greater than $100,000 to any person or group of related persons, with the exception of contracts for the sale of aerospace components entered into in the ordinary course of business; (c) which would restrict the Aerospace Business from carrying on any business anywhere in the world or which would restrict the products or services which the Aerospace Business may sell or the customers to whom the Aerospace Business may sell; (d) involving any indebtedness, obligation or liability for borrowed money or the guaranty of any such indebtedness, obligation or liability in an amount greater than $100,000; (e) involving any outstanding quotations, bids

or proposals, or the provision of goods or services having annual aggregate payments in excess of $500,000 and which is not terminable by the Seller or one of its Subsidiaries without penalty upon notice of ninety days or less; (f) involving employment, consulting, compensation or severance obligations; (g) involving any lease of personal property having annual payments in excess of $100,000 and which is not terminable by the Seller or one of its Subsidiaries without penalty upon notice of ninety days or less; (h) involving any lease of real property; (i) involving any license of Acquired Intellectual Property or involving any license of intellectual property rights of any third party; (j) involving any partnership or joint venture agreement; (k) involving any intercompany agreements or obligations or any agreements with Seller's shareholders, officers, directors, subsidiaries or affiliates, or any other agreements entered into other than on an arms-length basis, or (l) involving the distribution or resale of any products of the Aerospace Business. Except as set forth in Section 3.17 of the Seller Disclosure Schedule, (i) the consummation of the transactions contemplated hereby or in the Conveyancing Agreements will not impair any of the Aerospace Business' rights under any such Contract, except for such impairments which would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business and except that the Government Contracts require the consent of the applicable Government Entities to assign such Government Contracts to the Purchaser, and (ii) to the Seller's knowledge, all such Contracts constitute valid and binding obligations of the parties thereto. Except as set forth in Section 3.17 of the Seller Disclosure Schedule, there is no breach or violation of, or default under, any such Contract, and no event has occurred which, with notice or lapse of time or both, would constitute a breach, violation or default, or give rise to a right of termination, modification, cancellation, prepayment or acceleration under any such Contract, other than such breaches, violations or defaults which would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business.

Section 3.18 Insurance. Set forth in Section 3.18 of the Seller Disclosure Schedule is a list of all policies of liability, fire, automobile, property, business interruption and other forms of insurance covering the Aerospace Business or the Acquired Assets in effect as of the date hereof, all of which are valid and enforceable and in full force and effect.

Section 3.19 Environmental Matters.

(a) Except as set forth in Section 3.19 of the Seller Disclosure Schedule, (i) the Seller and, to the Seller's knowledge, each of its Subsidiaries is in compliance with all applicable Environmental Laws (which includes, but is not limited to, the possession by the Seller and its Subsidiaries of all Licenses required under applicable Environmental Laws, and compliance with the terms and conditions thereof), except for any noncompliance that would not, individually or

in the aggregate, have a material adverse effect on the Aerospace Business, (ii) no asbestos in a friable condition or equipment containing polychlorinated biphenyls is contained in or located at any Acquired Facility, (iii) no underground or above-ground storage tanks are or, to the Seller's knowledge, were contained in or located at any Acquired Facility, and, and (iv) neither the Seller nor any of its Subsidiaries has received notice of a civil, criminal or administrative suit, claim, action, proceeding or investigation relating to the Aerospace Business or any property or facility owned, operated or leased, or previously owned operated or leased, by Seller or any of its Subsidiaries in connection with the Aerospace Business relating to Environmental Laws which would have, individually or in the aggregate, a material adverse effect on the Aerospace Business.

Except as otherwise disclosed in Section 3.19 of the Seller Disclosure Schedule, and except as expressly authorized by an effective permit or by applicable law, there have been no Releases of any Hazardous Substances, into, onto, under or from any real property owned or used in the Aerospace Business by Seller or its Subsidiaries or, to the Seller's knowledge, by any third party. Except as otherwise disclosed in Section 3.19 of the Seller Disclosure Schedule, Seller and its Subsidiaries have not conducted, engaged or permitted others to conduct or engage at any such real property in the manufacture, treatment or disposal of any Hazardous Substances. Section 3.19 of the Seller Disclosure Schedule contains (i) a list of all written reports submitted to any Responsible Authority with respect to any Hazardous Substance contamination, Release or Cleanup at the Acquired Facilities (the "Environmental Reports"); and (ii) a list of all written reports in the Seller's possession resulting from any environmental or safety inspection or assessment of the Acquired Facilities during the past five years, whether performed by the Seller, its predecessors, Responsible Authorities or any third party (the "Environmental Assessments"). Complete copies of the Environmental Reports and the Environmental Assessments have been provided to the Purchaser.

(b) As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Cleanup" means all actions as are required by Environmental Laws, by any Governmental Entity pursuant to Environmental Laws, or otherwise taken as necessary to comply with Environmental laws, to (i) clean up, remove, contain, treat or in any other way address or remediate any Hazardous Substances in the environment, or (ii) prevent the dispersal of Hazardous Substances in the environment so that they do not migrate and endanger public health or safety or the environment.

"Environmental Laws" means all federal, state, local and foreign laws and regulations relating to pollution or protection of human health or the

environment, including without limitation, laws relating to Releases or threatened Releases of Hazardous Substances into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, disposal, transport or handling of Hazardous Substances and all laws and regulations with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Substances.

"Hazardous Substances" means all substances defined as Hazardous Substances, Oils, Pollutants or Contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. Section 300.5, or defined as such by, or regulated as such under, any Environmental Law.

"Post-Closing Environmental Conditions" shall mean any environmental condition at any Acquired Facility other than a Pre-Closing Environmental Condition described in Section 1.3(b)(iii)(A).

"Pre-Closing Environmental Conditions" shall mean any environmental condition caused by the presence or Release of Hazardous Substances prior to or on the Closing Date and discovered by Purchaser or its Subsidiaries or Responsible Authorities , which conditions are on or under or emanate from any Acquired Facility.

"Release" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including, without limitation, ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the movement of Hazardous Substances through or in the air, soil, surface water, groundwater or property.

"Responsible Authorities" shall mean the United States Environmental Protection Agency and any other Federal, state or local regulatory agency or commission, court or other body with jurisdiction over environmental matters under Environmental Laws.

Section 3.20 Intentionally Omitted.

Section 3.21 Backlog. The Seller has provided to the Purchaser a complete and accurate copy of the report prepared by the Seller's management with management's estimate of "backlog" at September 30, 1995.

Section 3.22 Inventory; Accounts Receivable. The amounts shown for inventory on the Seller Balance Sheet present fairly the value of the inventory as

of such date in accordance with generally accepted accounting principles applied on a consistent basis with preceding periods and does not include inventory which existed as of the date of the Seller Balance Sheet and was not counted, costed, valued or included in the preparation of the Seller Balance Sheet. The accounts receivable of the Aerospace Business shown on the Seller Balance Sheet arose in the ordinary course of business and are properly reflected on the Seller Balance Sheet in accordance with generally accepted accounting principles on a consistent basis with preceding periods.

Section 3.23 Personal Property. The personal property included in the Acquired Assets and reflected on the Seller Balance Sheet at other than nominal value is in good working condition, ordinary wear and tear excepted, and has been maintained by the Seller in accordance with reasonable maintenance practices.

Section 3.24 Sales Volume; Adverse Trends. Except as otherwise disclosed in Section 3.24 of the Seller Disclosure Schedule, as of the date hereof, the Seller has not received written notice from any customer of the Aerospace Business that accounted for more than 5% of the sales of the Aerospace Business during the year ended December 31, 1994 that it will materially reduce its volume of purchases from the Seller during 1996 and 1997.

Section 3.25 Absence of Certain Business Practices. Neither the Seller nor, to the Seller's knowledge, any officer, employee, agent thereof or other person acting on its behalf has, directly or indirectly, within the past three years given any gift or similar benefit to any customer, supplier, competitor, or governmental employee or official which would subject the Seller to any material damage, or penalty or injunction in any civil, criminal, or governmental litigation or proceeding or would subject the Seller to cancellation of any material contract or agreement.

Section 3.26 Government Contract Rights. Except as disclosed in Section 3.26 of the Seller Disclosure Schedule, as of the date hereof:

(a) the Seller has no outstanding quotations, bids or proposals with respect to the Aerospace Business in which the price exceeds $500,000 and which has been submitted to the United States Government or any proposed prime contractor under an existing or proposed prime contract;

(b) to the Seller's knowledge, the Seller has complied in all material respects with all statutory and regulatory requirements affecting its contracts with the United States Government or any prime contractor under a United States Government contract and with all certificates and representations executed in

connection therewith;

(c) the Seller is not debarred or suspended from doing business with the United States Government and the Seller has not been informed in writing that it will be subject to the institution of debarment or suspension proceedings against it;

(d) the Seller has not since January 1, 1995 received any written show cause notices, cure notices or default determinations on any of its contracts with the United States Government or with any prime contractor under a United States Government prime contract;

(e) the Seller has not since January 1, 1995 received any written negative determinations of responsibility from the United States Government with respect to any bid, quotation or proposal submitted by the Aerospace Business;

(f) the Seller has not since January 1, 1995 received any document questioning or disallowing any cost incurred as a result of a finding or determination by the United States Government;

(g) neither the United States Government nor any prime contractor under a United States Government prime contract has withheld or set off, or attempted to withhold or set off, since January 1, 1995, monies due to the Seller under any of its contracts;

(h) to the Seller's knowledge, the Seller is not under any administrative, civil or criminal investigation or indictment with respect to any alleged irregularity, misstatement or omission arising out of or in any way relating to any of its contracts, bids, quotations or proposals with respect to the Aerospace Business;

(i) the Seller is not undergoing, has not since January 1, 1995 undergone and has not been notified in writing that it is scheduled to undergo any audit arising under or relating to any contract with the United States Government or with any prime contractor under a United States Government prime contract, in each case with respect to the Aerospace Business;

(j) to the Seller's knowledge, the Seller is not involved in any qui tam actions; and

(k) the Seller possesses all necessary security clearances for the performance of its obligations under each of its contracts with the U.S. Government or with the prime contractor under a U.S. Government prime

contract.

Section 3.27 Asbestos Matters. To the Seller's knowledge, except as described in Section 3.27 of the Seller Disclosure Schedule, no asbestos-containing products have ever been manufactured or sold by the Aerospace Business and none of the Acquired Assets has been used for the manufacture or sale of such products. The Seller acknowledges that the Purchaser is not assuming any liability relating to the manufacture or sale of asbestos-containing products other than those identified on Section 3.27 of the Seller Disclosure Schedule and that such liabilities are being retained by the Seller.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Seller as follows:

Section 4.1 Organization. Each of the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a "material adverse effect on the Purchaser" (as defined below). Each of the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, have a material adverse effect on the Purchaser. The Purchaser has heretofore made available to the Seller a complete and correct copy of the charter and by-laws or comparable organizational documents, each as amended to date of each of the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan. Such charters and by-laws are in full force and effect. Neither the Purchaser nor any of its Subsidiaries is in violation of any provision of its charter, by-laws or comparable organizational documents, except for such violations that would not, individually or in the aggregate, have a material adverse effect on the Purchaser. As used in this Agreement, any reference to any event, change or effect having a "material adverse effect on the Purchaser" means such event, change or effect which is materially adverse to (A) the business, results of operations or financial condition of the Purchaser and its Subsidiaries, taken as a whole, or (B) the ability of the Purchaser to consummate the transactions

contemplated hereby.

Section 4.2 Authority. The Purchaser, Parker Intangibles, Parker GmbH and Parker Japan each has the requisite corporate power and authority to execute and deliver this Agreement and the Purchaser Documents (to the extent it is or will be a party thereto) and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Purchaser Documents by the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan and the consummation by the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan of the transactions contemplated hereby and thereby have been duly authorized by the respective Boards of Directors of the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan (to the extent it is or will be a party thereto) and no other corporate proceedings on the part of the Purchaser, Parker Intangibles, Parker GmbH or Parker Japan are necessary to authorize this Agreement and the Purchaser Documents (to the extent it is or will be a party thereto) or to consummate the transactions so contemplated. This Agreement has been, and each of the Purchaser Documents will be, duly executed and delivered by the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan and constitutes or (to the extent such agreement is not being entered into as of the date hereof) will constitute a valid and binding obligation of each of the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan (to the extent it is or will be a party thereto) , enforceable against the Purchaser, Parker Intangibles, Parker GmbH or Parker Japan, as the case may be, in accordance with its terms.

Section 4.3 Consents and Approvals; No Violations.

(a) Except as set forth in Section 4.3(a) of the disclosure schedule delivered by the Purchaser to the Seller on or prior to the date hereof (the "Purchaser Disclosure Schedule"), and except for such filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, the HSR Act, the Japanese antitrust laws or the German Cartel regulations, none of the execution, delivery or performance of this Agreement by the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan (to the extent it is or will be a party thereto) or the consummation by the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan of the transactions contemplated hereby or by the Purchaser Documents (to the extent it is or will be a party thereto) or compliance by the Purchaser, Parker Intangibles, Parker GmbH and Parker Japan (to the extent it is or will be a party thereto) with any of the provisions hereof or thereof will (i) conflict with or result in any breach of any provision of the charter or by-laws of the Purchaser, Parker Intangibles, Parker GmbH or Parker Japan, (ii) require any filing by the Purchaser or its Subsidiaries with, or any permit, authorization, consent or approval of, any Governmental Entity to be obtained by the Purchaser or its Subsidiaries, (iii) result

in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement, franchise, permit, concession or other instrument, obligation, understanding, commitment or other arrangement to which the Purchaser or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or affected, or (iv) violate any order, writ, injunction, decree, statute, ordinance, rule or regulation applicable to the Purchaser or any of its Subsidiaries.

(b) Except as set forth in Section 4.3(b) of the Purchaser Disclosure Schedule, neither the Purchaser nor any of its Subsidiaries is in conflict with, or in default or violation of, any note, bond, mortgage, indenture, lease, license, contract, agreement, franchise, permit, concession or other instrument, obligation, understanding, commitment or other arrangement to which the Purchaser or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or affected.

Section 4.4 Funds Available for Purchase Price. The Purchaser has adequate resources available to pay the cash Purchase Price on the Closing Date as provided by Section 2.2.

ARTICLE V

COVENANTS

Section 5.1 Conduct of the Aerospace Business. During the period from the date of this Agreement and continuing until the Closing Date, the Seller agrees as to itself and its Subsidiaries that, except for the transactions expressly provided for in this Agreement, or to the extent that the Purchaser shall otherwise consent in writing:

(a) Ordinary Course. The Seller shall, and shall cause each of its Subsidiaries to, conduct the Aerospace Business in the usual, regular and ordinary course consistent with past practice and shall use its reasonable efforts, and will cause each of its Subsidiaries to use its reasonable efforts, to preserve substantially intact the present business organization of the Aerospace Business, keep substantially available the services of the present officers and employees of the Aerospace Business and preserve substantially intact the business relationships of the Aerospace Business with customers, suppliers and others having business dealings with the Aerospace Business.

(b) Governing Documents. The Seller and its Subsidiaries shall not amend or propose to amend their respective certificates of incorporation or by-laws or comparable organizational documents in any manner which would require any further authorization or approval by the Board of Directors or stockholders of the Seller or its Subsidiaries, as the case may be, for the consummation of the transactions contemplated by this Agreement or which would place any material restraints or material additional requirements on any of the parties hereto in connection with the consummation of the transactions contemplated by this Agreement.

(c) No Acquisitions; Material Commitments. The Seller shall not, nor shall it permit any of its Subsidiaries to, (i) acquire or agree to acquire by merging or consolidating with, or by purchasing an equity interest in or the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any material assets, in each case Related to the Aerospace Business, other than the purchase of raw materials and inventory in the ordinary course of the Aerospace Business consistent with past practice, or (ii) otherwise enter into any material commitment or transaction Related to the Aerospace Business outside the ordinary and usual course of the Aerospace Business consistent with past practice.

(d) No Dispositions. Subject to Section 6.4(b), the Seller shall not, nor shall it permit any of its Subsidiaries to, sell, lease, license, encumber or otherwise dispose of, or agree to sell, lease, license, encumber or otherwise dispose of, any Acquired Assets other than in the ordinary course of the Aerospace Business consistent with past practice.

(e) Indebtedness. The Seller shall not, nor shall it permit any of its Subsidiaries to, incur, assume, pre-pay, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for any indebtedness for borrowed money or other material obligation Related to the Aerospace Business which would become an Assumed Liability, except in the ordinary course of the Aerospace Business consistent with past practice.

(f) Changes to Benefit Plans. Except as set forth in Section 5.1(f) of the Seller Disclosure Schedule, and except as otherwise contemplated by this Agreement, the Seller shall not, nor shall it permit any at its Subsidiaries to, (i) enter into, adopt, amend (except as may be required by law and except for immaterial amendments) or terminate any Compensation and Benefit Plan as it relates to any Active Aerospace Business Employees, or (ii) except for immaterial or normal increases in the ordinary course of the Aerospace Business consistent with past practice, increase in any manner the compensation or fringe benefits of

any Active Aerospace Business Employee or pay any benefit to any Active Aerospace Business Employee not required by any plan or arrangement as in effect as at the date hereof or enter into any Contract, agreement, commitment or arrangement to do any of the foregoing.

(g) Accounting Policies and Procedures. The Seller will not and will not permit any of its Subsidiaries to change in any material respect any of its accounting principles, policies, practices or procedures, except as may be required by United States generally accepted accounting principles or by United States laws and regulations governing Government Contracts, in respect of the Aerospace Business.

(h) Contracts. The Seller will not, and shall not permit any of its Subsidiaries to, modify, amend or terminate any Contract Related to the Aerospace Business, waive, release, relinquish or assign any Contract or other right or claim Related to the Aerospace Business or cancel or forgive any indebtedness owed to the Seller or its Subsidiaries which would be an Acquired Asset.

(i) Other Actions. Notwithstanding the fact that such action might otherwise be permitted pursuant to this Section 5.1, the Seller shall not, nor shall it permit any of its Subsidiaries to, take any action that would or can reasonably be expected to result in any of the conditions to the obligations of the Purchaser set forth in Article VIII not being satisfied or that would impair the ability of the Seller to consummate the transactions contemplated herein in accordance with the terms hereof or that would delay such consummation.

Notwithstanding the provisions of this Section 5.1, nothing in this Agreement shall be construed or interpreted to prevent the Seller from (i) paying or making regular or special cash dividends or other cash distributions, (ii) making or accepting inter- or intra-company advances to, from or with one another or with the Seller or any of its Subsidiaries except that advances to either Transferred Subsidiary may only be made as permanent capital to the extent necessary to maintain the solvency of such Transferred Subsidiary, (iii) engaging in any transaction incident to the normal cash management procedures of Seller and its Subsidiaries, including short-term investments in bank deposits, money market instruments, time deposits, certificates of deposit and bankers' acceptances and borrowings for working capital purposes and purposes of providing additional funds to the Aerospace Business in the ordinary course of business, (iv) continuing the management of environmental or products liability related claims in accordance with past practice, or (v) settling or compromising any actual or threatened lawsuit or claim whether or not Related to the Aerospace Business.

Section 5.2 Covenants of the Parties.

(a) During the period from the date of this Agreement and continuing until the Closing Date, the Purchaser agrees as to itself and its Subsidiaries that the Purchaser shall not take any action that would or can reasonably be expected to result in any of the conditions to the obligations of the Seller set forth in Article VIII not being satisfied or that would materially impair the ability of the Purchaser to consummate the transactions contemplated herein in accordance with the terms hereof or that would materially delay such consummation.

(b) Each party shall promptly provide the other (or its counsel) copies of all filings made by it with any federal, state or foreign Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

(c) Each party shall cooperate and assist the others in making claims under insurance policies relating to periods prior to the Closing Date and collecting recoveries with respect thereto. The Seller agrees that, with respect to liabilities insured under insurance policies included with the Retained Assets that arise from or relate to the Acquired Assets or that are otherwise Related to the Aerospace Business for the period prior to the Closing Date, the Seller will use its best efforts, at the Purchaser's sole cost and expense, to obtain insurance recoveries for the Purchaser and remit to the Purchaser any insurance recovery obtained by the Seller pursuant to such claims, after deducting any out-of-pocket costs and expenses incurred by the Seller in obtaining such insurance recovery and after giving effect to any applicable deductible. The Purchaser agrees that, with respect to liabilities insured under insurance policies included with the Acquired Assets that arise from or relate to the Retained Assets for the period prior to the Closing Date, the Purchaser will use its best efforts, at the Seller's sole cost and expense, to obtain insurance recoveries for the Seller and remit to the Seller any insurance recovery obtained by the Purchaser pursuant to such claims, after deducting any out-of-pocket costs and expenses incurred by the Purchaser in obtaining such insurance recovery and after giving effect to any applicable deductible.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.1 Reasonable Efforts. Subject to the terms and conditions of this Agreement, including, without limitation, Section 6.3(b), each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under this Agreement and under applicable Contracts, laws and regulations to consummate

and make effective the transactions contemplated by this Agreement (which actions shall include, without limitation, furnishing all information required under the HSR Act and in connection with approvals of or filings with any Governmental Entity) and will promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them or any of their respective Subsidiaries in connection therewith. Subject to the terms and conditions hereof, each of the Seller and the Purchaser will, and will cause its respective Subsidiaries to, promptly use all reasonable efforts to obtain (and will cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or other public or private third party, required to be obtained or made by such party in connection with the taking of any action contemplated by this Agreement.

Section 6.2 Access to Information. After the date hereof and prior to the Closing Date, upon reasonable notice, the Seller shall (and shall cause its Subsidiaries to) afford to the officers, employees, accountants, counsel and other representatives of the Purchaser, access, during normal business hours to the extent necessary for the Purchaser to prepare or evaluate any schedules or filings contemplated by this Agreement, to all its properties, books, Contracts, commitments and records and all other information Related to the Aerospace Business, the Acquired Assets, the Assumed Liabilities, the Retained Assets, the Retained Liabilities and the Active and Former Aerospace Business Employees as the Purchaser may reasonably request, and, during such period, each of the Seller and the Purchaser shall (and shall cause each of their respective Subsidiaries to) furnish promptly to the other a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal securities laws. Unless otherwise required by law, the parties will hold any such information which is non-public in confidence in accordance with the Confidentiality Agreement, dated August 23, 1995 (the "Confidentiality Agreement"), between the Seller and the Purchaser.

Section 6.3 Further Assurances; Subsequent Transfer.

(a) From time to time, each of the parties hereto will execute and deliver such further instruments and will take such other actions as the Purchaser or any of its Subsidiaries, on the one hand, or the Seller or any of its Subsidiaries, on the other hand, may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof. Without limiting the generality of the foregoing, at any time and from time to time after the Closing Date, (i) at the request of the Purchaser or any of its Subsidiaries, the Seller and its Subsidiaries will execute and deliver such other instruments of transfer, and take such action as the Purchaser or any of its Subsidiaries may reasonably deem necessary in order to effectively transfer, convey and assign to the Purchaser and its Subsidiaries all

of the Acquired Assets, to put the Purchaser and its Subsidiaries in actual possession and operating control thereof and to permit the Purchaser and its Subsidiaries to exercise all rights with respect thereto (including, without limitation, rights under Contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained) and to properly assume and discharge the related Assumed Liabilities, and (ii) at the request of the Seller or any of its Subsidiaries, the Purchaser and its Subsidiaries will execute and deliver such other instruments and agreements, and take such action, as the Seller or any of its Subsidiaries may reasonably deem necessary in order effectively to assume from the Seller all of the Assumed Liabilities and to confirm the Seller's right, title and interest in and to the Retained Assets.

(b) The Seller will use all reasonable efforts and the Purchaser will reasonably cooperate with the Seller to obtain any consents required to transfer and assign to the Purchaser all Contracts, Licenses and other rights of any nature whatsoever relating to or constituting a part of the Acquired Assets (including, without limitation, by assisting the Purchaser in its efforts to obtain title insurance in respect of real property included within the Acquired Assets), it being understood that neither the Seller nor the Purchaser shall be obligated to make payments to third parties in order to obtain consents. In the event and to the extent that at the Closing the Seller is unable to obtain any such required consents, and the Purchaser elects to waive any condition to the Closing with respect to such consents, (i) the Seller shall continue to be bound by all of the above-mentioned Contracts, Licenses and other rights as to which such consent was not obtained, (ii) the Purchaser shall pay, perform and discharge fully all of the obligations of the Seller thereunder from and after the Closing Date, and (iii) the Seller shall, for a period continuing through September 30, 1996, continue to use all reasonable efforts to obtain such consent at the earliest practicable date following the Closing Date. The Seller shall, without further consideration therefor, pay, assign and remit to the Purchaser promptly all monies, rights and other consideration received in respect of such performance. The Seller shall exercise, enforce or exploit the rights and options under all such Contracts, Licenses and other rights and commitments referred to in this Section 6.3(b) only as reasonably directed in writing by the Purchaser and at the Purchaser's expense. Except with respect to the exercise or exploitation of the rights and options under the non-assignable Contracts, Licenses and other rights and commitments as contemplated under this Section 6.3(b), the Seller and its Subsidiaries shall have no obligation hereunder to pay, perform or discharge any obligations under any such non-assignable Contract, License or other right relating to the Acquired Assets after the Closing, and the Purchaser shall indemnify and hold harmless the Seller and its Subsidiaries (i) from any Third-Party Claims (as defined in Section 7.1) relating thereto, except to the extent such Third Party Claims relate to or arise from the performance by

the Seller prior to the Closing Date or to any conduct which would amount to a breach by the Seller of its representations, warranties or covenants set forth in this Agreement, and (ii) from Third-Party Claims arising out of, resulting from or relating to any actions taken by the Seller or its Subsidiaries in connection with such Contracts, Licenses and other rights and commitments which the Purchaser directed the Seller or its Subsidiaries to take or which were reasonably taken if directions were requested by the Seller in writing and not forthcoming from the Purchaser within a reasonable period of time. If and when any such consent shall be obtained or such Contract, License or other right shall otherwise become assignable, the Seller or such Subsidiary, as the case may be, shall promptly assign all its rights and obligations thereunder to the Purchaser without payment of further consideration and the Purchaser shall, without the payment of any further consideration therefor, assume such rights and obligations.

(c) Prior to the Closing, the Seller and its Subsidiaries shall take all necessary steps to remove any mortgages, claims, liens, charges or encumbrances affecting the assets of the Transferred Subsidiaries, other than Permitted Liens and any encumbrances relating to the Assumed Liabilities.

Section 6.4 Stockholders' Meeting; Fiduciary Duties; Nonsolicitation.

(a) The Parent shall, promptly after the date hereof, take all action necessary in accordance with the Delaware General Corporation Law (the "DGCL") and its Certificate of Incorporation and By-laws to convene a meeting of the Parent's stockholders to, among other things, consider and vote upon this Agreement and the transactions contemplated herein (the "Stockholders' Meeting"). The Board of Directors of the Parent will recommend to the Parent's stockholders the approval and adoption of this Agreement and the transaction contemplated herein (the "Recommendation"); provided, however, that the Board of Directors of the Parent may withdraw or modify the Recommendation if the Board of Directors concludes in good faith following consultation with outside counsel that such action is reasonably necessary for the Board of Directors to comply with its fiduciary obligations to the Parent's stockholders under applicable law. Unless the Recommendation shall have been withdrawn or modified in a manner adverse to the Purchaser, the Parent shall use its best efforts to solicit from its stockholders proxies in favor of the approval and adoption of this Agreement and the transactions contemplated herein and to secure the vote or the consent of the stockholders required by the DGCL to approve and adopt this Agreement and the transactions contemplated herein.

(b) The Parent and the Seller shall not, and shall direct their respective officers, directors, employees and representatives not to, solicit any inquiries or the making of any proposal which constitutes, or may reasonably be

expected to lead to, a Competing Transaction (as defined below), or, except in the circumstances described below, participate in any discussions or negotiations, or provide third parties with any nonpublic information, relating to any such inquiry or proposal. Nothing contained in this Section 6.4(b) or in any other provision of this Agreement shall, however, prohibit the Parent or its Board of Directors or its representatives from making such disclosures to its stockholders as are required under applicable law or by rules of the New York Stock Exchange or any other exchange on which the Parent's securities may be listed for trading. Notwithstanding the foregoing, nothing contained in this Section 6.4(b) or elsewhere in this Agreement shall prohibit the Board of Directors of the Parent or the Seller from furnishing information to, or entering into discussions or negotiations with, any person or entity that makes a bona fide written proposal for a Competing Transaction if such Board of Directors, after consultation with its legal counsel and financial advisors, determines in good faith that such Competing Transaction is economically superior to the transactions contemplated hereby and, in the case of the Board of Directors of the Parent, that such action is necessary or required for the Board of Directors of the Parent to comply with its fiduciary duties to the Parent's stockholders under applicable law. Subject to compliance with the provisions of Section 9.3 and the preceding sentence, the Board of Directors of the Parent may approve and recommend to the Parent's stockholders a Competing Transaction. As used herein, a "Competing Transaction" shall mean any of, or a proposal to effect any of, the following (other than the transactions contemplated by this Agreement) (i) any merger, consolidation, business combination or other similar transaction with respect to the Parent or the Seller, (ii) any tender offer or exchange offer for all of the outstanding capital stock of the Parent, or (iii) any sale, transfer or other disposition of all of the assets of the Aerospace Business.

Section 6.5 Acquired Intellectual Property.

(a) Use of Names. Following the Closing Date, (i) the Purchaser and its Subsidiaries shall have the sole and exclusive ownership of and right to use, as between the Purchaser and its Subsidiaries, on the one hand, and the Seller and its Subsidiaries, on the other hand, the Trademarks, (ii) the Seller shall, and shall cause its Subsidiaries and other affiliates to, take all action necessary to cease using, and change as promptly as practicable (including by amending any charter documents), any corporate or other names which are the same as or confusingly similar to any of the Trademarks; provided, however, that the Purchaser acknowledges the Seller's rights to use the Pneumo Abex name and the Abex name as, or as part of, its corporate name or in connection with matters not related to the Aerospace Business, and provided further that Seller will not use the Pneumo Abex or Abex name or mark in any manner in connection with aerospace products or hydraulic or pneumatic products, and the parties agree that such uses described above are not likely to cause confusion with the Purchaser's use of the Trademarks,

(iii) the Purchaser shall promptly take all action necessary to cause the Aerospace Business to cease the use of the name Pneumo Abex, (iv) the Seller and its Subsidiaries will not oppose, cancel, or challenge the use or applications or registrations of the Trademarks by the Purchaser and its Subsidiaries, (v) the Purchaser and its Subsidiaries will not oppose, cancel, or challenge the use or applications or registrations of the Corporate Name or the Abex trademark or trade name in connection with matters other than the Aerospace Business or hydraulic or pneumatic products by the Seller and its Subsidiaries, and (vi) the Seller and its Subsidiaries, on the one hand, and the Purchaser and its Subsidiaries, on the other hand, will each execute and deliver to the other such further consents as may be reasonably requested in connection with the foregoing applications or registrations, to the extent such consents are consistent with the rights of the respective parties under this Agreements.

(b) Assignments of Acquired Intellectual Property. As soon as reasonably practicable following the Closing, the Seller will bring record title into Seller's name, and will deliver to the Purchaser executed assignments in such forms including legalizations and notarization, if appropriate, sufficient to properly convey, transfer and record title in the registered or applied for (including trademarks, patents and copyrights) Acquired Intellectual Property, other than that owned by Abex Aerohydraul or by Abex Japan, as follows:

(i) to Parker Intangibles, all issued and pending U.S. Patents, and all Trademark registrations and applications therefor in all countries except Austria, Egypt, Italy, Korea, Mexico, Taiwan and Thailand; and

(ii) to the Purchaser, all Copyright registrations and applications therefor, all issued and pending Patents outside the United States, and all Trademark registrations and applications therefor in Austria, Egypt, Italy, Korea, Mexico, Taiwan and Thailand.

(c) Purchaser shall be solely responsible for recording the assignments referenced in Section (b) above, and will be solely responsible for all fees in connection with such recordings.

Section 6.6. Employee Matters; Employee Benefit Plans.

(a) As of the Closing Date, the Purchaser shall offer employment on such terms and conditions as the Purchaser shall deem appropriate (but subject to any applicable requirements of law) to all Active Aerospace Business Employees.

(b) Pension Plan, Savings Plan, Retiree Medical. Except as otherwise provided in this subsection, and Sections 1.3(a), and 7.3(d), the Purchaser is not assuming and will not have any responsibility for any claims arising under any Compensation or Benefit Plan of the Seller before or after the Closing Date.

(i) Pension Plan:

(A) Seller maintains the Pneumo Abex Corporation Retirement Income Plan (the "Pneumo Abex Retirement Income Plan"), a defined benefit pension plan qualified under Section 401(a) of the Code, for the benefit of many of its current and former employees, including the Active Aerospace Business Employees and certain former employees of the Aerospace Business who are receiving a benefit or are entitled to receive a benefit in the future (the "Vested/Retired Employees"). Section 6.6(b)(i)(A) of the Seller Disclosure Schedule sets forth the following information with respect to all Active Aerospace Business Employees and Vested/Retired Employees: name, Social Security number, estimated accrued benefit as of January 1, 1995 (Vested/Retired Employees only), pay status, and form of payment (Vested/Retired Employees in pay status only).

(B) The Seller agrees to take all action necessary and advisable to spin off from the Pneumo Abex Retirement Income Plan as of the end of business December 31, 1995, or such other date prior to the Closing as the Seller may determine, a plan that will include the vested and unvested projected benefit obligations of the Active Aerospace Business Employees and the vested projected benefit obligations of the Vested/Retired Employees (the "NWL Retirement Income Plan"), and an amount of assets related to such liabilities and obligations (collectively, the "Assets and Liabilities"). The Pneumo Abex Retirement Income Plan will retain all liabilities and obligations (and related assets) with respect to all other participants in the Pneumo Abex Retirement Income Plan. In computing the amount of the Assets and Liabilities to be transferred to the NWL Retirement Income Plan, and the amount of assets and liabilities to be retained by the Pneumo Abex Retirement Income Plan, the rules of Sections 414(l)(1) and 414(l)(2) shall be applied.

(C) As of the day following the Closing Date, The Purchaser shall be substituted for the Seller as the plan sponsor and plan administrator (within the meaning of Section 3(16) of ERISA) of the NWL Retirement Income Plan, and all instruments governing such plan shall be amended effective as of the day after the Closing Date by changing all references to Pneumo Abex Corporation therein to "Parker-Hannifin Corporation," and

making all other changes necessary or appropriate to effectuate the terms and conditions of this Agreement.

(D) The Pneumo Abex Retirement Income Plan is assumed to have a net pension excess of $14,088,000 as of September 30, 1995, which amount shall be reflected as an asset on the Seller Balance Sheet (the "Net Pension Asset").

(E) The Closing Balance Sheet shall reflect the Assets and Liabilities as modified pursuant to this Section 6.6(b)(i)(E). As of the Closing Date, the amount of the Liabilities shall be calculated by rolling forward the Liabilities as of January 1, 1996, calculated by applying a discount rate of seven and one-half percent (7-1/2%), salary scale of four percent (4%), and other relevant assumptions used by Seller for purposes of calculating funding liabilities for the Pneumo Abex Retirement Income Plan under the Code for the plan year ending in 1994. The Liabilities will be rolled forward from January 1, 1996 to the Closing Date in accordance with the formula set forth in Section 6.6(b)(i)(E) of the Seller Disclosure Schedule. The amount of the Assets shall be the fair market value of the Assets on the Closing Date. The fair market value of the Assets at the Closing Date shall be reduced by the Liabilities at the Closing Date in order to obtain the Net Pension Asset for purposes of the Closing Balance Sheet.

(ii) Savings Plan:

(A) As of the Closing Date, the Seller shall provide for full vesting of the account balance of each Active Aerospace Business Employee who has been participating in the Pneumo Abex Corporation Supplemental Retirement and Savings Plan for Salaried Employees, and shall permit distribution of such Active Aerospace Business Employees' account balances, to the extent permitted by the Code, ERISA and the plan documents, as soon as practicable after the Closing; provided, that any such Active Aerospace Business Employee shall have the right to direct that his account balance shall be transferred into the Parker Retirement Savings Plan (the "Purchaser's Savings Plan").

(B) All Active Aerospace Business Employees, other than any such Employees who are represented by collective bargaining, shall be entitled to participate in the Purchaser's Savings Plan as soon as practicable following the Closing, provided that any such Active Aerospace Business Employee has a total of at least 90 days of employment with the Seller and the Purchaser (combined) at the time the Purchaser's Savings Plan becomes available to him or her.

(iii) Retiree Medical. The Purchaser shall make retiree medical, dental and life benefits available to each former employee of the Aerospace Business who was employed at an Acquired Facility and who is receiving or is entitled to receive such benefits as of the Closing Date (the "Retired Employees"); provided, however, that the Purchaser reserves the right to change the terms and conditions of such coverage from time to time. The Closing Balance sheet shall reflect a liability for retiree medical obligations, which shall be assumed to be $24,668,000 as of September 30, 1995, shall be adjusted for benefit accruals and accrued interest on the liabilities from September 30, 1995 to the Closing Date, and shall be recalculated as of the Closing Date based on a discount rate of seven and one-half percent (7-1/2%), a health care cost trend rate of ten percent (10%) in 1995, graded uniformly down to five percent (5%) in 2008, and other assumptions set forth in Section 6.6(b)(iii) of the Seller Disclosure Schedule.

(iv) Active Medical and Dental Benefits. As of the Closing, Purchaser will provide all Active Aerospace Business Employees with such medical, dental, life, and other benefits as the Purchaser deems appropriate. Notwithstanding the foregoing, Seller shall remain liable for any medical or dental services incurred on or before the Closing.

(vi) Ability to Amend. Nothing contained herein shall be deemed in any way to restrict, prohibit, or limit Purchaser's right to modify, amend or eliminate any employee benefit plan or program, or to add additional, or substitute other employee benefit plans or programs with respect to any Active Aerospace Business Employee.

(vii) The parties hereto agree that if a bond is posted or an escrow established in favor of the NWL Retirement Income Plan (including any successor), or otherwise in respect of the assets and liabilities thereof assumed by this Agreement, in each case by reasons of transactions occurring prior to the Closing Date, the cost of posting such bond or the burden of funding the escrow shall be borne by the Seller and not by the Purchaser. Notwithstanding the foregoing, if and to the extent that there is performance on any such bond or a claim made against such escrow, or if any amounts are contributed to or paid in respect of such plan (or successor) or the assets and liabilities thereof assumed by this Agreement, in lieu of claims with respect to such bond or escrow, the Purchaser shall reimburse and pay to the Seller all amounts so contributed, paid, claimed or performed.

(viii) References to employee or former employee participants in this Agreement shall include dependents or beneficiaries of such persons.

Section 6.7 Fees and Expenses. Whether or not the transactions contemplated by this Agreement are consummated all costs and expenses incurred

in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, it being agreed for such purposes that amounts paid to record title in the Acquired Intellectual Property or to obtain title insurance for real property included in the Acquired Assets shall be expenses of the Purchaser. The parties agree, however, to share equally any transfer taxes, sales taxes, recording taxes or similar taxes payable by either the Seller or its Subsidiaries, on the one hand, or by the Purchaser or its Subsidiaries, on the other hand, in connection with the transfer of the Acquired Assets to the Purchaser or its Subsidiaries hereunder. The party which is legally obligated to pay the applicable tax (or in the absence of a legal requirement, the party that customarily pays such tax) shall file the relevant tax return and pay the appropriate tax and will be promptly reimbursed by the other party for one-half of the tax liability.

Section 6.8 Cash Collections and Disbursements. For each calendar month commencing with the month in which the Closing Date occurs and continuing until reasonably determined by the parties no longer to be necessary, and the Seller shall cause all cash collections and cash disbursements received or made by the Seller and its Subsidiaries for the benefit of the Purchaser and its Subsidiaries during the relevant month to be remitted or reimbursed, as the case may be, to the Purchaser as promptly as possible but in any case within 15 days after the receipt thereof or request for reimbursement thereof, as the case may be.

Section 6.9 Insurance.

(a) The Seller will continue to carry and maintain in full force and effect the insurance policies listed on Section 3.18 of the Seller Disclosure Schedule, or policies with comparable coverage, to the Closing Date.

(b) The Seller agrees to maintain insurance coverage on an occurrence basis for liabilities and obligations arising out of any actual or alleged injury to persons or property (except for employees or property of the Aerospace Business) occurring prior to the Closing Date, either as a result of ownership, possession or use of any product manufactured or sold by the Aerospace Business (including for purposes of this Section 6.9(b) the Seller's former facilities at Oxnard and Santa Maria, California and the business formerly conducted by Jensen-Kelly Corporation). The Seller agrees that the Transferred Subsidiaries will each be insureds under the above-mentioned insurance coverage. The Purchaser agrees to maintain insurance coverage on an occurrence basis for liabilities and obligations arising out of any actual or alleged injury to persons or property (except for employees or property of the Aerospace Business) occurring on or after the Closing Date, either as a result of ownership, possession or use of any product manufactured or sold by the Aerospace Business (including for purposes of this Section 6.9(b) the Seller's former facilities at Oxnard and Santa Maria, California

and the business formerly conducted by Jensen-Kelly Company). All such policies of insurance shall be procured on a basis consistent with standard industry practices.

Section 6.10 Purchase Price Allocation for Tax Purposes. Pursuant to Section 1060 of the Code and the Treasury regulations thereunder and any analogous provisions of state, local or foreign law, the Seller and the Purchaser shall prepare and file "asset acquisition statements" with the Service and other taxing authorities as required by applicable law with respect to the acquisition of the Acquired Assets. The asset acquisition statements shall be filed in the time and manner set forth in Section 1060 of the Code and the Treasury regulations thereunder, and any analogous provisions of state, local or foreign law, and shall allocate the total consideration to be paid by the Purchaser (including the Assumed Liabilities) to the Acquired Assets in conformance with the methods prescribed therein. The parties agree that the asset acquisition statements shall provide for the allocations set forth in Section 6.10 of the Seller Disclosure Schedule unless otherwise agreed to by the parties.

Section 6.11 Guaranties; Letters of Credit. The Purchaser shall cause itself or one or more of its affiliates to be substituted in all respects for the Seller or any Retained Subsidiary, effective as of the Closing Date, in respect of all obligations of the Seller and any such Retained Subsidiary under each of the Guaranties. If, after using all reasonable efforts to do so, the Purchaser is unable to effect such a substitution with respect to any Guaranty that is not a letter of credit, the Purchaser shall indemnify the Seller with respect to the obligations and liabilities covered by each of the Guaranties for which the Purchaser does not effect such substitution. As a result of the substitution contemplated by the first sentence of this Section 6.11, the Seller and the Retained Subsidiaries shall from and after the Closing cease to have any obligation whatsoever arising from or in connection with the Guaranties except for obligations, if any, for which the Seller is fully indemnified by the Purchaser.

Section 6.12 Disclosure Schedule Updates. No later than five business days prior to the scheduled Closing Date, the Seller shall amend or supplement the Seller Disclosure Schedule and the Purchaser shall amend or supplement the Purchaser Disclosure Schedule with respect to any matter coming to their respective attention or arising which, if known to them or existing prior to the date of this Agreement, would have been required to be set forth therein or which is necessary or desirable to complete or correct any information contained therein or in any representation or warranty rendered inaccurate thereby. In the event the Closing occurs, all references in this Agreement to the Seller Disclosure Schedule and the Purchaser Disclosure Schedule shall be deemed to give effect to all such amendments and supplements.

Section 6.13 Tax Returns. The Purchaser agrees to prepare IRS Form 5471 for the taxable year which includes the Closing Date, if applicable, for any Transferred Subsidiaries on behalf of the Seller and the Purchaser and to prepare all other required Tax Returns for any Transferred Subsidiaries with a return due date after the Closing Date in a manner consistent with applicable Tax laws. A copy of such Tax Returns shall be submitted to the Seller for its review at least 30 days prior to the earlier of its due date or the date of filing. The Purchaser agrees to provide the Seller with copies of such Tax Returns as filed. The Seller will prepare all Tax Returns for any Transferred Subsidiaries for any taxable year with a return due date ending on or prior to the Closing Date on a basis consistent with past practice. The Purchaser will provide the Seller with appropriate powers of attorney to enable the Seller to sign and file such returns. The Seller agrees to provide the Purchaser with copies of such Tax Returns as filed. Any disputes with respect to such Tax Returns shall be resolved by the Independent Accounting Firm, or such other independent expert as may be mutually agreed upon by the parties, whose determination shall be binding on the parties.

Section 6.14 Cooperation. The Purchaser and the Seller and their respective affiliates shall cooperate in the preparation of all Tax Returns relating in whole or in part to taxable periods ending on or before or including the Closing Date that are required to be filed after such date. Such cooperation shall include, but not be limited to, furnishing prior years' Tax Returns or return preparation packages illustrating previous reporting practices or containing historical information relevant to the preparation of such Tax Returns, and furnishing such other information within such party's possession requested by the party filing such Tax Returns as is relevant to their preparation. In the case of any state, local or foreign joint, consolidated, combined, unitary or group relief system Tax Returns, such cooperation shall also relate to any other taxable periods in which one party could reasonably require the assistance of the other party in obtaining any necessary information.

Section 6.15 W-2 Preparation. The Seller and Purchaser agree that the Purchaser is purchasing substantially all of the property used in the Aerospace Business and, in connection therewith, the Purchaser will employ individuals who immediately before the Closing Date were employed in such business by the Seller. Accordingly, pursuant to Revenue Procedure 84-77, at the request of the Seller, provided the Seller provides the Purchaser with all necessary payroll records for the calendar year that includes the Closing Date, the Purchaser will furnish a Form W-2 to each U.S. Transferred Employee that is employed by the Purchaser disclosing all wages and other compensation paid for such calendar year, and Taxes withheld and deposited therefrom, and Seller will be relieved of the responsibility to do so.

Section 6.16 Books and Records; Personnel.

(a) Neither the Purchaser nor any of its Subsidiaries shall within ten years after the Closing Date or, with respect to Tax records within the later of six years or the applicable statute of limitations as extended, dispose of or destroy any business records or files Related to the Aerospace Business for periods prior to the Closing Date, without first offering to turn over possession thereof to the Seller by written notice at least 30 days prior to the proposed dates of such disposition or destruction.

(b) From and after the Closing Date, to the extent reasonably required by or in connection with the preparation of Tax Returns or other legitimate purposes specified in writing, each of the Purchaser and the Seller shall (subject to applicable contractual and privacy obligations) allow the other party and its agents access to all business records and files (other than those containing competitively sensitive or privileged information) Related to the Aerospace Business, which relate to periods prior to the Closing Date, upon reasonable advance notice during normal working hours, and each party shall have the right, at its own expense, to make copies of any such records and files, provided, however, that any such access or copying shall be had or done in such a manner so as not to interfere with the normal conduct of business.

(c) From and after the Closing Date, each party shall make available to the other upon written request (and at the requesting party's expense) personnel whose assistance or participation is reasonably required in anticipation of, preparation for, or the prosecution or defense of existing or future claims or actions, Tax Returns or other matters in which the parties do not have any adverse interest.

(d) Any confidential, proprietary or trade secret information provided under this Section 6.16 shall be deemed "Confidential Information" under the terms of the Confidentiality Agreement and shall be held in accordance with the terms thereof.

Section 6.17 Certain Tax Elections. Neither the Purchaser nor any member of the affiliated group (within the meaning of Section 1504 of the Code) which includes the Purchaser shall make an election under Section 338 of the Code, or take or omit to take any action, the taking or omission of which causes the Purchaser or any member of the affiliated group which includes the Purchaser to be treated as having made an election under Section 338 of the Code, with respect to any Transferred Subsidiary.

Section 6.18 Real Estate Matters. Prior to the Closing, the Purchaser and

the Seller shall complete the following actions with respect to the real estate upon which the Acquired Facilities are situated:

(a) On or before February 29, 1996, the Seller shall deliver to the Purchaser, at the Purchaser's expense, (i) commitments for ALTA owners title insurance policies (the "Title Commitments") from a mutually agreeable nationally recognized title company (the "Title Company") to insure in the Purchaser, (a) fee simple title to the Kalamazoo Real Property, (b) fee simple title to the Beaufort Real Property, and (c) fee simple title to the Dublin Real Property, in each case free and clear of all liens and encumbrances, except Permitted Liens (the "Title Exceptions"); and (ii) ALTA surveys of the Kalamazoo Real Property, the Beaufort Real Property, and the Dublin Real Property, certified to the Purchaser and the Title Company, and prepared in such a manner as to enable the Title Company to remove the standard survey exception from the Title Commitments.

(b) Following review and approval by the Purchaser and prior to the Closing, the Seller will execute and deliver to the Title Company for safekeeping the Deeds, together with such affidavits, certificates and other instruments as are ordinarily delivered to a purchaser of real estate or filed in the public records of Kalamazoo County, Michigan, Beaufort County, South Carolina, and Laurens County, Georgia.

(c) At the time Seller delivers the Deeds to the Title Company, the Seller and the Purchaser will deliver to the Title Company a joint letter instructing the Title Company to hold the Deeds until the Closing; and

(i) At the Closing, if the Title Company is then prepared to issue to the Purchaser the Title Company's Owner's Policies of Title Insurance in the form set forth in the Title Commitments described in Section 6.18(a), and upon joint telephonic instructions from the Seller and the Purchaser to file the Deeds for record in appropriate public records; or

(ii) In the event the Closing does not occur, to return the Deeds to the Seller and the funds deposited by each party to that party.

(d) If the Title Company is instructed to file the Deeds for record, then the Deeds will be deemed to have been filed as of the close of business on the Closing Date;

Section 6.19 Non-competition. The Seller, on behalf of itself and its Subsidiaries, agrees that, for a period beginning on the Closing Date and ending

five years thereafter, it will not, directly or indirectly, anywhere in the world, engage in any business or acquire any financial or beneficial interest in any corporation (other than the ownership of 5% or less of the stock of a company whose stock is publicly held), partnership, joint venture, trust or other entity as to which the production, development, and processing for the production of, manufacturing, distribution or sale of products that are the same as, similar to, or competitive with those manufactured, sold, distributed or provided by the Aerospace Business represents 10% or more of its revenues on a consolidated basis. If, at the time of enforcement of this Section 6.19, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, area or other restrictions reasonable under such circumstances shall be substituted for the stated duration, scope, area or other restrictions. The Seller recognizes and affirms that in the event of a breach of any of the provisions of this Section 6.19, money damages would be inadequate and the Purchaser would have no adequate remedy at law. Accordingly, the Seller agrees that the Purchaser shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights hereunder not only by an action or actions for damages, but also by an action or actions for specific performance, injunction and/or other equitable relief in order to enforce or prevent any violations (whether anticipatory, continuing or future) of the provisions of this Section 6.19, including, without limitation, the extension of the duration of the non-competition period by a period equal to the length of the violation. In the event of a breach or violation of any of the provisions of this Section 6.19, the running of the non-competition period (but not of the Seller's obligations thereunder) shall be tolled during the continuance of any actual breach or violation.

Section 6.20 Certain Other Matters.

(a) Neither the Purchaser nor any of its Subsidiaries or affiliates shall take any action which, to the Purchaser's knowledge, would result in a violation of any of the provisions of the Stock Purchase Agreement, dated as of April 28, 1988, as amended (the "Whitman Stock Purchase Agreement"), between IC Industries, Inc. and PA Holdings Corporation, and the Settlement Agreement, dated as of September 23, 1991 (the "Settlement Agreement" and, collectively with the Whitman Stock Purchase Agreement, the "Whitman Agreements") , between Whitman Corporation and Pneumo Abex Corporation (copies of which Seller has furnished to the Purchaser) applicable to the Seller with respect to the Aerospace Business, the Acquired Assets or the Assumed Liabilities and the Purchaser shall reasonably assist and cooperate with the Seller in complying with the Seller's obligations under the Whitman Agreements.

(b) Prior to the Closing, the Seller shall file all required Annual

Stockholding Reports for Abex Japan for the years 1992, 1993 and 1994 and 1995, with the Japan Fair Trade Commission, and the Seller shall pay to such Commission any fines or penalties resulting from the failure to file such Reports.

(c) The Purchaser shall provide the Seller with notice (the "Environmental Notice") of any Environmental Liability which the Purchaser seeks to designate as a Retained Liability under Section 1.3(b)(iii)(A)(2), within 45 days of the earlier of (i) receiving notice of the facts giving rise to such Environmental Liability, or (ii) receiving notice from a third party of a claim for such Environmental Liability, (the "Environmental Notice Period").

(d) Any Environmental Liability subject to the requirements of Section 6.20(c) for which the Purchaser fails to satisfy the notice requirements of Section 6.20(c) shall be deemed an Assumed Liability under Section 1.3(a)(xii), and the Seller shall have no liability for or obligation to take any action with respect to any such Environmental Liability; provided, however, that if such Environmental Liability results from a Third Party Claim (as defined in Section 7.1(b)) and the Environmental Notice is not given by Purchaser within the Environmental Notice Period set forth in Section 6.20(b), the Environmental Liability shall be eligible for designation as a Retained Liability:

(i) if Purchaser can establish that the time elapsed between the end of the Environmental Notice Period and the giving of the Environmental Notice is reasonable; and

(ii) to the extent that the Purchaser can establish that the Seller has not been prejudicial by such time elapsed.

(e) All notices and other communications under this Section 6.20 shall be delivered pursuant to Section 10.3.

Section 6.21 Customer Warranty Claims. The Purchaser will assume liability for all customer warranty and retrofit claims for products manufactured or sold by the Seller (including for purposes of this Section 6.21 at the Seller's former facilities in Oxnard and Santa Maria, California) prior to the Closing Date, including the obligation to provide refunds, credits, replacement products or to complete retrofits. The Closing Balance Sheet shall include a reserve for all such warranty and retrofit claims through the Closing Date, calculated in a manner consistent with the Seller Balance Sheet. The Seller will reimburse the Purchaser for any such warranty or retrofit claims which aggregate $500,000 in excess of such reserve which are submitted by the Purchaser to the Seller within a period of one year after the Closing Date.

Section 6.22 Assignment and License of Additional Intellectual Property.

(a) Assignment. With respect to the trademark registrations set forth in Section 1.2(a)(vii) to the Seller Disclosure Schedule, Purchaser acknowledges Seller's obligation pursuant to Section 5.18 of the Asset Purchase Agreement between Seller and Wagner Electric Corporation ("Wagner") dated November 21, 1994 (the "Wagner Agreement") to assign to Wagner that portion of such registrations that cover products of the Business, as that term is defined in the Wagner Agreement ("Wagner Products"), provided, however, that no such assignment of any particular registration is required if it is impracticable in the relevant jurisdiction (i) to divide that registration into separate registrations for Wagner Products and all other products, (ii) to amend such registration to permit the issuance of a registration to Wagner covering Wagner Products, or (iii) to partially assign such registration to Wagner to the extent it covers Wagner Products. As soon as practicable following the Closing, Seller will undertake to determine whether in each relevant jurisdiction each trademark registration on Section 1.2(a)(vii) of the Seller Disclosure Schedule can be divided, amended or partially assigned as described above. For any registration that can be so divided, amended or partially assigned as described above, Seller will promptly assign the non-Wagner registration or portion thereof together with all goodwill associated therewith, to Parker Intangibles by delivering to Purchaser assignments as described in Section 6.5(b) of this Agreement for such non-Wagner registration or portion thereof. For any registration that cannot be so divided, amended, or partially assigned, Seller shall promptly assign the entire registration, together with all goodwill associated therewith (the "Complete Registrations") to Parker Intangibles by delivering to Purchaser assignments as described in Section 6.5(b) of this Agreement for such Complete Registrations subject to the existing December 29, 1994 Trademark license to Wagner (the "Wagner License") which license shall also be assigned to Parker Intangibles with respect to any such Complete Registration assigned to Parker Intangibles. Purchaser shall cause Parker Intangibles to assume the obligations of Seller under the Wagner License with respect to any Complete Registration so assigned to Parker Intangibles and to take no action nor omit to take any action which would constitute a breach of the Wagner License.

(b) License. Following the Closing and until such time as the assignments described above are completed, Purchaser shall have the exclusive right to use the trademarks set forth in Section 1.2(a)(vii) of the Seller Disclosure Schedule in the applicable jurisdictions listed in such Section (the "Licensed Marks") in connection with the products and services that were offered by Seller under the Licensed Marks in the course of the Aerospace Business as of the Closing Date (the "Licensed Products"). Purchaser agrees that (i) the Licensed Products bearing the Licensed Marks will be of a standard of quality at least as high as that heretofore established by Seller and existing as of the Closing Date for the Licensed Products, (ii) the Licensed Marks shall be used substantially in the manner used by

Seller as of the Closing Date, and (iii) the Licensed Marks and Licensed Products bearing such Licensed Marks shall be used and sold in accordance with all applicable laws and regulations, and (iv) in the event the Licensed Marks and Licensed Products are not used in the manner described in (ii) above and of a quality described in (i) above, respectively, Seller shall have the right to terminate the license described herein.

ARTICLE VII

INDEMNIFICATION

Section 7.1 Certain Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) Losses. The term "Losses" shall mean any and all losses, liabilities, damages, reasonable expenses or diminutions in value of any kind or character (whether or not known or asserted prior to the date hereof), including, without limitation, interest on any amount payable to a third party as a result of the foregoing, liabilities on account of Taxes (including interest and penalties thereon) and any legal or other expenses reasonably incurred in connection with investigating or defending any claims or actions, whether or not resulting in any liability; provided, however, that Losses shall be net of any insurance proceeds received by an Indemnitee from an insurance company on account of such losses (after taking into account any costs incurred in obtaining such proceeds); provided, further, that Losses shall not include losses, liabilities, damages or expenses incurred due to the interruption of the Indemnitee's business.

(b) Third-Party Claims. The term "Third-Party Claims" shall mean any and all Losses which arise out of or result from (i) any claims or actions asserted against an Indemnitee by a third party, (ii) any rights of a third party asserted against an Indemnitee, or (iii) any liabilities of, or amounts payable by, an Indemnitee to a third party arising out of subparagraphs (i) or (ii), including, without limitation, claims or actions asserted against an Indemnitee by any taxing authority on account of Taxes.

(c) Indemnitee. The term "Indemnitee" shall mean any person which may be entitled to seek indemnification pursuant to the provisions of Section 7.2 or 7.3.

(d) Indemnitor. The term "Indemnitor" shall mean any person which may be obligated to provide indemnification pursuant to Section 7.2 or 7.3,

(e) Notice Period. The term "Notice Period," as applied to any Third-Party Claim for which an Indemnitee seeks to be indemnified pursuant to this Article VII, shall mean the period ending the earlier of the following:

(i) 45 days after the time at which the Indemnitee has either (x) received notice of the facts giving rise to such Third-Party Claim or (y) commenced an active investigation of circumstances likely to give rise to such Third-Party Claim and, in each case, where such Indemnitee believes or should reasonably believe that such facts or circumstances would give rise to such Third-Party Claim for which such Indemnitee would be entitled to indemnification pursuant to this Article VII; and

(ii) 45 days after the time at which any Third-Party claim against the Indemnitee has become the subject of proceedings before any court or tribunal, or such time as would allow the Indemnitor sufficient time to contest, on the assumption that there is an arguable defense to such Third-Party Claim, such proceeding prior to any judgment or decision thereon.

(f) Claim Notice. The term "Claim Notice" shall have the meaning set forth in Section 7.4(a).

Section 7.2 Indemnity by the Seller and the Parent. The Seller and the Parent jointly and severally agree to indemnify and hold harmless the Purchaser and its Subsidiaries (including the Transferred Subsidiaries), directors, officers, employees, agents and representatives (the "Purchaser Indemnified Parties") (each of whom may be an Indemnitee pursuant to this Section 7.2) from and against the following:

(a) Retained Liabilities. Any and all Losses in respect of the Retained Liabilities.

(b) Third-Party Claims. Any and all Third-Party Claims in respect of the Acquired Assets, other than Third-Party Claims in respect of Assumed Liabilities, which may be asserted against any such Indemnitee or the Acquired Assets or which any such Indemnitee shall incur or suffer to the extent that such Third-Party Claims arise out of, result from or relate to:

(i) any Retained Liabilities;

(ii) any Liens imposed on the Acquired Assets, or any of them, resulting from the Seller's or any of its Subsidiaries' failure

to satisfy Retained Liabilities; or

(iii) any liability resulting from the Seller's or any of its Subsidiaries' failure to comply with the requirements of any bulk sales or similar legislation applicable to the transactions contemplated by this Agreement.

(c) Breach of Representation, Warranty, Etc. Any and all Losses which may be asserted against such Indemnitee or which such Indemnitee may incur or suffer and which arise out of or result from:

(i) any untrue representation or breach of warranty of the Seller in this Agreement;

(ii) any default or nonfulfillment or breach of any covenant or agreement on the part of the Seller under this Agreement;

(iii) any untrue representation or breach of warranty in any of the Seller Documents; or

(iv) the failure by the Seller to have conveyed to the Purchaser on the Closing Date all right, title and interest in and to the Acquired Assets, including, without limitation, any Contracts Related to the Aerospace Business other than those the benefits of which are provided to the Purchaser pursuant to Section 6.3(b), free and clear of any Lien of any nature whatsoever (except for Permitted Liens and as otherwise contemplated by this Agreement and other than such thereof as are included in or arise in respect of the Assumed Liabilities);

provided, that, for purposes of determining Losses arising out of or resulting from any untrue representation or breach of warranty of the Seller, (i) qualifications to the effect that inaccuracies of such representation or warranty "would not, individually or in the aggregate, have a material adverse effect on the Aerospace Business" shall be disregarded, and (ii) Losses which are reflected in the calculation of the Closing Net Worth shall be disregarded.

Section 7.3 Indemnity by the Purchaser. The Purchaser shall indemnify and hold harmless the Seller, Parent, any Compensation and Benefit Plan and their respective directors, officers, employees, agents, fiduciaries and representatives (the "Seller Indemnified Parties") (each of whom may be an Indemnitee pursuant to this Section 7.3) from and against the following:

(a) Assumed Liabilities. Any and all Losses in respect of the Assumed Liabilities.

(b) Third-Party Claims. Any and all Third-Party Claims in respect of the Acquired Assets, other than Third-Party Claims in respect of Retained Liabilities, which may be asserted against any such Indemnitee, or which any such Indemnitee shall incur or suffer, including, without limitation, Third-Party Claims in respect of Assumed Liabilities.

(c) Breach of Representation, Warranty, Etc. Any and all Losses which may be asserted against any such Indemnitee or which any such Indemnitee shall incur or suffer and which arise out of or result from:

(i) any untrue representation or breach of warranty of the Purchaser in this Agreement;

(ii) any default or nonfulfillment or breach of any covenant or agreement on the part of the Purchaser under this Agreement; or

(iii) any untrue representation or breach of warranty in any of the Purchaser Documents;

provided, that, for purposes of determining Losses arising out of or resulting from any untrue representation or breach of warranty of the Purchaser, qualifications to the effect that inaccuracies of such representation or warranty "would not, individually or in the aggregate, have a material adverse effect on the Purchaser" shall be disregarded.

(d) Welfare Plans. Any and all Losses that may be asserted against any such Indemnitee or which such Indemnitee shall incur or suffer and which, directly or indirectly, arise out of, relate to, or result from (x) any act or omission of the Purchaser after the Closing Date with respect to any medical, dental, life, disability or other benefits provided (or not provided) to or in the respect of the individuals described in Sections 1.3(a)(iii), 1.3(a)(iv), 1.3(a)(v), 6.6(b)(iii), or 6.6(b)(iv), or (y) Seller's discontinuance of its benefit plans with respect to Active Aerospace Business Employees or Retired Employees as a result of the transactions contemplated in this Agreement and Purchaser's provision of (or failure to provide) benefits with respect to such employees. By way of example only, and without limitation, such an act or omission would include Purchaser's choice not to offer a specified type or level of retiree medical coverage to Retired Employees or Purchaser's choice not to offer retiree medical coverage to Active Aerospace Business Employees. The indemnity provided for in this paragraph shall not be construed to impose any obligation on the Purchaser to provide benefits

in any specific amount or to any specific group, or to interfere with the powers reserved by the Purchaser to modify, amend or terminate any employee benefit plan or program as provided in Section 6.6(b)(v).

Section 7.4 Notification of Third-Party Claims. In no case shall any Indemnitor under this Agreement be liable with respect to any Third-Party Claim against any Indemnitee unless the Indemnitee shall have delivered to the indemnitor a Claim Notice and the following conditions are satisfied:

(a) Timely Delivery of Claim Notice. Except as provided in Section 7.4(b), no right to indemnification under this Article VII shall be available to an indemnitee with respect to a Third-Party Claim unless the Indemnitee shall have delivered to the Indemnitor within the Notice Period a notice (a "Claim Notice") describing in reasonable detail the facts giving rise to such Third-Party Claim and stating that the Indemnitee intends to seek indemnification for such Third-Party Claim from the Indemnitor pursuant to this Article VII.

(b) Late Delivery of Claim Notice. If, in the case of a Third-Party claim, a Claim Notice is not given by the Indemnitee within the Notice Period as set forth in Section 7.4(a), the Indemnitee shall nevertheless be entitled to be indemnified under this Article VII:

(i) if the Indemnitee can establish that the time elapsed between the end of the Notice Period and the giving of the Claim Notice is reasonable; and

(ii) to the extent that the Indemnitee can establish that the Indemnitor has not been prejudiced by such time elapsed.

Section 7.5 Defense of Claims. Upon receipt of a Claim Notice from an Indemnitee with respect to any Third-Party Claim not Related to the Aerospace Business or relating to an Off-Site Environmental Liability, the Indemnitor shall assume the defense thereof with counsel reasonably satisfactory to such Indemnitee and the Indemnitee shall cooperate in all reasonable respects in such defense. Upon receipt of a Claim Notice from an Indemnitee with respect to any Third-Party Claim Related to the Aerospace Business (except those relating to an Off-Site Environmental Liability), the Indemnitor may assume the defense thereof with counsel reasonably satisfactory to such Indemnitee and the Indemnitee shall cooperate in all reasonable respects in such defense. The Indemnitee shall have the right to employ separate counsel in any action or claim and to participate in the defense thereof, provided that the fees and expenses of counsel employed by the Indemnitee shall be at the expense of the Indemnitor only if such counsel is retained pursuant to either of the following two sentences or if the employment of such

counsel has been specifically authorized by the Indemnitor. If the Indemnitor does not notify the Indemnitee within sixty days after receipt of the Claim Notice Related to the Aerospace Business that is elects to undertake the defense thereof, the Indemnitee shall have the right to defend the claim with counsel of its choosing reasonably satisfactory to the Indemnitor, subject to the right of the Indemnitor to assume the defense of any claim at any time prior to settlement or final determination thereof. Notwithstanding anything to the contrary contained in this Section 7.5, the Indemnitee shall have the right to employ separate counsel if, under applicable standards of professional conduct (as advised by counsel to the Indemnitee), a conflict of interest on any issue between the Indemnitee and the Indemnitor exists in respect of a Third-Party Claim. The Indemnitee shall send a written notice to the Indemnitor of any proposed settlement of any claim, which settlement the Indemnitor may reject, in its reasonable judgment, within thirty days of receipt of such notice. Failure to reject such notice within such thirty day period shall be deemed an acceptance of such notice.

Section 7.6 Access and Cooperation. After the Closing Date, the Purchaser, on the one hand and the Seller, on the other hand, shall (i) each cooperate fully with the other as to all Third-Party Claims, shall make available to the other, as reasonably requested, all information, records and documents relating to all Third-Party Claims and shall preserve all such information, records and documents until the termination of any Third-Party Claim and (ii) make available to the other, as reasonably requested, personnel (including technical and scientific), agents and other representatives who are responsible for preparing or maintaining information, records or other documents, or who may have particular knowledge with respect to any Third-Party Claim.

Section 7.7 Assessment of Claims. In the event that any of the Losses for which an Indemnitor is responsible or allegedly responsible pursuant to Section 7.2 or 7.3 are recoverable or potentially recoverable against any third party at the time when payment is due hereunder, following payment by the Indemnitor to the Indemnitee for such losses the Indemnitee shall assign any and all rights that it may have to recover such losses to the Indemnitor, or, if such rights are not assignable under applicable law or otherwise, the Indemnitee shall attempt in good faith to collect any and all Losses on account thereof from such third party for the benefit of, and at the expense and direction of, the Indemnitor.

Section 7.8 Limits on Indemnification.

(a) Limitations on the Seller's Environmental Indemnification.

(i) In calculating any amount payable to any Purchaser Indemnified Party for an Environmental Liability which is a Retained Liability under Section 1.3(b)(iii), the amount shall be reduced by any recoveries by the Purchaser or any of its affiliates from third parties (including insurance carriers), net of recovery costs (including internal costs) pursuant to indemnification (or otherwise) with respect thereto. To the extent that the Purchaser recovers any amount from any third party in respect of any matter for which the Seller shall have paid any amount pursuant to Section 7.2, the amount so recovered shall be promptly refunded to the Seller without any other right of set-off, other than for the costs of recovering such amount. The Purchaser shall use its reasonable efforts to mitigate Losses for which it seeks indemnification under this Article VII.

(ii) The Purchaser shall not be entitled to indemnification and the Seller shall not have any obligation to take any action regarding Environmental Liabilities which are Retained Liabilities under Section 1.3(b)(iii)(A) to the extent arising out of or attributable to:

(A) measures in excess of those reasonably necessary to comply with Current Environmental Laws (including those measures required by a Governmental Entity to comply with such Environmental Laws), or, in the case of measures not specifically required by Current Environmental Laws (as defined in Section 7.8(a)(iii)) or mandated by a Governmental Entity, in excess of those necessary to prevent harm to human health or the environment;

(B) Environmental Laws or Cleanup standards more stringent than those existing under Current Environmental Laws;

(C) the failure of the Purchaser or any of its affiliates to use reasonable efforts to mitigate liabilities and costs for which it seeks indemnification under this Article VII;

(D) actions required by any Environmental Law in connection with the modification, change, transfer, lease or shut-down by the Purchaser of any activities, equipment, property or portion thereof subsequent to the Closing Date except to the extent such actions would have been required prior to the Closing Date by Current Environmental Laws in the absence of such modification, change, transfer, leasing or shut-down; or

(E) any Cleanup or measure to remove or otherwise abate asbestos and asbestos-containing materials from the building structures or interiors of any Acquired Facility and any equipment or fixtures thereon.

(iii) As used in Section 7.8(a)(ii) hereof, the term "Current Environmental Laws" shall mean Environmental Laws in effect at the time any Cleanup or other measures are being taken by the party responsible for any Environmental Liability pursuant to the terms hereof, but in no event more stringent, onerous or cumbersome than Environmental Laws in effect at any time prior to the third anniversary of the Closing Date.

(b) Indemnity Basket. Notwithstanding anything to the contrary contained in this Article VII, (i) the Seller shall only be obligated to indemnify the Purchaser Indemnified Parties under Section 7.2 (c)(i), (ii) and (iii) to the extent that the aggregate amount of all Losses thereunder exceeds $1,750,000, and (ii) the Purchaser shall only be obligated to indemnify the Seller Indemnified Parties under Section 7.3(c) to the extent that the aggregate amount of all Losses thereunder exceeds $1,750,000.

(c) Limit of Liability. Notwithstanding anything contained in this Article VII to the contrary, the Seller shall have no indemnification obligation under Section 7.2(c) to the extent such Losses (after giving effect to the application of Section 7.8(b)) exceed $100,000,000 in the aggregate (the "Indemnification Cap").

Section 7.9 Survival of Representations and Warranties. All representations and warranties of the parties contained in this Agreement, the Seller Documents or the Purchaser Documents, each and every one of which representations and warranties is strictly relied upon by the parties to whom they are made, shall survive the Closing hereunder and continue in full force and effect thereafter, regardless of any investigation made or to be made by or on behalf of any party hereto, for a period ending on the date that is 18 months after the Closing

Date (the "Indemnification Period"), except for the representations and warranties of the Seller provided for in Sections 3.1(b) and 3.7(a) (which shall survive the Closing hereunder and continue in full force and effect thereafter, regardless of any investigation made or to be made by or on behalf of any party hereto); in Section 3.13 (which shall survive the Closing hereunder and continue in full force and effect thereafter, regardless of any investigation made or to be made by or on behalf of any party hereto, for the relevant statutes of limitations including any extension or waiver thereof regarding the filing of Tax Returns and the payment of Taxes); and in Section 3.19 (which shall survive the Closing hereunder for a period of three (3) years). Except as set forth in this Section 7.9, after the end of the Indemnification Period, the Seller's obligation to the Purchaser Indemnified Parties, on the one hand, and the Purchaser's obligations to the Seller Indemnified Parties, on the other hand, under this Article VII with respect to such representations and warranties shall expire except with respect to a matter set forth in a Claim Notice theretofore delivered to an Indemnitee; provided, that the expiration of indemnification obligations pursuant to this Section 7.9 shall in no way constitute an assumption by the Purchaser or any of its successors or related Indemnitees of any liabilities of the Seller other than Assumed Liabilities or a waiver by the Purchaser or any of its successors of any other legal remedies they may have to seek from the Seller or its successor for reimbursement or contribution for amounts paid or payable in respect of Retained Liabilities. It is further agreed that the Purchaser's rights to indemnification set forth in Sections 7.2(a), 7.2(b) and 7.2(c)(iv) and the Seller's rights to indemnification set forth in Sections 7.3(a) and 7.3(b) shall remain in full force and effect indefinitely.

Section 7.10 Environmental Cleanup Claims Handling.

(a) Notwithstanding the provisions of Section 7.5 hereof, all Environmental Cleanup Claims (as defined in subsection (b) below) will be handled in the manner specified in this Section 7.10.

(b) As used in this Section 7.10, the term "Environmental Cleanup Claims" shall mean claims by a Purchaser Indemnified Party in connection with a Cleanup at an Acquired Facility:

(i) related to a Retained Liability specified in Section 1.3(b)(iii)(A) hereof; or

(ii) for which Seller is the Indemnitor pursuant to Section 7.2(c) hereof due to a breach or alleged breach of Section 3.19 hereof.

Environmental Cleanup Claims shall not include claims related to (x) Off-

Site Environmental Liabilities, (y) Environmental Liabilities not Related to the Aerospace Business or the Acquired Facilities or (z) Environmental Liabilities which do not involve a Cleanup at the Acquired Facilities, all of which shall be handled in the manner specified in Section 7.5.

(c) Except as provided in subsection (d) below, with respect to each Environmental Cleanup Claim, Seller retains the right initially to elect to manage the Environmental Cleanup Claim or to leave the Environmental Cleanup Claim to Purchaser for management. Management of any Environmental Cleanup Claim may thereafter be shifted between the parties by mutual agreement.

(d) Purchaser shall manage any Environmental Cleanup Claim:

(i) to the extent that any Cleanup may in the reasonable judgment of Purchaser interfere with the business operations of Purchaser; or

(ii) to the extent (but only to the extent) the Cleanup requires immediate emergency action or prompt action to protect human health or the environment.

(e) As soon as practicable, but in any event within thirty (30) days of the later of (i) Purchaser providing notice in reasonable detail to Seller of a new Environmental Cleanup Claim which may call for indemnification by Seller; and (ii) Purchaser providing to Seller information and documents reasonably available to Purchaser which may assist Seller in understanding the basis for the Environmental Cleanup Claim, Seller shall either tentatively accept or reject the matter as falling within the scope of its indemnification obligation and shall state whether or not it will manage the Environmental Cleanup Claim. Any rejection shall state the grounds for the rejection in detail fairly sufficient to permit Purchaser to respond. Should Seller reject a matter, Purchaser, after providing to Seller any additional documents or information which may then be available to Purchaser, may from time to time thereafter, based on new information, request in writing that Seller reconsider whether it will accept responsibility for an Environmental Cleanup Claim it previously rejected. Seller shall reconsider the matter in good faith, based on all information known to Seller at that time, and shall make a new determination as soon as practicable, but in any event within thirty (30) days, again stating the grounds for any rejection in accordance with the foregoing.

(f) As between third-parties (including private parties and governmental agencies), Seller and Purchaser, Purchaser shall remain responsible to all third-parties despite Seller managing the Environmental Cleanup Claims. For Environmental Cleanup Claims managed by Seller, Purchaser shall, at Seller's

direction, attend meetings, sign pleadings, and otherwise cooperate in the management of the Environmental Cleanup Claim. With respect to all Environmental Cleanup Claims, Purchaser shall designate a competent and experienced person to serve as the contact person available to the third-parties, unless otherwise directed by Seller.

(g) The party "managing" an Environmental Cleanup Claim shall (i) designate a competent, experienced person to coordinate with the monitoring party and select outside counsel and other consultants; (ii) defend any litigation, administrative or other proceeding involved in the Environmental Cleanup Claim; (iii) make tactical and strategic decisions in the course of the Environmental Cleanup Claim; (iv) pay all bills and invoices, subject to indemnification where applicable; (v) conduct all negotiations, discussions, correspondence or other communications with claimants, governmental bodies or other third-parties; (vi) consult with the monitoring party as appropriate and in all respects accord to the monitoring party all rights to which it is entitled under this Agreement; (vii) provide to the monitoring party upon reasonable request all information and documents known or reasonably available to the managing party relating to the Environmental Cleanup Claim; and (viii) keep the party monitoring the Environmental Cleanup Claim apprised on an ongoing basis of the status and future prospects of the Environmental Cleanup Claim.

(h) The party not managing a particular Environmental Cleanup Claim shall "monitor" that matter, and the party monitoring a matter shall designate an experienced, competent person to coordinate with the managing party. If the party monitoring the Environmental Cleanup Claim is the indemnifying party, then it shall automatically receive (i) copies of all correspondence between the managing party and the claimant; (ii) all nonprivileged communications between the managing party and all of its consultants or advisors, including lawyers; (iii) all pleadings, filings, submissions or other written communications between any and all parties in any judicial or administrative matter; and (iv) upon the request of the monitoring/indemnifying party, all other relevant, non-privileged documents or information. The monitoring party shall provide to the managing party all relevant information and documents known or reasonably available to it relating to the Environmental Cleanup Claim, generally within twenty (20) days of request. The parties shall use their best efforts to resolve any disputes concerning the withholding of documents or information under a claim of privilege, and may jointly retain counsel to resolve any potential privilege issues.

(i) With respect to matters for which Purchaser is the managing party, at its discretion, Purchaser shall have the right, from time to time, to obtain Seller's approval or rejection of proposed settlements of Environmental Cleanup Claims, and other significant decisions (e.g., retention of a particular consultant, the scope

of a remediation for an environmental clean-up). Unless otherwise agreed, such a request for approval shall be in writing, and shall set forth the relevant information and considerations (including a copy of any recommendations of handling legal counsel, if any), and the course of action proposed by Purchaser, in detail sufficient to allow Seller a fair opportunity to make its judgment. If Purchaser desires to obtain Seller's approval or rejection, Purchaser shall do so at the earliest reasonably possible opportunity. If Purchaser properly and timely submits a request for approval or rejection, Seller shall, at the earliest reasonably possible opportunity, send Purchaser a written response approving or rejecting the proposal, in whole or in part, and any rejection shall state the grounds for rejection in sufficient detail to permit Purchaser a fair chance to respond. When Seller's approval is obtained for a particular Environmental Cleanup Claim, then Seller shall be barred from later taking a position in that matter, as against Purchaser, inconsistent with the scope of its approval. Purchaser agrees and acknowledges that this section is not intended to allow Purchaser to avoid any contentions (e.g., failure to mitigate) that relate to action or inaction by the Purchaser, or any subsequent neglect or default by Purchaser in managing an Environmental Cleanup Claim.

(j) With respect to Environmental Cleanup Claims for which Seller is the managing party, Purchaser shall (a) promptly relay to Seller's designated representative all non-privileged communications received concerning the Environmental Cleanup Claim; (b) promptly respond, to the extent reasonably possible, to Seller's reasonable requests for information, documents known or reasonably available to Purchaser, and reasonable requests for access to personnel (including meetings and testimony for litigation) or facilities, and other assistance as required in the responsible management of the Environmental Cleanup Claim. Purchaser shall not be required to provide access to personnel or facilities where to do so would subject Purchaser to unreasonable interference with the conduct of the operations of Purchaser beyond the interference that would occur if Purchaser were responsible for the management or defense of the matter. Purchaser shall provide reasonable assistance to Seller in identifying, contacting and seeking assistance from third parties.

(k) In Environmental Cleanup Claims for which Purchaser is the managing party, Seller shall make all reimbursement or indemnification payments within thirty (30) days of receipt of the request and reasonable supporting documentation, such as (but not necessarily in each instance) underlying invoices, contracts, purchase orders, or correspondence. Seller shall have the right to request additional documentation, which Purchaser shall attempt in good faith to provide, to the extent reasonably available, within an additional thirty (30) days and, in such cases, Seller shall have an additional thirty (30) days to make its payment; provided, however, that if Seller has requested further information as to

only a subset of the items in a request for reimbursement, Seller shall pay the remainder within the first thirty (30) days.

ARTICLE VIII

CONDITIONS

Section 8.1 Conditions to Each Party's Obligation to Close. The respective obligations of the parties to effect the transactions contemplated by this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions:

(a) Stockholder Approval. This Agreement and the transactions contemplated herein shall have been approved and adopted by the affirmative vote of a majority of the votes that the holders of the outstanding shares of capital stock of the Parent are entitled to cast.

(b) HSR and German Cartel Approval. Any applicable waiting period under the HSR Act and German Cartel regulations shall have expired or been terminated.

(c) Other Approvals. All authorizations, consents, orders or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Governmental Entity, shall have been filed, occurred or been obtained.

(d) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect (each party agreeing to use all reasonable efforts to have any such order reversed or injunction lifted).

(e) No Action. No action, suit or proceeding by any Governmental Entity before any court or governmental or regulatory authority shall be pending or threatened against the Seller or the Purchaser or any of their Subsidiaries challenging the validity or legality of the transactions contemplated by this Agreement, other than actions, suits or proceedings which, in the reasonable opinion of counsel to the parties hereto, are unlikely to result in an adverse judgment.

(f) Closing Under German and Japanese Stock Purchase Agreements. Simultaneously with the Closing hereunder, the closings shall have occurred under the German Stock Purchase Agreement and the and Japanese Stock Purchase Agreements.

Section 8.2 Conditions of Obligations of the Purchaser. The obligations of the Purchaser to effect the transactions contemplated by this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived by the Purchaser:

(a) Representations and Warranties. (i) The aggregate effect of all inaccuracies in the representations and warranties of the Seller set forth in this Agreement (without taking into account any qualifications as to materiality contained in such representations and warranties, it being understood, however, that for the purposes of this clause (i), the accuracy of any representation or warranty which speaks as of the date of this Agreement or another date prior to the Closing Date shall be determined solely as of the date of this Agreement or such other date and not as of the Closing Date) does not and will not have a material adverse effect on the Aerospace Business, and (ii) the representations and warranties of the Seller contained in Sections 3.1, 3.2, 3.3, 3.5(a), 3.7, 3.9 and 3.13 shall be true and correct in all material respects as of the date hereof, and, except to the extent such representations and warranties speak as of an earlier date, as of the Closing Date as though made on and as of the Closing Date, except as otherwise contemplated by this Agreement, and the Purchaser shall have received a certificate signed on behalf of the Seller by the chief executive officer or the chief financial officer of the Seller to such effect.

(b) Performance of Obligations of the Seller. The Seller and its Subsidiaries shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date, and the Purchaser shall have received a certificate signed on behalf of the Seller by the chief executive officer or the chief financial officer of the Seller to such effect.

(c) Required Assurances. The Seller shall have provided to the Purchaser satisfactory assurances that the non-governmental customers identified in Attachment A to Section 3.17 of the Seller Disclosure Schedule will consent to the assignment of their Contracts with the Seller to the Purchaser.

(d) Seller Documents. The Seller shall have executed and delivered to the Purchaser the Seller Documents.

Section 8.3 Conditions of Obligations of the Seller. The obligation of the Seller to effect the transactions contemplated by this Agreement is subject to the

satisfaction of the following conditions, on or prior to the Closing Date, unless waived by the Seller:

(a) Representations and Warranties. (i) The aggregate effect of all inaccuracies in the representations and warranties of the Purchaser set forth in this Agreement (without taking into account any qualifications as to materiality contained in such representations and warranties, it being understood, however, that for the purposes of this clause (i), the accuracy of any representation or warranty which speaks as of the date of this Agreement or another date prior to the Closing Date shall be determined solely as of the date of this Agreement or such other date and not as of the Closing Date) does not and will not have a material adverse effect on the Purchaser, and (ii) the representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects as of the date hereof, and, except to the extent such representations and warranties speak as of an earlier date, as of the Closing Date as though made on and as of the Closing Date, except as otherwise contemplated by this Agreement, and the Seller shall have received a certificate signed on behalf of Purchaser by the chief executive officer or the chief financial officer of the Purchaser to such effect.

(b) Performance of Obligations of the Purchaser. The Purchaser shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Seller shall have received a certificate signed on behalf of the Purchaser by the chief executive officer or the chief operating officer of the Purchaser to such effect.

(c) Purchaser Documents. The Purchaser shall have executed and delivered to the Seller the Purchaser Documents.

Section 8.4 If Conditions Not Satisfied. In the event that any of the foregoing conditions of obligations of a party shall fail to have been satisfied, such party may elect, in its sole discretion, to consummate the transactions contemplated by this Agreement despite such failure, in which event such party shall be deemed to have waived any claim for damages, Losses or other relief arising from or in connection with such failure.

ARTICLE IX

TERMINATION AND AMENDMENT

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing Date as follows:

(a) by mutual consent of the Purchaser and the Seller;

(b) by either the Purchaser or the Seller if the Closing shall not have occurred before May 31, 1996 (unless the failure to so consummate the Closing by such date shall be due to the action or failure to act of the party seeking to terminate this Agreement, which action or failure to act constitutes a breach of this Agreement);

(c) by the Purchaser if there has been a breach on the part of the Seller in the representations, warranties or covenants of the Seller set forth herein, or any failure on the part of the Seller to comply with its obligations hereunder, such that, in any such case, any of the conditions to the Closing set forth in Section 8.1 or 8.2 hereof could not be satisfied on or prior to May 31, 1996;

(d) by the Seller if there has been a breach on the part of the Purchaser in the representations, warranties or covenants of the Purchaser set forth herein, or any failure on the part of the Purchaser to comply with its obligations hereunder, such that, in any such case, any of the conditions to the closing set forth in Section 8.1 or 8.3 hereof could not be satisfied on or prior to May 31, 1996;

(e) by either the Seller or the Purchaser, if this Agreement and the transactions contemplated herein shall fail to receive the requisite vote for approval and adoption by the stockholders of the Parent at the Stockholders' Meeting; or

(f) by the Purchaser, if (i) the Board of Directors of the Parent shall withdraw, modify or change the Recommendation in a manner adverse to the Purchaser or shall have resolved to do any of the foregoing; or (ii) a tender offer or exchange offer for shares of capital stock of the Parent, which would result in the beneficial ownership by any person or any "group" (as defined in Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than 50% of the outstanding shares of any class of capital stock of the Parent, is commenced, and the Board of Directors of the Parent recommends that the stockholders of the Parent tender their shares in such tender or exchange offer.

Section 9.2 Effect of Termination. In the event of a termination of this Agreement by either the Seller or the Purchaser as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of the Purchaser or the Seller or their affiliates or respective officers or directors, other than the provisions of Section 6.7 and Section 9.3; provided, however, that any such termination shall not relieve any party from liability for any breach of this Agreement.

Section 9.3 Termination Fee. The Seller agrees that it will pay to the Purchaser a termination fee in an amount equal to $6,000,000, plus reimburse up to $1,500,000 of the Purchaser's actual, out-of-pocket expenses incurred in connection with the transactions contemplated by this Agreement, if (a) this Agreement is terminated pursuant to Section 9.1(f), such payment to be made within two business days following such termination, or (b) this Agreement is terminated pursuant to Section 9.1(e) and, within eighteen months following such termination, the Seller or the Parent shall have consummated a Competing Transaction, such payment to be made within two business days following such consummation.

ARTICLE X

MISCELLANEOUS

Section 10.1 Amendment. This Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time by an instrument in writing signed on behalf of each of the parties hereto.

Section 10.2 Extension; Waiver. At any time prior to the Closing Date, the parties hereto, by action taken or authorized by the respective Boards of Directors, may to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (iii) waive compliance with any of the agreements or conditions contained here. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

Section 10.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on the date delivered if delivered personally (including by reputable overnight courier), on the date transmitted if sent by telecopy (which is confirmed) or on the date received if mailed by registered or certified mail (return receipt requested) to the parties at the following

addresses (or at such other address for a party as shall be specified by like notice):

(a) if to the Purchaser, to

Parker Hannifin Corporation
17325 Euclid Avenue
Cleveland, Ohio 44112
Attn: Michael J. Hiemstra,
Vice President, Finance - Administration
Telecopy: (216) 481-4057

with a copy to

Parker Hannifin Corporation
17325 Euclid Avenue
Cleveland, Ohio 44112
Attn: Joseph D. Whiteman, Esq.
Vice President, General Counsel and Secretary
Telecopy: (216) 481-4057

(b) if to the Seller or the Parent, to

Power Control Technologies Inc.
c/o MacAndrews & Forbes Holdings Inc.
35 East 62nd Street
New York, New York 10021
Attn: Barry F. Schwartz
Telecopy: (212) 572-5184

with a copy to

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, New York 10022
Attn: Randall H. Doud
Telecopy: (212) 735-2000

Section 10.4 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. The Table of Contents, Glossary of Defined Terms and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be

deemed to be followed by the words "without limitation." The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, shall be deemed to refer to January 15, 1996.

Section 10.5 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when a counterpart has been signed by each of the parties and delivered to each of the other parties, it being understood that all parties need not sign the same counterpart.

Section 10.6 Entire Agreement; No Third Party Beneficiaries. This Agreement (including the documents and the instruments referred to herein) (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and thereof, and (b) is not intended to confer upon any person other than the parties hereto and thereto (and pursuant to Article VII, Purchaser Indemnified Parties and Seller Indemnified Parties) any rights or remedies hereunder or thereunder.

Section 10.7 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York without regard to any applicable conflicts of law principles.

Section 10.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 10.9 Broker's Fees. Each of the Seller and the Purchaser (a) represents and warrants that it has not taken and will not take any action that would cause the other party to have any obligation or liability to any person for a finder's or broker's fee, and (b) agrees to indemnify the other party for breach of the foregoing representation and warranty, whether or not the Closing occurs.

Section 10.10 Publicity. Except as otherwise required by law or the rules of the New York Stock Exchange, for so long as this Agreement is in effect, neither the Seller nor the Purchaser shall, nor shall they permit any of their Subsidiaries or affiliates to, issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld or delayed.

Section 10.11 Bulk Sales Law. The parties agree that notifications shall not be filed with respect to the purchase and sale contemplated hereby under the bulk transfer provisions of applicable laws.

Section 10.12 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties; providing, that the Purchaser may assign its rights, but not its obligations, to one or more of its direct or indirect wholly-owned Subsidiaries. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 10.13 Parent Obligation. The Parent agrees that it will cause the Seller to perform the Seller's various covenants and other agreements hereunder.

IN WITNESS WHEREOF, the Purchaser, the Parent and the Seller have caused this Asset Purchase Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

POWER CONTROL TECHNOLOGIES INC.

By: _____Albert D. Indelicato_____
Name: Albert D. Indelicato
Title: Chief Executive Officer

(Federal Tax I.D. No. 02-04234116)

PNEUMO ABEX CORPORATION

By: _____Albert D. Indelicato_____
Name: Albert D. Indelicato
Title: Chief Executive Officer

(Federal Tax I.D. No. 06-1238996)

PARKER HANNIFIN CORPORATION

By: _____Duane E. Collins_____
Name: Duane E. Collins
Title: President and Chief Executive Officer

(Federal Tax I.D. No. 34-045-1060)

EXHIBITS

(Exhibits have been omitted from the EDGAR filing)

Exhibit A . . . . . German Stock Purchase Agreement

Exhibit B . . . . . Japanese Stock Purchase Agreement

Exhibit 2.1(b)(i)(A). . . . . Deeds

Exhibit 2.1(b)(i)(C). . . . . Bill of Sale

Exhibit 2.1(b)(i)(D). . . . . Lease Assignment

SECTION 2.3 of Seller Disclosure Schedule

Attached hereto is the Seller Balance Sheet. The Seller Balance Sheet was prepared by making the following adjustments to the Parent's balance sheet as of September 30, 1995 included in the Parent SEC Documents:

(i) All Retained Assets and Retained Liabilities (including any related reserves) were eliminated.

(ii) The short-term and long-term reserves relating to the DCAA claim and the claims identified in Section 1.3(b)(xii) of the Asset Purchase Agreement (which aggregated $28,805,252 at September 30, 1995) were eliminated.

(iii) The short-term and long-term FAS 106 liability (which aggregated $43,913,000 at September 30, 1995) was eliminated and replaced with $24,668,000.

(iv) The asset relating to the overfunding in the Pneumo Abex Retirement Income Plan (which aggregated $19,601,772 at September 30, 1995) was eliminated and replaced with $14,088,000.

(v) Inventories net of reserves (which aggregated $58,154,000 at September 30, 1995) was eliminated and replaced with $56,754,000 and the other long-term liabilities were reduced by $1,400,000.

The Closing Balance Sheet will be prepared by making the following adjustments to the Parent's balance sheet prepared as of the close of business on the Closing Date in accordance with United States generally accepted accounting principles on a basis consistent with Seller Balance Sheet:

(i) All Retained Assets and Retained Liabilities (including any related reserves) shall be eliminated.

(ii) The short-term and long-term FAS 106 liability shall be determined in accordance with Section 6.6(b)(iii) of the Asset Purchase Agreement.

(iii) The asset related to the overfunding in the Aerospace Retirement Income Plan shall be determined in accordance with Section 6.6(b)(i) of the Asset Purchase Agreement.

(iv) Inventories shall be determined by beginning with $56,754,000 (which is stated net of reserves and progress billings), adjusted as follows:

Plus or minus the book physical inventory adjustment for the physical inventory taken at the end of November, 1995.

Plus purchases of material between October 1, 1995 and the Closing.

Plus direct labor and inventoriable overhead chargeable to open work-in-process inventory work orders incurred between October 1, 1995 and the Closing.

Minus costs of sales for all shipments between October 1, 1995 and the Closing.

Minus all charges for scrap work in process and all other scrapped inventory items or items to be scrapped between October 1, 1995 and the Closing.

Minus all inventories consumed by other than cost of sales such as bid and proposal, research and development, product development maintenance, warranty, rework, etc. between October 1, 1995 and the Closing.

Plus or minus any change in progress billings.

(vi) Net Fixed Assets shall be determined by (A) increasing $58,038,000 by the amount of any additions to fixed assets from September 30, 1995 through the Closing Date, and (B) subtracting the book value of any fixed assets disposed of from September 30, 1995 through the Closing Date, (C) freezing the fixed asset reserve for lost assets reflected on the Seller Balance Sheet and (D) subtracting depreciation expense.

AMENDMENT

AMENDMENT, dated as of March 15, 1996 (this Amendment") to the Master Asset Purchase Agreement, dated as of January 15, 1996 (the "Asset Purchase Agreement"), in both cases by and among Power Control Technologies Inc., a Delaware corporation (the "Parent"), Pneumo Abex Corporation, a Delaware corporation (the "Seller"), and Parker-Hannifin Corporation, an Ohio corporation (the "Purchaser").

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

ARTICLE II

1. The first sentence of Section 2.1(a) of the Asset Purchase Agreement is hereby amended and restated as follows:

"The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York, commencing promptly following completion of the Stockholders' Meeting (as defined in Section 6.4) or, if not all of the conditions set forth in Article VIII shall then have been satisfied or waived, such later date and time as agreed by the parties once such conditions are satisfied or waived (the "Closing Date"); provided, however, that, if the Closing would otherwise occur later than the 20th day in PCT's business month, the Closing will be deferred until the last business day during such month; and provided, further, the parties may, by agreement in writing, change the Closing Date or place of the Closing to another date or place."

2. The first sentence of Section 2.2(a) of the Asset Purchase Agreement is hereby amended and restated as follows:

"The purchaser shall pay or cause to be paid to the Seller by wire transfer of immediately available funds to an account designated by the Seller (or other means acceptable to the Seller) an amount equal to $193,000,000, adjusted as follows: (i) (A) in the event that the Net Worth, as indicated on a balance sheet of the Aerospace Business as of the end of the most recent business month

for which such information is available, and prepared on a basis consistent with the Seller Balance Sheet (the "Most Recent Net Worth'), exceeds $75,117,000 (the "Base Net Worth"), the purchase price shall be increased by the amount of such excess, or (B) in the event that the Most Recent Net Worth is less than the Base Net Worth, the purchase price shall be reduced by the amount of such shortfall; and (ii) the adjusted purchase price determined pursuant to clause (i) shall be increased by an interest factor calculated based on the thirty-day AA composite commercial paper rate (as last published by the Federal Reserve prior to the Closing Date) during the period beginning with but not including the last business day of the business month most recently completed preceding the month in which the closing Date occurs through and including the Closing Date."

3. The first sentence of Section 2.3(a) of the Asset Purchase Agreement is hereby amended and restated as follows:

"Within 30 days following the Closing Date, the Seller shall provide to the purchaser an unaudited combined balance sheet of the Aerospace Business as of the Closing Date, if the Closing Date shall occur on the last business day of the Company's business month, or otherwise as of the last day of the business month most recently completed preceding the month in which the Closing Date occurs, but without giving effect to the Closing, prepared on the basis set forth on Section 2.3 of the Seller Disclosure Schedule and otherwise in accordance with United States generally accepted accounting principles and on a basis consistent with the Seller Balance Sheet (the "Closing Balance Sheet")."

4. The third sentence of Section 2.3(c) of the Asset Purchase Agreement is hereby amended and restated as follows:

"Such transfers shall be made to the account designated in writing for such purpose within two business days after delivery of the Final Balance Sheet by wire transfer in immediately available funds of the amount of such differences as determined pursuant to the preceding sentences, together with interest thereon from but not including the last day of the business month of the Seller most recently completed preceding the month in which the Closing Date occurs through and including the date of payment calculated based on the thirty-day AA composite commercial paper rate (as last published by the Federal Reserve prior to the Closing Date)."

5. Other than as modified pursuant to this Amendment, all provisions at the Asset Purchase Agreement remain unmodified and in full force and effect.

6. This Amendment shall be governed and construed in accordance with the laws of the State of New York without regard to any applicable conflicts of law principles.

IN WITNESS WHEREOF, the Purchaser, the Parent and the Seller have caused this Amendment to be signed by their respective officers thereunto duly authorized as at the date first written above.

POWER CONTROL TECHNOLOGIES INC.

By: Albert D. Indelicato
Name: Albert D. Indelicato
Title: Chief Executive Officer

PNEUMO ABEX CORPORATION

By: Albert D. Indelicato
Name: Albert D. Indelicato
Title: Chief Executive Officer

PARKER-HANNIFIN CORPORATION

By: Michael J. Hiemstra
Name: Michael J. Hiemstra
Title: Vice President and
Chief Financial Officer

CLOSING AGREEMENT

CLOSING AGREEMENT, dated as of April 15, 1996 (this "Closing Agreement"), by and among Power Control Technologies Inc., a Delaware corporation (the "Parent"), Pneumo Abex Corporation, a Delaware corporation (the "Seller"), and Parker-Hannifin Corporation, an Ohio corporation (the "Purchaser").

WHEREAS, the parties have determined to enter into this Closing Agreement in order to resolve certain interpretative issues that have arisen under the Master Asset Purchase Agreement, dated as of January 15, 1996 and as amended as of March 15, 1996 (the "Asset Purchase Agreement"), by and among the parties to this Closing Agreement and to clarify the payment mechanics with respect to certain payments to be made by the Purchaser to employees of the Seller (capitalized terms used herein without definition having the meanings ascribed to them in the Asset Purchase Agreement).

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

1. The parties agree that the cash purchase price to be paid today pursuant to Section 2.2(a) of the Asset Purchase Agreement (including the interest factor of $453,170 as provided for in the Asset Purchase Agreement) is $201,119,170 and has been determined thereunder using the Most Recent Net Worth as calculated by reference to the balance sheet of the Aerospace Business as of March 31, 1996 attached hereto (the "Latest Balance Sheet"), by substituting $21,756,000 for $24,668,000 in the second sentence of Section 6.6(b)(iii) and the first clause (iii) of Section 2.3 of the Seller Disclosure Schedule and by recalculating the amounts shown on the Seller Balance Sheet giving effect to such substitution. The parties further agree that the Closing Balance Sheet will reflect the same aggregate FAS 106 liability of $22,374,000 shown on the Latest Balance Sheet and that there will be no payment required to be made by the Seller to the Purchaser pursuant to Section 2.3(c) of the Asset Purchase Agreement unless the required payment is in excess of $3,000,000, and only then to the extent of such excess.

2. The Purchaser agrees to (a) make the 1996 incentive compensation payments to the individuals and in the amounts set forth in the schedules attached to the Memorandum dated April 11, 1996 from A.D. Indelicato to J. Eric Hanson, a copy of which was previously provided to the Purchaser, and (b) make the stock option cash-out payments to the individuals and in the amounts set forth in the schedule to the Memorandum dated April 12, 1996 from A.D. Indelicato to J. Eric Hanson, a copy of which was previously provided to the Purchaser, in each case such payments to be made on or prior to April 30, 1996.

3. Other than as modified pursuant to this Closing Agreement, all provisions of the Asset Purchase Agreement, as previously amended, remain unmodified and in full force and effect.

4. This Closing Agreement shall be governed and construed in accordance with the laws of the State of New York without regard to any applicable conflicts of law principles.

IN WITNESS WHEREOF, the Purchaser, the Parent and the Seller have caused this Closing Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

POWER CONTROL TECHNOLOGIES INC.

By: Albert D. Indelicato
Name: Albert D. Indelicato
Title: Chief Executive Officer

PNEUMO ABEX CORPORATION

By: Albert D. Indelicato
Name: Albert D. Indelicato
Title: Chief Executive Officer

PARKER-HANNIFIN CORPORATION

By: Michael J. Hiemstra
Name: Michael J. Hiemstra
Title: Vice President and Chief Financial Officer

PARKER-HANNIFIN CORPORATION

TO

NATIONAL CITY BANK

_____

INDENTURE

Dated as of _____ __, 1996

PARKER-HANNIFIN CORPORATION
Reconciliation and tie between Trust Indenture Act of 1939 and
Indenture, dated as of _____ __, 1996

Trust Indenture Act Section	Indenture Section
310(a)(1)	609
(a)(2)	609
(a)(3)	Not Applicable
(a)(4)	Not Applicable
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Defeasance and Covenant Defeasance

INDENTURE, dated as of _____ __, 1996, between Parker-Hannifin Corporation, a corporation duly organized and existing under the laws of the State of Ohio (herein called the "Company"), having its principal office at 17325 Euclid Avenue, Cleveland, Ohio 44112, and National City Bank, a national bank organized and existing under the laws of United States, with its principal office at 1900 East Ninth Street, Cleveland, Ohio 44114, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such

accounting principles as are generally accepted at the date of such computation;

(4) unless the context otherwise requires, any reference to an Article or a Section refers to an Article or a Section, as the case may be, of this Indenture; and

(5) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attributable Debt" means, as to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining primary term thereof, discounted from the respective due dates thereof to such date at a rate per annum equal to the weighted average yield to maturity of the Debt Securities calculated in accordance with generally accepted financial practices. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 614 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the

Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day", when used with respect to any Place of Payment, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment are authorized or obligated by law or executive order to close.

"Capital Stock", as applied to the stock of any corporation, means the capital stock of every class whether now or hereafter authorized, regardless of whether such capital stock shall be limited to a fixed sum or percentage with respect to the rights of the holders thereof to participate in dividends and in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of such corporation.

"Commission" means the Securities and Exchange Commission, from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Consolidated Net Tangible Assets" means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all liabilities other than deferred income taxes, Funded Debt and shareholders' equity (including all preferred stock whether or not redeemable) and (ii) all goodwill, trade names, trademarks, patents, organization expenses and other like intangibles, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with generally accepted accounting principles.

"Corporate Trust Office" means the principal office of the Trustee in Cleveland, Ohio at which at any particular time its corporate trust business shall be administered.

"corporation" means a corporation, association, company, joint-stock company or business trust.

"Covenant Defeasance" has the meaning specified in Section 1303.

"Defaulted Interest" has the meaning specified in Section 307.

"Defeasance" has the meaning specified in Section 1302.

"Depositary" means, with respect to Securities of any series issuable in whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depositary for such Securities as contemplated by Section 301.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

"Expiration Date" has the meaning specified in Section 104.

"Funded Debt" means (i) all indebtedness for money borrowed having a maturity of more than 12 months from the date as of which the determination is made or having a maturity of 12 months or less but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower and (ii) rental obligations payable more than 12 months from such date under leases which are capitalized in accordance with generally accepted accounting principles (such rental obligations to be included as Funded Debt at the amount so capitalized at the date of such computation and to be included for the purposes of the definition of Consolidated Net Tangible Assets both as an asset and as Funded Debt at the respective amounts so capitalized).

"Global Security" means a Security that evidences all or part of the Securities of any series and bears the legend set forth in Section 204 (or such legend as may be specified as contemplated by Section 301 for such Securities).

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental

indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively. The term "Indenture" shall also include the terms of particular series of Securities established as contemplated by Section 301.

"interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Investment Company Act" means the Investment Company Act of 1940 and any statute successor thereto, in each case as amended from time to time.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Notice of Default" means a written notice of the kind specified in Section 501(4) or 501(5).

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officer's Certificate given pursuant to Section 1009 shall be the principal executive, financial or accounting officer of the Company.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(1) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satis factory to the Trustee has been made;

(3) Securities as to which Defeasance has been effected pursuant to Section 1302; and

(4) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given, made or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder as of any date, (A) the principal amount of an Original Issue Discount Security which shall be deemed to be Outstanding shall be the amount of the principal thereof which would be due and payable as of such date upon acceleration of the Maturity thereof to such date pursuant to Section 502, (B) if, as of such date, the principal amount payable at the Stated Maturity of a Security is not determinable, the principal amount of such Security which shall be deemed to be Outstanding shall be the amount as specified or determined as contemplated by Section 301, (C) the principal amount of a Security denominated in one or more foreign currencies or currency units which shall be deemed to be Outstanding shall be the U.S. dollar equivalent, determined as of such date in the manner provided as contemplated by Section 301, of the principal amount of such Security (or, in the case of a Security described in clause (A) or (B) above, of the amount determined as provided in such clause), and (D) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other

obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of or any premium or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Securities of any series, means the place or places where the principal of and any premium and interest on the Securities of that series are payable as specified as contemplated by Section 301.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Property" means any manufacturing or processing plant or warehouse owned at the date hereof or hereafter acquired by the Company or any Restricted Subsidiary of the Company which is located within the United States of America and the gross book value (including related land and improvements thereon and all machinery and equipment included therein without deduction of any depreciation reserves) of which on the date as of which the determination is being made exceeds 1% of Consolidated Net Tangible Assets, other than (i) any property which in the opinion of the Board of Directors is not of material importance to the total business conducted by the Company as an entirety or (ii) any portion of a particular property which is similarly found not to be of material importance to the use or operation of such property.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means a Subsidiary of the Company (i) substantially all the property of which is located, or substantially all the business of which is carried on, within the United States of America and (ii) which owns a Principal Property.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

"Securities Act" means the Securities Act of 1933 and any statute successor thereto, in each case as amended from time to time.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, as in force at the date as of which this instrument was executed; provided, however, that in the event the

Trust Indenture Act of 1939 is amended after such date, Trust Indenture Act means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"U.S. Government Obligation" has the meaning specified in Section 1304.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act and this Indenture. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirements set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (except for certificates provided for in Section 1009) shall include,

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders; Record Dates.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture

and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

The ownership of Securities shall be proved by the Security Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Securities of such series, provided that the Company may not set a record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of the relevant series on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after

any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 106.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 502, (iii) any request to institute proceedings referred to in Section 507(2) or (iv) any direction referred to in Section 512, in each case with respect to Securities of such series. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of such series on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 106.

With respect to any record date set pursuant to this Section, the party hereto which sets such record dates may designate any day as the "Expiration Date" and from time to time may change the Expiration Date to any earlier or later day; provided that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other party hereto in writing, and to each Holder of Securities of the relevant series in the manner set forth in Section 106, on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section, the party hereto which set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date

shall be later than the 180th day after the applicable record date.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

SECTION 105. Notices, Etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition

precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act which is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the law of the State of New York.

SECTION 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities (other than a provision of any Security which specifically states that such provision shall apply in lieu of this Section)) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity.

ARTICLE TWO

SECURITY FORMS

SECTION 201. Forms Generally.

The Securities of each series shall be in substantially the form set forth in this Article, or in such other form as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depositary therefor or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof. If the form of Securities of any series is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 202. Form of Face of Security.

[Insert any legend required by the Internal Revenue Code and the regulations thereunder]

PARKER-HANNIFIN CORPORATION

[Title of Securities]

No. _____ $_____

Parker-Hannifin Corporation, a corporation duly organized and existing under the laws of Ohio (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ _____ Dollars on _____, ____. [If the Security is to bear interest prior to Maturity, insert --, and to pay interest thereon from _____ or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on _____ and _____ in each year, commencing _____, at the rate of ___% per annum, until the principal hereof is paid or made available for payment [If applicable insert --, provided that any principal and premium, and any such installment of interest, which is overdue shall bear interest at the rate of __% per annum (to the extent that the payment of such interest shall be legally enforceable) from the dates such amounts are due until they are paid or made available for payment, and such interest shall be payable on demand]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture].

[If the Security is not to bear interest prior to Maturity, insert-- The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at Stated Maturity and in such case the overdue principal and any overdue premium shall bear interest at the rate of __% per annum (to the extent that the payment of such interest shall be legally enforceable), from the dates such amounts are due until they are paid or made available for payment. Interest on any overdue principal or premium shall be payable on demand.]

Payment of the principal of (and premium, if any) and [if applicable, insert-- any such] interest on this Security will be made at the office or agency of the Company maintained for that purpose in _____, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [if applicable, insert-; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register].

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

PARKER-HANNIFIN CORPORATION

By_____

Attest:

_____

SECTION 203. Form of Reverse of Security.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture,

dated as of _____ __, 1996 (herein called the "Indenture," which term shall have the meaning assigned to it in such instrument), between the Company and National City Bank, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof [if applicable, insert--, limited in aggregate principal amount to $_____].

[If applicable, insert-- The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, [if applicable, insert-- (1) on _____ in any year commencing with the year ____ and ending with the year ____ through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount, and (2)] at any time [if applicable, insert-- on or after _____, 19__, as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before _____, ____%, and if redeemed] during the 12-month period beginning _____ of the years indicated.

Year	Redemption Price	Year	Redemption Price
____	_____	____	_____

and thereafter at a Redemption Price equal to ____% of the principal amount, together in the case of any such redemption [if applicable, insert-- (whether through operation of the sinking fund or otherwise)] with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert-- The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, (1) on _____ in any year commencing with the year ___ and ending with the year ____ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below, and (2) at any time[if applicable, insert-- (on or after

_____], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning _____ of the years indicated.

Year	Redemption Price For Redemption Through Operation of the Sinking Fund	Redemption Price For Redemption Otherwise Than Through Operation of the Sinking Fund
____	_____	_____

and thereafter at a Redemption Price equal to ____% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert-- Notwithstanding the foregoing, the Company may not, prior to _____, redeem any Securities of this series as contemplated by [if applicable, insert-- Clause (2) of] the preceding paragraph as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than ____% per annum.]

[If applicable, insert-- The sinking fund for this series provides for the redemption on _____ in each year beginning with the year ____ and ending with the year ____ of [if applicable, insert-- not less than] $_____ [("mandatory sinking fund") and not more than $_____] aggregate principal amount of Securities of this series. Securities of this series acquired or redeemed by the Company otherwise than through [if applicable, insert-- mandatory] sinking fund payments may be credited against subsequent [if applicable, insert-- mandatory] sinking fund payments otherwise

required to be made--[if applicable, insert-- in the inverse order in which they become due.]

[If the Security is subject to redemption of any kind, insert-- In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

[If applicable, insert-- The Indenture contains provisions for defeasance at any time of [the entire indebtedness of this Security[[or] [certain restrictive covenants and Events of Default with respect to this Security[[,in each case] upon compliance with certain conditions set forth in the Indenture.]

[If the Security is not an Original Issue Discount Security.-- insert-- If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]

[If the Security is an Original Issue Discount Security.-- insert-- If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amount shall be equal to--insert formula for determining the amount. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal, premium and interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and premium and interest, if any, on the Securities of this series shall terminate.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu

hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $_____ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor, of a different authorized denomination, as requested by the Holder surrendering the same.

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

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

SECTION 204. Form of Legend for Global Securities.

Unless otherwise specified as contemplated by Section 301 for the Securities evidenced thereby, every Global Security authenticated and delivered hereunder shall bear a legend in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

SECTION 205. Form of Trustees Certificate of Authentication.

The Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

NATIONAL CITY BANK, as Trustee

By_____
Authorized Officer

ARTICLE THREE

THE SECURITIES

SECTION 301. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution and, subject to Section 303, set forth, or determined in the manner provided, in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from Securities of any other series);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 906 or 1107 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(3) the Person to whom any interest on a Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

(4) the date or dates on which the principal of the Securities of the series is payable;

(5) the rate or rates at which any Securities of the series shall bear interest, if any, the date or dates from which any such interest shall accrue, the Interest Payment Dates on which any such interest shall be payable and the Regular Record Date for any such interest payable on any Interest Payment Date;

(6) the place or places where the principal of and any premium and interest on any Securities of the series shall be payable;

(7) the period or periods within which, the price or prices at which and the terms and conditions upon which any Securities of the series may be redeemed, in whole or in

part, at the option of the Company and, if other than by a Board Resolution, the manner in which any election by the Company to redeem the Securities shall be evidenced;

(8) the obligation, if any, of the Company to redeem or purchase any Securities of the series pursuant to any sinking fund or analogous provisions or at the option of the Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which any Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) if other than denominations of $1,000 and any integral multiple thereof, the denominations in which any Securities of the series shall be issuable;

(10) if the amount of principal of or any premium or interest on any Securities of the series may be determined with reference to an index or pursuant to a formula, the manner in which such amounts shall be determined;

(11) if other than the currency of the United States of America, the currency, currencies or currency units in which the principal of or any premium or interest on any Securities of the series shall be payable and the manner of determining the equivalent thereof in the currency of the United States of America for any purpose, including for purposes of the definition of Outstanding in Section 101;

(12) if the principal of or any premium or interest on any Securities of the series is to be payable, at the election of the Company or the Holder thereof, in one or more currencies or currency units other than that or those in which such Securities are stated to be payable, the currency, currencies or currency units in which the principal of or any premium or interest on such Securities as to which such election is made shall be payable, the periods within which and the terms and conditions upon which such election is to be made and the amount so payable (or the manner in which such amount shall be determined);

(13) if other than the entire principal amount thereof, the portion of the principal amount of any Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(14) if the principal amount payable at the Stated Maturity of any Securities of the series will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which shall be deemed to be the principal amount of such Securities as of any such date for any purpose thereunder or hereunder, including the principal amount thereof which shall be due and payable upon any

Maturity other than the Stated Maturity or which shall be deemed to be Outstanding as of any date prior to the Stated Maturity (or, in any such case, the manner in which such amount deemed to be the principal amount shall be determined);

(15) if applicable, that the Securities of the series, in whole or any specified part, shall be defeasible pursuant to Section 1302 or Section 1303 or both such Sections and, if other than by a Board Resolution, the manner in which any election by the Company to defease such Securities shall be evidenced;

(16) if applicable, that any Securities of the series shall be issuable in whole or in part in the form of one or more Global Securities and, in such case, the respective Depositaries for such Global Securities, the form of any legend or legends which shall be borne by any such Global Security in addition to or in lieu of that set forth in Section 204 and any circumstances in addition to or in lieu of those set forth in clause (2) of the last paragraph of Section 305 in which any such Global Security may be exchanged in whole or in part for Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the name or names of Persons other than the Depositary for such Global Security or a nominee thereof;

(17) any addition to or change in the Events of Default which applies to any Securities of the series and any change in the right of the Trustee or the requisite Holders of such Securities to declare the principal amount thereof due and payable pursuant to Section 502;

(18) any addition to or change in the covenants set forth in Article Ten which applies to Securities of the series; and

(19) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture), except as permitted by Section 901(5).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 303) set forth, or determined in the manner provided, in the Officers' Certificate referred to above or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered

to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 302. Denominations.

The Securities of each series shall be issuable in only registered form without coupons and only in such denominations as shall be specified as contemplated by Section 301. In the absence of any such specified denomination with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of $1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities. If the form or terms of the Securities of the series have been established by or pursuant to one or more Board Resolutions as permitted by Sections 201 and 301, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) if the form of such Securities has been established by or pursuant to Board Resolution as permitted by Section 201, that such form has been established in conformity with the provisions of this Indenture;

(2) if the terms of such Securities have been established by or pursuant to Board Resolution as permitted by Section 301, that such terms have been established in conformity with the provisions of this Indenture; and

(3) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 301 and of the preceding paragraph, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the authentication of each Security of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially

of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive Securities of the same series, or any authorized denominations and of like tenor and aggregate principal amount. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series and tenor.

SECTION 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of a series at the office or agency of the Company in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of like tenor and aggregate principal amount.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the

Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

If the Securities of any series (or any series and specified tenor) are to be redeemed in part, the Company shall not be required (A) to issue, register the transfer of or exchange any Securities of that series (or of that series and specified tenor, as the case may be,) during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Securities selected for redemption under Section 1103 and ending at the close of business on the day of such mailing, or (B) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

The provisions of clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

(1) Each Global Security authenticated under this Indenture shall be registered in the name of the Depositary designated for such Global Security or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(2) Notwithstanding any other provision in this Indenture, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or a nominee thereof unless (A) such

Depositary (i) has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or (ii) has ceased to be a clearing agency registered under the Exchange Act, (B) there shall have occurred and be continuing an Event of Default with respect to such Global Security or (C) there shall exist such circumstances, if any, in addition to or in lieu of the foregoing as have been specified for this purpose as contemplated by Section 301.

(3) Subject to clause (2) above, any exchange of a Global Security for other Securities may be made in whole or in part, and all Securities issued in exchange for a Global Security or any portion thereof shall be registered in such names as the Depositary for such Global Security shall direct.

(4) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Section, Section 304, 306, 906 or 1107 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depositary for such Global Security or a nominee thereof.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed

in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Except as otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall

be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given to each Holder of Securities of such series in the manner set forth in Section 106, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of and any premium and (subject to Section 307) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be

promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

SECTION 310. Computation of Interest.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust money in an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and any premium and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and any premium and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or any premium on any Security of that series at its Maturity; or

(3) default in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of series of Securities other than that series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) a default under any bond, debenture, note or other evidence of indebtedness for money borrowed in an aggregate principal amount exceeding $10,000,000 by the Company or any Restricted Subsidiary (including a default with respect to Securities of any series other than that series) or under any mortgage, indenture or instrument (including this Indenture) under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed in an aggregate principal amount exceeding $10,000,000 by the Company or any Restricted Subsidiary whether such indebtedness now exists or shall hereafter be created, which default shall have resulted in such indebtedness becoming or being declared due and payable

prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 10 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Securities of that series a written notice specifying such default and requiring the Company to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled, as the case may be, and stating that such notice is a "Notice of Default" hereunder; provided, however, that, subject to the provisions of Sections 601 and 602, the Trustee shall not be deemed to have knowledge of such default unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such mortgage, indenture or other instrument; or

(6) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(7) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or

other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(8) any other Event of Default provided with respect to Securities of that series.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if any Securities of that series are Original Issue Discount Securities, such portion of the principal amount of such Securities as may be specified by the terms thereof) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Securities of that series,

(B) the principal of and any premium on any Securities of that series which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and any premium and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee May File Proofs of Claim.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided, however, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

SECTION 505. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of

such money on account of principal or any premium or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and any premium and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and any premium and interest, respectively.

SECTION 507. Limitation on Suits.

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this

Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and any premium and (subject to Section 307) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this

Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of or any premium or interest on any Security of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided that neither this Section nor the

Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

SECTION 515. Waiver of Usury, Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. Notice of Defaults.

If a default occurs hereunder with respect to Securities of any series, the Trustee shall give to Holders of Securities of such series notice of such default as to the extent provided by the Trust Indenture Act; provided, however, that, in the case of any default of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(4) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the

Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 605. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and

disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

SECTION 608. Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture. To the extent permitted by the Trust Indenture Act, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under this Indenture with respect to Securities of more than one series.

SECTION 609. Corporate Trustee Required; Eligibility.

There shall at all times be one (and only one) Trustee hereunder with respect to the Securities of each series, which may be Trustee hereunder for Securities of one or more other series. Each Trustee shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section and to the extent permitted by the Trust Indenture Act, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee with respect to the Securities of any series shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the

successor Trustee in accordance with the applicable requirements of Section 611.

The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

If at any time:

(1) the Trustee shall fail to comply with Section 608(a) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Company by a Board Resolution may remove the Trustee with respect to all Securities, or (B) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the

applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 611, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series Holders of Securities of such series in the manner provided in Section 106. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor.

In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and

which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise

qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

SECTION 614. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment in the manner provided in Section 106 to all Holders of Securities of the series with respect to which such Authenticating Agent will serve. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

NATIONAL CITY BANK, As Trustee

By_____
As Authenticating Agent

By_____
Authorized Officer

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee

(1) semi-annually, not later than June 15 and December 15 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Securities of each series as of the preceding June 1 or December 1, as the case may be, and

(2) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 702. Preservation of Information; Communications to Holders.

The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided by the Trust Indenture Act.

Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 703. Reports by Trustee.

The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the time and in the manner provided pursuant thereto.

A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when any Securities are listed on any stock exchange.

SECTION 704. Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the time and in the manner provided pursuant to the Trust Indenture Act; provided that any such information, document or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest on all the Securities and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company or any Subsidiary as a result of such transaction as having been incurred by the Company or such Subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(3) if, as a result of any such consolidation or merger or such conveyance, transfer or lease, properties or assets of the Company would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not be permitted by this Indenture, the Company or such successor Person, as the case may be, shall take such steps as shall be necessary effectively to secure the Securities equally and ratably with (or prior to) all indebtedness secured thereby; and

(4) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 802. Successor Substituted.

Upon any consolidation of the Company with or merger of the Company into any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor

Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default for the benefit of the Holders of all or any series of Securities (and if such additional Events of Default are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of such series); or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of Securities in uncertificated form; or

(5) to add to, change or eliminate any of the provisions of this Indenture in respect of one or more

series of Securities, provided that any such addition, change or elimination (A) shall neither (i) apply to any Security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (ii) modify the rights of the Holder of any such Security with respect to provision or (B) shall become effective only when there is no such Security Outstanding; or

(6) to secure the Securities pursuant to the requirements of Section 1006 or otherwise; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b); or

(9) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided that such action pursuant to this clause (9) shall not adversely affect the interests of the Holders of Securities of any series in any material respect.

SECTION 902. Supplemental Indentures With Consent of Holders.

With the consent of the Holders of not less than 66- 2/3% in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of

an Original Issue Discount Security or any other Security which would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or change any Place of Payment where, or the coin or currency in which, any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 513 or Section 1010, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby, provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1010, or the deletion of this proviso, in accordance with the requirements of Sections 611 and 901(8).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this

Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 906. Reference in Securities to Supplemental Indentures.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of and any premium and interest on the Securities of that series in accordance with the terms of the Securities and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of or any premium or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and any premium and interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, prior to each due date of the principal of or any premium or interest on any Securities of that series, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to

the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (1) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (2) during the continuance of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment in respect of the Securities of that series, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent for payment in respect of the Securities of that series.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or any premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 1005. Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 1006. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1007. Restrictions on Secured Debt.

The Company will not itself, and will not permit any Restricted Subsidiary to, incur, issue, assume, or guarantee any loans, whether or not evidenced by negotiable instruments or securities, or any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed (loans, and notes, bonds, debentures or other similar evidences of indebtedness for money borrowed being hereinafter in this Section 1007 called "Debt"), secured after the date hereof by pledge of, or mortgage or lien on, any Principal Property of the Company or any Restricted Subsidiary or any shares of Capital Stock of or Debt of any Restricted Subsidiary (mortgages, pledges and liens being hereinafter in this Section 1007 called "Mortgage" or "Mortgages"), without effectively providing that the Securities (together with, if the Company shall so determine, any other Debt of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinated to the Securities) shall be secured equally and ratably with (or, at the option of

the Company, prior to) such secured Debt, so long as such secured Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all such secured Debt plus all Attributable Debt of the Company and its Restricted Subsidiaries with respect to sale and lease back transactions to which Section 1008 is applicable would not exceed 10% of Consolidated Net Tangible Assets; provided, however, that this Section 1007 shall not apply to, and there shall be excluded from secured Debt in any computation under this Section 1007, Debt secured by:

(1) Mortgages on property of, or on any shares of Capital Stock of or Debt of, any corporation existing at the time such corporation becomes a Restricted Subsidiary;

(2) Mortgages in favor of the Company or any Restricted Subsidiary;

(3) Mortgages in favor of any governmental body to secure progress, advance or other payments pursuant to any contract or provision of any statute;

(4) Mortgages on property, shares of Capital Stock or Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price thereof or construction thereon or to secure any Debt incurred prior to, at the time of, or within 180 days after the later of the acquisition of such property, shares of Capital Stock or Debt or the completion of construction, for the purpose of financing all or any part of the purchase price thereof or construction thereon;

(5) Mortgages securing obligations issued by a State, territory or possession of the United States, any political subdivision of any of the foregoing, or the District of Columbia, or any instrumentality of any of the foregoing to finance the acquisition or construction of property, and on which the interest is not, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, includible in gross income of the holder by reason of Section 103(a)(1) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations; or

(6) Any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Mortgage referred to in the foregoing clauses (1) to (5), inclusive; provided, however, that such extension, renewal or replacement Mortgage shall be limited to all or part of the same property, shares of Capital Stock or Debt that secured the Mortgage extended, renewed or replaced (plus improvements on such property).

SECTION 1008. Restrictions on Sales and Leasebacks.

The Company will not itself, and will not permit any Restricted Subsidiary to enter into any transaction after the date hereof with any bank, insurance company or other lender or investor, or any such transaction to which any such bank, company, lender or investor is a party, providing for the leasing by the Company or a Restricted Subsidiary of any Principal Property which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such bank, company, lender or investor, or any person to whom funds have been or are to be advanced by such bank, company, lender or investor on the security of such Principal Property (herein referred to as a "sale and leaseback transaction") unless, after giving effect thereto, the aggregate amount of all Attributable Debt with respect to all such transactions plus all secured Debt to which Section 1007 is applicable would not exceed 10% of Consolidated Net Tangible Assets. This covenant shall not apply to, and there shall be excluded from Attributable Debt in any computation under this Section 1008 or Section 1007 Attributable Debt with respect to, any sale and leaseback transaction if:

(1) the lease in such sale and lease back transaction is for a period, including renewal rights, of not in excess of three years, or

(2) the Company or a Restricted Subsidiary, within 180 days after the sale or transfer shall have been made by the Company or by a Restricted Subsidiary, applies an amount equal to the greater of the net proceeds of the sale of the Principal Property leased pursuant to such arrangement or the fair market value of the Principal Property so leased at the time of entering into such arrangement (as determined in any manner approved by the Board of Directors) to

(a) the retirement of the Securities, other Funded Debt of the Company ranking on a parity with or senior to the Securities, or Funded Debt of a Restricted Subsidiary, provided, however, that the amount to be applied to the retirement of such Funded Debt of the Company or a Restricted Subsidiary shall be reduced by (x) the principal amount of any Securities (or other notes or debentures constituting such Funded Debt) delivered within such 180-day period to the Trustee or other applicable trustee for retirement and cancellation and (y) the principal amount of such Funded Debt, other than items referred to in the preceding clause (x), voluntarily retired by the Company or a Restricted Subsidiary within 180 days after such sale, and provided, further, that, notwithstanding the foregoing, no retirement referred to in this clause (a) may be effected by any payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision; or

(b) the purchase of other property which will constitute a Principal Property having a fair market value, in the opinion of the Board of Directors, at least equal to the fair market value of the Principal Property leased in such sale and lease back transaction, or

(3) such sale and leaseback transaction is entered into prior to, at the time of, or within 180 days after the later of the acquisition of the Principal Property or the completion of construction thereon, or

(4) the lease in such sale and leaseback transaction secures or relates to obligations issued by a State, territory or possession of the United States, or any political subdivision of any of the foregoing, the District of Columbia, or any instrumentality of any of the foregoing to finance the acquisition or construction of property, and on which the interest is not, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, includible in gross income of the holder by reason of Section 103(a)(1) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations, or

(5) such sale and leaseback transaction is entered into between the Company and a Restricted Subsidiary or between Restricted Subsidiaries.

SECTION 1009. Statement by Officers as to Default.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 1010. Waiver of Certain Covenants.

Except as otherwise specified as contemplated by Section 301 for Securities of such series, the Company may, with respect to the Securities of any series, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 301(18), 901(2) or 901(7) for the benefit of the Holders of such series or in any of Sections 1004 to 1008, inclusive, if before the time for such compliance the Holders of at least 66 2/3 % in principal

amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE ELEVEN

REDEMPTION Of SECURITIES

SECTION 1101. Applicability of Article.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for such Securities) in accordance with this Article.

SECTION 1102. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or in another manner specified as contemplated by Section 301 for such Securities. In case of any redemption at the election of the Company of less than all the Securities of any series (including any such redemption affecting only a single Security), the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

SECTION 1103. Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities of any series are to be redeemed (unless all of the Securities of such series and of a specified tenor are to be redeemed or unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security of such series, provided that

the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security. If less than all the Securities of such series and of a specified tenor are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series and specified tenor not previously called for redemption in accordance with the preceding sentence.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption as aforesaid and, in the case of any Securities selected for partial redemption as aforesaid, the principal amount thereof to be redeemed.

The provisions of the two preceding paragraphs shall not apply with respect to any redemption affecting only a single Security, whether such Security is to be redeemed in whole or in part. In the case of any such redemption in part, the unredeemed portion of the principal amount of the Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1104. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Securities of any series consisting of more than a single Security are to be redeemed, the identification (and, in the case of partial redemption of any such Securities, the principal amounts) of the particular Securities to be redeemed and, if less than all the Outstanding Securities of any series consisting of a single

Security are to be redeemed the principal amount of the particular Security to be redeemed,

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(5) the place or places where each such Security is to be surrendered for payment of the Redemption Price, and

(6) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company and shall be irrevocable.

SECTION 1105. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

SECTION 1106. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that, unless otherwise specified as contemplated by Section 301, installments of interest whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any

premium shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

SECTION 1107. Securities Redeemed in Part.

Any Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series and of like tenor, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE TWELVE

SINKING FUNDS

SECTION 1201. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of any series except as otherwise specified as contemplated by Section 301 for such Securities.

The minimum amount of any sinking fund payment provided for by the terms of any Securities is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of such Securities is herein referred to as an "optional sinking fund payment". If provided for by the terms of any Securities, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities as provided for by the terms of such Securities.

SECTION 1202. Satisfaction of Sinking Fund Payments with Securities.

The Company (1) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to any Securities of such

series required to be made pursuant to the terms of such Securities as and to the extent provided for by the terms of such Securities; provided that the Securities to be so credited have not been previously so credited. The Securities to be so credited shall be received and credited for such purpose by the Trustee at the Redemption Price, as specified in the Securities so to be redeemed, for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 1203. Redemption of Securities for Sinking Fund.

Not less than 45 days prior to each sinking fund payment date for any Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for such Securities pursuant to the terms of such Securities, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities pursuant to Section 1202 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days prior to each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

Defeasance and Covenant Defeasance

SECTION 1301. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may elect, at its option at any time, to have Section 1302 or Section 1303 applied to any Securities or any series of Securities, as the case may be, designated pursuant to Section 301 as being defeasible pursuant to such Section 1302 or 1303, in accordance with any applicable requirements provided pursuant to Section 301 and upon compliance with the conditions set forth below in this Article. Any such election shall be evidenced by a Board Resolution or in another manner specified as contemplated by Section 301 for such Securities.

SECTION 1302. Defeasance and Discharge.

Upon the Company's exercise of its option, if any, to have this Section applied to any Securities or any series of Securities, as the case may be, the Company shall be deemed to have been discharged from its obligations with respect to such Securities as provided in this Section on and after the date the conditions set forth in Section 1304 are satisfied (hereinafter called "Defeasance"). For this purpose, such Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Securities and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), subject to the following which shall survive until otherwise terminated or discharged hereunder: (1) the rights of Holders of such Securities to receive, solely from the trust fund described in Section 1304 and as more fully set forth in such Section, payments in respect of the principal of and any premium and interest on such Securities when payments are due, (2) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002 and 1003, (3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (4) this Article. Subject to compliance with this Article, the Company may exercise its option, if any, to have this Section applied to any Securities notwithstanding the prior exercise of its option, if any, to have Section 1303 applied to such Securities.

SECTION 1303. Covenant Defeasance.

Upon the Company's exercise of its option, if any, to have this Section applied to any Securities or any series of Securities, as the case may be, (1) the Company shall be released from its obligations under Section 801(3), Sections 1005 through 1009, inclusive, and any covenants provided pursuant to Section 301(18), 901(2) or 901(7) for the benefit of the Holders of such Securities and (2) the occurrence of any event specified in Sections 501(4) (with respect to any of Section 801(3), Sections 1005 through 1008, inclusive, and any such covenants provided pursuant to Section 301(18), 901(2) or 901(7)), 501(5) and 501(8) shall be deemed not to be or result in an Event of Default, in each case with respect to such Securities as provided in this Section on and after the date the conditions set forth in Section 1304 are satisfied (hereinafter called "Covenant Defeasance"). For this purpose, such Covenant Defeasance means that, with respect to such Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified Section (to the extent so specified in the case of Section 501(4)), whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in

any other document, but the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 1304. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to the application of Section 1302 or Section 1303 to any Securities or any series of Securities, as the case may be:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee which satisfies the requirements contemplated by Section 609 and agrees to comply with the provisions of this Article applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefits of the Holders of such Securities, (A) money in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or any such other qualifying trustee) to pay and discharge, the principal of and any premium and interest on such Securities on the respective Stated Maturities, in accordance with the terms of this Indenture and such Securities. As used herein, "U.S. Government Obligation" means (x) any security which is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case (i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any U.S. Government Obligation which is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any U.S. Government Obligation which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

(2) In the event of an election to have Section 1302 apply to any Securities or any series of Securities, as the case may be, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this instrument, there has been a change in the applicable Federal income tax law, in either case (A) or (B) to the effect that, and based thereon such opinion shall confirm that, the Holders of such Securities will not recognize gain or loss for Federal income tax purposes as a result of the deposit, Defeasance and discharge to be effected with respect to such Securities and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, Defeasance and discharge were not to occur.

(3) In the event of an election to have Section 1303 apply to any Securities or any series of Securities, as the case may be, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities will not recognize gain or loss for Federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to such Securities and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur.

(4) The Company shall have delivered to the Trustee an Officer's Certificate to the effect that neither such Securities nor any other Securities of the same series, if then listed on any securities exchange, will be delisted as a result of such deposit.

(5) No event which is, or after notice or lapse of time or both would become, an Event of Default with respect to such Securities or any other Securities shall have occurred and be continuing at the time of such deposit or, with regard to any such event specified in Sections 501(6) and (7), at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(6) Such Defeasance or Covenant Defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all Securities are in default within the meaning of the Trust Indenture Act).

(7) Such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default

under, any other agreement or instrument to which the Company is a party or by which it is bound.

(8) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act unless such trust shall be registered under such Act or exempt from registration thereunder.

(9) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

SECTION 1305. Deposited Money and U.S. Government Obligations to Be Held in Trust; Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee or other qualifying trustee (solely for purposes of this Section and Section 1306, the Trustee and any such other trustee are referred to collectively as the "Trustee") pursuant to Section 1304 in respect of any Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any such Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities, of all sums due and to become due thereon in respect of principal and any premium and interest, but money so held in trust need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 1304 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding Securities.

Anything in this Article to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1304 with respect to any Securities which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect the Defeasance or Covenant Defeasance, as the case may be, with respect to such Securities.

SECTION 1306. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money in accordance with this Article with respect to any Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations under this Indenture and such Securities from which the Company has been discharged or released pursuant to Section 1302 or 1303 shall be revived and reinstated as though no deposit had occurred pursuant to this Article with respect to such Securities, until such time as the Trustee or Paying Agent is permitted to apply all money held in trust pursuant to Section 1305 with respect to such Securities in accordance with this Article; provided, however, that if the Company makes any payment of principal of or any premium or interest on any such Security following such reinstatement of its obligations, the Company shall be subrogated to the rights, if any, of the Holders of such Securities to receive such payment from the money so held in trust.

* * * * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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

PARKER-HANNIFIN CORPORATION

By _____

Attest:

_____

NATIONAL CITY BANK

By _____

Attest:

_____

STATE OF _____)
) SS:
COUNTY OF _____)

On the ___ day of _____, 1996, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he is the _____ of Parker-Hannifin Corporation, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereby by like authority.

_____

STATE OF _____)
) SS:
COUNTY OF _____)

On the ___ day of _____, 1996, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he is _____ of National City Bank, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereby by like authority.

_____

April 23, 1996

Parker-Hannifin Corporation
17325 Euclid Avenue
Cleveland, Ohio 44112

Re: $400,000,000 Aggregate Amount of Senior Debt
Securities of Parker-Hannifin Corporation

Gentlemen:

We are acting as counsel for Parker-Hannifin Corporation, an Ohio corporation (the "Company"), in connection with the creation and authorization of the issuance and sale of up to $400,000,000 aggregate amount of Senior Debt Securities (the "Securities"), to be issued pursuant to an Indenture (the "Indenture") to be entered into between the Company and National City Bank, as Trustee (the "Trustee").

We have examined such documents, records and matters of law as we have deemed necessary for purposes of this opinion, and based thereupon, but subject to the assumptions and qualifications set forth below, we are of the opinion that:

1. The Indenture, when duly executed and delivered by the Company and the Trustee, will constitute a valid and binding instrument of the Company.

2. The Securities have been duly authorized and, when duly executed, authenticated and delivered to and paid for by the purchasers thereof in accordance with the terms of such Securities and this Indenture, will be valid and binding obligations of the Company and will be entitled to the benefits of the Indenture.

In rendering the foregoing opinions we have also assumed that (i) the definitive information, including, without limitation, the definitive terms of the Securities, remaining to be completed in the form of Indenture relating to the Securities as filed as Exhibit 4.1 to the Registration Statement filed by the Company to effect registration of the Securities under the Securities Act of 1933 (the "Registration Statement"), will be so completed and the Indenture and Securities will be duly authorized by the Board of Directors of the Company or its designee in such form with such completions, and (ii) the Underwriting Agreement will be executed and delivered by the Company and the Underwriters in substantially the form filed as Exhibit 1.1 to the Registration Statement.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement on Form S-3 filed by the Company to effect registration of the Securities under the Securities Act of 1933 and to the reference to us under the caption "Legal Matters" in the Prospectus constituting a part of such Registration Statement.

Very truly yours,

Jones, Day Reavis & Pogue

Exhibit 12

PARKER-HANNIFIN CORPORATION
STATEMENT OF RATIO OF EARNINGS TO FIXED CHARGES
(In thousands)

	Six months Ended December 31,		Fiscal Year Ended June 30,				
	1995	1994	1995	1994	1993	1992	1991
EARNINGS							
Income from continuing operations before income taxes	$ 167,891	$ 140,054	$ 348,407	$ 112,449	$ 108,066	$ 105,391	$ 103,468
Add:							
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	14,599	13,733	28,884	34,687	43,055	47,394	53,898
Amortization of deferred loan costs	64	64	128	297	237	246	220
Portion of rents representative of interest factor	3,766	4,396	8,791	7,157	10,299	10,476	12,158
Equity share of losses of companies for which debt obligations are not guaranteed	242	311	392	1,359	1,566	416	407
Amortization of previously capitalized interest	105	109	216	217	206	200	225
Income as adjusted	$ 186,667	$ 158,667	$ 386,818	$ 156,166	$ 163,429	$ 164,123	$ 170,376
FIXED CHARGES							
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	$ 14,599	$ 13,733	$ 28,884	$ 34,687	$ 43,055	$ 47,394	$ 53,898
Capitalized interest	65	178	283	298	32	232	921
Amortization of deferred loan costs	64	64	128	297	237	246	220
Portion of rents representative of interest factor	3,766	4,396	8,791	7,157	10,299	10,476	12,158
Fixed charges	$ 18,494	$ 18,371	$ 38,086	$ 42,439	$ 53,623	$ 58,348	$ 67,197
RATIO OF EARNINGS TO FIXED CHARGES	10.09x	8.64x	10.16x	3.68x	3.05x	2.81x	2.54x

COOPERS
& LYBRAND

Coopers & Lybrand L.L.P.

a professional services firm

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of Parker-Hannifin Corporation on Form S-3 of our report dated August 3, 1995, on our audits of the consolidated financial statements and financial statement schedule of Parker-Hannifin Corporation as of June 30, 1995 and 1994, and for the years ended June 30, 1995, 1994, and 1993. We also consent to the reference to our firm under the caption "Experts."

COOPERS & LYBRAND L.L.P.
COOPERS & LYBRAND L.L.P.

Cleveland, Ohio
April 23, 1996

PARKER-HANNIFIN CORPORATION

REGISTRATION STATEMENT ON FORM S-3

POWER OF ATTORNEY

Parker-Hannifin Corporation, an Ohio corporation (the "Corporation"), hereby constitutes and appoints, Duane E. Collins, Michael J. Hiemstra, Joseph D. Whiteman, Timothy K. Pistell, Thomas A. Piraino and Kevin D. Cramer and each of them, with full power of substitution and resubstitution, as attorneys-in-fact or attorney-in-fact of the Corporation, for it and in its name, place and stead, to execute and file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 one or more Registration Statement(s) on Form S-3 relating to the registration for sale of one or more series of debt securities (the "Securities") of the Corporation, with any and all amendments, supplements and exhibits thereto (including pre-effective and post-effective amendments or supplements), to execute and file any and all other applications or other documents to be filed with the Commission and all documents required to be filed with any state securities regulating board or commission pertaining to such Securities registered pursuant to the Registration Statement(s) on Form S-3, with any and all amendments, supplements and exhibits thereto each such attorney to have full power to act with or without the others, and to have full power and authority to do and perform, in the name and on behalf of the Corporation, every act whatsoever necessary, advisable or appropriate to be done in the premises, hereby ratifying and approving the act of said attorneys and any of them and any such substitute.

EXECUTED as of April 11, 1996.

PARKER-HANNIFIN CORPORATION

By: /s/ Joseph D. Whiteman
Name: Joseph D. Whiteman
Title: Vice President, General Counsel and Secretary

DIRECTORS AND OFFICERS OF
PARKER-HANNIFIN CORPORATION

REGISTRATION STATEMENT ON FORM S-3

POWER OF ATTORNEY

The undersigned directors and officers of Parker-Hannifin Corporation, an Ohio corporation, do hereby constitute and appoint, Duane E. Collins, Michael J. Hiemstra, Joseph D. Whiteman, Timothy K. Pistell, Thomas A. Piraino and Kevin D. Cramer and each of them, with full power of substitution and resubstitution, as attorneys-in-fact or attorney-in-fact of the undersigned, for him/her and in his/her name, place and stead, to execute and file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 one or more Registration Statement(s) on Form S-3 relating to the registration for sale of one or more series of debt securities (the "Securities") of the Corporation, with any and all amendments, supplements and exhibits thereto (including pre-effective and post-effective amendments or supplements), to execute and file any and all other applications or other documents to be filed with the Commission and all documents required to be filed with any state securities regulating board or commission pertaining to such Securities registered pursuant to the Registration Statement(s) on Form S-3, with any and all amendments, supplements and exhibits thereto each such attorney to have full power to act with or without the others, and to have full power and authority to do and perform, in the name and on behalf of the undersigned, every act whatsoever necessary, advisable or appropriate to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person, hereby ratifying and approving the act of said attorneys and any of them and any such substitute.

EXECUTED as of April 11, 1996.

/s/ Duane E. Collins
Duane E. Collins, President, Chief Executive Officer and Director (Principal Executive Officer)

/s/ Patrick S. Parker
Patrick S. Parker, Chairman of the Board of Directors

/s/ John G. Breen

/s/ Michael J. Heimstra
Michael J. Hiemstra, Vice-President-
Finance and Administration
(Principal Financial Officer)

/s/ Harold C. Gueritey, Jr.
Harold C. Gueritey, Jr., Controller
(Principal Accounting Officer)

John G. Breen, Director

/s/ Paul C. Ely, Jr.
Paul C. Ely, Jr., Director

/s/ Allen H. Ford
Allen H. Ford, Director

/s/ Frank A. LePage
Frank A. LePage, Director

/s/ Peter W. Likins
Peter W. Likins, Director

/s/ Allen L. Rayfield
Allen L. Rayfield, Director

/s/ Paul G. Schloemer
Paul G. Schloemer, Director

/s/ Wolfgang R. Schmitt
Wolfgang R. Schmitt, Director

/s/ Dennis W. Sullivan
Dennis W. Sullivan, Director

/s/ Stephanie A. Streeter
Stephanie A. Streeter, Director

/s/ Dr. Walter Siepp
Dr. Walter Siepp, Director

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY AND QUALIFICATION
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

Check if an application to determine eligibility of a Trustee pursuant to section 305(b)(2)

NATIONAL CITY BANK
(Exact name of Trustee as specified in its charter)

34-0420310
(I.R.S. Employer Identification No.)

1900 East Ninth Street
Cleveland, Ohio 44114
(Address of principal executive offices) (zip code)

David L. Zoeller
Senior Vice President and General Counsel
National City Corporation
1900 East Ninth Street
Cleveland, Ohio 44114
(216) 575-9313
(Name, address and telephone number of agent for service)

PARKER-HANNIFIN CORPORATION
(Exact name of obligor as specified in its charter)

OHIO	34-0451060
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

17325 Euclid Avenue
Cleveland, OH 44112
(Address of principal executive offices) (zip code)

Senior Debt Securities
(Title of Indenture securities)

GENERAL

1. General information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency, Washington, D.C.
The Federal Reserve Bank of Cleveland, Cleveland, Ohio
Federal Deposit Insurance Corporation, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

National City Bank is authorized to exercise corporate trust powers.

2. Affiliations with obligor. If the obligor is an affiliate of the trustee, describe such affiliation.

NONE

16. List of exhibits

(1) A copy of the Articles of Association of the Trustee.

Incorporated herein by reference is Charter No. 786 Merger No. 1043 the Articles of Association of National City Bank, which Articles of Association were included as a part of Exhibit 1 to Form T-1 filing made by said National City Bank with the Securities and Exchange Commission in November 1973 (File No. 2-49786).

Attached hereto as Exhibit 1 is an amendment to the Articles of Association, per Action by Written

Consent of the Shareholder as of November 9, 1995.

(2) A copy of the certificate of authority of the Trustee to commence business:

(a) a copy of the certificate of NCB National Bank to commence business.

Incorporated herein by reference is a true and correct copy of the certificate issued by the Comptroller of the Currency under date of April 26, 1973, whereby NCB National Bank was authorized to commence the business of banking as a National banking Association, which true copy of said Certificate was included as Exhibit 2(a) to Form T-1 filing made by said National City Bank with the Securities and Exchange Commission in November 1973 (File 2-49786)

(b) a copy of the approval of the merger of The National City Bank of Cleveland into NCB National Bank under the charter of NCB National Bank and under the title "National City Bank."

Incorporated herein by reference is a true and corrected copy of the certificate issued by the Comptroller of the Currency under date of April 27, 1973, whereby the National City Bank of Cleveland was merged into NCB National Bank, which true copy of said certificate was included as Exhibit 2(b) to Form T-1 filing made by said National City Bank with the Securities and Exchange Commission in November 1973 (File 2-49786).

(3) A copy of the authorization of the Trustee to exercise corporate trust powers.

Incorporated herein by reference is a true and correct copy of the certificate dated April 13, 1973 issued by the Comptroller of the Currency whereby said National City Bank has been granted the right to exercise certain trust powers, which true copy of said certificate was included as Exhibit 3 to Form T-1 filing made by said National City Bank with the Securities and Exchange Commission in November 1973 (File 2-49786).

(4) A copy of existing By-Laws of the Trustee.

Incorporated herein by reference is a true and correct copy of the National City Bank By-Laws as amended through January 1, 1993. This true copy of said By-Laws was included as Exhibit 4 to For T-1 filing made by National City Bank with the Securities and Exchange Commission in March, 1995 (File 22-26594).

(5) Not applicable.

(6) Consent of the United States Institutional Trustee required by Section 321(b) of the Act.

CONSENT

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, and to the extent required thereby to enable it to act as an indenture trustee, National City Bank hereby consents as of the date hereof that reports of examinations of it by the Treasury Department, the Comptroller of the Currency, the Board of Governors of the Federal Reserve Banks, the Federal Deposit Insurance Corporation or of any other Federal or State authority having the right to examine National City Bank, may be furnished by similar authorities to the Securities and Exchange Commission upon request theron.

NATIONAL CITY BANK

By: /s/ J. A. Schwartz
Janet A. Schwartz
Vice President

(7) A copy of the latest report of condition of the Trustee published pursuant to law or the requirements of its supervising or examining authority.

Attached hereto as Exhibit 7 is the latest report of condition of National City Bank.

(8) Not applicable.

(9) Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, National City Bank a national banking association organized and existing under the laws of the United State of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Cleveland, and State of Ohio, on the 23 of April, 1996.

NATIONAL CITY BANK

By: /s/ J. A. Schwartz
Janet A. Schwartz
Vice President

EXHIBIT 1

NATIONAL CITY CORPORATION

Action by Written Consent of the Shareholder

The undersigned being the sole shareholder of National City Bank, a national banking association formed under the laws of the United States (the "Bank"), does hereby take and adopt the following actions by this unanimous written consent as of the 9th day of November, 1995.

RESOLVED, that the outstanding common stock of the Bank shall be decreased $109,668,510 by a decrease in the par value per share from $32.00 to $2.00 thus decreasing the outstanding capital stock to $7,311,234; and be it further

RESOLVED, that upon the effective date of this reduction, article fifth of the articles of association of the Bank be amended to read as follows:

> FIFTH. The authorized amount of capital stock of this Association shall be 4,500,000 shares of common stock of the par value of two dollars (2.00) each; but said capital stock may be increased or decreased from time to time, in accordance with the provisions of the laws of the United States.
>
> No holder of shares of the capital stock of any class of the Association shall have any preemptive or preferential right of subscription to any shares of any class of stock of the Association, whether now or hereafter authorized, or to any obligations convertible into stock of the Association, issued or sold, nor any right of subscription to any thereof, other than such, if any, as the Board of Directors, in its discretion, may from time to time determine and at such price as the Board of Directors from time to time fix.
>
> The Association, at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders. Obligations classified as debt, whether or not subordinated, which may be issued by the Association without the approval of shareholders, do not carry voting rights on any issue, including an increase or decrease in the aggregate number of the securities, or the exchange or reclassification of all or part of securities into securities of another class or series.

IN WITNESS WHEREOF, the undersigned shareholder has executed this Action by Unanimous Written Consent as of the 9th day of November, 1995.

/s/ William R. Robertson
William R. Robertson
President

REPORT OF CONDITION EXHIBIT 7

NATIONAL CITY BANK
(Including Domestic and Foreign Subsidiaries)

Of Cleveland, In the State of Ohio, at the close of business on December 31, 1995, published in response to call made by Comptroller of the Currency, under Title 12, United States Code, Section 161.

ASSETS

		(In Thousands)
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$616,413
Interest-bearing balances		1,207
Securities:		
Held-to-maturity securities		0
Available-for-sale securities		1,874,172
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold		902,111
Securities purchased under agreements to resell		150,000
Loans and lease financing receivables:		
Loans and leases, net of unearned income	$6,367,568	
Less: Allowance for loan and lease losses	111,013	
Loans and leases, net of unearned income and allowance		6,256,555
Assets held in trading accounts		398
Premises and fixed assets (including capitalized leases)		93,192
Other real estate owned		3,225
Customers' liability to this bank on acceptances outstanding		39,486
Intangible assets		1,317
Other assets		378,680
TOTAL ASSETS		$10,316,756

LIABILITIES

Deposits:		
In domestic offices		$5,629,426
Non-interest bearing	$1,589,744	
Interest-bearing	4,039,682	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		492,515
Interest-bearing	492,515	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal Funds Purchased		1,209,505
Securities sold under agreements to repurchase		809,936
Demand notes issued to the U.S. Treasury		41,713
Trading Liabilities		0
Other borrowed money:		
With original maturity of one year or less		640,580
With original maturity of more than one year		424,642
Bank's liability on acceptances executed and outstanding		39,486
Subordinated notes and debentures		174,127
Other liabilities		242,198
TOTAL LIABILITIES		9,704,128

EQUITY CAPITAL

Common Stock	7,436
Surplus	55,822
Undivided profits and capital reserves	539,876
Net unrealized holding gains (losses) on available-for-sale securities	9,494
TOTAL EQUITY CAPITAL	612,628
TOTAL LIABILITIES AND EQUITY CAPITAL	$10,316,756

I, Gary M. Small, Vice President and Comptroller of the above named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Gary M. Small

We, the undersigned directors attest to the correctness of this Report of Condition. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

William E. MacDonald, III
William R. Robertson
David A. Daberko