Excess of Cost Over Net Assets of Businesses Acquired Accumulated amortization of excess of cost over net assets of businesses acquired (in millions) was $162 and $129 at the end of 1996 and 1995, respectively.

Investments in Life Insurance The Company has company-owned life insurance policies insuring the lives of a portion of active United States employees. The policies accumulate asset values to meet future liabilities including the payment of employee benefits such as health care. At December 31, 1996 and 1995, the investment in the policies included in other assets (in millions) was $11 and $10, net of policy loans of $347 and $348, respectively. Net life insurance expense (in millions) of $9 in 1996, $7 in 1995 and $5 in 1994, including interest expense of $35, $27 and $15 in 1996, 1995 and 1994, respectively, was included in selling and administrative expense.

Lease Commitments Minimum rental commitments for 1997 under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, are $56 million and decline substantially thereafter.

Rental expense in 1996, 1995 and 1994 (in millions) was $71, $67 and $65, respectively.

Quarterly Data

(Unaudited)

[illegible]ions except for per share data)	Quarter ended Dec. 31	Sept. 30	June 30	Mar. 31
[illegible]996				
Net sales	[illegible]	[illegible]	[illegible]	[illegible]
Gross margin	[illegible]	[illegible]	[illegible]	[illegible]
Percent of sales	[illegible]	[illegible]	[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]	[illegible]
Per Common Share				
Net income	[illegible]	[illegible]	[illegible]	[illegible]
Cash dividends paid	[illegible]	[illegible]	[illegible]	[illegible]
Market price				
High	[illegible]	[illegible]	[illegible]	[illegible]
Low	[illegible]	[illegible]	[illegible]	[illegible]
1995				
Net sales	[illegible]	[illegible]	[illegible]	[illegible]
Gross margin	[illegible]	[illegible]	[illegible]	[illegible]
Percent of sales	[illegible]	[illegible]	[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]	[illegible]
Per Common Share				
Net income	[illegible]	[illegible]	[illegible]	$1.39
Cash dividends paid	.40	.40	[illegible]	.30
Market price				
High	56[illegible]	62[illegible]	61[illegible]	55[illegible]
Low	49[illegible]	52[illegible]	51[illegible]	45[illegible]

Income in 1996 was reduced by pretax restructuring charges of $50 million. Of these restructuring charges, $29 million was recorded in the fourth quarter of 1996 and the remaining $21 million was recorded evenly throughout the first nine months of 1996.

In the fourth quarter of 1996, the effective income tax rate for full year 1996 was adjusted to 28.2% from 29.9%. This adjustment reduced income tax expense for the fourth quarter by $7 million, which relates to the first nine months of 1996.

In the third quarter of 1996, the estimated effective income tax rate for full year 1996 was adjusted to 29.9% from 31.6%. This adjustment reduced income tax expense for the third quarter by $5 million, which relates to the first half of 1996.

In the fourth quarter of 1995, the effective income tax rate for full year 1995 was adjusted to 32.6% from 33.5%. This adjustment reduced income tax expense for the fourth quarter by $4 million, which relates to the first nine months of 1995.

Business Segment and Geographic Region Information

Eaton is a global manufacturer of highly engineered products which serve the industrial, vehicle, construction, commercial and aerospace markets with operations located in 26 countries. Operations are classified among three business segments: Electrical and Electronic Controls, Vehicle Components and Defense Systems. The major classes of products included in each segment and other information follows.

Electrical and Electronic Controls

Industrial and Commercial Controls Electromechanical and electronic controls including motor starters, contactors, overloads and electric drives; programmable controllers, counters, man/machine interface panels and pushbuttons; photoelectric, proximity, temperature and pressure sensors; residential, molded case, hydraulic, air and vacuum circuit breakers; loadcenters; safety switches; lighting control systems; panelboards; switchboards; switchgear components; switchgear dry type transformers; busway; meter centers; crane controls; portable tool switches; commercial switches; relays; vacuum interrupters; illuminated pushbuttons and panels; annunciator panels; electrically actuated valves and actuators; pressure transducers and switches; and Navy motor control and power conversion systems.

Automotive and Appliance Controls Electromechanical and electronic controls including convenience, stalk and concealed switches; knock sensors; climate control components; speed controls; timers; pressure switches; water valves; range controls; thermostats; gas valves; infinite switches; temperature and humidity sensors; transmission valves; speed sensitive steering systems; tone generators and chimes; lighting controls; emission control valves; collision warning systems; remote keyless entry systems and remote actuated solenoids.