NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Parker Hannifin Pursuant to the Stock Purchase Agreement, dated April 28, 1988, as amended, between Pneumo Abex and Whitman Corporation ("Whitman") and the related Settlement Agreement, dated September 23, 1991, between Pneumo Abex and Whitman (collectively, the "Whitman Agreements"), Whitman is obligated to indemnify Pneumo Abex for costs, expenses and liabilities relating to environmental and natural resource matters to the extent attributable to the operation of the businesses acquired from Whitman prior to their acquisition in 1988, subject to certain conditions and limitations principally relating to compliance with notice, cooperation and other procedural requirements Generally, known and unknown liabilities arising after the 1988 Whitman acquisition that relate to PCT's current facilities will be the responsibility of PCT Whitman is generally discharging the related liabilities in the ordinary course. In addition to the remedial action costs for the Portsmouth, Virginia site, as to which Whitman has acknowledged its indemnification responsibilities, Pneumo Abex is party to a number of cases involving tort claims concerning such site alleging exposure to lead for which Whitman has declined to accept responsibility MC Group and Whitman are currently sharing equally the defense costs for such cases, subject to a reservation of their respective rights. Whitman is actively managing a significant number of indemnified matters, including the potential cleanup of the Portsmouth, Virginia site, and MC Group's involvement varies and is limited for those matters being managed by Whitman

Based upon MC Group's experience to date (including the existence of the indemnification arrangements referred to above), the cost of compliance with environmental laws is not expected to have a material adverse effect on MC Group's earnings, liquidity or competitive position. However, future events, such as changes in existing laws or enforcement policies, may give rise to additional compliance and/or other costs which could have a material adverse effect on MC Group's financial condition or results of operations.

MC Group has not recognized any liability in its financial statements for environmental matters occurring prior to the 1988 Whitman acquisition which are covered by Whitman's indemnification obligations under the Whitman Agreements Management of MC Group considers these obligations to be Whitman's and monitors the financial position of Whitman to determine the level of uncertainty associated with Whitman's ability to satisfy its obligations. Based upon Whitman's active management of indemnifiable matters, its discharging of the related liabilities when required, and its financial position based upon publicly filed financial statements, MC Group believes that the likelihood of Whitman failing to satisfy its obligations is remote.

A predecessor of Pneumo Abex, a wholly owned subsidiary of PCT, has been named as a defendant in personal injury lawsuits claiming damages relating to asbestos-containing friction products formerly manufactured by such predecessor. The predecessor, which discontinued the manufacture and sale of asbestos-containing friction products in the United States in 1987, has never been found liable in any such case As of January 31, 1997, Pneumo Abex or the predecessor has been named as a defendant in approximately 50,000 pending claims, typically with 10 to 30 or more co-defendants.

Pursuant to the Whitman Agreements, Whitman has retained ultimate responsibility for all asbestos-related claims made through August 1998 and for certain asbestos-related claims asserted thereafter In connection with the sale by Abex in December 1994 of its Friction Products Division (the "Friction Products Sale"), a subsidiary of Cooper Industries, Inc. ("Cooper") assumed responsibility for substantially all of the asbestos-related claims made after August 1998 and therefore