

PLAINTIFF'S EXHIBIT

IMO-153

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IMO INDUSTRIES INC

CENTRAL INDEX KEY:

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STANDARD INDUSTRIAL CLASSIFICATION:

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DE

FISCAL YEAR END:

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BUSINESS ADDRESS:

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STATE: NJ

ZIP: 08648-0550

FORMER COMPANY:

FORMER CONFORMED NAME: IMO DELAVAL INC

DATE OF NAME CHANGE: 19890313

FORMER COMPANY:

FORMER CONFORMED NAME: TRANSAMERICA DELAVAL INC /DE

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UNITED STATES

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the fiscal year ended December 31, 1999
OR

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

For the transition period from to

Commission file number - 1-9294

Imo Industries Inc.

(Exact name of registrant as specified in its charter)

Delaware

21-0733751

(State or other jurisdiction of
incorporation or organization)

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

997 Lenox Drive, Suite 111

Lawrenceville, New Jersey

(Address of principal executive offices)

08648

(Zip Code)

Registrant's telephone number, including area code 609-896-7600.

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained, and will not be contained, to the best of Registrant's knowledge, in this Form 10-K or any amendment to this Form 10-K.

☒)

Shares of Registrant's common stock, \$.01 par value, outstanding as of March 30, 2000100

DOCUMENTS INCORPORATED BY REFERENCE

Identification of Documents
None

Part into which Incorporated

PART I

Item 1. Business.

General

Imo Industries Inc. (hereinafter with its subsidiaries referred to as the "Company") is an integrated multinational manufacturer of a broad range of engineered industrial products designed primarily to transfer liquids or regulate and control motion in a variety of industrial applications. The Company markets its products on a worldwide basis to a diverse customer base. The Company operates in two distinct industry segments: Fluid Handling and Industrial Positioning.

Fluid Handling. The Fluid Handling segment designs and produces a broad range of pumps, including screw, centrifugal and gear pumps. The pumps designed and produced by the Fluid Handling segment serve a variety of applications in the following industries: chemicals, marine and offshore engineering, energy and power generation, sewage and environmental engineering, pulp and paper, water treatment and other process industries. In Fluid Handling, the Company markets its products principally under the Imo and Warren brand names.

Industrial Positioning. The Industrial Positioning segment designs and produces a wide range of power transmission and motion control products, including enclosed gear drives, speed reducers, open gearing components, AC and DC motor controllers, push-pull cable, remote control systems and marine and power equipment after-market products. In Industrial Positioning, the Company's Boston Gear and Morse Controls units are among sales leaders in their respective market segments. Boston Gear products have applications in a wide range of industrial manufacturing operations, ranging from packaging machinery and equipment to integrated steel and pulp and paper mills. Morse Controls products are sold into a variety of end use markets with a concentration in the marine, mobile equipment and aviation sectors.

History

The Company, founded in 1901 in the United States by Dr. Carl Gustaf Patrick de Laval, a Swedish scientist, was incorporated in Delaware on March 2, 1959. The Company was acquired by Transamerica Corporation ("Transamerica") in 1963, and in 1964, Transamerica merged its existing wholly owned manufacturing subsidiary, General Metals Corporation, into the Company. At the close of business on December 18, 1986, Transamerica distributed all of the issued and outstanding shares of the Company common stock to holders of record of Transamerica common stock on the basis of one share of Company common stock for each ten shares of Transamerica common stock held and since that time the Company has operated on a stand-alone basis.

On August 28, 1997, Colfax Corporation ("Colfax"), acquired approximately 93% of the Company's outstanding shares of common stock pursuant to its tender offer for all outstanding shares of common stock of the Company (the "Acquisition"). The consideration paid was \$7.05 per share of common stock or \$112.1 million in total. On July 2, 1998, Imo Merger Corp., a wholly owned subsidiary of Colfax, merged with and into Imo, pursuant to a short-form merger under Delaware law ("back-end merger"). The Company was the surviving corporation in the back-end merger and as result became a wholly owned subsidiary of Colfax.

Information regarding the Acquisition of the Company is contained in Note 2 to the Consolidated Financial Statements included in Part IV of this Form 10-K Report as indexed at Item 14(a)(1).

Industry Segments

A description of the principal products and services offered by each business

segment of the Company, as well as the principal markets for such products and services, are set forth below. Certain information with respect to net sales, operating profit, and identifiable assets of each of these segments and by geographic area is contained in Note 11 to the Consolidated Financial Statements.

Fluid Handling

The Fluid Handling business segment is a leading worldwide manufacturer of rotary screw pumps. The three units that comprise the Fluid Handling segment -- Imo Pump, Imo AB and Warren Pumps Inc. -- design and manufacture screw-type fuel, lube oil and hydraulic pumps for use primarily by the marine, process, oil and gas and elevator industries. The segment's three-screw pumps are the leading low-noise-level pumps used in United States Navy and commercial vessels. These pumps are also used to power hydraulic elevators, lubricate diesel engines and fuel gas turbines. The segment's two-screw pumps are used by the pulp and paper industry and in other high-viscosity process applications.

Industrial Positioning

The Industrial Positioning business segment produces speed reducers, loose gearing, and precision mechanical and electronic control products and systems, that are recognized as leading products in their market niches. This segment is comprised of four units: Boston Gear, a leading producer of gears and speed reducers, Fincor Electronics, a producer of adjustable-speed motor controllers, Morse Controls, a manufacturer of push-pull cable and control systems and Sierra International Inc., a marketer of after-market marine and power equipment products. Speed reducers are used to reduce the output speed and increase the torque of power trains in numerous products, ranging from industrial machinery to exercise treadmills. Adjustable-speed motor controllers are used for the accurate control of electric motor speed, torque, shaft position and direction of rotation in applications such as ski lifts, textile machinery, overhead cranes and large printing presses. These operations also produce worm gear sets used as speed reducers by original equipment manufacturers and by oil and gas and industrial machinery customers. Push-pull cable and control systems are used to control and actuate functions, such as steering and valve adjustment, as an alternative to electrical systems. Applications include throttle control and steering systems for both off-the-road vehicles and pleasure boats. After-market marine and power equipment products include engine parts and flexible hose for pleasure craft and lawn and garden equipment.

Discontinued Operations

In April 1997, August 1997 and February 1998, the Company sold its Electro-Optical Systems, Instrumentation and Roltra Morse businesses, respectively. In accordance with APB Opinion No. 30, the disposals of these business segments have been accounted for as discontinued operations and, accordingly, their operating results have been segregated and reported as Discontinued Operations in the accompanying Consolidated Statements of Income.

Roltra Morse

On February 27, 1998, the Company completed the sale of its Roltra Morse business to Magna International Inc. for cash of \$30 million, plus the assumption of Roltra Morse's debt. The sale price approximated the recorded net book value of the business. Net proceeds were used to reduce domestic senior debt.

Instrumentation

On August 29, 1997, the Company completed the sale of its Instrumentation business segment to Danaher Corporation for proceeds of \$85 million, which approximated its net book value. Net cash proceeds were used to reduce domestic

senior debt. The majority shareholders of the Company are also substantial shareholders of Danaher Corporation.

Electro-Optical Systems

On April 28, 1997, the Company completed the sale of the Varo Electronic Systems division to a small defense contractor for \$12 million in cash, the proceeds of which were used to reduce its domestic senior debt. The sale of this business completed the sale of the Electro-Optical Systems business.

See Note 3 to the Consolidated Financial Statements for additional details regarding the discontinued operations.

Cost Reduction Programs

In connection with the Acquisition, the Company implemented a cost reduction program. The cost of this program was \$18.6 million and was accrued for in accordance with the purchase method of accounting. It is comprised of \$10.5 million related to severance and termination benefits as a result of headcount reductions at the Company's corporate headquarters. In addition, \$1.2 million and \$6.9 million of costs for the Company's Fluid Handling and Industrial Positioning segments, respectively, related to severance and termination benefits resulting from headcount reductions and the consolidation of certain manufacturing facilities. The program was completed in 1999. The required cash outlay related to this program was \$8.1 million in 1997, \$7.4 million in 1998 and \$3.1 million in 1999.

Competition

The Company's products and services are marketed on a worldwide basis. Most markets in which the Company operates are highly competitive. The principal elements of competition for the products manufactured in each of the Company's business segments are design features, product quality, customer service, and price. Because the Company competes in certain narrowly defined niche markets, there is not any single company that competes directly with the Company across all of the Company's product lines.

Product Distribution and Customers

The Company's products are sold primarily through the Company's direct sales forces. During 1999, sales by the Company's direct sales forces were approximately 77% and 60% of the Fluid Handling and Industrial Positioning segments, respectively. The Company's remaining sales are made through distributors, dealers and agents.

None of the Company's business segments is dependent on any single customer or a few customers, the loss of which would have a material adverse effect on the respective segments, or on the Company as a whole. No customer accounted for 10% or more of consolidated sales from continuing operations in 1999, 1998 or 1997.

Backlog

The Company's backlog of unfilled orders at February 25, 2000 and 1999, and at December 31, 1999, 1998 and 1997, by business segment, was as follows:

	February 25,		December 31,		
	2000	1999	1999	1998	1997
	(Dollars in millions)				
Fluid Handling	\$ 27.9	\$ 33.0	\$25.7	\$ 32.1	\$ 29.5
Industrial	36.6	29.8	33.3	30.2	31.8
Positioning	\$ 64.5	\$ 62.8	\$ 59.0	\$ 62.3	\$ 61.3

Backlog is considered significant only to the Fluid Handling segment, given that the products of that operation require long lead times for manufacture. Of the total backlog at December 31, 1999, the Company believes that all but approximately \$1.1 million of its orders will be filled in 2000.

Raw Materials

The Company obtains raw materials, component parts and supplies from a variety of sources, generally from more than one supplier. The Company's principal raw materials are metals and plastics. The Company's suppliers and sources of raw materials are based in both the United States and international countries. The Company believes that its sources of raw materials are adequate for its needs for the foreseeable future. The loss of any one supplier would not have a material adverse effect on the Company's financial condition or results of operations.

Patents, Licenses and Trademarks

The Company owns numerous unexpired U.S. patents (currently having a term of 17 years from the date of issuance and expiring at various times in the future) and foreign patents (having an initial term that is governed by the law of the country and expiring at various times in the future), including counterparts of certain of its U.S. patents, in major industrial countries of the world. The Company's products are marketed under various trade names and registered U.S. and foreign trademarks (having an initial term that is governed by the law of the country and expiring at various times in the future). The Company, however, does not consider any one patent or trademark, or any group thereof, essential to its business as a whole, or to any of its business segments. The Company relies, to an extent, on proprietary product knowledge and manufacturing processes in its operations.

Research and Development

The Company's ongoing research and development programs involve the development of new technologies to enhance the performance or lower the cost of manufacturing its products, and the redesign of existing product lines either to increase their efficiency or to lower their manufacturing cost. Expenditures for research and development charged against continuing operations for 1999, 1998 and 1997 by business segment were as follows:

	Year Ended December 31,		
	1999	1998	1997
	(Dollars in millions)		
Fluid Handling	\$1.5	\$2.1	\$2.1
Industrial Positioning	2.8	3.2	3.4
	\$4.3	\$5.3	\$5.5

Environmental Matters

In connection with the Company's separation from Transamerica in 1986, three of the Company's properties required compliance with the New Jersey Environmental Cleanup Responsibility Act, which was amended by the Industrial Site Recovery Act ("ISRA"). ISRA required that the Company's three New Jersey industrial establishments undergo an approved remediation. Remediation has been completed at two sites and final closure approvals have been sought. As a result of the sale of a portion of the third establishment, this site has been divided into two separate sites for ISRA compliance. Both sites have undergone cleanup, but the New Jersey Department of Environmental Protection and Energy has requested and received from the Company additional sampling information. If further cleanup is required, the Company does not expect it to have a material adverse effect on its financial condition.

The Company has been identified in a number of instances as a "Potentially

Responsible Party" by the U.S. Environmental Protection Agency, and in one instance by the State of Washington, with respect to the disposal of hazardous wastes at a number of facilities that have been targeted for clean-up pursuant to the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") or similar state law. Similarly, the Company has received notice that it is one of a number of defendants named in an action filed in the United States District Court, for the Southern District of Ohio Western Division by a group of plaintiffs who are attempting to allocate a share of cleanup costs, for which they are responsible, to a large number of additional parties, including the Company. Although CERCLA and corresponding state law liability is joint and several, the Company believes that its liability will not have a material adverse effect on the financial condition of the Company since it believes that it either qualifies as a de minimis or minor contributor at each site. Accordingly, the Company believes that the portion of remediation costs that it will be responsible for will therefore not be material.

The Company has current and former operations in numerous locations, some of which require environmental remediation. The Company, however, does not know of or believe that any such matters or the cost of any required corrective measure, either individually or in the aggregate, will have a material adverse effect on the financial condition of the Company. There can be no assurance, however, that these matters, or other environmental matters not currently known to the Company will not have such a material adverse effect.

Seasonality

General economic conditions worldwide continue to create business opportunities for the coming year in many of the markets in which the Company operates. Management believes that because of the nature of its industrial products and the fact that the Company sells diverse products to many markets, the Company is not significantly affected by the cyclical behavior, or seasonality, of any particular market that it serves.

Associates

At February 25, 2000, the Company employed approximately 1,900 associates worldwide. Approximately 1,300 associates were employed in the United States, and approximately 600 associates were employed outside of the United States. There are approximately 400 associates worldwide covered by collective bargaining agreements with various unions expiring in 2000 through 2002. The Company considers its relations with its associates to be satisfactory.

Item 2. Properties.

The location of the Company's manufacturing facilities at February 25, 2000 are as follows:

Location	Product	Owned/Leased
Fluid Handling		
Monroe, North Carolina	Three-screw and two-screw pumps	Owned
Columbia, Kentucky	Three-screw, gear and elevator pumps	Owned
Warren, Massachusetts	Two-screw, gear and centrifugal pumps	Owned
Stockholm, Sweden	Three-screw pumps	Owned
Paris, France	Three-screw pumps	Leased
Industrial Positioning		
Charlotte, North Carolina	Open gearing and clutches	Owned
Clearwater, Florida	Marine hose products	Leased
Hudson, Ohio	Cables and controls	Leased
Litchfield, Illinois	Marine and power equipment after-market	Owned

parts

Louisburg, North Carolina	Worm gear speed reducers	Owned
Sarasota, Florida	Marine hydraulics	Owned
York, Pennsylvania	Electronic drives	Owned
Basildon, England	Cables and controls	Leased
Heiligenhaus, Germany	Cables and controls	Owned
Paris, France	Cables and controls	Leased
Marsta, Sweden	Cables and controls	Owned
Singapore	Cables, controls and roller chain	Leased
Sydney, Australia	Cables and controls	Owned

The Company believes that its machinery, plants and offices are in satisfactory operating condition and are adequate for the uses to which they are put. The Company believes that its properties have sufficient capacity to substantially increase its current utilization without incurring significant additional capital expenditures.

Item 3. Legal Proceedings.

The Company and one of its subsidiaries are two of a large number of defendants in a number of lawsuits brought in various jurisdictions by approximately 4,500 claimants who allege injury caused by exposure to asbestos. Although neither the Company nor any of its subsidiaries has ever been a producer or direct supplier of asbestos, it is alleged that the industrial and marine products sold by the Company and the subsidiary named in such complaints contained components which contained asbestos. Suits against the Company and its subsidiary have been tendered to its insurers, who are defending under their stated reservation of rights. In addition, the Company and the subsidiary are named in cases, involving approximately 32,000 claimants, which were "administratively dismissed" by the U.S. District Court for the Eastern District of Pennsylvania. Cases that have been "administratively dismissed" may be reinstated only upon a showing to the Court that (i) there is satisfactory evidence of an asbestos-related injury; and (ii) there is probative evidence that the plaintiff was exposed to products or equipment supplied by each individual defendant in the case. The Company believes that it has adequate insurance coverage or has established appropriate reserves to cover potential liabilities related to these cases.

The Company is a defendant in a lawsuit brought in the United States District Court for the District of New Jersey alleging failure in performance of equipment sold in 1986 by the Company's former Deltex division. The complaint seeks damages in excess of \$12 million. The Company believes that there are legal and factual defenses to the claim and intends to defend the action vigorously. On June 2, 1999, the Court granted a summary judgment motion filed by the Company which effectively dismissed all claims. Plaintiffs have appealed this judgment to the United States Court of Appeals for the Third Circuit.

The Company was a defendant in a lawsuit in the U.S. District Court for the Western District of Pennsylvania, which alleged component failures in equipment sold by its former diesel engine division. The complaint sought damages of approximately \$3 million. On September 30, 1997, the Court granted a summary judgment motion filed by the Company which effectively dismissed all claims against it. Plaintiffs have appealed this judgment to the United States Court of Appeals for the Third Circuit. On June 3, 1999, the United States Court of Appeals for the Third Circuit upheld the District Court's September 30, 1997, decision thereby upholding the dismissal of all claims against the Company.

The Company is a defendant in a lawsuit in the Circuit Court of Cook County, Illinois alleging performance shortfalls in products delivered by the Company's former Delaval Turbine Division and claiming damages of approximately \$8 million. The Company entered into an agreement with the plaintiff settling all claims. Co-Defendant, Federal Insurance Company, has recently filed a

counterclaim for attorney's fees. The Company believes that there are legal and factual defenses to the claim and intends to defend the action vigorously.

On June 3, 1997, the Company was served with a complaint in a case brought in the Superior Court of New Jersey which alleges damages in excess of \$10 million incurred as a result of losses under a Government Contract Bid transferred in connection with the sale of the Company's former Electro-Optical Systems business. The Electro-Optical Systems business was sold in a transaction that closed on June 2, 1995. The sales contract provided certain representations and warranties as to the status of the business at the time of sale. The complaint alleges that the Company failed to provide notice of a "reasonably anticipated loss" under a bid that was pending at the time of the transfer of the business and therefore a representation was breached. The contract was subsequently awarded to the Company's Varo subsidiary and thereafter transferred to the buyer of the Electro-Optical Systems business. The case is in the preliminary stages of pleading but the Company believes that there are legal and factual defenses to the claims and intends to defend the action vigorously.

The operations of the Company, like those of other companies engaged in similar businesses, involve the use, disposal and clean up of substances regulated under environmental protection laws. In a number of instances the Company has been identified as a Potentially Responsible Party by the U.S. Environmental Protection Agency, and in one instance by the State of Washington, with respect to the disposal of hazardous wastes at a number of facilities that have been targeted for clean-up pursuant to CERCLA or similar state law. Similarly, the Company has received notice that it is one of a number of defendants named in an action filed in the United States District Court, for the Southern District of Ohio Western Division by a group of plaintiffs who are attempting to allocate a share of cleanup costs, for which they are responsible, to a large number of additional parties, including the Company. Although CERCLA and corresponding state law liability is joint and several, the Company believes that its liability will not have a material adverse effect on the financial condition of the Company since it believes that it either qualifies as a de minimis or minor contributor at each site. Accordingly, the Company believes that the portion of remediation costs that it will be responsible for will not be material. For additional information see section entitled Environmental Matters in Part I, Item 1 of this Form 10-K Report.

The Company is also involved in various other pending legal proceedings arising out of the ordinary course of the Company's business. None of these legal proceedings is expected to have a material adverse effect on the financial condition of the Company. With respect to these proceedings and the litigation and claims described in the preceding paragraphs, management of the Company believes that it either will prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to the Company, there could be a material adverse effect on the financial condition of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

None

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

The Company delisted its Common Stock from the New York Stock Exchange on July 2, 1998. The Common Stock was deregistered under the Securities Exchange Act of 1934.

Item 6. Selected Financial Data.

(Dollars in millions except per share amounts) (a)

	Year Ended December 31, 1999*	Year Ended December 31, 1998*	Post-Acquis. August 29, 1997 to December 31, 1997	Pre-Acquis. January 1, 1997 to August 28, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net sales	\$287.5	\$308.9	\$106.7	\$210.2	\$309.5	\$297.1
Income (loss) from continuing operations before extraordinary item	15.3	10.9	(5.7)	(31.3)	(33.1)	7.2
Discontinued operations, net of taxes	---	---	(12.2)	2.4	(16.8)	27.0
Extraordinary item (net of tax)	(0.2)	(5.2)	(3.3)	---	(8.5)	(4.4)
Net income (loss)	15.1	5.7	(21.2)	(28.9)	(58.4)	29.8
(Loss) earnings per share, basic and diluted:						
Continuing operations before extraordinary item			(.33)	(1.82)	(1.93)	.42
Discontinued operations, net of taxes			(.71)	.14	(.99)	1.58
Extraordinary item			(.20)	---	(.49)	(.26)
Net (loss) income			(1.24)	(1.68)	(3.41)	1.74
Cash dividends per share	---	---	---	---	---	---
Total assets	377.1	389.0	463.3		330.9	365.4
Total long-term debt, including current portion	169.1	174.3	223.4		276.0	244.5

(a) The notes to the consolidated financial statements located in Part IV of this Form 10-K Report as indexed at Item 14(a)(1) should be read in conjunction with this summary.

* As a result of the back-end merger on July 2, 1998, earnings per share is not presented for 1999 and 1998.

Item 7. Management's Discussion and Analysis of Financial
Condition and Results of Operations.

The following discussion and analysis of the Company's consolidated results of operations and financial condition should be read in conjunction with the audited Consolidated Financial Statements included elsewhere in this Form 10-K Report.

Comparisons of the results of operations for the year ended December 31, 1999, with the results for the years ended December 31, 1998 and 1997, are being presented on an historical basis. The year ended December 31, 1999 and 1998 and the four months ended December 31, 1997, include changes in depreciation and amortization that resulted from the application of the purchase method of accounting for the Acquisition. For further information on the pro forma effect of the Acquisition on the Company, see Note 2 in the Notes to Consolidated Financial Statements.

Recent Events

Sierra International Inc. Acquisition: On December 1, 1999, the Company purchased the stock of Sierra International Inc. ("Sierra") from Echlin Inc., a subsidiary of Dana Corporation. Sierra sells and distributes replacement parts for marine and power equipment applications and marine hose products. Sierra has become part of the Company's Industrial Positioning segment.

Results of Operations

The Company's former Roltra Morse, Instrumentation and Electro-Optical Systems businesses are accounted for as discontinued operations. Accordingly, the operating results of these businesses have been segregated and reported as Discontinued Operations in the audited Consolidated Financial Statements included elsewhere in this Form 10-K Report. The discussion that follows concerns only the results of continuing operations, which are grouped into two business segments for management and financial reporting purposes: Fluid Handling and Industrial Positioning.

1999 Compared to 1998

Sales. Net sales from continuing operations in 1999 decreased 6.9% to \$287.5 million, compared with \$308.9 million in 1998, as a result of the Fluid Handling segment's sales decreasing 10.4% and a decrease of 4.9% in the Industrial Positioning segment's sales. The decrease in the Fluid Handling segment is due to cyclicity in the crude oil, machinery support and pulp & paper markets and unfavorable effects of a 4.6% change in the exchange rates for the Swedish Krona. The decrease in the Industrial Positioning segment is due to lower demand in the agricultural and power transmission sectors, unfavorable foreign currency fluctuations, the sale of the conveyor business in Germany on July 31, 1998, and inventory reduction programs initiated by key customers.

Gross Profit. Gross profit in 1999 decreased as a percentage of sales to 32.2% compared with 32.5% in 1998, as a result of reduced sales volume and manufacturing levels.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to 17.6% of net sales in the twelve months ended December 31, 1999, as compared with 18.3% in the 1998 period. The decreased expenses as a percentage of sales in 1999 was the result of continued cost reduction programs in each of the Company's operating units.

Interest Expense. Average borrowings in 1999 were approximately \$33.2 million lower than in 1998. Total interest expense of \$16.7 million in 1999 was \$4.6 million, or 21.6%, lower than in 1998, due primarily to the reduction of debt, through the generation of operating cash flow.

Income from Continuing Operations. The Company had income from continuing operations of \$15.3 million in 1999, compared with \$10.9 million in 1998, due to the decrease in interest expense.

1998 Compared to 1997

Sales. Net sales from continuing operations in 1998 decreased 2.5% to \$308.9 million, compared with \$316.9 million in 1997, as a result of the Fluid Handling segment's sales remaining flat and a decrease of 4.0% in the Industrial Positioning segment's sales. The decrease in the Industrial Positioning segment sales is primarily due to the sale of the Delroyd product line, which was sold on December 31, 1997.

Gross Profit. Gross profit in 1998 increased as a percentage of sales to 32.5% compared with 30.0% in 1997. The higher gross profit was a result of productivity improvements in each segment due to cost reduction and efficiency

initiatives implemented after the Acquisition.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to 18.3% of net sales in the twelve months ended December 31, 1998, as compared with 21.5% in the 1997 period. The decrease in expenses, as a percent of sales in 1998, was primarily due to the reduction in corporate overhead expenses and Company-wide cost reduction programs instituted after the Acquisition.

Interest Expense. Average borrowings in 1998 were approximately \$102.6 million lower than in 1997. Total interest expense of \$21.3 million in 1998 was \$5 million, or 19.0%, lower than in 1997, due primarily to the reduction of debt as a result of the sale of Roltra Morse and the Instrumentation business and the purchase of a portion of the 11.75% senior subordinated debentures during 1998.

Income (Loss) from Continuing Operations. The Company had income from continuing operations of \$10.9 million in 1998. In 1997, the loss from continuing operations was \$36.9 million, which included unusual charges of \$31.3 million.

Income (Loss) from Discontinued Operations. Roltra Morse's net loss of \$1.0 million, which includes \$0.2 million of allocated interest, was included with the net book value of the assets on the date of sale February 27, 1998. Therefore there was no income from discontinued operations for the year ended December 31, 1998 compared with a loss of \$9.8 million for the year ended December 31, 1997.

Other Operating Results

Unusual Items. During the year ended December 31, 1997, the Company recorded unusual charges of \$31.3 million against income from continuing operations. The first nine months of 1997 included an unusual charge of \$10.5 million relating to the settlement of a judgment against the Company in favor of International Insurance Company. In addition, the Company recorded unusual charges of \$20.8 million in the third quarter of 1997. Of these charges, \$15.8 million related to the sale of the Company and represent indirect and general expenses incurred by the Company in connection with the sale process which were paid in 1997, and \$5 million related to an additional legal provision concerning certain litigation matters.

Extraordinary Items. The year ended December 31, 1999, include an extraordinary charge of \$0.2 million net of tax, related to the early extinguishment of \$3.5 million of its 11.75% senior subordinated notes due in 2006.

The year ended December 31, 1998, include an extraordinary charge of \$5.2 million net of tax, representing charges related to the early extinguishment of the Company's debt under its current senior secured credit facilities (the "New Credit Agreement") and its Notes, as well as the write-off of previously deferred loan costs.

Provision for Income Taxes. Income tax expense from continuing operations was \$8.8 million, \$7.0 million, and \$1.5 million for 1999, 1998 and 1997, respectively.

Income tax expense for the year ended 1999, represents current tax expense of \$1.1 million for federal alternative minimum tax, foreign and state income taxes, as the Company is utilizing existing U.S. net operating loss carryforwards to offset its domestic earnings.

The net deferred tax benefit currently recorded at December 31, 1999, is \$32.8 million, a level where management believes that it is more likely than not that the tax benefit will be realized.

The Company establishes valuation allowances in accordance with the provisions

of FASB Statement No. 109, "Accounting for Income Taxes." The Company continually reviews the adequacy of the valuation allowance and is recognizing these benefits only as reassessment indicates that it is more likely than not that the benefits will be realized. The valuation allowance was \$1.7 million for December 31, 1999 and December 31, 1998. In 1998, the Company reduced its valuation reserve by \$51.6 million due to its belief that it is more likely than not these tax benefits will be realized in future years. The revision of the valuation reserve is due to the change in purchase accounting estimates during the first year after acquisition.

The Company has net operating loss carryforwards of approximately \$82.9 million expiring in years 2000 through 2018, and minimum tax credits of approximately \$2.6 million, which may be carried forward indefinitely. Tax credit carryforwards include foreign tax credits of approximately \$3.4 million, expiring beginning in the year 2002. These carryforwards are available to offset future taxable income, subject to Section 382 limitations, due to the Acquisition.

Taxes have not been provided on the unremitted earnings of foreign subsidiaries since it is the Company's intention to indefinitely reinvest these earnings overseas. The amount of foreign withholding taxes that would be payable on remittance of these earnings is approximately \$1.3 million.

Liquidity and Capital Resources

Short-term and Long-term Debt

As of December 31, 1999, the Company had \$10.4 million of outstanding standby letters of credit. The Company had \$7.3 million in foreign short-term credit facilities with amounts outstanding at December 31, 1999 of \$1.3 million. Due to the short-term nature of these debt instruments it is the Company's opinion that the carrying amounts approximate the fair value.

In addition, the Company had outstanding \$75 million of its 11.75% senior subordinated notes due in 2006, \$36.7 million of term loan borrowings, \$52.3 million in revolver borrowings, and \$5 million due to Ameridrives International, L.P., whose majority shareholders are also the majority shareholders of the Company.

Cash Flow

The Company's operating activities provided cash of \$39.5 million in 1999, compared with cash provided of \$39.6 million in 1998. The cash provided in 1999 is principally due to net operating profits and the decrease in working capital.

The Company's total debt as a percent of its total capitalization decreased to 59.2% at December 31, 1999, compared with 62.6% at December 31, 1998, as a result of the debt paid down due to internal cash generation.

Capital expenditures of continuing operations increased to \$6.4 million compared with the 1998 level of \$6 million due to expenditures related to productivity improvements and new product development in the operating segments. In 1999 capital spending was used for the purpose of maintaining and improving competitive advantages at the Company's operations. The Company anticipates that capital expenditures in 2000 will increase over the 1999 level primarily due to expenditures related to new product development in the operating segments. There were no material outstanding commitments for the acquisition of property, plant, and equipment at December 31, 1999.

Management believes that cash flow from operations and cash available from unused credit facilities will be sufficient to fund future anticipated working capital needs, capital spending requirements and debt service requirements.

Year 2000

All of the Company's essential processes, systems, and business functions were compliant with the Year 2000 requirements by the end of 1999. The Company did not experience any Year 2000 consequences that affected its financial position, liquidity or results of operations.

The costs of the Company's Year 2000 compliance program were funded with cash flows from operations. Some of these costs related solely to the modification of existing systems, while others were for new systems that also improved business functionality. In total, these costs were not substantially different from the normal, recurring costs for system development, in part due to the reallocation of internal resources to implement the new business systems. Costs incurred related to Year 2000 issues, outside of normal and routine upgrades, were approximately \$1.6 million in total which was spread over the last few years. The Company does not believe that there will be any significant future costs or problems related to the Year 2000.

Seasonality; Customer Concentration; Inflation

General economic conditions worldwide continue to create business opportunities for the coming year in many of the markets in which the Company operates. Management believes that because of the nature of its industrial products and the fact that the Company sells diverse products to many markets, the Company is not significantly affected by the cyclical behavior, or seasonality, of any particular market that it serves.

None of the Company's business segments is dependent on any single customer or a few customers, the loss of which would have a material adverse effect on the respective segments, or on the Company as a whole. No customer accounted for 10% or more of consolidated sales in 1999, 1998 or 1997.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. Except for historical matters, the matters discussed in this Form 10-K Report are forward-looking statements based on current expectations and involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements under the following headings: (i) Item 1 - "Backlog, Raw Materials and Environmental Matters" - the expected ability to fill existing orders in 2000, the continued adequacy of the Company's raw materials sources, and the future impact of environmental matters on the financial condition of the Company; (ii) Item 3 - "Legal Proceedings" - the future impact of legal proceedings on the financial condition of the Company. The Company wishes to caution the reader that, in addition to the matters described above, various factors such as delays in contracts from key customers, demand and market acceptance risk for new products, continued or increased competitive pricing and the effects of under-utilization of plants and facilities, particularly in Europe, and the impact of worldwide economic conditions on demand for the Company's products, could cause results to differ materially from those in any forward-looking statement.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company periodically enters into foreign exchange contracts for purposes of hedging its exposure to foreign currency exchange rate fluctuations. These contracts hedge firm commitments between the Swedish Krona and the German Deutschmark and the United States Dollar. At December 31, 1999, the Company had foreign currency contracts with notional amounts totaling approximately \$0.1 million with various expiration dates through June 2000. The amount of deferred gain or loss associated with these contracts is not material.

All foreign currency derivative agreements are with major commercial banks; therefore the risk of credit loss from nonperformance by the banks is considered by management to be minimal. The Company evaluates its exposure to credit loss

on an ongoing basis.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements and supplementary data required by Part II, Item 8 of Form 10-K are included in Part IV of this Form 10-K Report as indexed at Item 14(a)(1).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

PART III

Item 10. Directors and Executive Officers of the Registrant.

Not Applicable

Item 11. Executive Compensation.

Not Applicable

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Not Applicable

Item 13. Certain Relationships and Related Transactions.

None

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) Financial Statements

The Financial Statements and Supplementary Data required by Part II, Item 8 of Form 10-K are included in this Part IV of this Form 10-K Report as follows:

Consolidated Financial Statements

Consolidated Statements of Income and Comprehensive Income for Years Ended December 31, 1999, December 31, 1998, the period from January 1, 1997 to August 28, 1997 (pre-Acquisition) and the period from August 29, 1997 to December 31, 1997 (post-Acquisition)

Consolidated Balance Sheets at December 31, 1999 and 1998

Consolidated Statements of Cash Flows for the Years Ended December 31, 1999, December 31, 1998, the period from January 1, 1997 to August 28, 1997 (pre-Acquisition) and the period from August 29, 1997 to December 31, 1997 (post-Acquisition)

Consolidated Statements of Shareholders' Equity (Deficit) for the Years Ended December 31, 1999, December 31, 1998, the period from January 1, 1997 to August 28, 1997 (pre-Acquisition) and the period from August 29, 1997 to December 31, 1997 (post-Acquisition)

Notes to Consolidated Financial Statements

Report of Independent Public Accountants

Report of Independent Public Accountants on Schedule II

Quarterly Financial Information (unaudited)

(2) Financial Statement Schedules

The following consolidated financial statement schedule for the years ended December 31, 1999 and 1998, the period from January 1, 1997 to August 28, 1997 (pre-Acquisition) and the period from August 29, 1997 to December 31, 1997 (post-Acquisition) is filed as part of this Report and should be read in conjunction with the Company's Consolidated Financial Statements.

Schedule

II Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable regulation of the Securities and Exchange Commission are omitted because they are not required under the related instructions or because the required information is given in the financial statements or notes thereto.

(3) Exhibits

The Exhibits listed in the accompanying Index to Exhibits are filed as part of this Report.

(b) Reports on Form 8-K

None

EXHIBIT INDEX

Exhibit No.	Note No.	Description
3(i)	(23)	The Company's Restated Certificate of Incorporation, as amended March 10, 1989 and November 10, 1992 and April 30, 1997
3(ii)	(28)	The Company's Bylaws
4.1 (A)	(18)	Indenture, dated as of April 15, 1996, between the Company and IBJ Schroder Bank & Trust Company, as Trustee
(B)	(28)	Second Supplemental Indenture, dated as of August 26, 1997, between the Company and IBJ Schroder Bank & Trust Company, as Trustee
4.3	(18)	Registration Rights Agreement, dated as of April 23, 1996, between the Company and the Initial Purchasers
4.3 (A)	(20)	Rights Agreement dated as of April 30, 1997 between the Company and First Chicago Trust Company of New York, which includes, as Exhibit A thereto, the Certificate of Designation, Preferences and Rights of Series B Junior Participating Preferred Stock of Imo Industries Inc., as Exhibit B thereto, the Form of Rights Certificate and as Exhibit C thereto, the Summary of Rights to Purchase Preferred Stock.
(B)	(21)	Amendment to Rights Agreement dated June 25, 1997 between the Company and First Chicago Trust Company

of New York

- (C) (22) Second Amendment to Rights Agreement dated July 25, 1997 between the Company and First Chicago Trust Company of New York
- (D) (24) Third Amendment to Rights Agreement dated August 21, 1997 between the Company and First Chicago Trust Company of New York
- (E) (29) Fourth Amendment to Rights Agreement dated April 30, 1998 between the Company and First Chicago Trust Company of New York

Management Contracts, Compensatory Plans and Arrangements:

- 10.1 (14) Amended and restated Equity Incentive Plan for Key Employees
- 10.2 (16) Amended and restated 1988 Equity Incentive Plan for Outside Directors
- 10.3 (15) 1995 Equity Incentive Plan for Outside Directors
- 10.4 (17) The Company's Supplemental Retirement Income Plan
- 10.5 (8) Change in Control Agreement dated January 9, 1987 between the Company and John J. Carr
- 10.6 (8) Change in Control Agreement dated August 5, 1992 between the Company and William M. Brown
- 10.7 (8) Change in Control Agreement dated August 13, 1992 between the Company and Thomas J. Bird
- 10.8 (10) Change in Control Agreement dated September 13, 1993 between the Company and Donald K. Farrar
- 10.9 (19) Change in Control Agreement dated May 21, 1996 between the Company and Donald N. Rosenberg
- 10.10 (19) Severance Agreement dated February 6, 1997 between Imo Industries (UK) Limited and Brian Lewis
- 10.11 (19) Consultancy Agreement dated February 13, 1997 between Imo Industries Inc. and Brian Lewis

Other Material Contracts:

- 10.12 (A) (3), (4) The Company's Salaried Employees Stock Savings Plan as amended on July 1, 1987 and as amended on June 14, 1988
- (B) (7) Amendment dated March 16, 1989 to the Imo Industries Inc. Employees Stock Savings Plan
- (C) (5) Amendments dated September 6, 1990 and February 14, 1991 to the Imo Industries Inc. Employees Stock Savings Plan
- (D) (6) Amendment dated May 9, 1991 to the Imo Industries Inc. Employees Stock Savings Plan

(E)	(8)	Amendments dated December 30, 1991 and August 3, 1992 to the Imo Industries Inc. Employees Stock Savings Plan
(F)	(12)	Trust Agreement for the Imo Industries Inc. Employees Stock Savings Plan as of March 1, 1995 between the Company and Eagle Trust Company
10.13	(1)	Distribution Agreement dated December 18, 1986 between Transamerica Corporation and the Company
10.14	(1)	Tax Agreement between the Company and Transamerica Corporation
10.15 (J)	(9)	Warrant dated July 15, 1993 issued by the Company to The Prudential Insurance Company of America
10.16	(2)	Stock Purchase Agreement dated November 30, 1987 between the Company and TRIFIN B.V.
10.17	(5)	Stock Purchase Agreement dated as of May 31, 1990 among United Scientific Holdings PLC, United Scientific Inc. and the Company
10.18	(10)	Stock Purchase Agreement dated as of October 28, 1993 among the Company, Imo Industries GmbH, Mark Controls Corporation and Mark Controls GmbH i. Gr., as amended
10.19 (A)	(18)	Credit Agreement dated as of April 29, 1996 among the Company, as Borrower, Varo Inc., as Guarantor, Warren Pumps Inc. as Guarantor, the Institutions from time to time party thereto as Lenders and Issuing Banks, and Citicorp USA, Inc., as Agent
10.19 (B)	(19)	First Amendment dated as of February 19, 1997 to the Credit Agreement dated as of April 29, 1996 among the Company, as Borrower, Varo Inc., as Guarantor, Warren Pumps, Inc. as Guarantor, the Institutions from time to time party thereto as Lenders and Issuing Banks, and Citicorp USA, Inc., as Agent
10.20 (A)	(11)	Asset Purchase Agreement dated as of November 4, 1994 by and among the Company, Imo Industries International Inc. and Mannesmann Capital Corporation
(B)	(12)	Agreement, Amendment and Waiver dated January 17, 1995 by and among the Company and Mannesmann Capital Corporation
10.21	(12)	Asset and Stock Purchase Agreement dated as of January 1, 1995 by and among the Company and Thermo Jarrell Ash Corporation
10.22	(13)	Purchase and Sale Agreement among Litton Industries, Inc., and Litton Systems, Inc. and Imo Industries Inc., Baird Corporation, Optic-Electronic International, Inc. and Varo Inc. dated May 11, 1995 and amended and restated as of June 2, 1995

- 10.23 (A) (19) Asset Purchase Agreement dated as of September 13, 1996 between Varo Inc. and Varo Acquisition Corp.
- (B) (19) Reinstatement Agreement dated January 28, 1997 between Varo Inc. and Varo Acquisition Corp.
- 10.24 (21) Agreement and Plan of Merger, dated June 26, 1997, among United Dominion Industries Limited, UD Delaware Corp. and Imo Industries Inc.
- 10.25 (22) Share Purchase Agreement, dated July 25, 1997, between II Acquisition Corp. and the Company
- 10.26 (25) Asset Purchase Agreement dated as of August 29, 1997 among the Registrant and certain of its subsidiaries and Danaher Corporation and certain of its subsidiaries
- 10.27 (A) (26) Credit and Guaranty Agreement dated as of August 29, 1997 among the Company, as Borrower, II Acquisition Corp., as Guarantor, Certain Financial Institutions, as Lenders, The Bank of Nova Scotia, as Administrative and Documentation Agent and Nationsbanc Capital Markets, Inc., as Syndication Agent for the Lenders
- (B) (28) First Amendment to Credit and Guaranty Agreement dated as of November 6, 1997
- (C) (28) Second Amendment to Credit and Guaranty Agreement dated as of December 2, 1997
- (D) (28) Third Amendment to Credit and Guaranty Agreement dated as of February 16, 1998
- (E) (30) Fourth Amendment to Credit and Guaranty Agreement dated as of March 9, 1998
- (F) (31) Fifth Amendment to Credit and Guaranty Agreement dated as of June 1, 1998
- (G) (32) Sixth Amendment to Credit and Guaranty Agreement dated as of October 15, 1998
- (H) Seventh Amendment to Credit and Guaranty Agreement dated as of August 3, 1999
- (I) Eighth Amendment to Credit and Guaranty Agreement dated as of November 29, 1999
- 10.28 (27) Stock Purchase Agreement dated as of January 30, 1998 between the Registrant and Magna International Inc.
- 10.29 Receivables Purchase Agreement dated as of November 29, 1999 among Imo Funding Company, LLC, Imo Industries Inc., Liberty Street Funding Corp. and The Bank of Nova Scotia
- 10.30 Purchase and Sale Agreement dated as of November 29, 1999 among the Originators named herein, Imo Industries Inc. and Imo Funding Company, LLC

10.31	Stock Purchase Agreement by and between Echlin Inc. and Imo Industries, Inc. dated as of October 13, 1999
21	Subsidiaries of the Company
27	Financial Data Schedule as of December 31, 1999

NOTES

- (1) Incorporated by reference to the Company's Form 8 Amendment No. 2 filed with the Commission on December 9, 1986 amending the Company's Form 10 as filed with the Commission on October 15, 1986.
- (2) Incorporated by reference to the Company's Form 8-K filed with the Commission on February 17, 1987.
- (3) Incorporated by reference to the Imo Industries Inc. Employees Stock Savings Plan Form 11-K filed with the Commission on April 13, 1988.
- (4) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 29, 1990.
- (5) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 28, 1991.
- (6) Incorporated by reference to the Company's Form S-8 filed with the Commission on June 17, 1991.
- (7) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 26, 1992.
- (8) Incorporated by reference to the Company's Form 10-K filed with the Commission on April 19, 1993.
- (9) Incorporated by reference to the Company's Form 10-K/A filed with the Commission on August 6, 1993 amending the Company's Form 10-K as filed with the Commission on April 19, 1993.
- (10) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 31, 1994.
- (11) Incorporated by reference to the Company's Form 10-Q filed with the Commission on November 14, 1994.
- (12) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 29, 1995.
- (13) Incorporated by reference to the Company's Form 8-K filed with the Commission on June 19, 1995.
- (14) Incorporated by reference to the Company's Form S-8 as filed with the Commission on June 23, 1995, Registration No. 33-60533
- (15) Incorporated by reference to the Company's Form S-8 as filed with the Commission on June 23, 1995, Registration No. 33-60535
- (16) Incorporated by reference to the Company's Form 10-Q filed with the Commission on November 13, 1995.
- (17) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 28, 1996.
- (18) Incorporated by reference to the Company's Form S-4 (Registration No. 333-3477) filed with the Commission on May 10, 1996.
- (19) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 27, 1997.
- (20) Incorporated by reference to the Company's Form 8-A Registration Statement filed with the Commission on May 2, 1997.
- (21) Incorporated by reference to the Company's Schedule 14D-9 Solicitation/Recommendation Statement filed with the Commission on July 2, 1997.
- (22) Incorporated by reference to the Company's Schedule 14D-9 Solicitation/Recommendation Statement filed with the Commission on July 31, 1997.
- (23) Incorporated by reference to the Company's Form 10-Q filed with the Commission on August 14, 1997.
- (24) Incorporated by reference to the Company's Form 8-K filed with the

- Commission on August 27, 1997.
- (25) Incorporated by reference to the Company's Form 8-K filed with the Commission on September 15, 1997.
 - (26) Incorporated by reference to the Company's Form 10-Q filed with the Commission on November 14, 1997.
 - (27) Incorporated by reference to the Company's Form 8-K filed with the Commission on March 13, 1998.
 - (28) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 31, 1998.
 - (29) Incorporated by reference to the Company's Form 8-A/A filed with the Commission on May 1, 1998.
 - (30) Incorporated by reference to the Company's Form 10-Q filed with the Commission on May 13, 1998.
 - (31) Incorporated by reference to the Company's Form 10-Q filed with the Commission on August 14, 1998.
 - (32) Incorporated by reference to the Company's Form 10-K filed with the Commission on March 31, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Imo Industries Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 30, 2000

IMO INDUSTRIES INC.

By: /s/ JOHN A. YOUNG

John A. Young

Vice President and

Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Imo Industries Inc. and in the capacities and on the dates indicated.

/s/ PHILIP W. KNISELY Philip W. Knisely	Chief Executive Officer, President and Director (principal executive officer)	March 30, 2000
/s/ JOHN A. YOUNG John A. Young	Vice President and Chief Financial Officer (principal financial officer)	March 30, 2000
/s/ G. SCOTT FAISON G. Scott Faison	Corporate Controller (principal accounting officer)	March 30, 2000
/s/ STEVEN M. RALES Steven M. Rales	Director	March 30, 2000
/s/ MITCHELL P. RALES Mitchell P. Rales	Director	March 30, 2000
/s/ NEIL D. COHEN	Director	March 30, 2000

Neil D. Cohen

Consolidated Statements of Income and Comprehensive Income
(Dollars in thousands except per share amounts)

	Year Ended December 31, 1999	Year Ended December 31, 1998	Post-Acquis. Aug.29, 1997 to Dec. 31, 1997	Pre-Acquis. Jan.1, 1997 to Aug. 28, 1997
Net Sales	\$287,507	\$308,870	\$106,711	\$210,151
Cost of products sold	194,936	208,579	76,597	145,276
Gross Profit	92,571	100,291	30,114	64,875
Selling, general and administrative expenses	50,516	56,464	21,411	46,724
Research and development expenses	4,344	5,317	1,913	3,636
Unusual items	---	---	5,000	26,344
Income (Loss) From Operations	37,711	38,510	1,790	(11,829)
Other income	1,045	684	825	22
Gain on sale of assets	2,066	---	---	---
Interest expense	16,668	21,293	8,069	18,190
Income (Loss) From Continuing Operations Before Income Taxes and Extraordinary Item				
Taxes and Extraordinary Item	24,154	17,901	(5,454)	(29,997)
Income taxes	8,840	7,008	235	1,254
Income (Loss) From Continuing Operations Before Extraordinary Item				
Extraordinary Item	15,314	10,893	(5,689)	(31,251)
Discontinued operations:				
Income (loss) from operations (net of income tax expense of \$0, \$0, \$77 and \$664)	---	---	(3,753)	2,372
Estimated loss on disposal	---	---	(8,430)	---
Total Income (Loss) from Discontinued Operations	---	---	(12,183)	2,372
Extraordinary item - loss on extinguishment of debt (net of tax)	(216)	(5,223)	(3,348)	---
Net Income (Loss)	\$ 15,098	\$5,670	\$ (21,220)	\$ (28,879)
Other comprehensive income (loss), net of taxes - Foreign currency translation adjustments	(1,774)	(266)	2,122	(3,346)
Comprehensive Income (Loss)	\$ 13,324	\$5,404	\$ (19,098)	\$ (32,225)
Earnings (loss) per share, basic and diluted: (See Note 1)				
Continuing operations before extraordinary item			\$ (.33)	\$ (1.82)
Discontinued operations			(.71)	.14
Extraordinary item			(.20)	---
Net loss			\$ (1.24)	\$ (1.68)

Weighted average number of shares outstanding	17,127,859	17,126,192
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The accompanying notes are an integral part of these consolidated financial statements

Imo Industries Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands except par value)

December 31,	1999	1998
Assets		
Current Assets		
Cash and cash equivalents	\$2,898	\$ 6,230
Trade accounts and notes receivable, less allowance of \$1,348 in 1999 and \$1,058 in 1998	30,075	40,125
Inventories	57,844	53,114
Deferred income tax assets	11,972	16,096
Prepaid expenses and other current assets	3,051	2,525
Total Current Assets	105,840	118,090
Property, plant and equipment		
Land	4,710	4,450
Buildings and improvements	20,745	21,063
Machinery and equipment	49,040	41,577
	74,495	67,090
Less accumulated depreciation and amortization	(12,911)	(7,660)
Net property, plant and equipment	61,584	59,430
Intangible assets, principally goodwill, net	180,746	177,826
Investments in and advances to unconsolidated companies	5,069	4,536
Deferred income tax assets	20,845	25,680
Other assets	2,637	3,410
Total Assets	\$ 376,721	\$ 388,972
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable	\$ 1,295	\$ 817
Trade accounts payable	21,854	15,350
Accrued expenses and other liabilities	31,928	43,125
Accrued costs related to discontinued operations	2,559	4,289
Income taxes payable	---	5,505
Current portion of long-term debt	9,447	8,486
Total Current Liabilities	67,083	77,572
Long-term debt		
Long-term debt	159,624	165,843
Accrued postretirement benefits - long-term	8,555	9,155
Accrued pension expense and other		

liabilities	23,869	32,136
Total Liabilities	259,131	284,706
Shareholders' Equity		
Preferred stock: \$1.00 par value; authorized and unissued 5,000,000 shares	---	---
Common stock: \$1.00 par value; authorized and issued 100 shares	1	1
Additional paid-in capital	120,751	120,751
Retained deficit	(452)	(15,550)
Cumulative foreign currency translation adjustments	(2,710)	(936)
Total Shareholders' Equity	117,590	104,266
Total Liabilities and Shareholders' Equity	\$ 376,721	\$ 388,972

The accompanying notes are an integral part of these consolidated financial statements.

Imo Industries Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31, 1999	Year Ended December 31, 1998	Post-Acquis. Aug. 29, 1997 to Dec. 31, 1997	Pre-Acquis. Jan. 1, 1997 to Aug. 28, 1997
OPERATING ACTIVITIES				
Net income (loss)	\$ 15,098	\$5,670	\$ (21,220)	\$ (28,879)
Adjustments to reconcile net income (loss) to net cash provided by (used by) continuing operations:				
Discontinued operations	---	---	12,183	(2,372)
Depreciation	5,597	4,880	3,674	6,747
Amortization	5,354	6,872	2,007	1,867
Provision for deferred income taxes	7,730	4,668	---	---
Extraordinary item	216	5,223	3,348	---
Unusual items	---	---	5,000	26,344
Other	111	49	369	750
Other changes in operating assets and liabilities (excluding the effects of acquisitions and dispositions):				
Accounts and notes receivable	15,413	13,549	(6,467)	1,730
Inventories	5,737	11,774	1,759	(1,930)
Accounts payable and accrued expenses	(5,330)	(21,019)	(17,028)	(9,794)
Other operating assets and liabilities	(8,713)	9,163	(1,608)	(3,855)
Net cash provided by (used by) continuing operations	41,213	40,829	(17,983)	(9,392)
Net cash used by discontinued operations	(1,730)	(1,219)	(1,342)	(1,377)
Net Cash Provided by (Used by) Operating Activities	39,483	39,610	(19,325)	(10,769)

INVESTING ACTIVITIES

Net proceeds from sale of businesses
and sales of property, plant and
equipment

2,332 32,726 88,024 25,235

Purchases of property, plant and
equipment

(6,402) (6,049) (3,740) (4,555)

Acquisition of Sierra International
Inc.

(33,036) --- --- ---

Net investing activities of
discontinued operations

--- (1,164) (5,104) (3,692)

Other

--- 80 (497) 141

Net Cash (Used by) Provided by

Investing Activities (37,106) 25,593 78,683 17,129

FINANCING ACTIVITIES

Increase (decrease) in notes payable 511 (2,421) (15,900) 18,786

Proceeds from long-term borrowings 68,500 23,559 129,270 119

Principal payments on long-term debt (73,685) (71,583) (164,719) (25,792)

Purchase of minority shares --- (6,247) --- ---

Payment of debt financing costs --- --- (5,368) (384)

Premium payment on repurchase of
long-term debt (210) (5,822) --- ---

Other --- (37) 281 (102)

Net Cash (Used by) Provided by

Financing Activities (4,884) (62,551) (56,436) (7,373)

Effect of exchange rate changes on cash (825) 50 453 (253)

(Decrease) Increase in Cash and Cash

Equivalents (3,332) 2,702 3,375 (1,266)

Cash and cash equivalents at beginning
of the period 6,230 3,528 153 1,419

Cash and Cash Equivalents at End of

the Period \$2,898 \$6,230 \$ 3,528 \$ 153

=====

Cash paid during the period for:

Interest \$15,560 \$22,443 \$ 13,344 \$ 19,564

Income taxes \$ 2,671 \$ 2,725 \$ 1,263 \$ 2,006

The accompanying notes are an integral part of these consolidated financial
statements.

<TABLE>

Imo Industries Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity

(Dollars in thousands)

<CAPTION>

Cumulative

	Common Stock	Additional Paid-in Capital	Retained Deficit	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Unearned Compen- sation	Treasu- Stoc
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at							
January 1, 1997	\$18,797	\$80,466	\$(134,962)	\$ 554	\$(2,503)	\$(719)	\$(18,020)
Net loss	---	---	(28,879)	---	---	---	---
Foreign currency translation adjustments	---	---	---	(3,346)	---	---	---
Restricted shares issued under the equity incentive plans	4	11	---	---	---	48	---
Pre-Acquisition							
Balance at							
August 28, 1997	18,801	80,477	(163,841)	(2,792)	(2,503)	(671)	(18,020)
Adjustment to new cost basis of Colfax Corporation on August 29, 1997	(1,673)	26,328	152,045	2,792	2,503	671	18,020
Post-Acquisition							
Balance at							
August 29, 1997	17,128	106,805	(11,796)	---	---	---	---
Net loss	---	---	(21,220)	---	---	---	---
Foreign currency translation adjustments	---	---	---	(670)	---	---	---
Balance at							
December 31, 1997	17,128	106,805	(33,016)	(670)	---	---	---
Net income	---	---	5,670	---	---	---	---
Purchase of minority interest	---	(3,181)	11,796	---	---	---	---
New equity structure upon merger with Imo Merger Corp.	(17,127)	17,127	---	---	---	---	---
Foreign currency translation adjustments	---	---	---	(266)	---	---	---
Balance at							
December 31, 1998	1	120,751	(15,550)	(936)	---	---	---
Net income	---	---	15,098	---	---	---	---
Foreign currency translation adjustments	---	---	---	(1,774)	---	---	---
Balance at							
December 31, 1999	\$ 1	\$ 120,751	\$ (452)	\$(2,710)	\$ ---	\$ ---	\$ ---

The accompanying notes are an integral part of these consolidated financial statements.

</TABLE>

Notes to Consolidated Financial Statements

Note 1 Significant Accounting Policies

Consolidation: The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Significant intercompany transactions have been eliminated in consolidation. The Company uses the equity method to account for investments in corporations in which it does not own a majority voting interest but has the ability to exercise significant influence over operating and financial policies.

Translation of Foreign Currencies: Assets and liabilities of international operations are translated into U.S. dollars at year-end exchange rates. Income and expense accounts are translated into U.S. dollars at average rates of exchange prevailing during the year. Translation adjustments are reflected as a separate component of shareholders' equity and comprehensive income.

Cash Equivalents: Cash equivalents include investments in government securities funds and certificates of deposit. Investment periods are generally less than one month.

Inventories: Inventories are carried at the lower of cost or market, cost being determined principally on the basis of standards which approximate actual costs on the first-in, first-out method, and market being determined by net realizable value. Appropriate consideration is being given to deterioration, obsolescence and other factors in evaluating net realizable value.

Revenue Recognition: Revenues are recorded generally when the Company's products are shipped. Revenue is recorded on unshipped, completed products when certain criteria are met, including the customer requesting to be billed prior to shipment and the title and risk of loss passing to the customer at the billing date.

Depreciation and Amortization: Depreciation and amortization of plant and equipment are computed principally by the straight-line method based on the estimated useful lives of the assets as follows: buildings and improvements, 10 to 40 years and machinery and equipment, 3 to 15 years.

Earnings Per Share: Basic and diluted net income (loss) per share for 1997 is calculated based on the actual weighted average shares outstanding. For 1997, outstanding stock options and warrants are not considered as their effect is antidilutive. As a result of the back-end merger on July 2, 1998, earnings per share is not presented for 1999 and 1998. (See Note 2).

Recent Accounting Pronouncements: In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This statement is effective for fiscal years beginning after June 15, 2000. The Company believes that results of operations will not be materially affected by the adoption of this statement.

Intangible Assets: Goodwill of businesses acquired is being amortized on the straight-line basis over 40 years. The carrying value of goodwill is reviewed when indicators of impairment are present, by evaluating future cash flows of the associated operations to determine if impairment exists. Goodwill at December 31, 1999 and 1998 was \$177.2 million and \$173.1 million, respectively, net of respective accumulated amortization of \$12.0 million and \$7.5 million. Patents are amortized over the shorter of their legal or estimated useful lives.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Acquisition By Colfax Corporation

On August 28, 1997, Colfax Corporation ("Colfax"), acquired approximately 93% of the Company's outstanding shares of common stock pursuant to its tender offer for all outstanding shares of the common stock of the Company (the "Acquisition"). The consideration paid was \$7.05 per share of common stock or \$112.1 million in total. On July 2, 1998, Imo Merger Corp., a wholly owned subsidiary of Colfax, merged with and into Imo, pursuant to a short-form merger under Delaware law ("back-end merger"). The Company was the surviving corporation in the back-end merger and as result became a wholly owned subsidiary of Colfax. As of December 31, 1999, 942,693 of the outstanding 1,221,888 common shares held by minority shareholders were converted to cash. A payable of \$2.0 million was accrued at December 31, 1999, for the remaining 279,195 shares that were not converted as of that date. Total consideration for the purchase of Imo was \$120.7 million.

The Acquisition has been accounted for under the purchase method. The purchase price was allocated as follows: tangible assets - \$314.5 million; other intangible assets - \$8.4 million; and liabilities - \$382.7 million. The allocation was based on the estimated fair values at the date of acquisition and resulted in an excess of purchase price over assets acquired, liabilities assumed, and additional purchase liabilities recorded, for continuing operations of \$180.5 million, which is being amortized on a straight-line basis over 40 years.

Included in the liabilities above were approximately \$18.6 million for severance and related costs, and consolidation of certain acquired facilities. At December 31, 1999, none of these liabilities remained on the balance sheet and \$3.1 million remained at December 31, 1998. Of the \$18.6 million charged against the liability, \$16.2 million related to restructuring and \$2.4 million related to severance payments.

In conjunction with the Acquisition, the Company recorded a charge of \$15.8 million including a \$10.0 million contract fee paid to United Dominion Industries ("UDI") as a result of the termination of a merger agreement between UDI and the Company, \$3.4 million of commissions, advisory and legal fees, and \$2.4 million of employee retention bonuses. (See Note 7).

Cost Reduction Programs

In connection with the Acquisition, the Company implemented a cost reduction program. The cost of this program was \$18.6 million and was accrued for in accordance with the purchase method of accounting. It is comprised of \$10.5 million related to severance and termination benefits as a result of headcount reductions at the Company's corporate headquarters. In addition, \$1.2 million and \$6.9 million of costs for the Company's Fluid Handling and Industrial Positioning segments, respectively, related to severance and termination benefits resulting from headcount reductions and the consolidation of certain manufacturing facilities. The program was completed in 1999. The cash outlay related to this program was \$8.1 million in 1997, \$7.4 million in 1998 and \$3.1 million during 1999.

Note 3 Discontinued Operations

In February 1998 and August 1997, the Company sold its Roltra Morse and Instrumentation businesses, respectively. In April 1997, the Company completed the sale of the Varo Electronic Systems division. In accordance with APB Opinion No. 30, the disposals of these business segments have been accounted for as discontinued operations and, accordingly, their operating results have been

segregated and reported as Discontinued Operations in the accompanying Consolidated Statements of Income and Comprehensive Income.

The income (loss) from operations of the Discontinued Operations for 1998 and 1997 includes allocated interest expense of \$0.2 million and \$2.7 million (\$2.4 million - pre-Acquisition), respectively. Allocated interest expense is an allocation of corporate interest expense to the Discontinued Operations based on the ratio of net assets to be sold to the sum of the Company's consolidated net assets, if positive, plus consolidated debt. The operating loss of \$0.9 million for Roltra Morse for the two months ended February 28, 1998 was accrued as a portion of the estimated loss on disposal as of December 31, 1997.

Roltra Morse

On February 27, 1998, the Company completed the sale of its Roltra Morse business to Magna International Inc. for cash of \$30 million, plus the assumption of Roltra Morse's debt. The sale price approximated the recorded net book value of the business. Net proceeds were used to reduce domestic senior debt.

The Roltra Morse business had operating losses of \$0.9 million and \$6.7 million for 1998 and 1997, respectively. The 1997 operating loss included an unusual charge of \$0.7 million (pre-Acquisition) due to fees incurred related to the previously failed attempt to sell the Roltra Morse business.

Instrumentation

On August 29, 1997, the Company completed the sale of its Instrumentation business segment to Danaher Corporation for approximately \$85 million, which approximated its net book value. The majority shareholders of the Company are also substantial shareholders of Danaher Corporation. The purchase price was determined on the basis of arms length negotiations between the Company and Danaher Corporation. A portion of the proceeds was used to reduce domestic senior debt by \$68.1 million.

The Instrumentation business had income from operations of \$5.3 million for 1997.

Electro-Optical Systems

On April 28, 1997, the Company completed the sale of the Varo Electronic Systems division to a small defense contractor for \$12 million, which was used to reduce senior domestic debt. The sale of this business completed the disposal of the Electro-Optical Systems business.

In the third quarter of 1997, the Company recorded an additional \$3.4 million loss on disposal related to changes in estimates on certain reserve requirements associated with the retained liabilities of this business.

The Electro-Optical Systems business had income from operations of \$0.8 million for 1997. The income in 1997 offset increases in estimated reserve requirements.

Note 4 Restructuring Asset Sales

1999 Assets Sales: During 1999, the Company completed the sales of certain non-operating real estate for net proceeds of \$0.1 million.

1998 Assets Sales: On February 27, 1998, the Company sold its Roltra Morse business segment to Magna International. During 1998, the Company also completed the sales of certain non-operating real estate for net proceeds of \$0.6 million.

1997 Asset Sales: On August 29, 1997, the Company completed the sale of its Instrumentation business segment to Danaher Corporation for proceeds of \$85

million, which approximated its net book value. In April 1997, the Company completed the sale of its Varo Electronic Systems division to a small defense contractor for \$12 million. The sale of this business completed the sale of the Electro-Optical Systems business. In 1997, the Company also completed sales of certain of its non-operating real estate for total proceeds of approximately \$14.1 million.

On December 31, 1997, the Company sold certain assets of its Delroyd business unit to Nuttall Gear LLC for \$2.3 million in cash. Also on December 31, 1997, the Company acquired certain assets of the Centric Clutch business unit of Ameridrives International, L.P. for \$1.3 million in cash. The majority owners of Nuttall Gear and Ameridrives International, L.P. are also majority owners of the Company. The transactions were negotiated on an arms length basis, and were based on the valuations of independent appraisers.

Note 5 Inventories

Inventories are summarized as follows:

December 31 (Dollars in thousands)	1999	1998
Finished products	\$ 24,740	\$ 18,926
Work in process	14,277	17,880
Materials and supplies	19,904	17,545
	58,921	54,351
Less customers' progress payments	(1,077)	(1,237)
	\$ 57,844	\$ 53,114

Note 6 Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following:

December 31 (Dollars in thousands)	1999	1998
Accrued product warranty costs	\$2,507	\$ 1,423
Accrued litigation and claims costs	7,124	15,003
Payroll and related items	8,403	8,845
Accrued interest payable	2,496	2,014
Accrued restructuring costs	909	3,126
Accrued divestiture costs	977	1,502
Accrued environmental costs	1,548	1,934
Advance customer payments	539	1,363
Other	7,425	7,915
	\$ 31,928	\$ 43,125

Note 7 Unusual Items

1997

During the year ended December 31, 1997, the Company recorded unusual charges of \$31.3 million in income from continuing operations. The first eight months of 1997 included an unusual charge of \$10.5 million relating to the judgment against the Company in favor of International Insurance Company. In addition, the Company recorded unusual charges of \$20.8 million in the third quarter of 1997. Of these charges, \$15.8 million related to the sale of the Company and represented indirect and general expenses incurred by the Company in connection

with the sale process which were paid in 1997, and \$5 million related to an additional legal provision concerning certain litigation matters.

Note 8 Income Taxes

The components of income tax expense from continuing operations are:

			Post-Acquis. August 29, 1997	Pre-Acquis. January 1, 1997
	Year Ended December 31,		to December	to August
(Dollars in thousands)	1999	1998	31, 1997	28, 1997

Current:				
Federal	\$ (449)	\$ 233	\$ ---	\$ ---
Foreign	1,326	1,801	94	994
State	233	306	141	260
	-----	-----	-----	-----
	1,110	2,340	235	1,254
	-----	-----	-----	-----
Deferred:				
Federal	6,450	4,668	---	---
Foreign and State	1,280	---	---	---
	-----	-----	-----	-----
	7,730	4,668	---	---
	-----	-----	-----	-----
	\$8,840	\$7,008	\$235	\$1,254
	=====	=====	=====	=====

Income tax expense for 1997 from discontinued operations was \$.7 million. There was no income tax expense for discontinued operations during 1998 or 1999.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1999 and 1998 are as follows:

December 31				
(Dollars in thousands)		1999		1998
	Current	Long-term	Current	Long-term

Deferred tax assets:				
Postretirement benefit obligation	\$ 234	\$ 3,235	\$ 234	\$ 3,204
Expenses not currently deductible	12,942	6,467	17,066	7,720
Net operating loss carryover	---	29,026	---	32,299
Tax credit carryover	---	6,071	---	4,471
	-----	-----	-----	-----
Total deferred tax assets	13,176	44,799	17,300	47,694
Valuation allowance for				
deferred tax assets	(1,204)	(516)	(1,204)	(516)
	-----	-----	-----	-----
Net deferred tax assets	11,972	44,283	16,096	47,178
	-----	-----	-----	-----
Deferred tax liabilities:				
Tax over book depreciation	---	16,835	---	14,487

Other	---	6,603	---	7,011
Total deferred tax liabilities	---	23,438	---	21,498
Net deferred tax assets	\$ 11,972	\$ 20,845	\$ 16,096	\$ 25,680

The net deferred tax asset currently recorded at December 31, 1999 is \$32.8 million, a level where management believes that it is more likely than not that the tax benefit will be realized. Although the Company has a history of prior losses, these losses were primarily attributable to divested businesses and unusual items.

The Company establishes valuation allowances in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes." The Company continually reviews the adequacy of the valuation allowance and is recognizing these benefits only as reassessment indicates that it is more likely than not that the benefits will be realized. The valuation allowance was \$1.7 million for December 31, 1999 and December 31, 1998. In 1998, the Company reduced its valuation reserve by \$51.6 million due to its belief that it is more likely than not that these tax benefits will be realized in future years. The revision of the valuation reserve is due to the change in purchase accounting estimates during the first year after acquisition.

At December 31, 1999, unremitted earnings of foreign subsidiaries were approximately \$26 million. Since it is the Company's intention to indefinitely reinvest these earnings, no U.S. taxes have been provided. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable. The amount of foreign withholding taxes that would be payable upon remittance of those earnings is approximately \$1.3 million.

The components of income (loss) from continuing operations before income taxes and extraordinary item:

Year Ended December 31 (Dollars in thousands)	1999	1998	Post-Acquisition	Pre-Acquisition
			August 29, 1997 to December 31, 1997	January 1, 1997 to August 28, 1997
United States	\$ 14,291	\$ 7,963	\$ (7,612)	\$ (29,023)
Foreign	9,863	9,938	2,158	(974)
	\$24,154	\$17,901	\$ (5,454)	\$ (29,997)

U.S. income tax expense (benefit) at the statutory tax rate is reconciled below to the overall U.S. and foreign income tax expense.

Year Ended December 31 (Dollars in thousands)	1999	1998	Post-Acquisition	Pre-Acquisition
			August 29, 1997 to December 31, 1997	January 1, 1997 to August 28, 1997
Tax at U.S. federal income tax rate	\$ 8,454	\$ 6,265	\$ (1,909)	\$ (10,499)
State taxes, net of federal income tax effect	151	198	92	169
Impact of foreign tax rates and credits, and tax refunds	(1,247)	(1,677)	228	(660)
Net U.S. tax on				

distributions of				
current foreign earnings	486	266	355	---
Goodwill amortization and				
write-off	1,574	1,995	458	222
Change in valuation reserve	---	---	1,720	7,472
Nondeductible foreign losses	---	---	89	1,017
Other	(578)	(39)	(798)	3,533

Income tax expense	\$ 8,840	\$ 7,008	\$ 235	\$ 1,254
=====				

The Company has net operating loss carryforwards of approximately \$82.9 million expiring in years 2000 through 2018, and minimum tax credits of approximately \$2.6 million, which may be carried forward indefinitely. Tax credit carryforwards include foreign tax credits of approximately \$3.4 million that expire beginning in the year 2002. These carryforwards are available to offset future federal taxable income, subject to the Section 382 limitations, due to the Acquisition.

Note 9 Long-Term Debt and Notes Payable

Long-Term Debt

Long-term debt consists of the following:

December 31 (Dollars in thousands)	1999	1998

Term Loans (1) (2)	\$ 36,689	\$46,538
Revolver Loans (1) (2)	52,250	41,000
Due to Amerdrives International, L.P. (3)	5,000	5,000
Senior subordinated notes with interest at 11.75%, due May 1, 2006, net of unamortized discount of \$0.8 million in 1999 and \$0.9 million in 1998	74,217	77,591
Other	915	4,200

	169,071	174,329
Less current portion	(9,447)	(8,486)

	\$159,624	\$165,843
=====		

(1) Quarterly principal payments are as follows: \$2.1 million due quarterly November 29, 1999 to August 29, 2000; \$3.0 million due quarterly November 29, 2000 to August 29, 2001; and \$4.5 million due quarterly November 29, 2001 to August 29, 2002. All revolver balances are due on August 29, 2002.

(2) These loans bear interest at prime plus .50%, or LIBOR plus 1.75%. The prime and LIBOR margins are a sliding scale based on the Company's total debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization.)

(3) The majority shareholders of Ameridrive International, L.P. are also the majority shareholders of the Company. This loan bears interest at LIBOR + 1.50%.

On August 29, 1997, the Company completed the refinancing of its domestic senior debt. Under terms of the refinancing, the Company entered into an agreement for \$143 million in senior secured credit facilities with a group of lenders (the "Credit Agreement"). Initial borrowings under the Credit Agreement were approximately \$127.1 million. Proceeds of the Credit Agreement were used to

refinance all obligations under the Company's previous credit agreement. The cost of the implementation of the New Credit Agreement will be amortized over its term.

The Credit Agreement, which is secured by the assets of the Company's domestic operations and all or a portion of the stock of certain subsidiaries, provided for a five year, \$70 million revolving credit facility ("Revolver Loans") (which includes a \$30 million letter of credit sub-facility), and a \$73 million term loan facility ("Term Loans") amortizing to August 29, 2002. Proceeds from the August 29, 1997 sale of the Instrumentation business were used to repay amounts on the Revolver Loans and Term Loans of \$54.2 million and \$13.9 million, respectively (See Note 3). At the same time, and in keeping with the terms of the Credit Agreement, the \$73 million term loan facility was reduced to \$59 million, which reduced the total facility to \$129 million.

On February 27, 1998, the Company completed the sale of its Roltra Morse business to Magna International Inc. (See Note 3). The net proceeds were used to reduce domestic senior debt by \$30 million on February 27, 1998, including \$8 million of the outstanding Term Loans. The sale of Roltra Morse and use of the proceeds to reduce its domestic senior debt increased the availability under its revolving credit facility to purchase a portion of its 11.75% senior subordinated notes (the "Notes") on the open market.

The aggregate annual maturities of long-term debt, in thousands, for the four years subsequent to 2000 are:

(Dollars in thousands)

2001	\$13,682
2002	70,895
2003	---
2004	---
Thereafter	75,047

Total	\$ 159,624
-------	------------

The Term Loans have required mandatory prepayments under certain conditions such as from proceeds from asset sales, specified percentages of net proceeds of debt or equity issuances, and a percentage of excess cash flow. The mandatory prepayments will be applied to the Term Loans pro rata, and then to the repayment of the Revolver Loans. Mandatory prepayments applied to the Term Loans reduce the scheduled quarterly principal payments on a pro rata basis. The interest rates on the Revolver and Term Loans are based on current market rates. Consequently, the carrying value of the Term Loans approximates fair value.

The Credit Agreement requires the Company to meet certain objectives with respect to financial ratios. The Credit Agreement and the Notes contain provisions, which place certain limitations on dividend payments and outside borrowings. Under the most restrictive of such provisions, the Credit Agreement requires the Company to maintain certain minimum interest coverage, fixed charge coverage and maximum permitted debt levels and prohibits dividends. The Company was in compliance with all of its covenants under the Credit Agreement at December 31, 1999.

The Notes are not redeemable prior to May 1, 2001. On or after May 1, 2001, the Notes are redeemable at the option of the Company, in whole or in part, at 106% of their principal amount, plus accrued interest, declining to 100% of their principal amount plus accrued interest on or after May 1, 2004. Interest is payable semi-annually on May 1 and November 1.

The year ended December 31, 1999, includes an extraordinary charge of \$0.2

million, as a result of the early extinguishment of a portion of its Notes.

The year ended December 31, 1998, include an extraordinary charge of \$5.2 million net of tax, representing charges related to the early extinguishment of the Company's debt under its current senior secured credit facilities and its Notes, as well as the write-off of previously deferred loan costs.

The year ended December 31, 1997 includes an extraordinary charge of \$3.3 million. In the third quarter of 1997, a \$0.3 million extraordinary charge consisting of the write-off of deferred debt expense was recorded related to the repayment of a portion of the Term Loans under the Credit Agreement with the proceeds from the sale of the Instrumentation business. An extraordinary charge of \$3 million was recorded in the fourth quarter of 1997, as a result of the open market purchase of a portion of the Notes in November 1997. This charge represents a cash outlay of \$2.3 million incurred in connection with the early extinguishment of the debt as well as the write-off of previously deferred loan costs.

Notes Payable

The Company's continuing operations had \$7.3 million in foreign short-term credit facilities with amounts outstanding at December 31, 1999 of \$1.3 million. Due to the short-term nature of these debt instruments it is the Company's opinion that the carrying amounts approximate the fair value. As of December 31, 1999, the Company had \$10.4 million of outstanding standby letters of credit.

Note 10 Shareholders' Equity

On August 29, 1997, the Board of Directors accelerated the exercisability and deemed exercised for cash all stock options outstanding under the Company's Equity Incentive Plan for Key Employees, the Equity Incentive Plan for Outside Directors, and the 1995 Equity Incentive Plan for Outside Directors, (collectively the "Plans"). The cash paid for outstanding stock options deemed exercised was based upon the greater of the excess of the tender offer price of Acquisition Corp. of \$7.05 over the per share option exercise price and zero. The cash payment of outstanding options resulted in no options remaining outstanding as of August 29, 1997. In addition, on November 5, 1997, pursuant to resolution of the Board of Directors, the Plans were terminated effective August 29, 1997.

On July 2, 1998, Colfax Corporation's wholly-owned subsidiary, Imo Merger Corp., merged with and into Imo, pursuant to a short-form merger under Delaware law ("back-end merger"). Imo was the surviving corporation in the back-end merger and as a result became a wholly-owned subsidiary of Colfax. At the merger date, Imo assumed the capital structure of Imo Merger Corp., of 100 shares of common stock, par value \$.01 per share.

Employees Stock Savings Plan

Prior to August 1, 1997, up to 1,600,000 shares of the Company's common stock were reserved for issuance under the Company's Employee Stock Savings Plan ("ESSP"). The Committee of the ESSP approved a policy change, effective August 1, 1997, in that employer matching contributions to the ESSP are to be paid in cash rather than through issuance of Company common stock. As of August 1, 1997, this plan policy change effectively eliminated the restriction on the use of authorized but unissued shares of common stock.

Treasury Stock

On August 29, 1997, the Company canceled the shares of treasury stock outstanding as of that date totaling 1,672,788 shares of the Company's common stock with a cost basis of approximately \$18 million.

Note 11 Operations by Industry Segment and Geographic Area

The Company classifies its continuing operations into two business segments: Fluid Handling and Industrial Positioning. Detailed information regarding products by segment is contained in the section entitled "Business" included in Part I, Item 1 of this Form 10-K Report. Amounts related to pre-Acquisition and post-Acquisition have not been separated, as the effect of the Acquisition on the segments was not material. Information about the business of the Company by business segment, foreign operations and geographic area is presented below:

Year Ended December 31 (Dollars in thousands)	1999	1998	1997

Net Sales			
Fluid Handling	\$101,094	\$112,768	\$112,486
Industrial Positioning	186,413	196,102	204,376

Total net sales	\$287,507	\$308,870	\$316,862
=====			
Segment operating income			
Fluid Handling	\$ 22,779	\$ 21,462	\$14,503
Industrial Positioning	23,198	26,323	12,984

Total segment operating income	45,977	47,785	27,487

Equity in income (loss) of unconsolidated companies	---	31	(519)
Unallocated corporate expenses (1)	(7,344)	(9,275)	(37,703)
Gain on sale of assets	2,066	---	---
Net interest expense	(16,545)	(20,640)	(24,716)

Income (loss) from continuing operations before income taxes and extraordinary item	\$ 24,154	\$ 17,901	\$(35,451)
=====			

A reconciliation of segment operating income to income from operations follows:

Year Ended December 31 (Dollars in thousands)	1999	1998	1997

Segment operating income	\$ 45,977	\$ 47,785	\$27,487
Unallocated corporate expenses (1)	(7,344)	(9,275)	(37,703)
Other income (expense)	(922)	---	177

Income (loss) from operations	\$ 37,711	\$ 38,510	\$ (10,039)
=====			

(1) Unallocated corporate expenses include unusual items of \$31.3 million for the year ended December 31, 1997.

Year Ended December 31 (Dollars in thousands)	1999	1998

Identifiable assets		
Fluid Handling	\$ 53,536	\$ 58,090
Industrial Positioning	125,018	105,169
Corporate	198,167	225,713

Total identifiable assets	\$376,721	\$388,972
---------------------------	-----------	-----------

=====

Depreciation and amortization

Fluid Handling	\$ 1,978	\$ 1,651
Industrial Positioning	3,360	2,930
Corporate	5,613	7,171

Total depreciation and

amortization	\$10,951	\$11,752
--------------	----------	----------

=====

Capital expenditures

Fluid Handling	\$1,362	\$ 2,768
Industrial Positioning	4,738	3,233
Corporate	302	48

Total capital expenditures	\$6,402	\$ 6,049
----------------------------	---------	----------

=====

Identifiable assets of corporate at December 31, 1999 and 1998 include goodwill of \$178.2 million and \$173.1 million related to the Acquisition of Imo, respectively (See Note 2).

The continuing operations of the Company on a geographic basis are as follows:

Year Ended December 31
(Dollars in thousands)

1999	1998	1997
------	------	------

Net sales

United States	\$199,691	\$203,685	\$214,150
Foreign	87,816	105,185	102,712

Total net sales	\$287,507	\$308,870	\$316,862
-----------------	-----------	-----------	-----------

=====

Segment operating income

United States	\$ 34,881	\$34,523	\$25,050
Foreign	11,096	13,262	2,437

Total segment operating income	\$ 45,977	\$47,785	\$27,487
--------------------------------	-----------	----------	----------

=====

Year Ended December 31
(Dollars in thousands)

1999	1998	1997
------	------	------

Identifiable assets

Continuing Operations:

United States	\$319,711	\$327,720	\$380,263
Foreign	57,010	61,252	68,110

Discontinued Operations:

United States	---	---	(562)
Foreign	---	---	15,489

Total identifiable assets	\$376,721	\$388,972	\$463,300
---------------------------	-----------	-----------	-----------

=====

Export sales

Asia	\$3,463	\$5,277	\$ 5,011
------	---------	---------	----------

Canada	5,616	3,801	4,878
Europe	3,461	3,288	2,745
Latin America	1,105	1,241	779
Middle East & North Africa	544	769	604
South America	3,215	7,031	7,349
Other	2,183	3,440	2,236

Total export sales	\$ 19,587	\$ 24,847	\$23,602
=====			

No one customer accounted for 10% or more of consolidated sales in 1999, 1998 or 1997.

Note 12 Pension Plans and Other Postretirement Benefits

The Company and its subsidiaries have various pension plans covering substantially all of their employees. Benefits under these pension plans for substantially all U.S. employees ceased to accrue on January 31, 1999, when the Company froze benefits under its primary pension plan. At the same time, the Company increased the length of service credit for the pension plan by 20% and enhanced its 401k plan. Curtailment of the pension plan resulted in a curtailment gain of \$6.5 million, while the increased length of service resulted in a loss of \$4.9 million. Both changes were contemplated at the Acquisition and were recorded as purchase accounting adjustments.

It is the general policy of the Company to fund its pension plans in conformity with requirements of applicable laws and regulations. Net periodic pension (income) cost was \$(3.8) million in 1999, \$0.7 million in 1998 and \$3.8 million in 1997, and includes amortization of prior service cost and transition amounts for periods of 5 to 15 years. The 1999, 1998 and 1997 expense includes costs related to retained pension liabilities of discontinued operations.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for certain retired union employees. The Company's unionized retiree benefits are determined by their individually negotiated contracts. The Company's contribution toward the full cost of the benefits is based on the retiree's age and continuous unbroken length of service with the Company. The Company's policy is to pay the cost of medical benefits as claims are incurred. Life insurance costs are paid as insured premiums are due.

The following sets forth the funded status of the plans as of the most recent actuarial valuation using a measurement date of December 31.

	Pension Benefits		Other Benefits	
Year Ended December 31 (Dollars in thousands)	1999	1998	1999	1998

Change in benefit obligation:				
Benefit obligation at beginning of year	\$219,638	\$208,778	\$10,004	\$9,345
Service cost	331	2,367	19	9
Interest cost	14,882	15,169	643	674
Amendments	---	241	---	85
Actuarial loss (gain)	(12,813)	13,807	(705)	1,027
Purchase accounting	---	(7,292)	---	---
Effect of plan change	407	---	---	---
Estimated benefits paid	(15,683)	(13,432)	(947)	(1,136)

Benefit obligation at end of year	\$206,762	\$219,638	\$ 9,014	\$10,004

Change in plan assets:

Fair value of plan assets at beginning of year	\$214,742	\$201,638	---	---
Estimated return on plan assets	35,811	25,424	---	---
Employer contribution	844	1,112	947	1,136
Estimated benefits paid	(15,683)	(13,432)	(947)	(1,136)

Fair value of plan assets at end of year	\$ 235,714	\$214,742	---	---
--	------------	-----------	-----	-----

Funded status	\$ 28,952	\$ (4,896)	\$ (9,014)	\$ (10,004)
Unrecognized actuarial (gain) loss	(30,056)	(340)	(197)	508
Unrecognized prior service cost	583	55	79	85
Unrecognized net obligation	153	---	---	---
Accrued benefit cost	\$ (368)	\$ (5,181)	\$ (9,132)	\$ (9,411)

	Pension Benefits		Other Benefits	
Year Ended December 31 (Dollars in thousands)	1999	1998	1999	1998
Discount rate	7.75%	6.75%	7.75%	6.75%
Expected return on plan assets	9.25%	9.0%	---	---
Rate of compensation increase	---	5.3%	---	---

For measurement purposes, a 5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000 and in all future years. The rate of compensation increase was zero in 1999 because the plan was frozen on January 31, 1999.

	Pension Benefits		Other Benefits	
Year Ended December 31 (Dollars in thousands)	1999	1998	1999	1998
Components of net periodic benefit cost:				
Service cost	\$ 331	\$2,367	\$ 19	\$ 9
Interest cost	14,882	15,169	643	674
Expected return on plan assets	(19,128)	(16,834)	---	---
Amortization of prior service cost	132	(8)	6	---
Net periodic benefit (income) cost	\$ (3,783)	\$694	\$668	\$ 683

The Canada pension plan had a curtailment loss of \$.1 million for 1999. The Louisburg pension plan had a settlement loss of \$.1 million for 1999.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$2.8 million, \$2.8 million and \$1.4 million, respectively, as of December 31, 1999 and related to the Louisburg, Varo and Canada pension plans. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$203.4 million, \$203.4 million and \$197.8 million, respectively, as of December 31, 1998 and related to the US Salaried, Louisburg, Warren and Varo pension plans

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
(Dollars in thousands)		
Effect on total of service and interest cost components	\$ 55	\$ (46)
Effect on the postretirement benefit obligation	\$688	\$ (595)

Plan assets at December 31, 1999 are invested in fixed income investments and equity securities whose values are subject to fluctuations of the securities market.

The Company maintains a defined contribution plan ("Plan") covering substantially all domestic, non-union employees. Eligible employees may generally contribute from 1% to 15% of their compensation on a pre-tax basis to the Plan. The Company's expense for 1999, 1998 and 1997 was \$2 million, \$.4 million and \$.6 million, respectively, related to the Plan. Effective February 1, 1999, the Company contributions are based on 50% of the first 6% of each participant's pre-tax contribution. In addition, the Company will also contribute 3% of all employees' salary (including non-contribution plan participants) to the defined contribution plan, effective January 1, 1999.

Note 13 Leases

The Company leases certain manufacturing and office facilities, equipment, and automobiles under long-term leases. Future minimum rental payments required under operating leases of continuing operations that have initial or remaining noncancelable lease terms in excess of one year, as of December 31, 1999, are:

(Dollars in thousands)	
2000	\$3,470
2001	2,723
2002	2,131
2003	1,693
2004	514
Thereafter	3,259
Total minimum lease payments	\$ 13,790

Total rental expense under operating leases charged against continuing operations was \$6.5 million in 1999, \$7.3 million in 1998 and \$7.8 million in 1997.

Note 14 Foreign Exchange Contracts

The Company periodically enters into foreign exchange contracts for purposes of hedging its exposure to foreign currency exchange rate fluctuations. These contracts hedge firm commitments between the Swedish Krona and the German Deutschmark and the United States Dollar. At December 31, 1999, the Company had foreign currency contracts with notional amounts totaling approximately \$0.1 million with various expiration dates through June 2000. The amount of deferred gain or loss associated with these contracts is not material.

All foreign currency derivative agreements are with major commercial banks; therefore the risk of credit loss from nonperformance by the banks is considered

by management to be minimal. The Company evaluates its exposure to credit loss on an ongoing basis.

Note 15 Sierra International Inc. Acquisition

On December 1, 1999, the Company purchased the stock of Sierra International Inc. ("Sierra") from Echlin Inc., a subsidiary of Dana Corporation. Sierra sells and distributes replacement parts for marine and power equipment applications and marine hose products. Sierra has become part of the Company's Industrial Positioning segment.

Note 16 Accounts Receivable Securitization

On November 29, 1999, the Company entered into an agreement to sell, on a revolving basis, an interest in a defined pool of trade accounts receivable of up to \$35 million. At December 31, 1999, a \$21 million interest had been sold under this agreement. Proceeds from the sale were used to finance a portion of the Sierra acquisition. The sale is reflected as a reduction of accounts receivable and as operating cash flows. As collections reduce previously sold interests, new accounts receivable are customarily sold. The discount fees were \$0.1 million in 1999, and are included in interest expense. The Company, as agent for the purchaser, retains collection and administrative responsibilities for the participating interests of the defined pool.

SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," provides accounting and reporting standards for sales, securitization and servicing of receivables and other financial assets and extinguishments of liabilities. The Company adopted the Statement in the 1999 fourth quarter. The provisions of the Statement do not have a material impact on the accounting for actual or future sales of trade accounts receivable under the securitization agreement referred to above.

Note 17 Contingencies

The Company and one of its subsidiaries are two of a large number of defendants in a number of lawsuits brought in various jurisdictions by approximately 4,500 claimants who allege injury caused by exposure to asbestos. Although neither the Company nor any of its subsidiaries has ever been a producer or direct supplier of asbestos, it is alleged that the industrial and marine products sold by the Company and the subsidiary named in such complaints contained components which contained asbestos. Suits against the Company and its subsidiary have been tendered to its insurers, who are defending under their stated reservation of rights. In addition, the Company and the subsidiary are named in cases, involving approximately 32,000 claimants, which were "administratively dismissed" by the U.S. District Court for the Eastern District of Pennsylvania. Cases that have been "administratively dismissed" may be reinstated only upon a showing to the Court that (i) there is satisfactory evidence of an asbestos-related injury; and (ii) there is probative evidence that the plaintiff was exposed to products or equipment supplied by each individual defendant in the case. The Company believes that it has adequate insurance coverage or has established appropriate reserves to cover potential liabilities related to these cases.

The Company is a defendant in a lawsuit brought in the United States District Court for the District of New Jersey alleging failure in performance of equipment sold in 1986 by the Company's former Deltex division. The complaint seeks damages in excess of \$12 million. The Company believes that there are legal and factual defenses to the claim and intends to defend the action vigorously. On June 2, 1999, the Court granted a summary judgment motion filed by the Company which effectively dismissed all claims. Plaintiffs have appealed this judgment to the United States Court of Appeals for the Third Circuit.

The Company was a defendant in a lawsuit in the U.S. District Court for the

Western District of Pennsylvania, which alleged component failures in equipment sold by its former diesel engine division. The complaint sought damages of approximately \$3 million. On September 30, 1997, the Court granted a summary judgment motion filed by the Company which effectively dismissed all claims against it. Plaintiffs have appealed this judgment to the United States Court of Appeals for the Third Circuit. On June 3, 1999, the United States Court of Appeals for the Third Circuit upheld the District Court's September 30, 1997, decision thereby upholding the dismissal of all claims against the Company.

The Company is a defendant in a lawsuit in the Circuit Court of Cook County, Illinois alleging performance shortfalls in products delivered by the Company's former Delaval Turbine Division and claiming damages of approximately \$8 million. The Company entered into an agreement with the plaintiff settling all claims. Co-Defendant, Federal Insurance Company, has recently filed a counterclaim for attorney's fees. The Company believes that there are legal and factual defenses to the claim and intends to defend the action vigorously.

On June 3, 1997, the Company was served with a complaint in a case brought in the Superior Court of New Jersey which alleges damages in excess of \$10 million incurred as a result of losses under a Government Contract Bid transferred in connection with the sale of the Company's former Electro-Optical Systems business. The Electro-Optical Systems business was sold in a transaction that closed on June 2, 1995. The sales contract provided certain representations and warranties as to the status of the business at the time of sale. The complaint alleges that the Company failed to provide notice of a "reasonably anticipated loss" under a bid that was pending at the time of the transfer of the business and therefore a representation was breached. The contract was subsequently awarded to the Company's Varo subsidiary and thereafter transferred to the buyer of the Electro-Optical Systems business. The case is in the preliminary stages of pleading but the Company believes that there are legal and factual defenses to the claims and intends to defend the action vigorously.

The operations of the Company, like those of other companies engaged in similar businesses, involve the use, disposal and clean up of substances regulated under environmental protection laws. In a number of instances the Company has been identified as a Potentially Responsible Party by the U.S. Environmental Protection Agency, and in one instance by the State of Washington, with respect to the disposal of hazardous wastes at a number of facilities that have been targeted for clean-up pursuant to CERCLA or similar state law. Similarly, the Company has received notice that it is one of a number of defendants named in an action filed in the United States District Court, for the Southern District of Ohio Western Division by a group of plaintiffs who are attempting to allocate a share of cleanup costs, for which they are responsible, to a large number of additional parties, including the Company. Although CERCLA and corresponding state law liability is joint and several, the Company believes that its liability will not have a material adverse effect on the financial condition of the Company since it believes that it either qualifies as a de minimis or minor contributor at each site. Accordingly, the Company believes that the portion of remediation costs that it will be responsible for will not be material. For additional information see section entitled Environmental Matters in Part I, Item 1 of this Form 10-K Report.

The Company is also involved in various other pending legal proceedings arising out of the ordinary course of the Company's business. None of these legal proceedings is expected to have a material adverse effect on the financial condition of the Company. With respect to these proceedings and the litigation and claims described in the preceding paragraphs, management of the Company believes that it either will prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to the Company, there could be a material adverse effect on the financial condition of the Company.

The Company is self-insured for a portion of its product liability and certain other liability exposures. Depending on the nature of the liability claim, and with certain exceptions, the Company's maximum self-insured exposure ranges from \$250,000 to \$500,000 per claim with certain maximum aggregate policy limits per claim year. With respect to the exceptions, which relate principally to diesel and turbine units sold before 1991, the Company's maximum self-insured exposure is \$5 million per claim.

Report of Independent Public Accountants

To the Shareholders and Board of Directors of
Imo Industries Inc.:

We have audited the accompanying consolidated balance sheets of Imo Industries Inc. (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the years ended December 31, 1999 and 1998, and for the periods from August 29, 1997, through December 31, 1997 (post-Acquisition), and from January 1, 1997, through August 28, 1997 (pre-Acquisition.) These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Imo Industries Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and its cash flows for the years ended December 31, 1999 and 1998, and for the periods from August 29, 1997, through December 31, 1997 (post-Acquisition), and from January 1, 1997, through August 28, 1997 (pre-Acquisition), in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Richmond, Virginia
February 11, 2000

Report of Independent Public Accountants on Schedule II

To the Shareholders and Board of Directors of
Imo Industries Inc.:

We have audited in accordance with generally accepted auditing standards the consolidated financial statements included in the Form 10-K Annual Report of Imo Industries Inc. (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and for the years ended December 31, 1999 and 1998, and for the periods from August 29, 1997, through December 31, 1997 (post-Acquisition), and from January 1, 1997, through August 28, 1997 (pre-Acquisition), and have issued our report thereon dated February 17, 2000. Our audits were made for the purpose

of forming an opinion on the basic consolidated financial statements taken as a whole. Schedule II filed as a part of the Company's Form 10-K Annual Report is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Richmond, Virginia
February 11, 2000

Imo Industries Inc. and Subsidiaries
Quarterly Financial Information (Unaudited)
Quarterly financial information for 1999 and 1998 is as follows:

1999 (Dollars in thousands except per share amounts) (a)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net Sales	\$ 74,499	\$ 75,843	\$ 67,159	\$ 70,006
Gross profit	23,768	25,650	20,899	22,254
Income from continuing operations before extraordinary item	3,321	5,352	2,278	4,363
Extraordinary Item	(216)	---	---	---
Net income	3,105	5,352	2,278	4,363

1998 (Dollars in thousands except per share amounts) (a)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net Sales	\$ 83,031	\$ 81,084	\$ 75,464	\$ 69,291
Gross profit	26,745	26,447	24,047	23,052
Income (loss) from continuing operations before extraordinary item	3,324	3,842	3,772	(45)
Extraordinary Item	(5,603)	---	(1,114)	1,494
Net income (loss)	(2,279)	3,842	2,658	1,449

(a) The notes to the consolidated financial statements located in Part IV of this Form 10-K Report as indexed at Item 14(a)(1) should be read in conjunction with this summary.

<TABLE>

SCHEDULE II

IMO INDUSTRIES INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

THREE-YEAR PERIOD ENDED DECEMBER 31, 1999

<CAPTION>

	BALANCE AT BEGINNING OF YEAR	ADDITIONS		DEDUCTIONS -	
		CHARGED TO COSTS EXPENSES	OTHER - DESCRIBE	DESCRIBE	
<S>	<C>	<C>	<C>	<C>	
YEAR ENDED DECEMBER 31, 1999:					
Allowance for doubtful accounts	\$1,058	\$ 360	\$ 200 (8)	\$ 50 (2)	
				220 (3)	
Inventory valuation allowance	\$7,222	\$ 1,211	\$ 36 (2)	\$2,810 (5)	
			821 (8)	700 (2)	
				98 (1)	
Valuation allowance for deferred tax assets	\$1,720	\$ ---	\$ ---	\$ ---	
Accrued product warranty liability	\$1,423	\$ 1,655	\$ 602 (2)	\$1,349 (4)	
			176 (8)		
YEAR ENDED DECEMBER 31, 1998:					
Allowance for doubtful accounts	\$1,435	\$ (158)	\$ 3 (2)	\$ 229 (3)	
				(7) (1)	
Inventory valuation allowance	\$9,508	\$ 974	\$ 53 (2)	\$3,249 (5)	
				64 (1)	
Valuation allowance for deferred tax assets	\$53,257	\$ ---	\$ ---	\$51,537 (7)	
Accrued product warranty liability	\$1,844	\$ 1,224	\$ 46	\$1,691 (4)	
YEAR ENDED DECEMBER 31, 1997:					
Allowance for doubtful accounts	\$1,346	\$ 1,813	\$ 32 (2)	\$ 295 (3)	
				55 (1)	
				1,406 (6)	
Inventory valuation allowance	\$9,929	\$13,418	\$ 360 (2)	\$3,613 (5)	
				382 (1)	
				10,204 (6)	
Valuation allowance for deferred tax assets	\$44,065	\$ 9,192	\$ ---	\$ ---	
Accrued product warranty liability	\$2,007	\$ 1,815	\$ ---	\$ 28 (1)	
				1,950 (4)	

(1) Foreign exchange adjustments.

(2) Reclassifications and adjustments.

(3) Uncollectible accounts written off, net of recoveries.

(4) Product warranty claims honored during the year.

(5) Charges against inventory valuation account during the year.

(6) In conjunction with the acquisition of the Company and purchase accounting adjustments as of August 28, 1997, the reserves were reset to zero.

(7) True up balances and reduce valuation reserve due to management's belief

that it is more likely than not that deferred tax benefits will be utilized in the future.

(8) Sierra acquisition (not included in the beginning balance)
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SEVENTH AMENDMENT TO CREDIT

AND GUARANTY AGREEMENT

THIS SEVENTH AMENDMENT, dated as of August 3, 1999 (this "Amendment") to the Existing Credit Agreement referred to below, is among IMO INDUSTRIES INC., a Delaware corporation (the "Borrower"), COLFAX CORPORATION (formerly known as II Acquisition Corp.), a Delaware corporation (the "Parent") and the Lenders (as defined below) parties hereto.

W I T N E S S E T H:

WHEREAS, the Borrower, the Parent, certain financial institutions from time to time parties thereto (collectively, the "Lenders"), The Bank of Nova Scotia, as the Administrative Agent and the Documentation Agent and NationsBanc Capital Markets, Inc., as the Syndication Agent have entered into the Credit and Guaranty Agreement, dated as of August 29, 1997 (as amended, supplemented, amended and restated or otherwise modified prior to the date hereof, the "Existing Credit Agreement" and, as amended by, and together with, this Amendment, the "Credit Agreement"); and

WHEREAS, the Borrower and the Parent have requested that the Existing Credit Agreement be amended in certain respects and that the Lenders grant a waiver of certain provisions of the Existing Credit Agreement and the Lenders have agreed to amend the Existing Credit Agreement and to grant such waiver (subject to the terms and conditions of this Amendment);

NOW, THEREFORE, in consideration of the premises and the other provisions herein contained, the parties hereto hereby agree as follows.

PART I

DEFINITIONS

SUBPART I.1: Use of Defined Terms. Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the meanings set forth in the Existing Credit Agreement.

PART II

AMENDMENTS AND WAIVERS TO

THE EXISTING CREDIT AGREEMENT

Effective upon (and subject to) the occurrence of the Seventh Amendment Effective Date (as defined in Subpart 3.1), certain terms and provisions of the Existing Credit Agreement are hereby amended, and the waiver described below is

hereby granted, all in accordance with this Part. Except as so amended, modified or waived by this Amendment, the Existing Credit Agreement and the Loan Documents shall continue in full force and effect in accordance with their terms.

SUBPART II.1. Amendment to Article I. Article I of the Existing Credit Agreement is hereby amended in accordance with Subparts 2.1.1 through 2.1.2.

SUBPART II.1.1. Section 1.1 of the Existing Credit Agreement is hereby amended by adding the following new definition in its appropriate alphabetical sequence:

"Morse Controls Disposition" means the disposition of the Borrower's facility located at 21 Clinton Street, Hudson, Ohio.

SUBPART II.1.2. Section 1.1 of the Existing Credit Agreement is hereby further amended by amending the definition of "Permitted Amount" by deleting the figure "\$85,000,000" each time it appears therein and, in each case, inserting the figure "\$105,000,000" in its place.

SUBPART II.2. Amendment to Article IV. Clause (iv)(B) of Section 4.10 of the Existing Credit Agreement is hereby amended by deleting the figure "\$85,000,000" in such clause and inserting the figure "\$105,000,000" in its place.

SUBPART II.3. Amendment to Article VII. Clause (b)(ii) of Section 7.2.6 of the Existing Credit Agreement is hereby amended by deleting the figure "\$85,000,000" in such clause and inserting the figure "\$105,000,000" in its place.

SUBPART II.4. Waiver Regarding Section 3.1.2 of the Existing Credit Agreement ("Mandatory Repayments and Prepayments"). Notwithstanding anything to the contrary contained in the Existing Credit Agreement (including the definition of the term "Net Disposition Proceeds" or Section 3.1.2 thereto), the Lenders hereby waive any mandatory prepayment event which would otherwise arise in connection with the receipt by the Borrower of Net Disposition Proceeds in connection with the Morse Controls Disposition.

PART III

CONDITIONS TO EFFECTIVENESS

SUBPART III.1. This Amendment shall become effective on the date (the "Seventh Amendment Effective Date") when all of the following conditions have been satisfied to the satisfaction of the Administrative Agent.

SUBPART III.1.1. Execution of Counterparts. The Administrative Agent

shall have received copies of this Amendment, duly executed and delivered by the Borrower, the Parent and the Lenders.

SUBPART III.1.2. Affirmation and Consent. The Administrative Agent

shall have received an affirmation and consent in form and substance satisfactory to it, duly executed and delivered by each Subsidiary Guarantor.

SUBPART III.1.3. Satisfactory Legal Form. All documents executed or submitted pursuant hereto shall be satisfactory in form and substance to the Administrative Agent and its counsel. The Administrative Agent and its counsel shall have received all information and such counterpart originals or such certified or other copies of such materials, as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the transactions contemplated by this Amendment shall be satisfactory to the

Administrative Agent and its counsel.

PART IV

REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders and the Issuers to enter into this Amendment, the Borrower and the Parent represent and warrant to the Administrative Agent, each Issuer and each Lender as set forth in this Part.

SUBPART IV.1. Compliance with Warranties. After giving effect to the terms of this Amendment, (a) the representations and warranties set forth herein, in Article VI of the Credit Agreement and in each other Loan Document are true and correct in all material respects with the same effect as if made on and as of the date hereof (unless stated to relate solely to an earlier date, in which case they were true and correct as of such earlier date) and (b) the Borrower shall be in full compliance with Section 4.03 of the Subordinated Note Indenture.

SUBPART IV.2. Due Authorization, Non-Contravention, etc. The execution, delivery and performance by the Borrower and the Parent of this Amendment and other documents delivered pursuant hereto are within the Borrower's and the Parent's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene either the Borrower's or the Parent's Organic Documents, (ii) contravene or result in a default under any contractual restriction, law or governmental regulation or court decree or order binding on or affecting either the Borrower or the Parent, or (iii) result in, or require the creation or imposition of, any Lien (except as contemplated in or created by the Loan Documents).

SUBPART IV.3. Validity, etc. This Amendment has been duly executed and delivered by the Borrower and the Parent and constitutes the legal, valid and binding obligation of the Borrower and the Parent enforceable in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and to general principles of equity, regardless of whether enforcement is sought in a proceeding at law or in equity.

SUBPART IV.4. Compliance With Existing Credit Agreement. As of the

Seventh Amendment Effective Date, both before and after giving effect to the terms of this Amendment, no Default has occurred and is continuing.

PART V

MISCELLANEOUS PROVISIONS

SUBPART V.1. Ratification of and Limited Amendment to the Credit Agreement. The Existing Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect by the parties hereto. Except as specifically amended or modified herein, the Existing Credit Agreement and the other Loan Documents shall continue in full force and effect in accordance with the provisions thereof and except as expressly set forth herein the provisions hereof shall not operate as a waiver or amendment of any right, power or privilege of the Administrative Agent and the Lenders nor shall the entering into of this Amendment preclude the Lenders from refusing to enter into any further or future amendments.

SECTION V.2. Consent and Acknowledgment of Guarantor, etc. By its signature below, the Parent in its capacity as a guarantor and as grantor of collateral security under certain Loan Documents, hereby acknowledges, consents and agrees to this Amendment and hereby ratifies and confirms its obligations under its guaranty and each Loan Document executed and delivered by it in all

respects.

SUBPART V.3. Credit Agreement, References, etc. All references to the Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Existing Credit Agreement as amended hereby. As used in the Credit Agreement, the terms "Agreement", "herein", "hereinafter", "hereunder", "hereto" and words of similar import shall mean, from and after the date hereof, the Existing Credit Agreement as amended by this Amendment.

SUBPART V.4. Expenses. The Borrower agrees to pay all out-of-pocket expenses incurred by the Administrative Agent (including fees and expenses of counsel to the Administrative Agent) in connection with the preparation, negotiation, execution and delivery of this Amendment.

SUBPART V.5. Headings; Counterparts. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. This Amendment may be signed in any number of separate counterparts, each of which shall be an original, and all of which taken together shall constitute one instrument.

SUBPART V.6. Governing Law; Entire Agreement. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. This Amendment constitutes the entire understanding among the parties hereto with respect to the subject matter hereof and supersedes any prior agreements, written or oral, with respect thereto.

SUBPART V.7. Loan Document Pursuant to Credit Agreement. This Amendment is a Loan. Document executed pursuant to the Credit Agreement and shall be construed, administered and applied in accordance with all of the terms and provisions of the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

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EIGHTH AMENDMENT TO CREDIT

AND GUARANTY AGREEMENT

THIS EIGHTH AMENDMENT, dated as of November 29, 1999 (this "Amendment"), to the Existing Credit Agreement referred to below, is among IMO INDUSTRIES INC., a Delaware corporation (the "Borrower"), COLFAX CORPORATION (formerly known as II Acquisition Corp.), a Delaware corporation (the "Parent"), and the Lenders (as defined below) parties hereto.

W I T N E S S E T H:

WHEREAS, the Borrower, the Parent, certain financial institutions from time to time parties thereto (collectively, the "Lenders"), The Bank of Nova Scotia, as the Administrative Agent and the Documentation Agent, and NationsBanc Capital Markets, Inc., as the Syndication Agent, have entered into the Credit and Guaranty Agreement, dated as of August 29, 1997 (as amended, supplemented,

amended and restated or otherwise modified prior to the date hereof, the "Existing Credit Agreement" and, as amended by, and together with, this Amendment, the "Credit Agreement"); and

WHEREAS, the Borrower and the Parent have requested that the Existing Credit Agreement be amended in certain respects and that the Lenders waive certain requirements of, and provide their consent with respect to certain transactions which would otherwise be prohibited by the provisions of, the Existing Credit Agreement and the Lenders have agreed to amend the Existing Credit Agreement and to grant such waivers and consents (subject to the terms and conditions of this Amendment);

NOW, THEREFORE, in consideration of the premises and the other provisions herein contained, the parties hereto hereby agree as follows.

PART I

DEFINITIONS

SUBPART I.1. Use of Defined Terms. Unless otherwise defined herein or

the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the meanings set forth in the Existing Credit Agreement.

PART II

AMENDMENTS, WAIVERS AND CONSENTS

TO THE EXISTING CREDIT AGREEMENT

Effective upon (and subject to) the occurrence of the Eighth Amendment Effective Date (as defined in Subpart 3.1) or, as applicable, the Sierra Acquisition Effective Date (as defined in Subpart 3.2), certain terms and provisions of the Existing Credit Agreement are hereby amended, and the waivers and consent described below are hereby granted, all in accordance with this Part. Except as so amended or modified by this Amendment, the Existing Credit Agreement and the Loan Documents shall continue in full force and effect in accordance with their terms.

SUBPART II.1. Amendment to Article I. Article I of the Existing

Credit Agreement is hereby amended in accordance with Subparts 2.1.1 through

2.1.2.

SUBPART II.1.1. Section 1.1 of the Existing Credit Agreement is hereby amended by adding the following new definitions in their appropriate alphabetical sequence:

"Amendment No. 8" means the Eighth Amendment, dated as of

November 29, 1999, to this Agreement among the Borrower, the Parent and the Lenders parties thereto.

"Conduit" means Liberty Street Funding Corp., a Delaware

corporation.

"Contract" means, with respect to any Receivable, any and all contracts, instruments, agreements, leases, invoices, notes or other

writings pursuant to which such Receivable arises or that evidence such Receivable or under which a Receivables Obligor becomes or is obligated to make payment in respect of such Receivable.

"Eighth Amendment Effective Date" is defined in Subpart 3.1 of

Amendment No. 8.

"Illinois Fee Property" is defined in Subpart 3.2.3 of Amendment

No. 8.

"Illinois Lease" is defined in Subpart 3.2.3 of Amendment No. 8.

"Illinois Leased Property" is defined in Subpart 3.2.3 of

Amendment No. 8.

"Mortgage Amendment" is defined in Subpart 3.2.3 of Amendment No. 8.

"Permitted Receivables Transaction" means the transaction effected pursuant to the Transaction Documents (as such term is defined in the Receivables Purchase Agreement) providing for the sale or financing of Receivables and Related Rights by the Borrower and its U.S. Subsidiaries with no more than customary limited recourse based on the collectability of the Receivables sold.

"Purchase and Sale Agreement" means the Purchase and Sale Agreement, dated as of November 29, 1999 among the Borrower and Warren Pumps, Inc., as originators, the Borrower, as servicer, and the Conduit, as purchaser.

"Receivable" means (a) any indebtedness and other obligations owed to the Borrower or any U.S. Subsidiary by, or any right of the Borrower or any U.S. Subsidiary to payment from or on behalf of, a Receivables Obligor whether constituting an account, chattel paper, instrument or general intangible arising in connection with the sale of goods or the rendering of services by such Person, and includes the obligation to pay any finance charges, fees and other charges with respect thereto; provided, that none of the foregoing shall be deemed to be a "Receivable" hereunder unless and until the same shall be purchased by Receivables Co. pursuant to the terms of the Permitted Receivables Transaction and (b) any "Receivable" purchased from the Borrower or any U.S. Subsidiary (other than Receivables Co.) by Receivables Co. pursuant to the terms of the Permitted Receivables Transaction.

"Receivables Co." means Imo Funding Company, LLC, a special

purpose, bankruptcy-remote wholly-owned U.S. Subsidiary of the Borrower organized under the laws of the state of Delaware.

"Receivables Facility Outstandings" means, at any date of determination, with respect to the Permitted Receivables Transaction, the aggregate cash proceeds received by the Borrower or any of its wholly-owned U.S. Subsidiaries from the sale or financing of Receivables and Related Rights pursuant to the Permitted Receivables Transaction which Receivables and Related Rights are outstanding on the date of determination, which amount shall be equal to the amount of Capital (as defined in the Receivables Purchase Agreement) outstanding on such date of determination.

"Receivables Obligor" means, with respect to any Receivable, the

Person obligated to make payments pursuant to the Contract relating to such Receivable.

"Receivables Purchase Agreement" means the Receivables Purchase Agreement, dated as of November 29, 1999 among Receivables Co., as seller, the Borrower, as servicer, the Conduit, as issuer, and Scotiabank, as administrator.

"Related Rights" means,

(a) all rights to, but not the obligations under, all Related Security;

(b) all monies due or to become due with respect to any Receivable and any of the foregoing;

(c) all books and records related to any Receivable and any of the foregoing; and

(d) all proceeds thereof (as defined in the U.C.C.) received on or after the date hereof including, without limitation, all funds which either are received by the Borrower or any U.S. Subsidiary from or on behalf of the Receivables Obligor in payment of any amounts owed (including, without limitation, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Receivables Obligor (including, without limitation, insurance payments, if any, that the Borrower or any U.S. Subsidiary applies in the ordinary course of its business to amounts owed in respect of any Receivable).

"Related Security" means, with respect to any Receivable:

(a) all of the Borrower's or any U.S. Subsidiary's interest in any goods (including returned goods), and documentation of title evidencing the shipment or storage of any goods (including returned goods), relating to any sale giving rise to such Receivable,

(b) all instruments and chattel paper that may evidence such Receivable,

(c) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all U.C.C. financing statements or similar filings relating thereto, and

(d) all of the Borrower's or any U.S. Subsidiary's rights, interests and claims under the Contracts and all guaranties, indemnities, insurance and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable, whether pursuant to the Contract related to such Receivable or otherwise.

"Sierra" means Sierra International Inc., an Illinois corporation.

"Sierra Acquisition Effective Date" is defined in Subpart 3.2 of

Amendment No. 8.

"Sierra Mortgage" is defined in Subpart 3.2.3 of Amendment No. 8.

 "Sierra Stock Purchase Agreement" means the Stock Purchase

 Agreement, dated as of October 13, 1999, between the Borrower and Echlin Inc., a Connecticut corporation.

SUBPART II.1.2. Section 1.1 of the Existing Credit Agreement is hereby further amended as follows:

(a) by amending the definitions of "Applicable Commitment Fee Margin" and "Applicable Margin", in each case, by replacing the reference to "clause (c) of Section 7.1.1" each time it appears therein with a reference to "clause (b) of Section 7.1.1";

(b) by amending the definition of "Indebtedness" by (i) deleting the word "and" which immediately follows clause (f) thereto, (ii) adding a new clause (g) thereto which shall read "(g) for purposes of calculating the Leverage Ratio and Total Debt, all Receivables Facility Outstandings (it being understood and agreed by the parties that for GAAP and other purposes, such Receivables Facility Outstandings shall not be deemed to be "Indebtedness"); and" and (iii) re-lettering the current clause (g) thereto as clause (h) thereto;

(c) by amending the definition of "Interest Expense" by (i) replacing the phrase "including, without duplication," appearing therein with the phrase "including, without duplication, (i)" and (ii) replacing the "." appearing at the end of such definition with the phrase "and (ii) interest (or other fees in the nature of interest or discount accrued and paid or payable in cash for such period) in respect of the Permitted Receivables Transaction.";

(d) by amending the definition of "Net Debt Proceeds" by replacing the reference to "clause (m) of Section 7.2.2" appearing therein with a reference to "clause (n) of Section 7.2.2";

(e) by amending the definition of "Net Income" by adding a proviso prior to the "." at the end of such definition which shall provide: "provided, however, that following the Sierra Acquisition Effective Date, such net income for the first three Fiscal Quarters prior to the Sierra Acquisition Effective Date will, for all purposes other than the calculation of Excess Cash Flow, be calculated on a pro forma basis to give effect to the acquisition of Sierra as if such acquisition had occurred at the beginning of such period"; and

(f) by amending the definition of "Total Debt" by replacing the reference to "clause (a), (b) or (c) of the definition of Indebtedness" appearing therein with a reference to "clauses (a), (b), (c) or (g) of the definition of Indebtedness".

SUBPART II.2. Amendment to Article VI. Article VI of the Existing

 Credit Agreement is hereby amended in accordance with Subpart 2.2.1.

 SUBPART II.2.1. A new Section 6.25 is hereby added to the Existing Credit Agreement immediately following Section 6.24 which shall provide as follows:

"SECTION 6.25. Year 2000. Each Obligor has reviewed the areas within its business and operations which could be adversely affected by, and has developed or is developing a program to address on a timely basis, the

"Year 2000 Problem" (that is, the risk that computer applications used by such Obligor may be unable to recognize and properly perform date-sensitive functions involving certain dates prior to, and any date after, December 31, 1999). Based on such review and program, the Year 2000 Problem could not reasonably be expected to have a material adverse effect on the financial condition, operations, assets, business, properties, revenues or prospects of the Borrower and its Subsidiaries taken as a whole."

SUBPART II.3. Amendments to Article VII. Article VII of the Existing Credit Agreement is hereby amended in accordance with Subparts 2.3.1 through Subpart 2.3.16.

SUBPART II.3.1. Section 7.1.8 of the Existing Credit Agreement is hereby amended by replacing the phrase "upon any Person" appearing therein with the phrase "upon any Person (other than, at all times prior to the termination of the Permitted Receivables Transaction, Receivables Co.)".

SUBPART II.3.2. Section 7.1.16 of the Existing Credit Agreement is hereby amended by replacing the word "Subsidiaries" each time such word appears therein with the phrase "Subsidiaries (other than, at all times prior to the termination of the Permitted Receivables Transaction, Receivables Co.)".

SUBPART II.3.3. A new Section 7.1.19 is hereby added to the Existing Credit Agreement immediately following Section 7.1.18 which shall provide as follows:

"SECTION 7.1.19. Sierra Real Estate Matters. Each of the Borrower and the Parent agrees to use its best efforts to obtain a Landlord Waiver and Consent Agreement, in form and substance reasonably satisfactory to the Administrative Agent, with respect to any Lease encumbering the Florida Property under which Sierra, the Borrower or any other Obligor is lessee."

SUBPART II.3.4. Effective upon the Sierra Acquisition Effective Date, Section 7.1.19 is hereby amended in its entirety to read as follows:

"SECTION 7.1.19. Sierra Real Estate Matters. The Borrower and the Parent agree to cause Sierra, no later than ninety (90) days after the Sierra Acquisition Effective Date, to:

(a) acquire the Illinois Leased Property pursuant to and in accordance with the terms of the Illinois Lease. Immediately upon Sierra's acquisition of the Illinois Leased Property, the Borrower and the Parent agree to so notify the Administrative Agent and, at the Borrower's sole cost and expense, the Borrower shall, or shall cause Sierra to, (i) authorize the Administrative Agent to record the Mortgage Amendment, (ii) take all further actions necessary or required by the Administrative Agent, in its sole discretion, to cause said Illinois Leased Property to be subject to the Lien of the Sierra Mortgage and (iii) deliver to the Administrative Agent an endorsement to the mortgagee's title insurance policy with respect to the Illinois Fee Property, which endorsement shall insure that the Sierra Mortgage, as modified and spread by the Mortgage Amendment, constitutes a valid first priority Lien on the Illinois Fee Property and the Illinois Leased Property, free and clear of all Liens other than those approved by the Administrative Agent. If Sierra fails to exercise its option to acquire the Illinois Leased Property within the ninety (90) day period described above, then the Borrower and the Parent shall cause Sierra to immediately deliver to

the Administrative Agent any instrument or documents required by the Administrative Agent, in its sole discretion, to create a valid first priority Lien on Sierra's leasehold interest in the Illinois Leased Property and any other instruments, agreements, insurance policies, surveys or other documents required by the Administrative Agent with respect to the Illinois Leased Property, including, without limitation, all of the documents described in Subpart 3.2.3 to Amendment No. 8; and

(b) obtain a Landlord Waiver and Consent Agreement, in form and substance reasonably satisfactory to the Administrative Agent, with respect to any Lease encumbering the Florida Property under which Sierra, the Borrower or any other Obligor is lessee."

SUBPART II.3.5. Section 7.2.1 of the Existing Credit Agreement is hereby amended by replacing the word "Subsidiaries" which appears therein with the phrase "Subsidiaries (other than, at all times prior to the termination of the Permitted Receivables Transaction, Receivables Co.)".

SUBPART II.3.6. Section 7.2.2 of the Existing Credit Agreement is hereby amended by (i) deleting the word "and" which immediately follows clause (l) thereto, (ii) adding a new clause (m) thereto which shall read "(m) without duplication, Indebtedness of the Borrower, its U.S. Subsidiaries (other than Receivables Co.) or Receivables Co., in each case, incurred in connection with the Permitted Receivables Transaction in an aggregate amount at any time not to exceed \$35,000,000; and", (iii) re-lettering the current clause (m) thereto as clause (n) thereto and (iv) by deleting the phrase "(l) and (m)" appearing in the proviso thereto and replacing such phrase with the phrase "(l), (m) and (n)".

SUBPART II.3.7. Section 7.2.3 of the Existing Credit Agreement is hereby amended by (i) deleting the word "and" which immediately follows clause (h) thereto, (ii) adding a new clause (i) thereto which shall read "(i) Liens on Receivables and Related Rights of the Borrower or any U.S. Subsidiary; provided, that such Liens shall only be permitted to the extent that they solely cover Excluded Property (as such term is defined in the Security Agreements) and are created in connection with the Permitted Receivables Transaction; and", and (iii) re-lettering the current clause (i) thereto as clause (j) thereto.

SUBPART II.3.8. Effective upon the Sierra Acquisition Effective Date, Section 7.2.3 of the Existing Credit Agreement is hereby further amended by (i) deleting the word "and" which immediately follows clause (i) thereto, (ii) adding a new clause (j) thereto which shall read "(j) those certain Liens on assets of Sierra set forth on Schedule 4.8(a) of the Sierra Stock Purchase Agreement to the extent that such Liens extend solely to equipment leased by Sierra; and", and (iii) re-lettering the current clause (j) thereto as clause (k) thereto.

SUBPART II.3.9. Section 7.2.5 of the Existing Credit Agreement is hereby amended by (i) replacing the phrase "the Borrower's Investment existing on the Effective Date in its Subsidiaries" appearing in clause (a) thereof with the phrase "the Borrower's Investment (i) existing on the Effective Date in its Subsidiaries and (ii) in Receivables Co., by way of contributions to capital from time to time; provided, that such Investments in Receivables Co. shall (x) only be made in connection with, and subject to the terms of, the Permitted Receivables Transaction and (y) not in the aggregate exceed \$3,000,000.00 (not more than \$1,000,000.00 of which shall have been made in cash)", (ii) deleting clause (c) thereof in its entirety and replacing such clause with the following "without duplication, Investments (i) permitted as Indebtedness pursuant to clauses (d), (f), (h) and (k) of Section 7.2.2 and (ii) to the extent that Receivables Co. is not a Subsidiary of the Borrower, Investments in Receivables Co. in connection with the Permitted Receivables Transaction made by the Borrower and/or its Subsidiaries (x) on terms satisfactory to the Administrative

Agent and (y) not in the aggregate to exceed \$3,000,000.00 (not more than \$1,000,000.00 of which shall have been made in cash)" and (iii) replacing the phrase "other Investments" appearing in clause (g) thereof with the phrase "other Investments (other than by Receivables Co.)".

SUBPART II.3.10. Section 7.2.7 of the Existing Credit Agreement is hereby amended by replacing the phrase "other Subsidiaries of the Parent" appearing therein with the phrase "other Subsidiaries of the Parent (other than Receivables Co.)".

SUBPART II.3.11. Section 7.2.10 of the Existing Credit Agreement is hereby amended by replacing the word "Subsidiary" appearing therein with the phrase "Subsidiary (other than Receivables Co.)".

SUBPART II.3.12. Section 7.2.11 of the Existing Credit Agreement is hereby amended by replacing the phrase "or (iv) any assets of a Subsidiary of the Borrower to the Borrower" set forth in clause (c) thereof with the phrase "(iv) any assets of a Subsidiary of the Borrower to the Borrower, or (v) Receivables and Related Rights pursuant to the Permitted Receivables Transaction; provided, however, that notwithstanding the foregoing, the aggregate fair market value outstanding at any one time of Receivables and Related Rights which may be Disposed of pursuant to this clause (c) (v) shall not exceed \$45,000,000.00".

SUBPART II.3.13. Section 7.2.12 of the Existing Credit Agreement is hereby amended by deleting such section in its entirety and replacing such section with the following:

"SECTION 7.2.12. Modification of Certain Agreements. Neither the Borrower nor the Parent will, nor will they permit any of their respective Subsidiaries to, (a) consent to any amendment, supplement or other modification of any of the terms or provisions contained in, or applicable to, any Organic Document, the Borrower Preferred Stock, the Parent Subscription Agreement, the Borrower Subscription Agreement, the Subordinated Notes, other than any such amendment, supplement or other modification which is immaterial and which could not adversely affect the Administrative Agent or any Lender (it being understood and agreed that, in any event, any modification to the subordination provisions of, and any of the defined terms therein, including, but not limited to, the definition of "Specified Senior Indebtedness" of the Subordinated Notes shall be deemed to be material); or

(b) without the prior written consent of the Required Lenders, consent to any material amendment, supplement, or other modification to any of the terms of the documents, instruments and agreements delivered in connection with the Permitted Receivables Transaction, other than any such amendment, modification or change which (x) would extend the maturity thereof or (y) does not in any way adversely affect the interests of the Managing Agents, the Lenders or the Issuer hereunder or under the Loan Documents (including, without limitation, amendments, modifications or changes of a technical or clarifying nature)."

SUBPART II.3.14. Section 7.2.14 of the Existing Credit Agreement is hereby amended by (i) replacing the phrase "excluding this Agreement" appearing therein with the phrase "excluding (i) this Agreement", (ii) replacing the phrase "guaranteed by the Borrower" appearing therein with the phrase "guaranteed by the Borrower, (ii) in the case of clause (a)(i), restrictions contained in documents or agreements delivered in connection with the Permitted Receivables Transaction, provided that such restrictions are only effective against the Receivables and Related Rights financed or acquired thereby and (iii) in the case of clause (b), restrictions on Receivables Co. contained in documentation delivered for the Permitted Receivables Transaction (including, without limitation, the operating agreement and other Organic Documents of Receivables Co.)", (iii) replacing the phrase "the creation" appearing in clause (a) thereof

with the phrase "the (i) creation" and (iv) replacing the phrase "or the ability" appearing in clause (a) thereof with the phrase "or (ii) ability".

SUBPART II.3.15. Section 7.2.15 of the Existing Credit Agreement is hereby amended by replacing the phrase "payable to independent directors, or (v)" appearing therein with the phrase "payable to independent directors, (v) reasonable fees payable in connection with the Permitted Receivables Transaction, or (vi)".

SUBPART II.3.16. Section 7.2.20 of the Existing Credit Agreement is hereby amended by replacing the phrase "any U.S. Subsidiaries" appearing therein with the phrase "any U.S. Subsidiaries (other than Receivables Co.)".

SUBPART II.4. Amendment to Article VIII. Article VIII of the Existing Credit Agreement is hereby amended by inserting a new Section 8.1.11 therein which provides as follows:

"SECTION 8.1.11. Termination of Permitted Receivables Transaction. Any event or circumstance shall occur which permits or requires the Persons purchasing, or financing the purchase of, eligible Receivables and Related Rights under the Permitted Receivables Transaction to stop so purchasing or financing such Receivables and Related Rights, other than by reason of the occurrence of the stated expiry date of the Permitted Receivables Transaction; provided, that any notices or cure periods that are conditions to the rights of such Persons to stop purchasing, or financing the purchase of, such Receivables and Related Rights have been given or have expired, as the case may be."

SUBPART II.5. Amendment to Article XI. Article XI of the Existing Credit Agreement is hereby amended in accordance with Subpart 2.5.1.

SUBPART II.5.1. Section 11.1 of the Existing Credit Agreement is hereby amended by replacing the phrase "except as otherwise specifically provided in any Loan Document" appearing in clause (b) thereof with the phrase "except as otherwise specifically provided in any Loan Document (including the sale or transfer of Receivables and Related Rights in accordance with the Permitted Receivables Transaction)".

SUBPART II.6. Additional Conforming Amendments to Exhibits to Credit Agreement.

SUBPART II.6.1. Exhibit F (Form of Compliance Certificate) to the Credit Agreement is hereby amended by replacing Attachments 1 and 3 thereto with Attachments 1 and 3 attached hereto as Annex 1.

SUBPART II.7. Waiver Regarding Section 3.1.2 of the Existing Credit Agreement ("Mandatory Repayments and Prepayments"). Notwithstanding anything to the contrary contained in the Existing Credit Agreement (including the definition of the term "Net Disposition Proceeds" or Section 3.1.2 thereto), the Lenders hereby waive any mandatory prepayment event which would otherwise arise in connection with the sale or transfer of Receivables and Related Rights to Receivables Co. or by Receivables Co. to the Conduit.

SUBPART II.8. Waiver Regarding Section 7.1.8 of the Existing Credit

Agreement ("Future Subsidiaries"). Effective upon the Sierra Acquisition Effective Date, notwithstanding anything to the contrary contained in the Existing Credit Agreement (including Section 7.1.8 thereto), the Lenders hereby waive any requirement that, in connection with the acquisition by the Borrower of Sierra pursuant to the terms and conditions contained in the Sierra Stock Purchase Agreement, the Liens set forth on Schedule 4.8(a) of such agreement be released to the extent that such Liens extend solely to equipment leased by Sierra.

SUBPART II.9. Consent Regarding Partial Release of Liens. Each of the Lenders hereby authorizes and directs the Administrative Agent to release and terminate, at the Borrower's expense and without representation or warranty of any kind by any Lender or any Managing Agent, all Liens and security interests in and to all Receivables and Related Rights previously granted by the Obligors under any Security Agreement in favor of the Administrative Agent and the Lenders to the extent (and only to the extent) such Receivables and Related Rights are sold, or purported to be sold, pursuant to the Permitted Receivables Transaction. The Administrative Agent will, at the Borrower's expense and without representation or warranty (and the Lenders hereby authorize and direct the Administrative Agent to) deliver to the Borrower executed copies of Uniform Commercial Code (Form U.C.C.-3) amendment statements or similar instruments with respect to each of the filings previously made pursuant to a Security Agreement (as such term is defined in the Credit Agreement) necessary to give effect to the release of the Liens set forth in this Subpart.

PART III

CONDITIONS TO EFFECTIVENESS

SUBPART III.1. This Amendment shall become effective on the date (the "Eighth Amendment Effective Date") when all of the following conditions have been satisfied to the satisfaction of the Administrative Agent.

SUBPART III.1.1. Execution of Counterparts. The Administrative Agent

shall have received copies of this Amendment, duly executed and delivered by the Borrower, the Parent and the Lenders.

SUBPART III.1.2. Resolutions, etc. The Administrative Agent shall have received from the Borrower and each other Obligor a certificate, dated the Eighth Amendment Effective Date, of its Secretary or Assistant Secretary as to resolutions of its Board of Directors then in full force and effect authorizing the execution, delivery and performance of this Amendment and each other Loan Document to be executed by such Obligor.

SUBPART III.1.3. Affirmation and Consent. The Administrative Agent

shall have received an affirmation and consent in form and substance satisfactory to it, duly executed and delivered by each Subsidiary Guarantor.

SUBPART III.1.4. Pro Forma Compliance Certificate. The Administrative Agent shall have received, with counterparts for each Lender, a Compliance Certificate (which Compliance Certificate shall be prepared by using Attachments 1 and 3 attached hereto as Annex 1) giving pro forma effect to the initial funding of the Permitted Receivables Transaction, dated the Eighth Amendment Effective Date, duly executed (and with all schedules thereto duly completed) and delivered by the chief executive, financial or accounting Authorized Officer of the Borrower, and such Compliance Certificate shall be satisfactory in form and substance to the Administrative Agent.

SUBPART III.1.5. Documents Relating to Permitted Receivables Transaction. The Administrative Agent shall have received (with copies for each of the Lenders) true and correct executed copies, certified by the Borrower, of the

Receivables Purchase Agreement and the Purchase and Sale Agreement relating to the transactions contemplated under the Permitted Receivables Transaction (and all schedules, exhibits and attachments to either agreement), all of the foregoing (including as to the expiration date, term, conditions and structure (including the legal and organizational structure of Receivables Co. and the restrictions imposed on its activities) of the Permitted Receivables Transaction) in form and substance reasonably satisfactory to the Administrative Agent and each of the Lenders.

SUBPART III.1.6. Opinions of Counsel. The Administrative Agent shall

have received such opinions, each dated the Eighth Amendment Effective Date, in form and substance and from counsel satisfactory to, and as may be required by, the Administrative Agent and each of the Lenders.

SUBPART III.1.7. Reliance Letters. The Administrative Agent shall have received reliance letters, dated the Eighth Amendment Effective Date and addressed to the Administrative Agent and each of the Lenders in respect of each of the legal opinions delivered in connection with the transactions contemplated under the Permitted Receivables Transaction.

SUBPART III.1.8. Satisfactory Legal Form. All documents executed or submitted pursuant hereto shall be satisfactory in form and substance to the Administrative Agent and its counsel. The Administrative Agent and its counsel shall have received all information and such counterpart originals or such certified or other copies of such materials, as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the transactions contemplated by this Amendment shall be satisfactory to the Administrative Agent and its counsel.

SUBPART III.2. The amendments, waivers and other modifications contained herein relating to Sierra shall become effective on the date (the "Sierra Acquisition Effective Date") when all of the following conditions have been satisfied to the satisfaction of the Administrative Agent (which date shall be no later than the date of the closing of the Sierra Stock Purchase Agreement).

SUBPART III.2.1. Resolutions, etc. The Administrative Agent shall have received (i) a copy of a good standing certificate, dated a date reasonably close to the Sierra Acquisition Effective Date, for Sierra and (ii) from Sierra a certificate, dated a date reasonably close to the Sierra Acquisition Effective Date, of its Secretary or Assistant Secretary as to:

(a) resolutions of its Board of Directors then in full force and effect authorizing the execution, delivery and performance of each Loan Document to be executed by Sierra;

(b) each Organic Document of Sierra; and

(c) the incumbency and signatures of the officers of Sierra authorized to act with respect to each Loan Document as is to be executed by it,

upon which certificate each Lender may conclusively rely until it shall have received a further certificate of the Secretary or Assistant Secretary of Sierra canceling or amending such prior certificate.

SUBPART III.2.2. Security Documents Relating to Sierra Acquisition, etc. The Administrative Agent shall have received fully executed copies of each of the following documents: (a) a Supplement to the Borrower Pledge Agreement, pursuant to which the Borrower shall pledge to the Administrative Agent for the benefit of the Lender Parties, inter alia, the capital stock of Sierra, (b) a Supplement to the Subsidiary Guaranty, pursuant to which Sierra shall become party to the Subsidiary Guaranty, and (c) a Supplement to the Subsidiary

Security Agreement, pursuant to which Sierra shall become party to the Subsidiary Security Agreement, and, as applicable, appropriate trademark, copyright and patent security supplements executed by Sierra (in each case, together with all schedules and annexes referenced therein) and (d) U.C.C.-1 Financing Statements naming Sierra as the debtor and the Administrative Agent as the secured party, suitable for filing under the U.C.C. of all jurisdictions as may be necessary or, in the reasonable opinion of the Administrative Agent, desirable to perfect the first priority security interest of the Administrative Agent. The Administrative Agent shall have also received certified copies of Uniform Commercial Code Requests for Information or Copies (Form U.C.C.-11), certified by the Borrower, dated a date reasonably near (but prior to) the Sierra Acquisition Effective Date of Sierra, listing all effective financing statements, tax liens and judgment liens which name Sierra as the debtor.

SUBPART III.2.3. Real Estate Documents Relating to Sierra Acquisition, etc. The Administrative Agent shall have received fully executed copies of each of the following documents, each in form and substance reasonably satisfactory to the Administrative Agent, or shall have received evidence, satisfactory to the Administrative Agent, of the Borrower's or any other Obligor's compliance with each of the following conditions:

(a) a real estate mortgage (the "Sierra Mortgage"), substantially in the form of Exhibit J to the Existing Credit Agreement, encumbering all of Sierra's right, title and interest in and to that certain real property owned by Sierra and located in Litchfield, Illinois (the "Illinois Fee Property"; the Illinois Fee Property, the Illinois Leased Property (as defined below) and the property leased by Sierra located in Clearwater, Florida are sometimes hereinafter referred to as the "Real Property"), together with (i) evidence of the completion of all recordings and filings of the Sierra Mortgage (and related U.C.C. financing statements and fixture filings) as may be necessary or, in the opinion of the Administrative Agent, desirable to effectively create a valid first priority mortgage Lien against the Illinois Fee Property and (ii) such other approvals, opinions or documents in connection therewith as the Administrative Agent may reasonably request;

(b) a First Amendment to the Sierra Mortgage (the "Mortgage Amendment"), which Mortgage Amendment shall, upon its recordation, spread the Lien of the Sierra Mortgage to encumber that certain parcel of land and the improvements located thereon situated in Litchfield, Illinois (the "Illinois Leased Property"), which Illinois Leased Property is presently owned by The City of Litchfield Illinois and leased to Sierra pursuant to that certain Lease Agreement, dated as of December 1, 1976 (the "Illinois Lease") and forms a part of and is contiguous to the manufacturing and warehouse facilities located on the Illinois Fee Property.

(c) a mortgagees' title insurance policy satisfactory to the Administrative Agent and from an independent title insurer satisfactory to the Administrative Agent (the "Title Insurer"), with respect to the Illinois Fee Property, insuring that title to such Illinois Fee Property is marketable and that the interests created by the Sierra Mortgage constitute valid first priority Lien thereon free and clear of all defects and encumbrances, and such other matters reasonably approved by the Administrative Agent, and such policies shall also include a revolving credit endorsement, comprehensive endorsement, variable rate endorsement, zoning endorsements (with parking), access and utilities endorsements, a mechanic's lien endorsement and such other endorsements as the Administrative Agent shall reasonably request;

(d) an "as built" survey for each parcel of the Illinois Fee Property and the Illinois Leased Property, certified to and satisfactory to the Administrative Agent and the Title Insurer by a surveyor reasonably satisfactory to the Administrative Agent and registered in the state of

Illinois, which survey shall (i) be of recent date, in the reasonable judgment of the Administrative Agent, (ii) contain the minimum detail for land surveys as most recently adopted by ALTA/ACSM, (iii) comply with the Administrative Agent's survey requirements, (iv) show a "metes and bounds" and/or "block and lot" legal description and (v) contain the Administrative Agent's standard form certification to the Administrative Agent and the Title Insurer;

(e) Phase One Environmental Site Assessments (the scope and performance of which meets or exceeds the then most current ASTM Standard Practice for Environmental Site Assessments: Phase One Environmental Site Assessment Process, E 1527) of each parcel of Real Property and such other reports and other information, in form, scope and substance satisfactory to the Administrative Agent regarding environmental matters relating to Sierra and each parcel of Real Property, which environmental site assessments shall (by their terms or pursuant to a separate agreement) expressly permit the Administrative Agent and the Lenders to rely thereon;

(f) copies of any lease or other rental or occupancy agreements (the "Leases"), certified to the Administrative Agent, with respect to any Real Property or any portion thereof under which Sierra, the Borrower or any other Obligor is either the lessee or the lessor;

(g) Subordination, Non-Disturbance and Attornment Agreements, in form and substance reasonably satisfactory to the Administrative Agent, with respect to any Lease encumbering a parcel of Real Property under which Sierra, the Borrower or any other Obligor is the lessor;

(h) Landlord Waiver and Consent Agreements, in form and substance reasonably satisfactory to the Administrative Agent, with respect to any Lease encumbering the Illinois Fee Property under which Sierra, the Borrower or any other Obligor is the lessee;

(i) an opinion of counsel to the Borrower in the state of Illinois as to the enforceability of the Sierra Mortgage and each other Loan Document which creates or perfects a security interest and such other matters as the Administrative Agent may require; and

(j) evidence of payment in full by the Borrower of all premiums, title examination, survey, departmental violations, judgment and U.C.C. search charges, mortgage recording taxes and fees, and other taxes, charges and fees payable in connection with the issuance of any title insurance policy, the recording of any Sierra Mortgage or the delivery of any survey or environmental report required under this Subpart 3.1.5.

SUBPART III.2.4. Opinions of Counsel. The Administrative Agent shall

have received such opinions, each dated the Sierra Acquisition Effective Date, in form and substance and from counsel satisfactory to, and as may be required by, the Administrative Agent and each of the Lenders.

SUBPART III.2.5. Satisfactory Legal Form. All documents executed or submitted pursuant hereto shall be satisfactory in form and substance to the Administrative Agent and its counsel. The Administrative Agent and its counsel shall have received all information and such counterpart originals or such certified or other copies of such materials, as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the transactions contemplated by this Amendment shall be satisfactory to the Administrative Agent and its counsel.

PART IV

REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders and the Issuers to enter into this Amendment, the Borrower and the Parent represent and warrant to the Administrative Agent, each Issuer and each Lender as set forth in this Part.

SUBPART IV.1. Compliance with Warranties. After giving effect to the terms of this Amendment, (a) the representations and warranties set forth herein, in Article VI of the Credit Agreement and in each other Loan Document are true and correct in all material respects with the same effect as if made on and as of the date hereof (unless stated to relate solely to an earlier date, in which case they were true and correct as of such earlier date) and (b) the Borrower shall be in full compliance with Article 4 of the Subordinated Note Indenture.

SUBPART IV.2. Due Authorization, Non-Contravention, etc. The execution, delivery and performance by the Borrower and the Parent of this Amendment and other documents delivered pursuant hereto are within the Borrower's and the Parent's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene either the Borrower's or the Parent's Organic Documents, (ii) contravene or result in a default under any contractual restriction, law or governmental regulation or court decree or order binding on or affecting either the Borrower or the Parent, or (iii) result in, or require the creation or imposition of, any Lien (except as contemplated in or created by the Loan Documents).

SUBPART IV.3. Validity, etc. This Amendment has been duly executed and delivered by the Borrower and the Parent and constitutes the legal, valid and binding obligation of the Borrower and the Parent enforceable in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and to general principles of equity, regardless of whether enforcement is sought in a proceeding at law or in equity.

SUBPART IV.4. Compliance With Existing Credit Agreement. As of the

Eighth Amendment Effective Date, both before and after giving effect to the terms of this Amendment, no Default has occurred and is continuing.

PART V

MISCELLANEOUS PROVISIONS

SUBPART V.1. Ratification of and Limited Amendment to the Credit Agreement. The Existing Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect by the parties hereto. Except as specifically amended or modified herein, the Existing Credit Agreement and the other Loan Documents shall continue in full force and effect in accordance with the provisions thereof and except as expressly set forth herein the provisions hereof shall not operate as a waiver or amendment of any right, power or privilege of the Administrative Agent and the Lenders nor shall the entering into of this Amendment preclude the Lenders from refusing to enter into any further or future amendments.

SECTION V.2. Consent and Acknowledgment of Guarantors, etc. By its signature below, the Parent, in its capacity as a guarantor and as grantor of collateral security under certain Loan Documents, hereby acknowledges, consents and agrees to this Amendment and hereby ratifies and confirms its obligations under its guaranty and each Loan Document executed and delivered by it in all respects.

SUBPART V.3. Credit Agreement, References, etc. All references to the Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Existing Credit Agreement as amended hereby. As used in the Credit Agreement, the terms "Agreement", "herein", "hereinafter",

"hereunder", "hereto" and words of similar import shall mean, from and after the date hereof, the Existing Credit Agreement as amended by this Amendment.

SUBPART V.4. Expenses. The Borrower agrees to pay all out-of-pocket

expenses incurred by the Administrative Agent (including fees and expenses of counsel to the Administrative Agent) in connection with the preparation, negotiation, execution and delivery of this Amendment.

SUBPART V.5. Headings; Counterparts. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. This Amendment may be signed in any number of separate counterparts, each of which shall be an original, and all of which taken together shall constitute one instrument.

SUBPART V.6. Governing Law; Entire Agreement. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. This Amendment constitutes the entire understanding among the parties hereto with respect to the subject matter hereof and supersedes any prior agreements, written or oral, with respect thereto.

SUBPART V.7. Loan Document Pursuant to Credit Agreement. This

Amendment is a Loan Document executed pursuant to the Credit Agreement and shall be construed, administered and applied in accordance with all of the terms and provisions of the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

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RECEIVABLES PURCHASE AGREEMENT

dated as of November 29, 1999

among

IMO FUNDING COMPANY, LLC

IMO INDUSTRIES INC.

LIBERTY STREET FUNDING CORP.

and

THE BANK OF NOVA SCOTIA

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This RECEIVABLES PURCHASE AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement") is entered into as of November 29,

1999, among IMO FUNDING COMPANY, LLC, a Delaware limited liability company, as seller (the "Seller"), IMO INDUSTRIES INC., a Delaware corporation ("IMO"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), LIBERTY STREET FUNDING CORP., a Delaware corporation (together with its successors and permitted assigns, the "Issuer"), and THE BANK OF NOVA SCOTIA, a Canadian chartered bank acting through its New York Agency ("BNS"), as administrator (in such capacity, together with its successors and assigns in such capacity, the "Administrator").

PRELIMINARY STATEMENTS. Certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I. References in the Exhibits hereto to the "Agreement" refer to this Agreement, as amended, supplemented or otherwise modified from time to time.

The Seller desires to sell, transfer and assign an undivided variable percentage interest in a pool of receivables, and the Issuer desires to acquire such undivided variable percentage interest, as such percentage interest shall be adjusted from time to time based upon, in part, reinvestments made by the Issuer.

In consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

I.

ARTICLE
AMOUNTS AND TERMS OF THE PURCHASES

1. Section Purchase Facility. On the terms and conditions hereinafter set forth, the Issuer hereby agrees subject to the next sentence to purchase, and make reinvestments in, undivided percentage ownership interests up to the Purchase Limit with regard to the Purchased Interest from the Seller from time to time from the date hereof to the Facility Termination Date. Under no circumstances shall the Issuer make any such purchase or reinvestment if, after giving effect to such purchase or reinvestment, the aggregate outstanding Capital of the Purchased Interest would exceed the Purchase Limit.

1. The Seller may, upon at least 30 days' written notice to the Administrator, terminate in whole or reduce in part the unused portion of the Purchase Limit; provided, that each partial reduction shall be in the amount of at least \$5,000,000, or an integral multiple of \$1,000,000 in excess thereof, and that, unless terminated in whole, the Purchase Limit shall in no event be reduced below \$15,000,000.

1. Section Making Purchases. Each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder shall be made upon the Seller's irrevocable written notice in the form of Annex B delivered to the Administrator in accordance with Section 5.2 (which notice must be received by the Administrator before 11:00 a.m., New York City time): at least two Business Days before the requested purchase date, which notice shall specify: (A) the amount requested to be paid to the Seller (such amount, which shall not be less than \$250,000, being the "Capital" relating to the undivided percentage ownership interest then being purchased), and (B) the date of such purchase (which shall be a Business Day).

1. On the date of each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder, the Issuer shall, upon satisfaction of the applicable conditions set forth in Exhibit II, make available to the Seller in same day funds, at Bank of America, N.A., account number 3751450511, ABA 111000012, an amount equal to the Capital (as specified by the Seller pursuant to Section 1.2(a) above) relating to the undivided percentage ownership interest then being purchased.

1. Effective on the date of each purchase pursuant to this Section and each reinvestment pursuant to Section 1.4, the Seller hereby sells and assigns to the

Issuer an undivided percentage ownership interest in: (i) each Pool Receivable then existing, (ii) all Related Security with respect to such Pool Receivables, and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security.

1. To secure all of the Seller's obligations (monetary or otherwise) under this Agreement and the other Transaction Documents to which it is a party, whether now or hereafter existing or arising, due or to become due, direct or indirect, absolute or contingent, the Seller hereby grants to the Issuer a security interest in all of the Seller's right, title and interest (including any undivided interest of the Seller) in, to and under all of the following, whether now or hereafter owned, existing or arising: (i) all Pool Receivables, (ii) all Related Security with respect to such Pool Receivables, (iii) all Collections with respect to such Pool Receivables, (iv) the Lock-Box Accounts and the Collection Account, and all amounts on deposit therein, and all certificates and instruments, if any, from time to time evidencing such Lock-Box Accounts and the Collection Account, and amounts on deposit therein, (v) all rights (but none of the obligations) of the Seller under the Purchase and Sale Agreement, and (vi) all proceeds of, and all amounts received or receivable under any or all of, the foregoing (collectively, the "Pool Assets"). The Issuer shall have, with respect to the Pool Assets, and in addition to all the other rights and remedies available to the Issuer, all the rights and remedies of a secured party under any applicable UCC.

A. Section Purchased Interest Computation. The Purchased Interest shall be initially computed on the date of the initial purchase hereunder. Thereafter, until the Facility Termination Date, the Purchased Interest shall be automatically recomputed (or deemed to be recomputed) on each Business Day other than a Termination Day. The Purchased Interest as computed (or deemed recomputed) as of the day before the Facility Termination Date shall thereafter remain constant. The Purchased Interest shall become zero when the Capital thereof and Discount thereon shall have been paid in full, all the amounts owed by the Seller and the Servicer hereunder to the Issuer, the Administrator and any other Indemnified Party or Affected Person are paid in full, and the Servicer shall have received the accrued Servicing Fee thereon.

1. Section Settlement Procedures. The collection of the Pool Receivables shall be administered by the Servicer in accordance with this Agreement. The Seller shall provide to the Servicer on a timely basis all information needed for such administration, including notice of the occurrence of any Termination Day and current computations of the Purchased Interest.

1. The Servicer shall, on each Business Day on which Collections of Pool Receivables are received by the Seller or Servicer or are deposited into the Lock-Box Accounts, transfer such Collections therefrom and deposit such Collections into the Collection Account. With respect to such Collections on such day and with respect to any Collection transferred to the Collection Account on such day pursuant to the last paragraph of Section 1.4(e), the Servicer shall:

a) set aside and hold in the Collection Account for the benefit of the Issuer, out of the percentage of such Collections represented by the Purchased Interest, first an amount equal to the Discount accrued through such day for each Portion of Capital and not previously transferred, second, an amount equal to the fees set forth in the Fee Letter accrued through such day for the Purchased Interest and not previously transferred, and third, to the extent funds are available therefor, an amount equal to the Issuer's Share of the Servicing Fee accrued through such day and not previously transferred; and

a) subject to Section 1.4(f), if such day is not a Termination Day, remit to the Seller, on behalf of the Issuer, the remainder of the percentage of such Collections, represented by the Purchased Interest, to the extent representing a return on the Capital; such Collections shall be automatically reinvested in

Pool Receivables, and in the Related Security and Collections and other proceeds with respect thereto, and the Purchased Interest shall be automatically recomputed pursuant to Section 1.3; it being understood, that prior to remitting to the Seller the remainder of such Collections by way of reinvestment in Pool Receivables, the Servicer shall have calculated the Purchased Interest on such day, and if such Purchased Interest shall exceed 100% on such day, such Collections shall not be remitted to the Seller but shall be set aside and held in the Collection Account for the benefit of the Issuer in accordance with paragraph (iii) below;

a) if such day is a Termination Day (or if such day is a day on which the Purchased Interest exceeds 100%), (A) set aside and hold in the Collection Account for the benefit of the Issuer the entire remainder of the percentage of the Collections represented by the Purchased Interest (or such amount set forth in paragraph (ii) above); provided that so long as the Facility Termination Date has not occurred if any amounts are so set aside on any Termination Day and thereafter, the conditions set forth in Section 2 of Exhibit II are satisfied or are waived by the Administrator, such previously set aside amounts shall, to the extent representing a return on the Capital, be reinvested in accordance with the preceding paragraph (ii) on the day of such subsequent satisfaction or waiver of conditions, and (B) set aside and hold in the Collection Account for the benefit of the Issuer the entire remainder of the Collections in the Collection Account represented by the Seller's Share of the Collections, if any; provided that so long as the Facility Termination Date has not occurred if any amounts are so set aside on any Termination Day and thereafter, the conditions set forth in Section 2 of Exhibit II are satisfied or are waived by the Administrator, such previously set aside amounts shall be distributed to the Seller on the day of such subsequent satisfaction or waiver of conditions; and

a) during the times when amounts are required to be reinvested in accordance with the foregoing paragraph (ii) or the proviso to paragraph (iii), release to the Seller (subject to Section 1.4(f)) for its own account any Collections in excess of (x) such amounts, (y) the amounts that are required to be set aside in the Collection Account pursuant to paragraph (i) above and (z) in the event the Seller is not the Servicer, all reasonable and appropriate out-of-pocket costs and expenses (including the Servicing Fee to the extent such Servicing Fee has not already been paid) of such Servicer of servicing, collecting and administering the Pool Receivables.

1. The Servicer shall deposit into the Administration Account (or such other account designated by the Administrator), on each Settlement Date:

a) Collections held on deposit in the Collection Account for the benefit of the Issuer pursuant to Section 1.4(b)(i) in respect of accrued Discount and accrued and unpaid Fees;

a) Collections held on deposit in the Collection Account for the benefit of the Issuer pursuant to Section 1.4(f); and

a) the lesser of (x) the amount of Collections then held on deposit in the Collection Account for the benefit of the Issuer pursuant to Section 1.4(b)(iii) and (y) the aggregate amount of Capital on such date.

The Servicer shall deposit to its own account from Collections held on deposit in the Collection Account pursuant to Section 1.4(b)(i) in respect of the accrued Servicing Fee, an amount equal to such accrued Servicing Fee.

1. Upon receipt of funds deposited into the Administration Account pursuant to clause (c), the Administrator shall cause such funds to be distributed as follows:

a) if such distribution occurs on a day that is not a Termination Day and the

Purchased Interest does not exceed 100%, first to the Issuer in payment in full of all accrued Discount with respect to each Portion of Capital and accrued and unpaid Fees, and second, if the Servicer has set aside amounts in respect of the Servicing Fee pursuant to clause (b)(i) and has not retained such amounts pursuant to clause (c), to the Servicer (payable in arrears on each Settlement Date) in payment in full of the Issuer's Share of accrued Servicing Fees so set aside, and

a) if such distribution occurs on a Termination Day or on a day when the Purchased Interest exceeds 100%, first to the Issuer in payment in full of all accrued Discount with respect to each Portion of Capital and accrued and unpaid Fees, second to the Issuer in payment in full of Capital (or, if such day is not a Termination Day, the amount necessary to reduce the Purchased Interest to 100%), third, if IMO or an Affiliate thereof is not the Servicer, to the Servicer in payment in full of the Issuer's Share of all accrued Servicing Fees, fourth, if the Capital and accrued Discount with respect to each Portion of Capital have been reduced to zero, and all accrued Servicing Fees payable to the Servicer (if other than IMO or an Affiliate thereof) have been paid in full, to the Issuer, the Administrator and any other Indemnified Party or Affected Person in payment in full of any other amounts owed thereto by the Seller under this Agreement and, fifth, unless such amount has been retained by the Servicer pursuant to clause (c), to the Servicer (if the Servicer is IMO or an Affiliate thereof) in payment in full of the Issuer's Share of all accrued Servicing Fees.

After the Capital, Discount, and Fees with respect to the Purchased Interest, Servicing Fees, and any other amounts payable by the Seller and the Servicer to the Issuer, the Administrator or any other Indemnified Party or Affected Person hereunder, have been paid in full, all additional Collections with respect to the Purchased Interest shall be paid to the Seller for its own account.

1. For the purposes of this Section 1.4:

a) if on any day the Outstanding Balance of any Pool Receivable is reduced or adjusted as a result of any defective, rejected, returned, repossessed or foreclosed goods or services, or any revision, cancellation, allowance, discount or other adjustment made by any Originator, the Servicer, the Seller or any Affiliate of the Seller, or any setoff or dispute between any Originator, the Seller or any Affiliate of the Seller and an Obligor, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in the amount of such reduction or adjustment;

a) if on any day any of the representations or warranties in Section 1(g) or (m) of Exhibit III is not true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in full (Collections deemed to have been received pursuant to clause (i) and (ii) of this paragraph (e) are hereinafter sometimes referred to as "Deemed Collections");

a) except as otherwise required by applicable law or the relevant Contract, all Collections received from an Obligor of any Receivable shall be applied to the Receivables of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, unless such Obligor designates in writing its payment for application to specific Receivables; and

a) if and to the extent the Administrator or the Issuer shall be required for any reason to pay over to an Obligor (or any trustee, receiver, custodian or similar official pursuant to an Event of Bankruptcy) any amount received by it hereunder, such amount shall be deemed not to have been so received by the Administrator or the Issuer but rather to have been retained by the Seller and, accordingly, the Administrator or the Issuer, as the case may be, shall have a claim against the Seller for such amount, payable when and to the extent that any distribution from or on behalf of such Obligor is made in respect thereof.

On or before the last day of each Reporting Period that contains one or more days on which Seller is deemed to have received a Collection pursuant to this Section 1.4(e), Seller shall transfer an amount equal to the aggregate amount of such Deemed Collections to the Collection Account and the Servicer shall distribute such transferred amount in the manner set forth in Section 1.4(c), as if such transferred amount actually had been received by Seller or Servicer on the date of such transfer from the Obligors of such Pool Receivables and as if such transferred amount actually had been deposited into a Lockbox Account on the date of such transfer.

1. If at any time the Seller shall wish to cause the reduction of Capital of the Purchased Interest (but not to commence the liquidation, or reduction to zero, of the entire Capital of the Purchased Interest), the Seller may do so as follows:

a) the Seller shall give the Administrator and the Servicer at least two Business Days' prior written notice thereof (including the amount of such proposed reduction and the proposed date on which such reduction will commence);

a) on the proposed date of commencement of such reduction and on each day thereafter, the Servicer shall cause Collections not to be reinvested until the amount thereof not so reinvested shall equal the desired amount of reduction; and

a) the Servicer shall hold such Collections in the Collection Account for the benefit of the Issuer, for payment to the Administrator on the next Settlement Date immediately following the current Settlement Period, and the Capital of the Purchased Interest shall be deemed reduced in the amount to be paid to the Administrator only when in fact finally so paid;

provided, that:

(A) the amount of any such reduction shall be not less than \$5,000,000 and shall be an integral multiple of \$1,000,000, and the entire Capital of the Purchased Interest after giving effect to such reduction, if not reduced to zero, shall be not less than \$5,000,000 and shall be in an integral multiple of \$1,000,000; and

(B) the Seller shall choose a reduction amount, and the date of commencement thereof, so that to the extent practicable such reduction shall commence and conclude in the same Settlement Period.

A. Section Fees. The Seller shall pay to the Administrator certain fees in the amounts and on the dates set forth in a letter, dated the date hereof, among the Servicer, the Seller and the Administrator (as such letter agreement may be amended, supplemented or otherwise modified from time to time, the "Fee Letter").

1. Section Payments and Computations, Etc. All amounts to be paid or deposited by the Seller or the Servicer hereunder shall be made without reduction for offset or counterclaim and shall be paid or deposited no later than noon (New York City time) on the day when due in same day funds to the Administration Account. All amounts received after noon (New York City time) will be deemed to have been received on the next Business Day.

1. The Seller or the Servicer, as the case may be, shall, to the extent permitted by law, pay interest on any amount not paid or deposited by the Seller or the Servicer, as the case may be, when due hereunder, at an interest rate equal to 1.0% per annum above the Base Rate, payable on demand.

1. All computations of interest under clause (b) and all computations of Discount, fees and other amounts hereunder shall be made on the basis of a year of 360 (or 365 or 366, as applicable, with respect to Discount or other amounts

calculated by reference to the Base Rate) days for the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next Business Day and such extension of time shall be included in the computation of such payment or deposit.

1. Section Increased Costs. If the Administrator, the Issuer, any Purchaser, any other Program Support Provider or any of their respective Affiliates (each an "Affected Person") reasonably determines that the existence of or compliance with: (i) any law or regulation or any change therein or in the interpretation or application thereof, in each case adopted, issued or occurring after the date hereof, or (ii) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement, affects or would affect the amount of capital required or expected to be maintained by such Affected Person, and such Affected Person determines that the amount of such capital is increased by or based upon the existence of any commitment to make purchases of (or otherwise to maintain the investment in) Pool Receivables related to this Agreement or any related liquidity facility, credit enhancement facility and other commitments of the same type, then, upon written demand by such Affected Person (with a copy to the Administrator), the Seller shall promptly pay to the Administrator, for the account of such Affected Person, from time to time as specified by such Affected Person, additional amounts reasonably sufficient to compensate such Affected Person. A certificate describing in reasonable detail, such amounts and the basis for such Affected Person's demand for such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

1. If, due to either: (i) the introduction of or any change in or in the interpretation of any law or regulation occurring after the date hereof or (ii) compliance with any guideline or request occurring after the date hereof from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Affected Person of agreeing to purchase or purchasing, or maintaining the ownership of, the Purchased Interest in respect of which Discount is computed by reference to the Eurodollar Rate, then, upon written demand by such Affected Person, the Seller shall promptly pay to such Affected Person, from time to time as specified by such Affected Person, additional amounts reasonably sufficient to compensate such Affected Person for such increased costs. A certificate describing in reasonable detail, such amounts and the basis for such Affected Person's demand for such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(c) In determining the additional amounts necessary to compensate an Affected Person pursuant to clause (a) or (b) above, such Affected Person may use any reasonably method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

A. Section Requirements of Law. If any Affected Person reasonably determines that the existence of or compliance with: (a) any law or regulation or any change therein or in the interpretation or application thereof, in each case adopted, issued or occurring after the date hereof, or (b) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement:

(i) does or shall subject such Affected Person to any tax of any kind whatsoever with respect to this Agreement, any increase in the Purchased Interest or in the amount of Capital relating thereto, or does or shall change the basis of taxation of payments to such Affected Person on account of Collections, Discount or any other amounts payable hereunder (excluding taxes imposed on the overall pre-tax net income of such Affected Person, franchise taxes imposed on such Affected Person by the

jurisdiction under the laws of which such Affected Party is organized or a political subdivision thereof),

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, purchases, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Affected Person that are not otherwise included in the determination of the Eurodollar Rate or the Base Rate hereunder, or

(iii) does or shall impose on such Affected Person any other condition,

and the result of any of the foregoing is: (A) to increase the cost to such Affected Person of acting as Administrator, or of agreeing to purchase or purchasing or maintaining the ownership of undivided percentage ownership interests with regard to the Purchased Interest (or interests therein) or any Portion of Capital, or (B) to reduce any amount receivable hereunder (whether directly or indirectly), then, in any such case, upon written demand by such Affected Person, the Seller shall promptly pay to such Affected Person additional amounts reasonably necessary to compensate such Affected Person for such additional cost or reduced amount receivable. All such amounts shall be payable as incurred. A certificate from such Affected Person to the Seller describing in reasonable detail the amount and basis for the amount of such additional costs or reduced amount receivable shall be conclusive and binding for all purposes, absent manifest error.

A. Section Inability to Determine Eurodollar Rate. If the Administrator shall have determined before the first day of any Settlement Period (which determination shall be conclusive and binding upon the parties hereto), by reason of circumstances affecting the interbank Eurodollar market, either that: (a) dollar deposits in the relevant amounts and for the relevant Settlement Period are not available, (b) adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Settlement Period or (c) the Eurodollar Rate determined pursuant hereto does not accurately reflect the cost to the Issuer (as conclusively determined by the Administrator) of maintaining any Portion of Capital during such Settlement Period, the Administrator shall promptly give telephonic notice of such determination, confirmed in writing, to the Seller before the first day of such Settlement Period. Upon delivery of such notice: (i) no Portion of Capital shall be funded thereafter at the Alternate Rate determined by reference to the Eurodollar Rate unless and until the Administrator shall have given notice to the Seller that the circumstances giving rise to such determination no longer exist, and (ii) with respect to any outstanding Portions of Capital then funded at the Alternate Rate determined by reference to the Eurodollar Rate, such Alternate Rate shall, on the immediately succeeding Settlement Date, automatically be converted to the Alternate Rate determined by reference to the Base Rate at the respective last days of the then-current Settlement Periods relating to such Portions of Capital.

I. ARTICLE
REPRESENTATIONS AND WARRANTIES; COVENANTS;
TERMINATION EVENTS

A. Section Representations and Warranties; Covenants. Each of the Seller and the Servicer hereby makes the representations and warranties, and hereby agrees to perform and observe the covenants, applicable to it set forth in Exhibits III and IV, respectively.

A. Section Termination Events. If any of the Termination Events set forth in Exhibit V shall occur, the Administrator may, by notice to the Seller, declare the Facility Termination Date to have occurred (in which case the Facility Termination Date shall be deemed to have occurred); provided, that automatically

upon the occurrence of any event (without any requirement for the passage of time or the giving of notice) described in paragraph (f) of Exhibit V, the Facility Termination Date shall occur. Upon any such declaration, occurrence or deemed occurrence of the Facility Termination Date, the Issuer and the Administrator shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided after default under the New York UCC and under other applicable law, which rights and remedies shall be cumulative.

I.

ARTICLE INDEMNIFICATION

A. Section Indemnities by the Seller. Without limiting any other rights that the Administrator, the Issuer, any Program Support Provider or any of their respective Affiliates, employees, officers, directors, agents, counsel, successors, transferees or assigns (each, an "Indemnified Party" and collectively, the "Parties") may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all claims, damages, expenses, costs, losses and liabilities (including Attorney Costs) (all of the foregoing being collectively referred to as "Indemnified Amounts") arising out of or resulting from this Agreement (whether directly or indirectly), the use of proceeds of purchases or reinvestments, the ownership of the Purchased Interest, or any interest therein, or in respect of any Receivable, Related Security or Contract, excluding, however: (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party or its officers, directors, agents (including any successor Servicer appointed by the Administrator pursuant to Section 4.1(a)) or counsel, (b) recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables, or (c) any overall net income taxes or franchise taxes imposed on such Indemnified Party by the jurisdiction under the laws of which such Indemnified Party is organized or a political subdivision thereof. Subject to the exclusions set forth in the preceding sentence, but without otherwise limiting or being limited by the foregoing, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from any of the following:

a) the failure of any Receivable included in the calculation of the Net Receivables Pool Balance as an Eligible Receivable to be an Eligible Receivable, the failure of any information contained in an Monthly Report to be true and correct, or the failure of any other information provided to the Issuer or the Administrator with respect to Receivables or this Agreement to be true and correct,

a) the failure of any representation, warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement to have been true and correct as of the date made or deemed made in all respects,

a) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or the failure of any Pool Receivable or the related Contract to conform to any such applicable law, rule or regulation,

a) the failure to vest in the Issuer a valid and enforceable: (A) perfected undivided percentage ownership interest, to the extent of the Purchased Interest, in the Receivables in, or purporting to be in, the Receivables Pool and the other Pool Assets, or (B) first priority perfected security interest in the Pool Assets, in each case, free and clear of any Adverse Claim,

a) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or

purporting to be in, the Receivables Pool and the other Pool Assets, whether at the time of any purchase or reinvestment or at any subsequent time, b) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of an Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the goods or services related to such Receivable or the furnishing or failure to furnish such goods or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by the Seller or any of its Affiliates acting as Servicer or by any agent or independent contractor retained by the Seller or any of its Affiliates),

a) any failure of the Seller (or any of its Affiliates acting as the Servicer) to perform its duties or obligations in accordance with the provisions hereof or under the Contracts,

a) any products liability or other claim, investigation, litigation or proceeding arising out of or in connection with merchandise, insurance or services that are the subject of any Contract,

a) the commingling of Collections at any time with other funds,

a) the use of proceeds of purchases or reinvestments, or

a) any reduction in Capital as a result of the distribution of Collections pursuant to Section 1.4(d), if all or a portion of such distributions shall thereafter be rescinded or otherwise must be returned for any reason.

A. Section Indemnities by the Servicer. Without limiting any other rights that the Administrator, the Issuer or any other Indemnified Party may have hereunder or under applicable law, the Servicer hereby agrees to indemnify each Indemnified Party from and against any and all Indemnified Amounts arising out of or resulting from (whether directly or indirectly): (a) the failure of any information contained in a Monthly Report to be true and correct, or the failure of any other information provided to the Issuer or the Administrator by, or on behalf of, the Servicer to be true and correct, (b) the failure of any representation, warranty or statement made or deemed made by the Servicer (or any of its officers) under or in connection with this Agreement to have been true and correct in all respects as of the date made or deemed made, (c) the failure by the Servicer to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, (d) any dispute, claim, offset or defense of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool resulting from or related to the collection activities with respect to such Receivable, or (e) any failure of the Servicer to perform its duties or obligations in accordance with the provisions hereof.

I.

ARTICLE ADMINISTRATION AND COLLECTIONS

1. Section Appointment of the Servicer. The servicing, administering and collection of the Pool Receivables shall be conducted by the Person so designated from time to time as the Servicer in accordance with this Section. Until the Administrator gives notice to IMO (in accordance with this Section) of the designation of a new Servicer, IMO is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. Upon the occurrence and during the continuation of a Termination Event, the Administrator may designate as Servicer any Person (including itself) to succeed IMO or any successor Servicer, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof.

1. Upon the designation of a successor Servicer as set forth in clause (a), IMO agrees that it will terminate its activities as Servicer hereunder in a manner that the Administrator reasonably determines will facilitate the transition of the performance of such activities to the new Servicer, and IMO shall cooperate with and assist such new Servicer. Such cooperation shall include access to and transfer of related records and, to the extent legally permissible, use by the new Servicer of all licenses, hardware or software necessary or desirable to collect the Pool Receivables and the Related Security.

1. IMO acknowledges that, in making their decisions to execute and deliver this Agreement, the Administrator and the Issuer have relied on IMO's agreement to act as Servicer hereunder. Accordingly, IMO agrees that it will not voluntarily resign as Servicer.

1. The Servicer may with the prior written consent of the Administrator, delegate its duties and obligations hereunder to any subservicer (each a "Sub-Servicer"); provided, that, in each such delegation: (i) such Sub-Servicer shall agree in writing to perform the duties and obligations of the Servicer pursuant to the terms hereof, (ii) the Servicer shall remain primarily liable for the performance of the duties and obligations so delegated, (iii) the Seller, the Administrator and the Issuer shall have the right to look solely to the Servicer for performance, and (iv) the terms of any agreement with any Sub-Servicer shall provide that the Administrator may terminate such agreement upon the termination of the Servicer hereunder by giving notice of its desire to terminate such agreement to the Servicer (and the Servicer shall provide appropriate notice to each such Sub-Servicer).

1. Section Duties of the Servicer. The Servicer shall take or cause to be taken all such action as may be necessary or advisable to administer and collect each Pool Receivable from time to time, all in accordance with this Agreement and all applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. The Servicer shall set aside, for the accounts of the Seller and the Issuer, the amount of the Collections to which each is entitled in accordance with Article I. The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Pool Receivable (but not beyond a total of 60 days from the invoice date) and extend the maturity or adjust the Outstanding Balance of any Defaulted Receivable as the Servicer may determine to be appropriate to maximize Collections thereof; provided, however, that: (i) such extension or adjustment shall not alter the status of such Pool Receivable as a Delinquent Receivable or a Defaulted Receivable or limit the rights of the Issuer or the Administrator under this Agreement and (ii) if a Termination Event has occurred and IMO or an Affiliate thereof is serving as the Servicer, IMO or such Affiliate may make such extension or adjustment only upon the prior written approval of the Administrator. The Seller shall deliver to the Servicer and the Servicer shall hold for the benefit of the Seller and the Administrator (individually and for the benefit of the Issuer), in accordance with their respective interests, all records and documents (including computer tapes or disks) with respect to each Pool Receivable. Notwithstanding anything to the contrary contained herein, the Administrator may direct the Servicer (whether the Servicer is IMO or any other Person) to commence or settle any legal action to enforce collection of any Pool Receivable which is a Defaulted Receivable or to foreclose upon or repossess any Related Security.

1. The Servicer shall, as soon as practicable following actual receipt of collected funds, turn over to the Seller the collections of any indebtedness that is not a Pool Receivable, less, if IMO or an Affiliate thereof is not the Servicer, all reasonable and appropriate out-of-pocket costs and expenses of such Servicer of servicing, collecting and administering such collections. The Servicer, if other than IMO or an Affiliate thereof, shall, as soon as practicable upon demand, deliver to the Seller all records in its possession that evidence or relate to any indebtedness that is not a Pool Receivable, and

copies of records in its possession that evidence or relate to any indebtedness that is a Pool Receivable.

1. The Servicer's obligations hereunder shall terminate on the later of: (i) the Facility Termination Date and (ii) the date on which all amounts required to be paid to the Issuer, the Administrator and any other Indemnified Party or Affected Person hereunder shall have been paid in full.

After such termination, if IMO or an Affiliate thereof was not the Servicer on the date of such termination, the Servicer shall promptly deliver to the Seller all books, records and related materials that the Seller previously provided to the Servicer, or that have been obtained by the Servicer, in connection with this Agreement.

A. Section Establishment and Use of Certain Accounts. (a) Prior to the initial purchase hereunder, the Seller shall enter into Lock-Box Agreements establishing the Lock-Box Accounts listed on Schedule II with all of the Lock-Box Banks, and deliver original counterparts thereof to the Administrator.

(b) The Servicer agrees to establish the Collection Account on or before the date of the first purchase hereunder. The Collection Account shall be used to accept the transfer of Collections of Pool Receivables from the Lock-Box Accounts pursuant to Section 1.4(b) and for such other purposes described in the Transaction Documents.

(c) Any amounts in the Collection Account may be invested by the Collection Account Bank at the Servicer's direction, in Permitted Investments, so long as Issuer's interest in such Permitted Investments is perfected and such Permitted Investments are subject to no Adverse Claims other than those of the Issuer provided hereunder.

(d) Upon the occurrence and during the continuation of a Termination Event, the Administrator may at any time thereafter give notice to each Lock-Box Bank and the Collection Account Bank that the Administrator is exercising its rights under the Lock-Box Agreements and the Collection Account Agreement, as applicable, to do any or all of the following: (i) to have the exclusive ownership and control of the Lock-Box Accounts and the Collection Account transferred to the Administrator and to exercise exclusive dominion and control over the funds deposited therein, (ii) to have the proceeds that are sent to the respective Lock-Box Accounts redirected pursuant to the Administrator's instructions, and (iii) to take any or all other actions permitted under the applicable Lock-Box Agreement and the Collection Account Agreement. The Seller hereby agrees that if the Administrator at any time takes any action set forth in the preceding sentence, the Administrator shall have exclusive control of the proceeds (including Collections) of all Pool Receivables and the Seller hereby further agrees to take any other action that the Administrator may reasonably request to transfer such control. Any proceeds of Pool Receivables received by the Seller or the Servicer thereafter shall be sent immediately to the Administrator.

1. Section Enforcement Rights. At any time following the occurrence and during the continuation of a Termination Event:

a) the Administrator may direct the Obligor that payment of all amounts payable under any Pool Receivable is to be made directly to the Administrator or its designee,

a) the Administrator may give notice of the Issuer's interest in Pool Receivables to each Obligor, which notice shall direct that payments be made directly to the Administrator or its designee, and

a) the Administrator may request the Servicer to, and upon such request the

Servicer shall: (A) assemble all of the records necessary or desirable to collect the Pool Receivables and the Related Security, and to the extent legally permissible transfer or license to a successor Servicer the use of all software necessary or desirable to collect the Pool Receivables and the Related Security, and make the same available to the Administrator or its designee at a place selected by the Administrator, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections in a manner acceptable to the Administrator and, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Administrator or its designee.

1. The Seller hereby authorizes the Administrator, and irrevocably appoints the Administrator as its attorney-in-fact with full power of substitution and with full authority in the place and stead of the Seller, which appointment is coupled with an interest, to take any and all steps in the name of the Seller and on behalf of the Seller necessary or desirable, in the determination of the Administrator, after the occurrence and during the continuation of a Termination Event, to collect any and all amounts or portions thereof due under any and all Pool Assets, including endorsing the name of the Seller on checks and other instruments representing Collections and enforcing such Pool Assets. Notwithstanding anything to the contrary contained in this subsection, none of the powers conferred upon such attorney-in-fact pursuant to the preceding sentence shall subject such attorney-in-fact to any liability if any action taken by it shall prove to be inadequate or invalid, nor shall they confer any obligations upon such attorney-in-fact in any manner whatsoever.

1. Section Responsibilities of the Seller. Anything herein to the contrary notwithstanding, the Seller shall pay when due any taxes, including any sales taxes payable in connection with the Pool Receivables and their creation and satisfaction. The Administrator and the Issuer shall not have any obligation or liability with respect to any Pool Asset, nor shall either of them be obligated to perform any of the obligations of the Seller, Servicer or any Originator thereunder.

1. IMO hereby irrevocably agrees that if at any time it shall cease to be the Servicer hereunder, it shall act (if the then-current Servicer so requests) as the data-processing agent of the Servicer and, in such capacity, IMO shall conduct the data-processing functions of the administration of the Receivables and the Collections thereon in substantially the same way that IMO conducted such data-processing functions while it acted as the Servicer.

A. Section Servicing Fee. (a) Subject to clause (b), the Servicer shall be paid a fee equal to 1.0% per annum (the "Servicing Fee Rate") of the daily average aggregate Outstanding Balance of the Pool Receivables. The Issuer's Share of such fee shall be paid through the distributions contemplated by Section 1.4(d), and the Seller's Share of such fee shall be paid by the Seller.

(b) If the Servicer ceases to be IMO or an Affiliate thereof, the servicing fee shall be the greater of: (i) the amount calculated pursuant to clause (a), and (ii) an alternative amount specified by the successor Servicer not to exceed 110% of the aggregate reasonable costs and expenses incurred by such successor Servicer in connection with the performance of its obligations as Servicer.

I.

ARTICLE MISCELLANEOUS

A. Section Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Transaction Document, or consent to any departure by the Seller or the Servicer therefrom, shall be effective unless in a writing signed by the Administrator, and, in the case of any amendment, by the other parties thereto; and then such amendment, waiver or consent shall be effective only in

the specific instance and for the specific purpose for which given; provided, however, that no such material amendment shall be effective until both Moody's and Standard & Poor's have notified the Administrator in writing that such action will not result in a reduction or withdrawal of the rating of any Notes. No failure on the part of the Issuer or the Administrator to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The Administrator shall provide each Rating Agency with a copy of each amendment to or waiver or consent under this Agreement promptly following the effective date thereof.

A. Section Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by express mail or courier or by certified mail, postage-prepaid, or by facsimile, to the intended party at the address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, (i) if personally delivered or sent by express mail or courier or if sent by certified mail, when received, and (ii) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means.

1. Section Assignability. This Agreement and the Issuer's rights and obligations herein (including ownership of the Purchased Interest or an interest therein) shall be assignable, in whole or in part, by the Issuer and its successors and assigns with the prior written consent of the Seller; provided, however, that such consent shall not be unreasonably withheld; and provided further, that no such consent shall be required if the assignment is made to BNS, any Affiliate of BNS, any Purchaser or other Program Support Provider or any Person that is: (i) in the business of issuing Notes and (ii) associated with or administered by BNS or any Affiliate of BNS.

1. The Issuer may at any time grant to one or more banks or other institutions (each a "Purchaser") party to the Liquidity Agreement, or to any other Program Support Provider, participating interests in the Purchased Interest. In the event of any such grant by the Issuer of a participating interest to a Purchaser or other Program Support Provider, the Issuer shall remain responsible for the performance of its obligations hereunder and except as otherwise provided herein, Seller and Servicer shall continue to deal with Issuer as if Issuer had not granted such participating interest. The Seller agrees that each Purchaser or other Program Support Provider shall be entitled to the benefits of Sections 1.8 and 1.9.

1. This Agreement and the rights and obligations of the Administrator hereunder shall be assignable, in whole or in part, by the Administrator and its successors and assigns; provided, that unless: (i) such assignment is to an Affiliate of BNS, (ii) it becomes unlawful for BNS to serve as the Administrator or (iii) a Termination Event exists, the Seller has consented to such assignment, which consent shall not be unreasonably withheld.

1. Except as provided in Section 4.1(d), none of the Seller, IMO or the Servicer may assign its rights or delegate its obligations hereunder or any interest herein without the prior written consent of the Administrator.

1. Without limiting any other rights that may be available under applicable law, the rights of the Issuer may be enforced through it or by its agents.

1. Section Costs, Expenses and Taxes. In addition to the rights of indemnification granted under Section 3.1, the Seller agrees to pay on demand all reasonable costs and expenses in connection with the preparation, execution,

delivery and administration (including periodic internal audits by the Administrator of Pool Receivables) of this Agreement, the other Transaction Documents and the other documents and agreements to be delivered hereunder (and all reasonable costs and expenses in connection with any amendment, waiver or modification of any thereof), including: (i) Attorney Costs for the Administrator, the Issuer and their respective Affiliates and agents with respect thereto and with respect to advising the Administrator, the Issuer and their respective Affiliates and agents as to their rights and remedies under this Agreement and the other Transaction Documents, and (ii) all reasonable costs and expenses (including Attorney Costs), if any, of the Administrator, the Issuer and their respective Affiliates and agents in connection with the enforcement of this Agreement and the other Transaction Documents. Unless a Termination Event or Unmatured Termination Event shall exist, the Seller shall only be responsible for the cost of one periodic internal audit described above in any twelve month period.

1. In addition, the Seller shall pay on demand any and all stamp and other taxes and fees payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents or agreements to be delivered hereunder, and agrees to save each Indemnified Party harmless from and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

A. Section No Proceedings; Limitation on Payments. Each of the Seller, IMO, the Servicer, the Administrator, each assignee of the Purchased Interest or any interest therein, hereby covenants and agrees that it will not institute against, or join any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after the latest maturing Note issued by the Issuer is paid in full. The provision of this Section 5.5 shall survive any termination of this Agreement.

A. Section Confidentiality. Unless otherwise required by applicable law, each of the Seller and Servicer agrees to maintain the confidentiality of this Agreement and the other Transaction Documents (and all drafts hereof and thereof) in communications with third parties and otherwise; provided that this Agreement may be disclosed to: (a) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Administrator, (b) the Seller's legal counsel and auditors if they agree to hold it confidential, (c) in filings made under securities laws and (d) the parties to the Credit Agreement. Unless otherwise required by applicable law, each of the Administrator and the Issuer agrees to maintain the confidentiality of all information regarding IMO and its Subsidiaries, this Agreement and the other Transaction Documents (and all drafts hereof and thereof) in communications with third parties and otherwise; provided that such information may be disclosed to: (i) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to IMO, (ii) legal counsel and auditors of the Issuer or the Administrator if they agree to hold it confidential, (iii) the rating agencies rating the Notes to the extent such information relates to the Receivables Pool or the transactions contemplated by this Agreement, or if not so related, upon obtaining the prior consent of IMO (such consent not to be unreasonably withheld), (iv) any Program Support Provider or potential Program Support Provider to the extent such information relates to the Receivables Pool or the transactions contemplated by this Agreement, or if not so related, upon obtaining the prior written consent of IMO (such consent not to be unreasonably withheld), (v) any placement agent placing the Notes, and (vi) any regulatory authorities having jurisdiction over BNS, the Issuer any Program Support Provider or any Purchaser.

1. Section GOVERNING LAW AND JURISDICTION. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK

(INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF A SECURITY INTEREST OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

1. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK; AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH SERVICE MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

A. Section Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same agreement.

A. Section Survival of Termination. The provisions of Sections 1.8, 1.9, 3.1, 3.2, 5.4, 5.5, 5.6, 5.7, 5.8, 5.10 and 5.13 shall survive any termination of this Agreement.

A. Section WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. EACH OF THE PARTIES HERETO AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, EACH OF THE PARTIES HERETO FURTHER AGREES THAT ITS RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING THAT SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

A. Section Entire Agreement. This Agreement and the other Transaction Documents embody the entire agreement and understanding between the parties hereto, and supersede all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

A. Section Headings. The captions and headings of this Agreement and any Exhibit, Schedule or Annex hereto are for convenience of reference only and shall not affect the interpretation hereof or thereof.

A. Section Issuer's Liabilities. The obligations of the Issuer under the Transaction Documents are solely the corporate obligations of the Issuer. No recourse shall be had for any obligation or claim arising out of or based upon any Transaction Document against any stockholder, employee, officer, director or incorporator of the Issuer; provided, however, that this Section shall not relieve any such Person of any liability it might otherwise have for its own gross negligence or willful misconduct.

Receivables Purchase Agreement

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed

by their respective officers thereunto duly authorized, as of the date first above written.

IMO FUNDING COMPANY,
LLC,
as Seller

By:
Name: John A. Young
Title: Vice President

Address:
9211 Forest Hill Avenue
Suite 109
Richmond, Virginia 23235
Attention: John A. Young
Telephone: (804) 327-5673
Facsimile: (804) 327-5688

IMO INDUSTRIES INC.

By:
Name: John A. Young
Title: Vice President

Address:
997 Lenox Drive
Suite 111
Lawrence, New Jersey 08648
Attention: Thomas M. O'Brien
Telephone: (609) 896-7627
Facsimile: (609) 896-7633

LIBERTY STREET FUNDING CORP.
as Issuer

By:
Name:
Title:

Address:

Liberty Street Funding Corp.
c/o Global Securitization
Services, LLC

25 West 43rd Street, Suite 704
New York, New York 10036

Attention: Andrew L. Stidd
Telephone No.: (212) 302-8330
Facsimile No.: (212) 302-8767

With a copy to:

The Bank of Nova Scotia
One Liberty Plaza

New York, New York 10006

Attention: Dorothy

Poli

Telephone No.:

(212) 225-5000

Facsimile No.:

(212) 225-5090

THE BANK OF NOVA SCOTIA,

as Administrator

By:

Name: _____

Title: _____

Address:

The Bank of Nova Scotia

One Liberty Plaza

New York, New York 10006

Attention: Dorothy Poli

Telephone No.: (212) 225-5000

Facsimile No.: (212) 225-5090

EXHIBIT I

DEFINITIONS

As used in the Agreement (including its Exhibits, Schedules and Annexes), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined). Unless otherwise indicated, all Section, Annex, Exhibit and Schedule references in this Exhibit are to Sections of and Annexes, Exhibits and Schedules to the Agreement.

"Accrued Customer Rebate" means the aggregate current accrued amount recorded on the accounting ledgers of the Originators, which amount is owed to the Obligors as a result of discounts.

"Accrued Customer Rebate Reserve" means an amount equal to (i) prior to January 1, 2000, zero and (ii) on and after January 1, 2000, the Accrued Customer Rebate.

"Administration Account" means the account, account number 2158-13 of the Administrator maintained at the office of The Bank of Nova Scotia, or such other account as may be so designated in writing by the Administrator to the Servicer.

"Administrator" has the meaning set forth in the preamble to the Agreement.

"Adverse Claim" means a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement; it being understood that any thereof in favor of the Issuer or the Administrator (for the benefit of

the Issuer) shall not constitute an Adverse Claim.

"Affected Person" has the meaning set forth in Section 1.7 of the Agreement.

"Affiliate" means, as to any Person: (a) any Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person, or (b) who is a director or officer: (i) of such Person or (ii) of any Person described in clause (a), except that, with respect to the Issuer, Affiliate shall mean the holder(s) of its capital stock. For purposes of this definition, control of a Person shall mean the power, direct or indirect: (x) to vote 25% or more of the securities having ordinary voting power for the election of directors of such Person, or (y) to direct or cause the direction of the management and policies of such Person, in either case whether by ownership of securities, contract, proxy or otherwise.

"Agreement" has the meaning set forth in the preamble to the Agreement.

"Alternate Rate" for any Settlement Period for any Portion of Capital of the Purchased Interest means an interest rate per annum equal to: (a) the Applicable Margin plus the Eurodollar Rate or, in the sole discretion of the Administrator, (b) the Base Rate plus the Applicable Margin for such Settlement Period; provided, however, that the "Alternate Rate" for any day while a Termination Event exists shall be an interest rate equal to the greater (i) 1.0% per annum above the Base Rate in effect on such day or (ii) the Applicable Margin plus the Base Rate in effect on such day.

"Applicable Margin" has the meaning set forth in the Fee Letter.

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel, the reasonable allocated cost of internal legal services and all reasonable disbursements of internal counsel, which fees, disbursements and costs shall be set forth in reasonably detailed statements.

"Bankruptcy Code" means the United States Bankruptcy Reform Act of 1978 (11 U.S.C.ss. 101, et seq.), as amended from time to time.

"Base Rate" means, for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the higher of:

1. the rate of interest in effect for such day as publicly announced from time to time by BNS in New York, New York as its "reference rate". Such "reference rate" is set by BNS based upon various factors, including BNS's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate, and

1. 0.75% per annum above the latest Federal Funds Rate.

"Benefit Plan" means any employee benefit pension plan as defined in Section 3(2) of ERISA in respect of which the Seller, each Originator, IMO or any ERISA Affiliate is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"BNS" has the meaning set forth in the preamble to the Agreement

"Business Day" means any day (other than a Saturday or Sunday) on which: (a) banks are not authorized or required to close in New York, New York or Chicago, Illinois and (b) if this definition of "Business Day" is utilized in connection with the Eurodollar Rate, dealings are carried out in the London interbank market.

"Capital" means the amount paid to the Seller in respect of the Purchased Interest by the Issuer pursuant to the Agreement, or such amount divided or combined in order to determine the Discount applicable to any portion of Capital, in each case reduced from time to time by Collections distributed and applied on account of such Capital pursuant to Section 1.4(d) of the Agreement; provided, that if such Capital shall have been reduced by any distribution, and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution as though it had not been made.

"Change in Control" means that IMO ceases to own, directly or indirectly, 100% of the capital stock of the Seller free and clear of all Adverse Claims.

"Closing Date" means November 30, 1999.

"Collections" means, with respect to any Pool Receivable: (a) all funds that are received by any Originator, the Seller or the Servicer in payment of any amounts owed in respect of such Receivable (including purchase price, finance charges, interest and all other charges), or applied to amounts owed in respect of such Receivable (including insurance payments and net proceeds of the sale or other disposition of repossessed goods or other collateral or property of the related Obligor or any other Person directly or indirectly liable for the payment of such Pool Receivable and available to be applied thereon), (b) all Deemed Collections and (c) all other proceeds of such Pool Receivable.

"Collection Account" means that certain bank account numbered 3751450511 maintained at Bank of America, N.A. which is (i) identified as the "Imo Funding Company, LLC Collection Account," (ii) in the Seller's name, (iii) pledged, on a first-priority basis, to the Issuer pursuant to Section 1.2(d), and (iv) is governed by a Collection Account Agreement.

"Collection Account Agreement" means a letter agreement among the Seller, the Agent and the Collection Account Bank, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with the Agreement.

"Collection Account Bank" means the bank maintaining the Collection Account.

"Company Note" has the meaning set forth in Section 3.2 of the Purchase and Sale Agreement.

"Concentration Percentage" means: (a) for any Group A Obligor, 12%, (b) for any Group B Obligor, 12%, (c) for any Group C Obligor, 6% and (d) for any Group D Obligor, 3%; provided, however, that the Issuer may, with prior written consent from the Administrator and the Liquidity Agent, and if the Rating Agency Condition is satisfied, approve higher Concentration Percentages for selected Obligors.

"Contract" means, with respect to any Receivable, any and all contracts, instruments, agreements, leases, invoices, notes or other writings pursuant to which such Receivable arises or that evidence such Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Receivable.

"CP Rate" for any Settlement Period for any Portion of Capital of the Purchased Interest means, to the extent the Issuer funds such Portion of Capital by issuing Notes, a rate per annum equal to the sum of (i) the rate (or if more than one rate, the weighted average of the rates) at which Notes of the Issuer on each day during such period have been sold by any placement agent or commercial paper dealer selected by the Administrator on behalf of the Issuer during such Settlement Period to fund such Portion of Capital; provided, that if the rate (or rates) is a discount rate (or rates), then such rate shall be the

rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate (or rates) to an interest-bearing equivalent rate per annum, plus (ii) the commissions and charges charged by such placement agent or commercial paper dealer with respect to such Notes, expressed as a percentage of such face amount and converted to an interest-bearing equivalent rate per annum.

"Credit Agreement" means the Credit Agreement, dated as of August 29, 1997, (as amended, supplemented or otherwise modified from time to time) among IMO, Colfax Corporation (formerly known as II Acquisition Corp.), a Delaware corporation, BNS, as the administrative agent and the documentation agent, NationsBanc Capital Markets, Inc., as syndication agent and certain financial institutions from time to time parties thereto.

"Credit and Collection Policy" means, as the context may require, those receivables credit and collection policies and practices of each Originator in effect on the date of the Agreement and described in Schedule I to the Agreement, as modified in compliance with the Agreement.

"Days' Sales Outstanding" means, for any Reporting Period, an amount computed as of the last day of such Reporting Period equal to: (a) the average of the Outstanding Balance of all Pool Receivables as of the last day of each of the three most recent Reporting Periods ended on the last day of such Reporting Period, divided by (b) the aggregate amount of new Receivables generated by each Originator during the three Reporting Periods ended on or before the last day of such Reporting Period, multiplied by (c) 90.

"Debt" means, without duplication: (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar instruments, (c) obligations to pay the deferred purchase price of property or services, (d) obligations as lessee under leases that shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, and (e) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (d).

"Deemed Collections" has the meaning set forth in Section 1.4(e)(ii) of the Agreement.

"Default Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each Reporting Period by dividing: (a) the sum of (i) the aggregate Outstanding Balance (excluding credit balances) of all Pool Receivables as to which any payment, or part thereof, remained unpaid for more than 90 to and including 120 days from the original due date for such payment during such Reporting Period plus (ii) the aggregate Outstanding Balance of all Pool Receivables that remained unpaid for less than 91 days from the original due date and were written off as uncollectible during such Reporting Period, by (b) the aggregate credit sales made by each Originator during the Reporting Period that is five Reporting Periods before such Reporting Period.

"Defaulted Receivable" means a Receivable:

(a) as to which any payment, or part thereof, remains unpaid for more than 90 days from the original due date for such payment, or

(b) without duplication (i) as to which an Event of Bankruptcy shall have occurred with respect to the Obligor thereof or any other Person obligated thereon or owning any Related Security with respect thereto, or (ii) which has been, or, consistent with the Credit and Collection Policy would be, written off the Seller's books as uncollectible.

"Delinquency Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each Reporting Period by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables on such day by (b) the Net Receivables Pool Balance on such day.

"Delinquent Receivable" means a Receivable (other than a Defaulted Receivable) as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment.

"Dilution Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each Reporting Period by dividing: (a) the aggregate amount of payments made or owed by the Seller pursuant to Section 1.4(e)(i) of the Agreement during such calendar month (other than Accrued Customer Rebate) by (b) the aggregate credit sales made by each Originator during the Reporting Period that is two Reporting Periods before such Reporting Period.

"Dilution Reserve" means, on any day, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b) (i) the Dilution Reserve Percentage, divided by (ii) 1 minus the Dilution Reserve Percentage.

"Dilution Reserve Percentage" means (a) 2.5%,; provided, however, if the Dilution Ratio is equal to or greater than 6% then (b) 5.0%.

"Discount" means:

(a) for the Portion of Capital for any Settlement Period to the extent the Issuer will be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

$$\text{CPR} \times \text{C} \times \text{ED}/360$$

(b) for the Portion of Capital for any Settlement Period to the extent the Issuer will not be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

$$\text{AR} \times \text{C} \times \text{ED}/\text{Year} + \text{TF}$$

where:

AR = the Alternate Rate for the Portion of Capital for such Settlement Period,

C = the relevant Portion of Capital during such Settlement Period,

CPR = the CP Rate for the Portion of Capital,

ED = the actual number of days during such Settlement Period,

Year = if such Portion of Capital is funded based upon: (i) the Eurodollar Rate, 360 days, and (ii) the Base Rate, 365 or 366 days, as applicable, and

TF = the Termination Fee, if any, for the Portion of Capital for such Settlement Period;

provided, however, that during the occurrence and continuance of a Termination Event, the CP Rate shall not be available and Discount for the Portion of Capital shall be determined for each day in a Settlement Period using a rate

equal to the Base Rate in effect on such day plus 1.0%; provided, further, that no provision of the Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided further, that Discount for the Portion of Capital shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

"Eligible Receivable" means, at any time, a Pool Receivable:

(a) the Obligor of which is (i) a United States resident; provided, however, if the Obligor of such Receivable is a resident of a jurisdiction other than the United States, such Receivable shall satisfy the requirements of this clause (a)(i) if the aggregate Outstanding Balance of all Pool Receivables of such Obligor that are Eligible Receivables when added to the aggregate Outstanding Balance of all other Eligible Receivables of the Obligors that are not residents of the United States shall not exceed 5% of the Net Receivables Pool Balance at such time, (ii) not a government or a governmental subdivision, affiliate or agency; provided, however, if the Obligor of such Receivable is a government or a governmental subdivision, affiliate or agency, such Receivable shall satisfy the requirements of this clause (a)(ii) if the aggregate Outstanding Balance of all Pool Receivables of such Obligor that are Eligible Receivables when added to the aggregate Outstanding Balance of all other Eligible Receivables of the Obligors that are governments or governmental subdivisions, affiliates or agencies shall not exceed 7.5% of the Net Receivables Pool Balance at such time, (iii) not subject to any action of the type described in paragraph (f) of Exhibit V to the Agreement and (iv) not an Affiliate of IMO or any Affiliate of IMO,

(b) that is denominated and payable only in U.S. dollars in the United States,

(c) that does not have a stated maturity which is more than 30 days after the original invoice date of such Receivable,

(d) that arises under a duly authorized Contract for the sale and delivery of goods and services in the ordinary course of each Originator's business,

(e) that arises under a duly authorized Contract that is in full force and effect and that is a legal, valid and binding obligation of the related Obligor, enforceable against such Obligor in accordance with its terms,

(f) that conforms in all material respects with all applicable laws, rulings and regulations in effect,

(g) that is not the subject of any asserted dispute, offset, hold back defense, Adverse Claim or other claim,

(h) that satisfies all applicable requirements of the Credit and Collection Policy,

(i) that has not been modified, waived or restructured since its creation, except as permitted pursuant to Section 4.2 of the Agreement,

(j) in which the Seller owns good and marketable title, free and clear of any Adverse Claims, and that is freely assignable by the Seller (including without any consent of the related Obligor),

(k) for which the Issuer shall have a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, and a valid and enforceable first priority perfected

security interest therein and in the Related Security and Collections with respect thereto, in each case free and clear of any Adverse Claim,

(l) that constitutes an account as defined in the UCC, and that is not evidenced by instruments or chattel paper,

(m) that is not a Defaulted Receivable,

(n) for which none of the Originators, the Seller nor the Servicer has established any offset arrangements with the related Obligor,

(o) for which the sum of Delinquent Receivables and Defaulted Receivables of the related Obligor do not exceed 25% of the Outstanding Balance of all such Obligor's Receivables, and

(p) that represents amounts earned and payable by the Obligor that are not subject to the performance of additional services by any Originator.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA Affiliate" means: (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Seller, Servicer or any Originator, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the Seller, Servicer or any Originator, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as the Seller, Servicer, any Originator, any corporation described in clause (a) or any trade or business described in clause (b).

"Eurodollar Rate" means, for any Settlement Period, an interest rate per annum (rounded upward to the nearest 1/16th of 1%) determined pursuant to the following formula:

LIBOR

100% - Eurodollar Rate Reserve Percentage

where "Eurodollar Rate Reserve Percentage" means, for any Settlement Period, the maximum reserve percentage (expressed as a decimal, rounded upward to the nearest 1/100th of 1%) in effect on the date LIBOR for such Settlement Period is determined under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to "Eurocurrency" funding (currently referred to as "Eurocurrency liabilities") having a term comparable to such Settlement Period.

"Event of Bankruptcy" means (a) any case, action or proceeding before any court or other governmental authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors or (b) any general assignment for the benefit of creditors of a Person, composition, marshalling of assets for creditors of a Person, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each of cases (a) and (b) undertaken under U.S. Federal, state or foreign law, including the U.S. Bankruptcy Code.

"Excess Concentration" means the sum of the amounts by which the Outstanding Balance of Eligible Receivables of each Obligor then in the

Receivables Pool exceeds an amount equal to: (a) the Concentration Percentage, for such Obligor, multiplied by (b) the Outstanding Balance of all Eligible Receivables then in the Receivables Pool.

"Facility Termination Date" means the earliest to occur of: (a) November 30, 2004, (b) the date determined pursuant to Section 2.2 of the Agreement, (c) the date the Purchase Limit reduces to zero pursuant to Section 1.1(b) of the Agreement and (d) the date that the commitments of the Purchasers terminate under the Liquidity Agreement.

"Federal Funds Rate" means, for any day, the per annum rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such day opposite the caption "Federal Funds (Effective)." If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotations") for such day under the caption "Federal Funds Effective Rate." If on any relevant day the appropriate rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by the Administrator of the rates for the last transaction in overnight Federal funds arranged before 9:00 a.m. (New York time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrator.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

"Fee Letter" has the meaning set forth in Section 1.5 of the Agreement.

"Fees" means the fees payable by the Seller to the Administrator pursuant to the Fee Letter.

"GAAP" means the generally accepted United States accounting principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors and successors from time to time.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Group A Obligor" means any Obligor with a short-term rating of at least: (a) "A-1" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "A+" or better by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-1" by Moody's, or if such Obligor does not have a short-term rating from Moody's, "A1" or better by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group B Obligor" means an Obligor, not a Group A Obligor with a short-term rating of at least: (a) "A-2" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "BBB+" to "A" by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-2" by Moody's, or if such Obligor does not have a short-term rating from Moody's, "Baa1" to "A2" by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group B Obligor Percentage" means, at any time, for each Group B Obligor,

the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group B Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group C Obligor" means an Obligor, not a Group A Obligor or Group B Obligor, with a short-term rating of at least: (a) "A-3" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "BBB-" to "BBB" by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-3" by Moody's, or if such Obligor does not have a short-term rating from Moody's, "Baa3" to "Baa2" by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities."

"Group C Obligor Percentage" means, at any time, for each Group C Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group C Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group D Obligor" means any Obligor that is not a Group A Obligor, Group B Obligor or Group C Obligor.

"Group D Obligor Percentage" means, at any time, for each Group D Obligor: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group D Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"IMO" has the meaning set forth in the preamble to the Agreement.

"Impermissible Qualification" means, relative to the opinion or certification of any independent public accountant as to any financial statement of Seller, Servicer, any Originator or any other Subsidiary or Affiliate of Servicer, any qualification or exception to such opinion or certification:

(i) which is of a "going concern" or similar nature; or

(ii) which relates to the limited scope of examination of matters relevant to such financial statement (other than any standard qualification of such nature).

"Indemnified Amounts" has the meaning set forth in Section 3.1 of the Agreement.

"Indemnified Party" has the meaning set forth in Section 3.1 of the Agreement.

"Independent Director" has the meaning set forth in paragraph 3(c) of Exhibit IV to the Agreement.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of the Internal Revenue Code also refer to any successor sections.

"Issuer" has the meaning set forth in the preamble to the Agreement.

"Issuer's Share" of any amount means such amount multiplied by the Purchased Interest at the time of determination.

"LIBOR" means the rate of interest per annum determined by the Administrator to be the arithmetic mean (rounded upward to the nearest 1/16th of

1%) of the rates of interest per annum notified to the Administrator by the Reference Bank as the rate of interest at which dollar deposits in the approximate amount of the Portion of Capital to be funded at the Eurodollar Rate during such Settlement Period would be offered by major banks in the London interbank market to such Reference Bank at its request at or about 11:00 a.m. (London time) on the second Business Day before the commencement of such Settlement Period.

"Liquidity Agent" means BNS in its capacity as the Liquidity Agent pursuant to the Liquidity Agreement.

"Liquidity Agreement" means the Liquidity Asset Purchase Agreement, dated as of November 29, 1999, among the purchasers from time to time party thereto, the Issuer and BNS, as Administrator and Liquidity Agent, as the same may be further amended, supplemented or otherwise modified from time to time.

"Lock-Box Account" means an account maintained at a bank or other financial institution for the purpose of receiving Collections.

"Lock-Box Agreement" means an agreement, in substantially the form of Annex C to the Agreement, among the Seller, the Servicer and a Lock-Box Bank.

"Lock-Box Bank" means any of the banks or other financial institutions holding one or more Lock-Box Accounts.

"Loss Reserve" means, on any date, an amount equal to (a) the Capital at the close of business of the Servicer on such date multiplied by (b) (i) the Loss Reserve Percentage on such date divided by (ii) 1 minus the Loss Reserve Percentage on such date.

"Loss Reserve Percentage" means, on any date, the greater of: (a) 12.0%, (b) 2 times the Delinquency Ratio and (c) (i) the product of (x) 2 times the highest average of the Default Ratios for any three consecutive Reporting Periods during the thirteen most recent Reporting Periods multiplied by (y) the aggregate credit sales made during the five most recent Reporting Periods divided by (ii) the Net Receivables Pool Balance on such date.

"Material Adverse Effect" means, relative to any Person with respect to any event or circumstance, a material adverse effect on:

(a) the assets, operations, business or financial condition of such Person and its consolidated Subsidiaries, taken as a whole,

(b) the ability of any such Person to perform its obligations under the Agreement or any other Transaction Document to which it is a party,

(c) the validity or enforceability of any other Transaction Document, or the validity, enforceability or collectibility of a material portion of the Pool Receivables, or

(d) the status, perfection, enforceability or priority of the Issuer's or the Seller's interest in the Pool Assets.

"Monthly Report" means a report, in substantially the form of Annex A to the Agreement, furnished to the Administrator pursuant to the Agreement.

"Moody's" means Moody's Investors Service, Inc.

"Net Receivables Pool Balance" means, at any time: (a) the Outstanding Balance of Eligible Receivables then in the Receivables Pool, minus (b) the Excess Concentration.

"Notes" means short-term promissory notes issued, or to be issued, by the

Issuer to fund its investments in accounts receivable or other financial assets.

"Obligor" means, with respect to any Receivable, the Person obligated to make payments pursuant to the Contract relating to such Receivable.

"Originator" has the meaning set forth in the Purchase and Sale Agreement.

"Originator Assignment Certificate" means the assignment, in substantially the form of Exhibit E to the Purchase and Sale Agreement, evidencing Seller's ownership of the Receivables generated by each Originator, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with the Sale Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Payment Date" has the meaning set forth in Section 1.4 of the Purchase and Sale Agreement.

"Permitted Investments" means certificates of deposit that are not represented by instruments, have a maturity of one week or less and are issued by the Collection Account Bank (with respect to the investment of funds in the Collection Account) or The Bank of Nova Scotia; provided, however, that the Administrator on behalf of Issuer may, from time to time, upon the later of (x) three Business Days' prior written notice to Servicer and (y) the end of the current maturity period with respect to certificates of deposits invested prior to the Servicer's receipt of such notice, remove from the scope of "Permitted Investments" certificates of deposit of any such bank(s) and with the prior consent of the Servicer (which consent shall not be unreasonably withheld) specify to be within such scope, certificates of deposit of any other bank.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Pool Assets" has the meaning set forth in Section 1.2(d) of the Agreement.

"Pool Receivable" means a Receivable in the Receivables Pool.

"Portion of Capital" means any separate portion of Capital being funded or maintained by the Issuer (or its successors or permitted assigns) by reference to a particular interest rate basis.

"Program Support Agreement" means and includes the Liquidity Agreement and any other agreement entered into by any Program Support Provider providing for: (a) the issuance of one or more letters of credit for the account of the Issuer, (b) the issuance of one or more surety bonds for which the Issuer is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, (c) the sale by the Issuer to any Program Support Provider of the Purchased Interest (or portions thereof) and/or (d) the making of loans and/or other extensions of credit to the Issuer in connection with the Issuer's Receivables-securitization program contemplated in the Agreement, together with any letter of credit, surety bond or other instrument issued thereunder (but excluding any discretionary advance facility provided by the Administrator).

"Program Support Provider" means and includes any Purchaser and any other Person (other than any customer of the Issuer) now or hereafter extending credit or having a commitment to extend credit to or for the account of, or to make purchases from, the Issuer pursuant to any Program Support Agreement.

"Purchase and Sale Agreement" means the Purchase and Sale Agreement, dated

as of November 29, 1999 among the Seller, the Originators named therein and IMO, as such agreement may be amended, amended and restated, supplement or otherwise modified from time to time.

"Purchase and Sale Indemnified Amounts" has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

"Purchase and Sale Indemnified Party" has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

"Purchase and Sale Termination Date" has the meaning set forth in Section 1.4 of the Purchase and Sale Agreement.

"Purchase and Sale Termination Event" has the meaning set forth in Section 8.1 of the Purchase and Sale Agreement.

"Purchase Facility" has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

"Purchase Limit" means \$35,000,000, as such amount may be reduced pursuant to Section 1.1(b) of the Agreement. References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the then outstanding Capital.

"Purchase Price" has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

"Purchase Report" has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

"Purchased Interest" means, at any time, the undivided percentage ownership interest in: (a) each and every Pool Receivable now existing or hereafter arising, (b) all Related Security with respect to such Pool Receivables and (c) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security. Such undivided percentage interest shall be computed as:

Capital + Total Reserves

Net Receivables Pool Balance

The Purchased Interest shall be determined from time to time pursuant to Section 1.3 of the Agreement.

"Purchaser" has the meaning set forth in Section 5.3(b) of the Agreement.

"Rating Agencies" means Moody's and Standard & Poor's.

"Rating Agency Condition" means, with respect to any event or occurrence, receipt by the Issuer of written confirmation from Standard & Poor's and Moody's that such event or occurrence shall not cause the rating on the then outstanding Notes to be downgraded or withdrawn.

"Receivable" means any indebtedness and other obligations owed to the Seller as assignee of each Originator or such Originator by, or any right of the Seller or such Originator to payment from or on behalf of, an Obligor whether constituting an account, chattel paper, instrument or general intangible arising in connection with the sale of goods or the rendering of services by such Originator, and includes the obligation to pay any finance charges, fees and other charges with respect thereto.

"Receivables Pool" means, at any time, all of the then outstanding Receivables purchased or purported to be purchased by the Seller pursuant to the

Purchase and Sale Agreement prior to the Facility Termination Date.

"Reference Bank" means BNS.

"Related Rights" has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

"Related Security" means, with respect to any Receivable:

(a) all of the Seller's, and each Originator's interest in any goods (including returned goods), and documentation of title evidencing the shipment or storage of any goods (including returned goods), relating to any sale giving rise to such Receivable,

(b) all instruments and chattel paper that may evidence such Receivable,

(c) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all UCC financing statements or similar filings relating thereto, and

(d) all of the Seller's and each Originator's rights, interests and claims under the Contracts and all guaranties, indemnities, insurance and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable, whether pursuant to the Contract related to such Receivable or otherwise.

"Reporting Period" means each period commencing on the first day of Seller's fiscal month and ending on the last day of such fiscal month.

"Seller" has the meaning set forth in the preamble to the Agreement.

"Seller's Share" of any amount means the greater of: (a) \$0 and (b) such amount minus the Issuer's Share.

"Servicer" has the meaning set forth in the preamble to the Agreement.

"Servicing Fee" shall mean the fee referred to in Section 4.6 of the Agreement.

"Servicing Fee Rate" shall mean the rate referred to in Section 4.6 of the Agreement.

"Servicing Fee Reserve" at any time means the sum of (a) the then accrued and unpaid Servicing Fee plus (b) the product of (i) the Outstanding Balance of Pool Receivables at such time, times (ii) the product of (x) the Servicing Fee Rate multiplied by (y) a fraction, the numerator of which is 1.5 times the Days' Sales Outstanding (calculated on the last day of the most recent preceding Reporting Period) and the denominator of which is 360.

"Settlement Date" means (a) prior to the Facility Termination Date, the last day of each calendar month (or if such day is not a Business Day, then the next following Business Day) and (b) on and after the Facility Termination Date, each day selected from time to time by the Administrator (it being understood that the Administrator may select such Settlement Date to occur as frequently as daily), or, in the absence of any such selection, the day which would be the Settlement Date for such Portion of Capital pursuant to clause (a) of this definition.

"Settlement Period" means, with respect to each Portion of Capital of the

Purchased Interest: (a) with respect to any Portion of Capital funded by the issuance of Notes, (i) initially the period commencing on (and including) the date of the initial purchase or funding of such Portion of Capital and ending on (and including) the last day of the current calendar month, and (ii) thereafter, each period commencing on (and including) the first day after the last day of the immediately preceding Settlement Period for such Portion of Capital and ending on (and including) the last day of the current calendar month; and (b) with respect to any Portion of Capital not funded by the issuance of Notes, (i) initially the period commencing on (and including) the date of the initial purchase or funding of such Portion of Capital and ending on (but excluding) the next following Settlement Date, and (ii) thereafter, each period commencing on a Settlement Date and ending on (but excluding) the next following Settlement Date; provided, that

(i) any Settlement Period (other than of one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day; provided, however, if Discount in respect of such Settlement Period is computed by reference to the Eurodollar Rate, and such Settlement Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Settlement Period shall end on the next preceding Business Day;

(ii) in the case of any Settlement Period for any Portion of Capital of the Purchased Interest which commences before the Facility Termination Date and would otherwise end on a date occurring after the Facility Termination Date, such Settlement Period shall end on such Facility Termination Date and the duration of each Settlement Period which commences on or after the Facility Termination Date shall be of such duration as shall be selected by the Administrator; and

(iii) any Settlement Period in respect of which Discount is computed by reference to the CP Rate may be terminated at the election of, and upon notice thereof to the Seller, by the Administrator any time, in which case the Portion of Capital allocated to such terminated Settlement Period shall be allocated to a new Settlement Period commencing on (and including) the date of such termination and ending on (but excluding) the next following Settlement Date, and shall accrue Discount at the Alternate Rate and based on the Base Rate.

"Solvent" means, with respect to any Person at any time, a condition under which:

(i) the fair value and present fair saleable value of such Person's total assets is, on the date of determination, greater than such Person's total liabilities (including contingent and unliquidated liabilities) at such time;

(ii) the fair value and present fair saleable value of such Person's assets is greater than the amount that will be required to pay such Person's probable liability on its existing debts as they become absolute and matured ("debts," for this purpose, includes all legal liabilities, whether matured or unmatured, liquidated or unliquidated, absolute, fixed, or contingent);

(iii) such Person is and shall continue to be able to pay all of its liabilities as such liabilities mature; and

(iv) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

For purposes of this definition:

(A) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(B) the "fair value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value;

(C) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to purchase such asset under ordinary selling conditions; and

(D) the "present fair saleable value" of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm's-length transaction in an existing and not theoretical market.

"Standard & Poor's" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Subsidiary" means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock of each class or other interests having ordinary voting power (other than stock or other interests having such power only by reason of the happening of a contingency) to elect a majority of the Board of Directors or other managers of such entity are at the time owned, or management of which is otherwise controlled: (a) by such Person, (b) by one or more Subsidiaries of such Person or (c) by such Person and one or more Subsidiaries of such Person.

"Termination Day" means: (a) each day on which the conditions set forth in Section 2 of Exhibit II to the Agreement are not satisfied or (b) each day that occurs on or after the Facility Termination Date.

"Termination Event" has the meaning specified in Exhibit V to the Agreement.

"Termination Fee" means, for any Settlement Period during which a Termination Day occurs, the amount, if any, by which: (a) the additional Discount (calculated without taking into account any Termination Fee or any shortened duration of such Settlement Period pursuant to the definition thereof) that would have accrued during such Settlement Period on the reductions of Capital relating to such Settlement Period had such reductions not been made, exceeds (b) the income, if any, received by the Issuer from investing the proceeds of such reductions of Capital, as determined by the Administrator, which determination shall be binding and conclusive for all purposes, absent manifest error.

"Total Reserves" means, at any time the sum of : (a) the Yield Reserve, plus (b) Servicing Fee Reserve, plus (c) the Loss Reserve, plus (d) the Dilution Reserve, plus (e) the Accrued Customer Rebate Reserve.

"Transaction Documents" means the Agreement, the Lock-Box Agreement(s) and the Collection Account Agreement, the Fee Letter, the Purchase and Sale Agreement and all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered under or in connection with the Agreement, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the Agreement.

"UCC" means the Uniform Commercial Code as from time to time in effect in

the applicable jurisdiction.

"Unmatured Purchase and Sale Termination Event" means any event which, with the giving of notice or lapse of time, or both, would become a Purchase and Sale Termination Event.

"Unmatured Termination Event" means an event that, with the giving of notice or lapse of time, or both, would constitute a Termination Event.

"Yield Reserve" means, at any time:

$$\frac{(BR \times 1.5(DSO) \times \text{Capital})}{360}$$

where:

BR = the Base Rate in effect at such time, and

DSO = Days' Sales Outstanding.

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9. Unless the context otherwise requires, "or" means "and/or," and "including" (and with correlative meaning "include" and "includes") means including without limiting the generality of any description preceding such term.

EXHIBIT II

CONDITIONS OF PURCHASES

I. Conditions Precedent to Initial Purchase. The initial purchase under this Agreement is subject to the following conditions precedent that the Administrator shall have received on or before the date of such purchase, each in form and substance (including the date thereof) satisfactory to the

Administrator:

A. A counterpart of the Agreement and the other Transaction Documents executed by the parties thereto.

A. Certified copies of: (i) the resolutions of the Board of Directors of each of the Seller, the Servicer and each Originator authorizing the execution, delivery and performance by the Seller, the Servicer and such Originator, as the case may be, of the Agreement and the other Transaction Documents to which it is a party; (ii) all documents evidencing other necessary organizational or corporate action and governmental approvals, if any, with respect to the Agreement and the other Transaction Documents and (iii) the certificate of incorporation and by-laws or the limited liability company agreement, as applicable, of the Seller, the Servicer and such Originator.

A. A certificate of the Secretary or Assistant Secretary of the Seller, the Servicer and each Originator certifying the names and true signatures of its officers who are authorized to sign the Agreement and the other Transaction Documents. Until the Administrator receives a subsequent incumbency certificate from the Seller, the Servicer and such Originator, as the case may be, the Administrator shall be entitled to rely on the last such certificate delivered to it by the Seller, the Servicer and such Originator, as the case may be.

A. Acknowledgment copies, or time stamped receipt copies, of proper financing statements, duly filed on or before the date of such initial purchase under the UCC of all jurisdictions that the Administrator may deem necessary or desirable in order to perfect the interests of the Seller and the Issuer contemplated by the Agreement, the Purchase and Sale Agreement and the Sale Agreement.

A. Acknowledgment copies, or time-stamped receipt copies, of proper financing statements, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by any Originator or the Seller.

A. Completed UCC search reports, dated on or shortly before the date of the initial purchase hereunder, listing the financing statements filed in all applicable jurisdictions referred to in subsection (e) above that name, any Originator or the Seller as debtor, together with copies of such other financing statements, and similar search reports with respect to judgment liens, federal tax liens and liens of the Pension Benefit Guaranty

Corporation in such jurisdictions, as the Administrator may reasonably request, showing no Adverse Claims on any Pool Assets.

A. copies of the executed (i) Lock-Box Agreement with the Lock-Box Bank and (ii) Collection Account Agreement with the Collection Account Bank.

A. Favorable opinions, in form and substance reasonably satisfactory to the Administrator, of Hogan & Hartson LLP, special counsel for Seller, Servicer and each Originator.

A. Satisfactory results of a review and audit (performed by representatives of the Administrator) of the Servicer's collection, operating and reporting systems, the Credit and Collection Policy of each Originator, historical receivables data and accounts, including satisfactory results of a review of the Servicer's operating location(s) and satisfactory review and approval of the Eligible Receivables in existence on the date of the initial purchase under the Agreement.

A. A pro forma Monthly Report representing the performance of the Receivables Pool for the Reporting Period before closing.

A. Evidence of payment by the Seller of all accrued and unpaid fees (including those contemplated by the Fee Letter), costs and expenses to the extent then due and payable on the date thereof, including any such costs, fees and expenses arising under or referenced in Section 5.4 of the Agreement

and the Fee Letter.

A. The Fee Letter duly executed by the Seller and the Servicer.

A. Good standing certificates with respect to each of the Seller, each Originator and the Servicer issued by the Secretary of State (or similar official) of the state of each such Person's organization and principal place of business.

A. Letters from each of the rating agencies then rating the Notes confirming the rating of such Notes after giving effect to the transaction contemplated by the Agreement.

A. The Liquidity Agreement and all other Transaction Documents duly executed by the parties thereto.

A. A file (computer generated or otherwise) containing all information with respect to the Receivables as the Administrator or the Issuer may reasonably request.

A. Such other approvals, opinions or documents as the Administrator or the Issuer may reasonably request.

I. Conditions Precedent to All Purchases and Reinvestments. Each purchase (except as to clause (a), including the initial purchase) and each reinvestment shall be subject to the further conditions precedent that:

A. in the case of each purchase, the Servicer shall have delivered to the Administrator on or before such purchase, in form and substance satisfactory to the Administrator, a completed pro forma Monthly Report to reflect the level of Capital and related reserves after such subsequent

purchase; and

A. on the date of such purchase or reinvestment the following statements shall be true (and acceptance of the proceeds of such purchase or reinvestment shall be deemed a representation and warranty by the Seller that such statements are then true):

1. the representations and warranties contained in Exhibit III to the Agreement are true and correct in all material respects on and as of the date of such purchase or reinvestment as though made on and as of such date; and

1. no event has occurred and is continuing, or would result from such purchase or reinvestment, that constitutes a Termination Event or an Unmatured Termination Event.

EXHIBIT III

REPRESENTATIONS AND WARRANTIES

1. Representations and Warranties of the Seller. The Seller represents and warrants as follows:

A. The Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business and is in good standing as a foreign limited liability company in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to be

so qualified would not have a Material Adverse Effect.

A. The execution, delivery and performance by the Seller of the Agreement and the other Transaction Documents to which it is a party, including its use of the proceeds of purchases and reinvestments: (i) are within its organizational powers; (ii) have been duly authorized by all necessary organizational action; (iii) do not contravene or result in a default under or conflict with: (A) its certificate of formation, limited liability company agreement or any other organizational document of the Seller, (B) any law, rule or regulation applicable to it, (C) any indenture, loan agreement, mortgage, deed of trust or other agreement or instrument to

which it is a party or by which it is bound, or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property; and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which it is a party have been duly executed and delivered by the Seller.

A. No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for its due execution, delivery and performance by the Seller of the Agreement or any other Transaction Document to which it is a party, other than the Uniform Commercial Code filings referred to in Exhibit II to the Agreement, all of which shall have been filed on or before the date of the first purchase

hereunder.

A. Each of the Agreement and the other Transaction Documents to which the Seller is a party constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of

equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

B. There is no pending or, to Seller's best knowledge, threatened action or proceeding affecting Seller or any of its properties before any Governmental Authority or arbitrator.

A. No proceeds of any purchase or reinvestment will be used by the Seller to acquire any equity security of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

A. The Seller is the legal and beneficial owner of the Pool Receivables and Related Security, free and clear of any Adverse Claim. Upon each purchase or reinvestment, the Issuer shall acquire a valid and enforceable perfected undivided percentage ownership or security interest, to

the extent of the Purchased Interest, in each Pool Receivable then existing or thereafter arising and in the Related Security, Collections and other proceeds with respect thereto, free and clear of any Adverse Claim. The Agreement creates a security interest in favor of the Issuer in the Pool

Assets, and the Issuer has a first priority perfected security interest in the Pool Assets, free and clear of any Adverse Claims. No effective financing statement or other instrument similar in effect covering any Pool Asset is on

file in any recording office, except those filed in favor of the Seller pursuant to the Purchase and Sale Agreement and the Issuer relating to the

Agreement.

A. Each Monthly Report (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or an Affiliate), information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Seller to the Administrator in connection with the Agreement or any other Transaction Document to which it is a party is or will be complete and accurate in all material respects as of its date or as of the

date so furnished,

A. The Seller's principal place of business and chief executive office (as such terms are used in the UCC) and the office where it keeps its records concerning the Receivables are located at the address referred to in Sections 1(b) and 2(b) of Exhibit IV to the Agreement.

A. The names and addresses of all the Lock-Box Banks, together with the account numbers of the Lock-Box Accounts at such Lock-Box Banks, are

specified in Schedule II to the Agreement (or at such other Lock-Box Banks and/or with such other Lock-Box Accounts as have been notified to the Administrator in accordance with the Agreement) and all Lock-Box Accounts are subject to Lock-Box Agreements.

A. The Seller is not in violation of any order of any court, arbitrator or Governmental Authority.

B. No proceeds of any purchase or reinvestment will be used for any purpose that violates any applicable law, rule or regulation, including Regulations G or U of the Federal Reserve Board.

A. Each Pool Receivable included as an Eligible Receivable in the calculation of the Net Receivables Pool Balance is an Eligible Receivable.

A. No event has occurred and is continuing, or would result from a purchase in respect of, or reinvestment in respect of, the Purchased Interest or from the application of the proceeds therefrom, that constitutes a Termination Event or an Unmatured Termination Event.

A. The Seller has complied in all material respects with the Credit and Collection Policy of each Originator with regard to each Receivable originated by such Originator.

A. The Seller has complied in all material respects with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents that are applicable to it.

A. The Seller's complete organizational name is set forth in the preamble to the Agreement, and it does not use and has not during the last five years used any other organizational name, trade name, doing-business name or fictitious name, except as set forth on Schedule III to the Agreement and except for names first used after the date of the Agreement and set forth

in a notice delivered to the Administrator pursuant to Section 1(k)(iv) of Exhibit IV to the Agreement.

A. The Seller is not an "investment company," or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. In addition, the Seller is not a "holding company," a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as

amended.

(s) The Seller reasonably believes that all internal computer operations that are material to its business operations will be able to perform properly date sensitive functions for all dates before, on and after January 1, 2000, except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

2. Representations and Warranties of IMO (including in its capacity as the Servicer). IMO, individually and in its capacity as the Servicer, represents and warrants as follows:

A. IMO is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business and is in good standing as a foreign corporation in every jurisdiction where the nature of its business requires it to be so qualified,

except where the failure to be so qualified would not have a Material Adverse Effect.

A. The execution, delivery and performance by IMO of the Agreement and the other Transaction Documents to which it is a party, including the Servicer's use of the proceeds of purchases and reinvestments: (i) are within its corporate powers; (ii) have been duly authorized by all necessary corporate action; (iii) do not contravene or result in a default under or conflict with: (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, (C) any indenture, loan agreement, mortgage, deed of trust or other material agreement or instrument to which it is a party or by which

it is bound, or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property; and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of

its properties. The Agreement and the other Transaction Documents to which IMO is a party have been duly executed and delivered by IMO.

A. No authorization, approval or other action by, and no notice to or filing with any Governmental Authority or other Person, is required for the due execution, delivery and performance by IMO of the Agreement or any other Transaction Document to which it is a party, other than the Uniform Commercial Code filings referred to in Exhibit II to the Agreement, all of

which shall have been filed on or before the date of the first purchase hereunder.

A. Each of the Agreement and the other Transaction Documents to which IMO is a party constitutes the legal, valid and binding obligation of IMO enforceable against IMO in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or

other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at

law.

A. The balance sheets of IMO and its consolidated Subsidiaries as at December 31, 1998, and the related statements of income and retained earnings for the fiscal year then ended, copies of which have been furnished to the Administrator, fairly present the financial condition of IMO and its consolidated Subsidiaries as at such date and the results of the operations

of IMO and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since December 31, 1998 there has been no event or circumstances which have had a Material Adverse Effect.

A. Except as disclosed in the most recent audited financial statements of IMO furnished to the Administrator, there is no pending or, to its best knowledge, threatened action or proceeding affecting it or any of its Subsidiaries before any Governmental Authority or arbitrator that could have a Material Adverse Effect.

A. Each Monthly Report (if prepared by IMO or one of its Affiliates, or to the extent that information contained therein is supplied by IMO or an Affiliate), information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Servicer to the Administrator in connection with the Agreement is or will be complete and accurate in all material respects as of its date

or (except as otherwise disclosed to the Administrator at such time) as of the date so furnished.

A. IMO is not in violation of any order of any court, arbitrator or Governmental Authority, which could have a Material Adverse Effect.

A. The Servicer has complied in all material respects with the Credit and Collection Policy of each Originator with regard to each Receivable originated by such Originator.

(j) IMO reasonably believes that all internal computer operations that are material to its business operations will be able to perform properly date

sensitive functions for all dates before, on and after January 1, 2000, except to the extent that a failure to do so could not reasonably be expected

to have a Material Adverse Effect.

EXHIBIT IV

COVENANTS

1. Covenants of the Seller. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

A. Compliance with Laws, Etc. The Seller shall comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its organizational existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

A. Offices, Records and Books of Account, Etc. The Seller: (i) shall keep its principal place of business and chief executive office (as such terms or similar terms are used in the UCC) and the office where it keeps its records concerning the Receivables at the address of the Seller set

forth under its name on the signature page to the Agreement or, pursuant to clause (k)(iv) below, at any other locations in jurisdictions where all

actions reasonably requested by the Administrator to protect and perfect the interest of the Issuer in the Receivables and related items (including the

Pool Assets) have been taken and completed and (ii) shall provide the Administrator with at least 30 days' written notice before making any change in the Seller's name or making any other change in the Seller's identity or

organizational structure (including a Change in Control) that could render any UCC financing statement filed in connection with this Agreement

"seriously misleading" as such term (or similar term) is used in the UCC; each notice to the Administrator pursuant to this sentence shall set forth the applicable change and the effective date thereof. The Seller also will

maintain and implement (or cause the Servicer to maintain and implement) administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain (or cause the Servicer to keep and maintain) all documents, books, records, computer tapes

and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

A. Performance and Compliance with Contracts and Credit and Collection Policy. The Seller shall (and shall cause the Servicer to) fully comply in all material respects with the applicable Credit and Collection Policies with regard to each Receivable and the related Contract.

A. Ownership Interest, Etc. The Seller shall (and shall cause the Servicer to), at its expense, take all action necessary or desirable to establish and maintain a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, in the Pool Receivables, the Related Security and Collections with respect thereto, and a first priority perfected security interest in the Pool Assets, in each case free and clear of any Adverse Claim, in favor of the Issuer, including taking such action to perfect, protect or more fully evidence the interest of the

Issuer as the Issuer, through the Administrator, may reasonably request.

A. Sales, Liens, Etc. The Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any or all of its right, title or interest in, to or under any Pool Assets (including the Seller's undivided interest in any Receivable, Related Security or Collections, or upon or with respect to any account to which any Collections of any Receivables are sent), or assign any right to receive income in respect of any items contemplated by this paragraph.

A. Extension or Amendment of Receivables. Except as provided in the Agreement, the Seller shall not, and shall not permit the Servicer to, extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of

any related Contract.

A. Change in Credit and Collection Policy. The Seller shall not make (or permit any Originator to make) any material change in the character of its business or in the Credit and Collection Policy, or any change in the Credit and Collection Policy that would adversely affect the collectibility of the Receivables Pool or the enforceability of any related Contract or the ability of the Seller or Servicer to perform its obligations under any related Contract or under the Agreement.

A. Audits. The Seller shall (and shall cause each Originator to) from time to time during regular business hours, as reasonably requested in advance (unless a Termination Event or Unmatured Termination Event exists) by the Administrator permit the Administrator, or its agents or representatives:

(i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in the possession or under the

control of the Seller (or such Originator) relating to Receivables and the Related Security, including the related Contracts, and (ii) to visit the offices and properties of the Seller and each Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or the Seller's, Servicer's or such Originator's performance under the Transaction Documents or under the Contracts with any of the officers, employees, agents or contractors of the Seller, Servicer or such Originator having knowledge of

such matters.

A. Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Seller shall not, and shall not permit the Servicer or any Originator to, add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account from those listed in Schedule II to the

Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Seller, any Originator, the Servicer or any Lock-Box Account (or related post office box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that

it may request in connection therewith.

A. Deposits to Lock-Box Accounts. The Seller shall (or shall cause the Servicer to): (i) instruct all Obligors to make payments of all Receivables to one or more Lock-Box Accounts or to post office boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such post office boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it, the Servicer or any Originator into Lock-Box Accounts not

later than one Business Day after receipt thereof. Each Lock-Box Account and the Collection Account shall at all times be subject to a Lock-Box Agreement and a Collection Account Agreement, respectively. The Seller will not (and will not permit the Servicer to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections.

A. Reporting Requirements. The Seller will provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

1. as soon as available and in any event within 120 days after the end of each fiscal year of the Seller, a copy of the annual report for such year for the Seller, containing unaudited financial statements for such year certified as to accuracy by the chief financial officer or treasurer of the

Seller;

1. as soon as possible and in any event within five days after the Seller becomes aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of the Seller setting forth details of such Termination Event or Unmatured Termination Event and the action that the Seller has taken and proposes to take with

respect thereto;

1. promptly after the filing or receiving thereof, copies of all reports and notices that the Seller or any Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or that the Seller or any Affiliate receives from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Seller or any of its Affiliates is or was, within the preceding five years, a contributing employer, in each

case in respect of the assessment of withdrawal liability or an event or condition that could, in the aggregate, result in the imposition of liability on the Seller and/or any such Affiliate;

1. at least thirty days before any change in the Seller's name or

any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

1. promptly after the Seller obtains knowledge thereof, notice of any: (A) material litigation, investigation or proceeding that may exist at any time between the Seller and any Person or (B) material litigation or proceeding relating to any Transaction Document;

1. promptly after the occurrence thereof, notice of a material adverse change in the business, operations, property or financial or other condition of the Seller, the Servicer or any Originator;

1. such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Seller or any of its Affiliates as the Administrator may from time to time reasonably request; and

(viii) as soon as available and in any event within 140 days after the end of each fiscal year of Seller, the Seller shall, at the Seller's expense, cause a firm of independent public accountants (who may be the independent public accountants who verify the IMO's annual

audited financial statements), reasonably acceptable to the Administrator, to furnish a report to the Administrator, to the effect that such firm has (i) compared the information contained in the Monthly Reports delivered during such fiscal year then ended with the information contained in the Seller's records and computer systems for

such period, and that, on the basis of such examination and comparison, such firm is of the opinion that the information contained in the Monthly Reports reconciles with the information contained in the Seller's records and computer systems and that the servicing of the

Receivables has been conducted in compliance with the Agreement, (ii) confirmed the Net Receivables Pool Balance as of the end of each

Settlement Period during such fiscal year, (iii) verified that the Receivables treated by the Seller as Eligible Receivables in fact satisfied the requirements of the definition thereof contained in

Exhibit I to the Agreement, and (iv) conducted a "negative confirmation" of a sample of Receivables and verified that the Seller's

records and computer systems used in servicing the Receivables contained correct information with regard to due dates and outstanding balances, except in each case for (a) such exceptions as such firm shall believe to be immaterial (which exceptions need not be

enumerated) and (b) such other exceptions as shall be set forth in such statement.

A. Certain Agreements. Without the prior written consent of the Administrator, the Seller will not (and will not permit any Originator to) amend, modify, waive, revoke or terminate any Transaction Document to which it is a party or any provision of Seller's certificate of incorporation or by-laws.

A. Restricted Payments. (i) Except pursuant to clause (ii) below, the Seller will not: (A) purchase or redeem any shares of its capital stock, (B) declare or pay any dividend or set aside any funds for any such purpose, (C) prepay, purchase or redeem any Debt, (D) lend or advance any funds or (E) repay any loans or advances to, for or from any of its Affiliates (the

amounts described in clauses (A) through (E) being

referred to as "Restricted Payments").

(ii) Subject to the limitations set forth in clause (iii) below, the Seller may make Restricted Payments so long as such Restricted

Payments are made only in one or more of the following ways: (A) the Seller may make cash payments (including prepayments) on the Company Notes in accordance with its terms, and (B) if no amounts are then outstanding under the Company Notes, the Seller may declare and pay

dividends.

(iii) The Seller may make Restricted Payments only out of the funds it receives pursuant to Sections 1.4(b)(ii) and (iv) of the Agreement. Furthermore, the Seller shall not pay, make or declare: (A) any dividend if, after giving effect thereto, the Seller's tangible net worth would be less than \$2,000,000, or (B) any Restricted Payment (including any dividend) if, after giving effect thereto, any

Termination	Event or Unmatured Termination Event shall have occurred and be continuing.
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A. Other Business. The Seller will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents; (ii) create, incur or permit to exist any Debt of any kind (or cause or permit to be issued for its account any letters of credit or bankers' acceptances) other than pursuant to this Agreement or the Company Notes; or (iii) form any

Subsidiary or make any investments in any other Person; provided, however, that the Seller shall be permitted to incur minimal obligations to the extent

necessary for the day-to-day operations of the Seller (such as expenses for stationery, audits, maintenance of legal status, etc.).

A. Use of Seller's Share of Collections. The Seller shall apply the Seller's Share of Collections to make payments in the following order of priority: (i) the payment of its expenses (including all obligations payable to the Issuer and the Administrator under the Agreement and under the Fee Letter); (ii) the payment of accrued and unpaid interest on the Company Notes; (iii) the payment of principal of the Notes and (iv) other legal and

valid organizational purposes.

A. Tangible Net Worth. The Seller will not permit its tangible net worth, at any time, to be less than \$2,000,000.

2. Covenants of the Servicer and IMO. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

A. Compliance with Laws, Etc. The Servicer and, to the extent that it ceases to be the Servicer, IMO shall comply (and shall cause each Originator to comply) in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate

existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules and regulations or

the failure so to preserve and maintain such existence, rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

A. Records and Books of Account, Etc. The Servicer and, to the extent that it ceases to be the Servicer, IMO, also will (and will cause each Originator to) maintain and implement administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of

each Receivable and all Collections of and adjustments to each existing Receivable).

A. Change in Credit and Collection Policy. The Servicer and, to the extent that it ceases to be the Servicer, IMO, shall not make (and shall not permit any Originator to make) any material change in the character of its business or in the Credit and Collection Policy, or any change in the Credit and Collection Policy that would adversely affect the collectibility of the Receivables Pool or the enforceability of any related Contract or the ability of the Seller or Servicer to perform its obligations under any related

Contract or under the Agreement.

A. Audits. The Servicer and, to the extent that it ceases to be the Servicer, IMO, shall (and shall cause each Originator to) from time to time during regular business hours, as reasonably requested in advance (unless a Termination Event or Unmatured Termination Event exists) by the Administrator permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in its possession or under its control

relating to Receivables and the Related Security, including the related Contracts, and (ii) to visit its offices and properties for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or its performance hereunder or under the Contracts with any of its officers, employees, agents

or contractors having knowledge of such matters.

A. Deposits to Lock-Box Accounts. The Servicer shall: (i) instruct all Obligors to make payments of all Receivables to one or more Lock-Box Accounts or to post office boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts

relating to such Receivables received in such post office boxes to be removed and deposited into a Lock-Box Account on a daily basis); and (ii) deposit, or

cause to be deposited, any Collections received by it into Lock-Box Accounts not later than one Business Day after receipt thereof. Each Lock-Box Account and the Collection Account shall at all times be subject to a Lock-Box Agreement and a Collection Account Agreement, respectively. The Servicer will not deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than

Collections.

A. Reporting Requirements. IMO shall provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

1. As soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of IMO, (a) copies of the unaudited consolidated balance sheet of IMO and its consolidated Subsidiaries as at the end of such quarter, together with

unaudited statements of earnings, stockholders' equity and cash flows for such quarter and the portion of the fiscal year through such quarter, prepared in accordance with GAAP and certified by the chief financial

officer, treasurer or chief accounting officer of IMO, (b) a letter from the chief financial officer, treasurer or chief accounting officer of IMO

certifying to the best knowledge of such officer, that neither a Termination Event nor an Unmatured Termination Event has occurred and is continuing;

1. As soon as available and in any event within 120 days after the end of each fiscal year of IMO, (a) a copy of the consolidated balance sheet of IMO and its consolidated Subsidiaries as at the end of such fiscal year,

together with the related statements of earnings, stockholders' equity and cash flows for such fiscal year, each prepared in accordance with GAAP

applied consistently throughout the periods reflected therein (such consolidated balance sheet and such related statements to be certified

without any Impermissible Qualification by independent certified public accountants of nationally recognized standing), and (b) a letter from the chief financial officer, treasurer or chief accounting officer of IMO certifying to the best knowledge of such officer, that neither a Termination Event nor an Unmatured Termination Event has occurred and is continuing, in each case as at the end of each such fiscal year and the date of delivery of

such letter;

1. as to the Servicer only, as soon as available and in any event not later than 10 days after the last day of each Reporting Period a Monthly Report as of the last day of such Reporting Period or, within 5 Business Days of a request by the Administrator, a Monthly Report for such periods as is

specified by the Administrator (including on a semi-monthly, weekly or daily basis);

1. promptly after the sending or filing thereof, copies of all reports that IMO sends to any of its security holders, and copies of all reports and registration statements that IMO or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

1. promptly after the filing or receiving thereof, copies of all reports and notices that IMO or any of its Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or that such Person or any of its Affiliates receives from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which such Person or any of its

Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability

or an event or condition that could, in the aggregate, result in the imposition of liability on IMO and/or any such Affiliate;

1. promptly after IMO obtains knowledge thereof, notice of any: (A) litigation, investigation or proceeding that may exist at any time between IMO or any of its Subsidiaries and any Governmental Authority that, if not cured could be reasonably expected to have a Material Adverse Effect; (B) litigation or proceeding affecting IMO or any of its Subsidiaries, or any of their respective properties, businesses, assets or revenues, which could be reasonably expected to have a Material Adverse Effect on IMO and its Subsidiaries as a whole; or (C) litigation or proceeding relating to any

Transaction Document; and

1.

such other information respecting the Receivables or the condition or operations, financial or otherwise, of IMO or any of its Affiliates as the Administrator may from time to time reasonably request.

A. Credit Agreement. IMO shall provide notice to the Administrator of a Termination Event described in paragraph (l) or (m) of Exhibit V within 5 Business Days after the occurrence of such Termination Event (regardless of whether the circumstances or events giving rise to such Termination Events

shall have been amended, modified or waived pursuant to the Credit Agreement).

3. Separate Existence. Each of the Seller and IMO hereby acknowledges that the Purchasers, the Issuer and the Administrator are entering into the transactions contemplated by this Agreement and the other Transaction Documents in reliance upon the Seller's identity as a legal entity separate from IMO and its Affiliates. Therefore, from and after the date hereof, each

of the Seller and IMO shall take all steps specifically required by the Agreement or reasonably required by the Administrator to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of IMO and any other Person, and is not a division of IMO, its

Affiliates or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, each of the Seller and IMO shall take such actions as shall be required in order that:

(a) The Seller will be a limited purpose entity whose primary activities are restricted in its limited liability company agreement to: (i) purchasing or otherwise acquiring from Originators, owning, holding and granting security interests or selling interests, in Pool Assets, (ii) entering into agreements for the selling and servicing of the Receivables Pool, and (iii) conducting such other activities as it

deems necessary or appropriate to carry out its primary activities;

(b) The Seller shall not engage in any business or activity, or incur any indebtedness or liability, other than as expressly permitted by the Transaction Documents;

(c) Not less than one member of the Seller's Board of Directors (the "Independent Director") shall be an individual who is not a direct, indirect or beneficial stockholder, officer, director, employee, affiliate, associate or supplier of IMO or any of its Affiliates. The limited liability company agreement of the Seller shall provide that: (i) the Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Seller unless the Independent Director

shall approve the taking of such action in writing before the taking of such action, and (ii) such provision cannot be amended without the

prior written consent of the Independent Director;

(d) The Independent Director shall not at any time serve as a trustee in bankruptcy for the Seller, IMO or any Affiliate thereof;

(e) Any employee, consultant or agent of the Seller will be compensated from the Seller's funds for services provided to the Seller. The Seller will not engage any agents other than its attorneys, auditors and other professionals, and a servicer and any other agent contemplated by the Transaction Documents for the Receivables Pool, which servicer will be fully compensated for its services by payment of the Servicing Fee, and a manager, which manager will be fully

compensated from the Seller's funds;

(f) The Seller will contract with the Servicer to perform for the Seller all operations required on a daily basis to service the Receivables Pool. The Seller will pay the Servicer the Servicing Fee pursuant hereto. Except as provided in the following sentence the Seller will not incur any material indirect or overhead expenses for items shared with IMO (or any other Affiliate thereof) that are not reflected in the Servicing Fee. To the

extent, if any, that the Seller (or any Affiliate thereof) shares items of expenses not reflected in the Servicing Fee or the manager's fee,

such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or

the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered; it being understood that IMO shall pay all expenses relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including legal, rating agency and other fees;

(g) Except as provided in clause (f) above, the Seller's operating expenses will not be paid by IMO or any other Affiliate thereof;

(h) All of the Seller's business correspondence and other communications shall be conducted in the Seller's own name and on its own separate stationery;

(i) The Seller's books and records will be maintained separately from those of IMO and any other Affiliate thereof;

(j) All financial statements of IMO or any Affiliate thereof that are consolidated to include Seller will contain detailed notes clearly

stating that: (i) a special purpose entity exists as a Subsidiary of IMO, and (ii) Originators have sold receivables and other related assets to such special purpose Subsidiary that, in turn, has sold undivided interests therein to certain financial institutions and other entities;

(k) The Seller's assets will be maintained in a manner that facilitates their identification and segregation from those of IMO or

any Affiliate thereof;

(l) The Seller will strictly observe organizational formalities in its dealings with IMO or any Affiliate thereof, and funds or other

assets of the Seller will not be commingled with those of IMO or any Affiliate thereof except as permitted by the Agreement in connection with servicing the Pool Receivables. The Seller shall not maintain joint bank accounts or other depository accounts to which IMO or any Affiliate thereof (other than IMO in its capacity as the Servicer) has

independent access. The Seller is not named, and has not entered into any agreement to be named, directly or indirectly, as a direct or contingent beneficiary or loss payee on any insurance policy with respect to any loss relating to the property of IMO or any Subsidiary or other Affiliate of IMO. The Seller will pay to the appropriate Affiliate the marginal increase or, in the absence of such increase, the market amount of its portion of the premium payable with respect to

any insurance policy that covers the Seller and such Affiliate; and

(m) The Seller will maintain arm's-length relationships with IMO (and any Affiliate thereof). Any Person that renders or otherwise furnishes services to the Seller will be compensated by the Seller at market rates for such services it renders or otherwise furnishes to the Seller. Neither the Seller nor IMO will be or will hold itself out to be responsible for the debts of the other or the decisions or actions respecting the daily business and affairs of the other. The Seller and IMO will immediately correct any known misrepresentation with respect to the foregoing, and they will not operate or purport to operate as an integrated single economic unit with respect to each other or in their

dealing with any other entity.

(n) IMO shall not pay the salaries of Seller's employees, if any.

EXHIBIT V

TERMINATION EVENTS

Each of the following shall be a "Termination Event":

A. (i) the Seller, any Originator or the Servicer (if IMO or any of its Affiliates) shall fail to make when due any payment or deposit to be made by it under the Agreement and such failure shall continue unremedied for one Business Day or (ii) the Seller, any Originator or the Servicer (if IMO or

any of its Affiliates) shall fail to perform or observe any other term, covenant or agreement under the Agreement or any other Transaction Document

and such failure shall continue for 30 days after notice thereof from the Issuer or the Administrator;

A. IMO (or any Affiliate thereof) shall fail to transfer to any successor Servicer when required any rights pursuant to the Agreement that IMO (or such Affiliate) then has as Servicer;

A. any representation or warranty made or deemed made by the Seller, IMO, or any Originator (or any of their respective officers) under or in connection with the Agreement or any other Transaction Document, or any information or report delivered by the Seller, IMO, or any Originator or the Servicer pursuant to the Agreement or any other Transaction Document, shall prove to have been incorrect or untrue in any material respect when made or

deemed made or delivered;

A. the Seller or the Servicer shall fail to deliver the Monthly Report pursuant to the Agreement, and such failure shall remain unremedied for five days after notice thereof from the Issuer or the Administrator;

A. the Agreement or any purchase or reinvestment pursuant to the Agreement shall for any reason: (i) cease to create, or the Purchased Interest shall for any reason cease to be, a valid and enforceable perfected

undivided percentage ownership or security interest to the extent of the

Purchased Interest in the Pool Receivables, the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, or

(ii) cease to create, or the interest of the Issuer with respect to such Pool Assets shall cease to be, a valid and enforceable first priority perfected

security interest, free and clear of any Adverse Claim,

A. the Seller, IMO, or any Originator shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller, IMO, or any Originator seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment,

protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee,

custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but

not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the

appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Seller, IMO or any Originator shall take any organizational or corporate action, as

applicable to authorize any of the actions set forth above in this paragraph;

A. (i) the (A) Default Ratio shall exceed 3.5%, (B) the Delinquency Ratio shall exceed 9.0% or (C) the Dilution Ratio shall exceed 8.0% or (ii) the average for three consecutive Reporting Periods of: (A) the Default Ratio shall exceed 2.5%, (B) the Delinquency Ratio shall exceed 8.0% (C) the Dilution Ratio shall exceed 7.0%.

A. a Change in Control shall occur,

A. at any time (i) the sum of (A) the Capital plus (B) the Total Reserves, exceeds (ii) the sum of (A) the Net Receivables Pool Balance at such time plus (B) the Issuer's Share of the amount of Collections then on deposit in the Lock-Box Accounts and the Collection Account (other than amounts set aside therein representing Discount and Fees), and such

circumstance shall not have been cured within four Business Days,

(j) (i) IMO or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any of its Debt that is outstanding in a principal amount of at least \$2,500,000 in the aggregate when the same

becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the

applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Debt (and shall have not been

waived); or (ii) any other event (other than a Termination Event described in paragraph (l) or (m) of Exhibit V) shall occur or condition shall exist under

any agreement, mortgage, indenture or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement, mortgage, indenture or instrument (and shall have not been waived), if, in either case: (a) the effect of such non-payment, event or

condition is to give the applicable debtholders the right (whether acted upon or not) to accelerate the maturity of such Debt, or (b) any such Debt shall

be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to

be made, in each case before the stated maturity thereof;

(k) either: (i) the Internal Revenue Service shall file a notice of lien asserting a claim pursuant to the Internal Revenue Code with regard to any of the assets of Seller, any Originator, IMO or any ERISA Affiliate, or (ii) the Pension Benefit Guaranty Corporation shall file a notice of lien asserting a claim pursuant to ERISA with regard to any assets of the Seller,

any Originator, IMO or any ERISA Affiliate;

(l) IMO shall fail to perform and comply with each of the financial covenants set forth in Section 7.2.4 of the Credit Agreement as in effect on

the date hereof, (regardless of whether such covenants may be amended, modified or waived from time to time in accordance with the Credit

Agreement), each of which covenants and agreements, together with all related definitions, exhibits and ancillary provisions, are hereby incorporated in

this Agreement by reference as through specifically set forth in this paragraph (l) and shall survive the termination and/or expiration of the Credit Agreement; or

(m) the occurrence of an event set forth in Section 8.1.5 of the Credit Agreement as in effect on the date hereof, (regardless of whether such event may be amended, modified or waived from time to time in accordance with the

Credit Agreement), each of which events and agreements, together with all related definitions, exhibits and ancillary provisions, are hereby

incorporated in this Agreement by reference as through specifically set forth in this paragraph (m) and shall survive the termination and/or expiration of

the Credit Agreement.

SCHEDULE I

CREDIT AND COLLECTION POLICY

SCHEDULE II

LOCK-BOX BANKS AND LOCK-BOX ACCOUNTS

Lock-Box Bank Lock-Box Accounts Lock-Box Number

Bank of America, N.A. 3751450524 502932

Bank of America, N.A. 3751450540 502944

Bank of America, N.A. 3751450537 502924

Bank of America, N.A. 3751450553 502959

502910
502919

SCHEDULE III

TRADE NAMES

None

ANNEX A

to Receivables Purchase Agreement

FORM OF MONTHLY REPORT

ANNEX B

to Receivables Purchase Agreement

FORM OF PURCHASE NOTICE

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-10.30
<SEQUENCE>5
<DESCRIPTION>EXHIBIT 10.30
<TEXT>

PURCHASE AND SALE AGREEMENT

Dated as of November 29, 1999

among

THE ORIGINATORS NAMED HEREIN,

IMO INDUSTRIES INC.

and

IMO FUNDING COMPANY, LLC

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	PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (as amended, supplemented or modified from time to time, this "Agreement"), dated as of November 29, 1999, is among IMO INDUSTRIES INC., a Delaware corporation ("IMO"), individually and as the initial Servicer, WARREN PUMPS INC. ("Warren"), a Delaware corporation, (IMO and Warren collectively referred to herein as the "Originators" and each individually as an "Originator"), and IMO FUNDING COMPANY, LLC, a Delaware limited liability company (the "Company"), as purchaser.

Definitions

Unless otherwise indicated, certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I to the Receivables Purchase Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement"), among the Company, as Seller, IMO, as Servicer, LIBERTY STREET FUNDING CORP. (the "Issuer"), and THE BANK OF NOVA SCOTIA, as Administrator (together with its successors and assigns, the "Administrator").

Background

1. The Company is a special purpose limited liability company, all of the membership interests of which are owned by IMO.

2. In order to finance their respective businesses, the Originators wish to sell certain Receivables and Related Rights from time to time to the Company, and the Company is willing, on the terms and subject to the conditions set forth herein, to purchase such Receivables and Related Rights from such Originators.

3. The Company intends to sell, assign and transfer to Issuer, all of its right, title and interest in and to all of the Receivables and Related Rights pursuant to the Receivables Purchase Agreement in order to finance its purchases of certain Receivables and Related Rights hereunder.

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

I. ARTICLE

AGREEMENT TO PURCHASE AND SELL

A. Agreement to Purchase and Sell. On the terms and subject to the conditions set forth in this Agreement (including Article IV), and in consideration of the

Purchase Price, each Originator agrees to sell to the Company, and does hereby sell to the Company, and the Company agrees to purchase from such Originator, and does hereby purchase from such Originator, without recourse and without regard to collectibility, all of such Originator's right, title and interest in and to:

1. each Receivable of such Originator that existed and was owing to such Originator as of the close of such Originator's business on November 30, 1999 (the "Closing Date");

1. each Receivable created or originated by such Originator from the close of such Originator's business on the Closing Date to and including the Purchase and Sale Termination Date;

1. all rights to, but not the obligations under, all Related Security;

1. all monies due or to become due with respect to any of the foregoing;

1. all books and records related to any of the foregoing; and

1. all proceeds thereof (as defined in the applicable UCC) received on or after the date hereof including, without limitation, all funds which either are received by such Originator, the Company or the Servicer from or on behalf of the Obligor in payment of any amounts owed (including, without limitation, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Obligor (including, without limitation, insurance payments, if any, that such Originator or the Servicer (if other than such Originator) applies in the ordinary course of its business to amounts owed in respect of any Receivable).

All purchases hereunder shall be made without recourse, but shall be made pursuant to and in reliance upon the representations, warranties and covenants of each Originator set forth in this Agreement and each other Transaction Document. The Company's foregoing commitment to purchase such Receivables and the proceeds and rights described in subsections (c) through (f) of this Section 1.1 (collectively, the "Related Rights") is herein called the "Purchase Facility."

A. Timing of Purchases.

1. Closing Date Purchases. Each Originator's entire right, title and interest in (i) each Receivable that existed and was owing to such Originator as of the close of such Originator's business on the Closing Date, and (ii) all Related Rights with respect thereto shall be deemed to have been sold to the Company on the Closing Date.

1. Regular Purchases. After the Closing Date, each Receivable created or originated by each Originator and described in Section 1.1(b) hereof and all Related Rights shall be purchased and owned by the Company (without any further action) upon the creation or origination of such Receivable.

A. Consideration for Purchases. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to make all Purchase Price payments to the respective Originators, in accordance with Article III.

A. Purchase and Sale Termination Date. The "Purchase and Sale Termination Date" shall be the earlier to occur of (a) the date of the termination of this Agreement pursuant to Section 8.2 and (b) the Payment Date immediately following the day on which IMO shall have given notice to the Company that the Originators

desire to terminate this Agreement.

As used herein, "Payment Date" means (i) the Closing Date and (ii) each Business Day thereafter that the Originators are open for business.

A. Intention of the Parties. It is the express intent of the parties hereto that the transfers of the Receivables and Related Rights by each Originator to the Company, as contemplated by this Agreement be, and be treated as, sales and not as loans secured by the Receivables and Related Rights. If, however, notwithstanding the intent of the parties, such transfers are deemed to be loans, such Originator hereby grants (effective as of the date hereof) to the Company a first priority security interest in all of such Originator's right, title and interest in and to the Receivables and the Related Rights now existing and hereafter created, all monies due or to become due and all amounts received with respect thereto, and all proceeds thereof, to secure all of such Originator's obligations hereunder.

I.

ARTICLE

CALCULATION OF PURCHASE PRICE

A. Calculation of Purchase Price. Not later than ten days after the last day of each Reporting Period (the "Servicer Report Date"), the Servicer shall deliver to the Company, the Administrator and each Originator a report in substantially the form of Exhibit A (each such report being herein called a "Purchase Report") with respect to the matters set forth therein and the Company's purchases of Receivables from each Originator

1. that are to be made on the Closing Date (in the case of the Purchase Report to be delivered on the Closing Date), or

1. that were made during the period commencing on the Servicer Report Date immediately preceding such Servicer Report Date to (but not including) such Servicer Report Date (in the case of each subsequent Purchase Report).

The "Purchase Price" (to be paid to each Originator in accordance with the terms of Article III) for the Receivables and the Related Rights that are purchased hereunder shall be determined in accordance with the following formula:

$$PP = OB \times FMVD$$

where:

PP = Purchase Price for each Receivable as calculated on the relevant Payment Date.

OB = the Outstanding Balance of such Receivable.

FMVD = Fair Market Value Discount, as measured on such Payment Date, which is equal to the quotient (expressed as percentage) of (a) one divided by (b) the sum of (i) one, plus (ii) the product of (A) LIBOR plus 1.5% on such Payment Date, and (B) a fraction, the numerator of which is the Days' Sales Outstanding (calculated as of the last day of the calendar month next preceding such Payment Date) and the denominator of which is 365.

I.

ARTICLE

PAYMENT OF PURCHASE PRICE

A. Initial Purchase Price Payment. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to pay to

each Originator the Purchase Price for the purchase of Receivables to be made on the Closing Date, partially in cash in an amount agreed to by the Company and such Originator, in the case of IMO partially in consideration of all of the membership interest of the Company, and partially by issuing a promissory note in the form of Exhibit B to such Originator with an initial principal balance equal to the remaining Purchase Price (as such promissory note may be amended, supplemented, indorsed or otherwise modified from time to time, together with all promissory notes issued from time to time in substitution therefor or renewal thereof in accordance with the Transaction Documents, each a "Company Note").

A. Subsequent Purchase Price Payments. On each Business Day falling after the Closing Date and on or prior to the Purchase and Sale Termination Date, on the terms and subject to the conditions set forth in this Agreement, the Company shall pay to each Originator the Purchase Price for the Receivables sold by such Originator to the Company on such Business Day, in cash, to the extent the Company has received funds pursuant to the Receivables Purchase Agreement or otherwise has available cash (to the extent such other available cash may, in accordance with the Receivables Purchase Agreement, be used to purchase Receivables), and to the extent any of such Purchase Price remains unpaid, such remaining portion of such Purchase Price shall be paid by means of an automatic increase to the outstanding principal amount of the Company Note issued to such Originator.

Servicer shall make all appropriate record keeping entries with respect to the Company Notes or otherwise to reflect the foregoing payments and to reflect adjustments pursuant to Section 3.3, and Servicer's books and records shall constitute rebuttable presumptive evidence of the principal amount of and accrued interest on any Company Note at any time. Furthermore, Servicer shall hold the Company Notes for the benefit of the Originators, and all payments under the Company Notes shall be made to the Servicer for the account of the applicable payee thereof. Each Originator hereby irrevocably authorizes Servicer to mark the Company Notes "CANCELLED" and to return such Company Notes to the Company upon the final payment thereof after the occurrence of the Purchase and Sale Termination Date.

A. Settlement as to Specific Receivables and Dilution.

1. If on the day of purchase of any Receivable from any Originator hereunder, any of the representations or warranties of such Originator set forth in Section 5.4 or 5.11 is not true with respect to such Receivable or as a result of any action or inaction of such Originator, on any day any of such representations or warranties set forth in Section 5.4 or 5.11 is no longer true with respect to such Receivable (other than a representation or warranty set forth in Section 5.11(c) which is no longer true as a result of an Obligor's payment obligation being stayed or discharged in bankruptcy), then the Purchase Price with respect to such Receivable shall be reduced by an amount equal to the Outstanding Balance of such Receivable and shall be accounted to such Originator as provided in subsection (c) below; provided, that if the Company thereafter receives payment on account of Collections due with respect to such Receivable, the Company promptly shall deliver such funds to such Originator.

1. If, on any day, the Outstanding Balance of any Receivable purchased hereunder is reduced or adjusted as a result of any defective, rejected, returned goods or services, or any discount or other adjustment made by any Originator, the Company or the Servicer or any offset, setoff or dispute between such Originator or the Servicer and an Obligor as indicated on the books of the Company (or, for periods prior to the Closing Date, the books of such Originator), then the Purchase Price with respect to such Receivable shall be reduced by the amount of such net reduction and shall be accounted to such Originator as provided in subsection (c) below.

1. Any reduction in the Purchase Price of any Receivable pursuant to subsection

(a) or (b) above shall be applied as a credit for the account of the Company against the Purchase Price of Receivables subsequently purchased by the Company from such Originator hereunder; provided, however if there are no purchases of Receivables from such Originator (or insufficiently large purchases of Receivables) to create a Purchase Price sufficient to so apply such credit against, the amount of such credit

a) shall be paid in cash to the Company by the Originator in the manner and for application as described in the following proviso, or b) shall be deemed to be a payment under, and shall be deducted from the principal amount outstanding under, the Company Note payable to such Originator to the extent permitted under Section 1(m) of Exhibit IV of the Receivables Purchase Agreement;

provided, further, that at any time (y) when a Termination Event or Unmatured Termination Event exists under the Receivables Purchase Agreement or (z) on or after the Purchase and Sale Termination Date, the amount of any such credit shall be paid by such Originator to the Company by deposit in immediately available funds into the Collection Account for application by Servicer to the same extent as if Collections of the applicable Receivable in such amount had actually been received on such date.

1. Each Purchase Report (other than the Purchase Report delivered on the Closing Date) shall include, in respect of the Receivables previously generated by each Originator, a calculation of the aggregate reductions described in subsection (a) or (b) relating to such Receivables since the last Purchase Report delivered hereunder, as indicated on the books of the Company (or, for such periods prior to the Closing Date, the books of the Originator).

A. Reconveyance of Receivables. In the event that an Originator has paid or credited to the Company the full Outstanding Balance of any Receivable pursuant to Section 3.3, the Company shall reconvey such Receivable to such Originator, without recourse and without representation or warranty, but free and clear of all liens created by the Company.

I. ARTICLE

CONDITIONS OF PURCHASES

A. Conditions Precedent to Initial Purchase. The initial purchase hereunder is subject to the condition precedent that the Company shall have received, on or before the Closing Date, the following, each (unless otherwise indicated) dated the Closing Date, and each in form, substance and date satisfactory to the Company:

1. A copy of the resolutions of the Board of Directors of each Originator approving the Transaction Documents to be delivered by it and the transactions contemplated hereby and thereby, certified by the Secretary or Assistant Secretary of such Originator;

1. Good standing certificates for each Originator issued as of a recent date acceptable to Servicer by the Secretary of State of the jurisdiction of such Originator's incorporation and the jurisdiction where such Originator's chief executive office is located;

1. A certificate of the Secretary or Assistant Secretary of each Originator certifying the names and true signatures of the officers authorized on such Originator's behalf to sign the Transaction Documents to be delivered by it (on which certificate the Company and Servicer (if other than an Originator) may conclusively rely until such time as the Company and the Servicer shall receive from such Originator a revised certificate meeting the requirements of this subsection (c));

1. The articles of incorporation of each Originator, duly certified by the

Secretary of State of the jurisdiction of such Originator's incorporation as of a recent date acceptable to Servicer, together with a copy of the by-laws of such Originator, each duly certified by the Secretary or an Assistant Secretary of such Originator;

1. Copies of the proper financing statements (Form UCC-1) that have been duly executed and name each Originator as the seller/debtor and the Company as the purchaser/secured party (and Issuer as assignee of the Company) of the Receivables generated by such Originator and Related Rights or other, similar instruments or documents, as may be necessary or, in Servicer's or the Administrator's opinion, desirable under the UCC of all appropriate jurisdictions or any comparable law of all appropriate jurisdictions to perfect the Company's ownership interest in all Receivables and Related Rights in which an ownership interest may be assigned to it hereunder;

1. A written search report from a Person satisfactory to Servicer and the Administrator listing all effective financing statements that name any Originator as debtor or assignor and that are filed in the jurisdictions in which filings were made pursuant to the foregoing subsection (e), together with copies of such financing statements (none of which, except for those described in the foregoing subsection (e), shall cover any Receivable or any Related Right), and tax and judgment lien search reports from a Person satisfactory to Servicer and the Administrator showing no evidence of such liens filed against any Originator;

1. Favorable opinions of counsel to the Originators, in the forms of Exhibit C;

1. Evidence (i) of the execution and delivery by each of the parties thereto of each of the other Transaction Documents to be executed and delivered in connection herewith and (ii) that each of the conditions precedent to the execution, delivery and effectiveness of such other Transaction Documents has been satisfied to the Company's satisfaction; and

1. A certificate from an officer of each Originator to the effect that Servicer and Originator have placed on the most recent, and have taken all steps reasonably necessary to ensure that there shall be placed on subsequent, summary master control data processing reports the following legend (or the substantive equivalent thereof): "THE RECEIVABLES DESCRIBED HEREIN HAVE BEEN SOLD TO IMO FUNDING COMPANY, LLC, PURSUANT TO A PURCHASE AND SALE AGREEMENT, DATED AS OF NOVEMBER 29, 1999, AMONG IMO INDUSTRIES INC., THE ORIGINATORS NAMED THEREIN AND IMO FUNDING COMPANY, LLC; AND AN INTEREST IN THE RECEIVABLES DESCRIBED HEREIN HAS BEEN GRANTED TO LIBERTY STREET FUNDING CORP., PURSUANT TO A RECEIVABLES PURCHASE AGREEMENT, DATED AS OF NOVEMBER 29, 1999, AMONG IMO INDUSTRIES INC., IMO FUNDING COMPANY, LLC, LIBERTY STREET FUNDING CORP., AND THE BANK OF NOVA SCOTIA, AS ADMINISTRATOR."

A. Certification as to Representations and Warranties. Each Originator, by accepting the Purchase Price related to each purchase of Receivables (and Related Rights) generated by such Originator, shall be deemed to have certified that the representations and warranties contained in Article V are true and correct on and as of such day, with the same effect as though made on and as of such day.

A. Addition of Originators. Additional Persons may be added as Originators hereunder, with the consent of the Company and the Administrator, in its reasonable discretion, provided that the following conditions are satisfied on or before the date of such addition:

a) IMO shall have given the Administrator and the Company at least thirty days prior written notice of such proposed addition and the identity of the proposed additional Originator and shall have provided such information with respect to the receivables of such additional Originator as the Administrator shall have

reasonably requested;

a) such proposed additional Originator has executed and delivered to the Company and the Administrator an agreement substantially in the form attached hereto as Exhibit D (each, a "Joinder Agreement");

a) such proposed additional Originator has delivered to the Company and the Administrator each of the documents with respect to such Originator described in Section 4.1;

a) unless the Receivables intended to be sold by such Originator to the Company hereunder are Receivables, the related underlying goods of which, are and will continue to be generated by an already existing Originator, the Administrator shall have received a written statement from each of Moody's and Standard & Poors confirming that the addition of such Originator will not result in a downgrade or withdrawal of the current ratings of the Notes; and

a) the Purchase and Sale Termination Date shall not have occurred.

I. ARTICLE

REPRESENTATIONS AND WARRANTIES OF THE ORIGINATORS

In order to induce the Company to enter into this Agreement and to make purchases hereunder, each Originator, hereby makes with respect to itself the representations and warranties set forth in this Article V.

A. Organization and Good Standing. Such Originator has been duly organized and is validly existing as a corporation in good standing under the laws of the state of its incorporation, with corporate power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.

A. Due Qualification. Such Originator is duly licensed or qualified to do business as a foreign corporation in good standing in the jurisdiction where its chief executive office and principal place of business are located and in all other jurisdictions in which the ownership or lease of its property or the conduct of its business requires such licensing or qualification, in either case, except where the failure to be so licensed or qualified could not reasonably be expected to have a Material Adverse Effect.

A. Power and Authority; Due Authorization. Such Originator has (a) all necessary corporate power, authority and legal right (i) to execute and deliver, and perform its obligations under, each Transaction Document to which it is a party, and (ii) to generate, own, sell, contribute and assign Receivables and Related Rights on the terms and subject to the conditions herein and therein provided; and (b) duly authorized such execution and delivery and such sale and assignment and the performance of such obligations by all necessary corporate action.

A. Valid Sale; Binding Obligations. Each sale, of Receivables and Related Rights made by such Originator pursuant to this Agreement shall constitute a valid sale, transfer, and assignment thereof to the Company, enforceable against creditors of, and purchasers from, such Originator; and this Agreement constitutes, and each other Transaction Document to be signed by such Originator, when duly executed and delivered, will constitute, a legal, valid, and binding obligation of such Originator, enforceable against such Originator in accordance with its terms; except in each case as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

A. No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents and the fulfillment of the terms hereof or thereof will not (a) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under (i) such Originator's certificate of incorporation or by-laws, or (ii) any indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it is bound, (b) result in the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument, other than the Transaction Documents, or (c) violate any law or any order, rule, or regulation applicable to it of any court or of any federal, state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over it or any of its properties.

A. Proceedings. There is no litigation or, to such Originator's knowledge, any proceeding or investigation, pending before any court, regulatory body, arbitrator, administrative agency, or other tribunal or governmental instrumentality (a) asserting the invalidity of any Transaction Document, (b) seeking to prevent the sale of Receivables and Related Rights to the Company or the consummation of any of the other transactions contemplated by any Transaction Document, or (c) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

A. Bulk Sales Act. No transaction contemplated hereby requires compliance with any bulk sales act or similar law.

A. Government Approvals. Except for the filing of the UCC financing statements referred to in Article IV, all of which, at the time required in Article IV, shall have been duly made and shall be in full force and effect, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for such Originator's due execution, delivery and performance of any Transaction Document to which it is a party, as seller.

B. Financial Condition.

1. On the date hereof, and on the date of each sale of Receivables by each Originator to the Company (both before and after giving effect to such sale), such Originator is and shall be Solvent.

1. The consolidated balance sheets of IMO and its consolidated subsidiaries as of December 31, 1998 and the related statements of income and shareholders' equity of IMO and its consolidated subsidiaries for the fiscal year then ended certified by IMO's independent accountants, copies of which have been furnished to the Company, present fairly the consolidated financial position of IMO and its consolidated subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied; and since such date no event has occurred that has had, or is reasonably likely to have, a Material Adverse Effect.

A. Margin Regulations. No use of any funds acquired by such Originator under this Agreement will conflict with or contravene any of Regulations T, U and X promulgated by the Board of Governors of the Federal Reserve System from time to time.

A. Quality of Title.

1. Each Receivable (together with the Related Rights) which is to be sold to the Company hereunder is or shall be owned by such Originator, free and clear of any Adverse Claim. Whenever the Company makes a purchase, hereunder, it shall have

acquired a valid and perfected ownership interest (free and clear of any Adverse Claim) in all Receivables generated by such Originator and all Collections related thereto, and in such Originator's entire right, title and interest in and to the other Related Rights with respect thereto.

1. No effective financing statement or other instrument similar in effect covering any Receivable generated by such Originator or any right related to any such Receivable is on file in any recording office except such as may be filed in favor of the Company or the Originators, as the case may be, in accordance with this Agreement or in favor of the Issuer in accordance with the Receivables Purchase Agreement.

2. Unless otherwise identified to the Company in the related Purchase Report, each Receivable purchased hereunder is on the date of purchase an Eligible Receivable.

A. Accuracy of Information. No factual written information furnished or to be furnished in writing by such Originator, to the Company, the Issuer or the Administrator for purposes of or in connection with any Transaction Document or any transaction contemplated hereby or thereby is, and no other such factual written information hereafter furnished (and prepared) by such Originator, to the Company, the Issuer, or the Administrator pursuant to or in connection with any Transaction Document, taken as a whole, will be inaccurate in any material respect as of the date it was furnished or (except as otherwise disclosed to the Company at or prior to such time) as of the date as of which such information is dated or certified, or shall contain any material misstatement of fact or omitted or will omit to state any material fact necessary to make such information, in the light of the circumstances under which any statement therein was made, not materially misleading on the date as of which such information is dated or certified.

A. Offices. Such Originator's principal place of business and chief executive office is located at the address set forth under such Originator's signature hereto, and the offices where such Originator keeps all its books, records and documents evidencing the Receivables, the related Contracts and all other agreements related to such Receivables are located at the addresses specified on Schedule 5.13 (or at such other locations, notified to the Servicer and the Administrator in accordance with Section 6.1(f), in jurisdictions where all action required by Section 7.3 has been taken and completed).

A. Trade Names.

1. Except as disclosed on Schedule 5.14(a), such Originator does not use any trade name other than its actual corporate name.

1. From and after the date that fell five (5) years before the date hereof, such Originator has not been known by any legal name other than its corporate name as of the date hereof, nor has such Originator been the subject of any merger or other corporate reorganization, except in each case as disclosed on Schedule 5.14(b).

A. Taxes. Such Originator has filed all material tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes and charges which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books.

A. Licenses and Labor Controversies.

1. Such Originator has not failed to obtain any licenses, permits, franchises or

other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain would be reasonably likely to have a Material Adverse Effect; and

1. There are no labor controversies pending against such Originator that have had (or are reasonably likely to have) a Material Adverse Effect.

A. Compliance with Applicable Laws. Such Originator is in compliance, in all material respects, with the requirements of (i) all applicable laws, rules, regulations, and orders of all governmental authorities (including, without limitation, Regulation Z, laws, rules and regulations relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy and all other consumer laws applicable to the Receivables and related Contracts) (excluding with respect to environmental matters which are covered by clause (ii)), and (ii) to the best of its knowledge, all applicable environmental laws, rules, regulations and orders of all governmental authorities.

A. Reliance on Separate Legal Identity. Such Originator is aware that the Issuer and the Administrator are entering into the Transaction Documents to which they are parties in reliance upon the Company's identity as a legal entity separate from such Originator.

A. Purchase Price. The purchase price payable by the Company to such Originator hereunder is intended by such Originator (and such Originator understands that it is intended by the Company) to be consistent with the terms that would be obtained in an arm's length sale.

A. Certain Definitions. With respect to this Agreement, the terms "Material Adverse Effect" and "Solvent" are defined as follows:

"Material Adverse Effect" means, with respect to any event or circumstance, a material adverse effect on:

(i) the business, assets, or financial condition of any Originator and its subsidiaries, taken as a whole;

(ii) the ability of any Originator or the Servicer (if it is an Originator) to perform its respective obligations under the Receivables Purchase Agreement or any other Transaction Document to which it is a party or the performance of any such obligations;

(iii) the validity or enforceability of the Receivables Purchase Agreement or any other Transaction Document;

(iv) with respect to this Agreement, the status, existence, perfection, priority or enforceability of Company's interest in the Receivables or Related Rights; or

(v) the validity or enforceability of the Receivables.

"Solvent" means, with respect to any Person at any time, a condition under which:

(i) the fair value and present fair saleable value of such Person's total assets is, on the date of determination, greater than such Person's total liabilities (including contingent and unliquidated liabilities) at such time;

(ii) such Person is and shall continue to be able to pay all of its liabilities as such liabilities mature; and

(iii) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

For purposes of this definition:

(A) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(B) the "fair value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value;

(C) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to purchase such asset under ordinary selling conditions; and

(D) the "present fair saleable value" of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm's length transaction in an existing and not theoretical market.

5.21. Year 2000 Problem. Such Originator reasonably believes that all internal computer operations that are material to its and each of its Subsidiaries business operations will be able to perform properly date sensitive functions for all dates before, on and after January 1, 2000, except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

I.

ARTICLE

COVENANTS OF THE ORIGINATORS

A. Affirmative Covenants. From the date hereof until the first day following the Purchase and Sale Termination Date, each Originator (and IMO as to clause (h)) will, unless the Company and the Administrator shall otherwise consent in writing:

1. Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders, including those with respect to the Receivables generated by it and the related Contracts and other agreements related thereto.

1. Preservation of Corporate Existence. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to have a Material Adverse Effect.

1. Receivables Review. At any time and from time to time during regular business hours, upon reasonable prior notice (unless a Purchase and Sale Termination Event or Unmatured Purchase and Sale Termination Event shall exist), (i) permit the Company and/or the Administrator, or their respective agents or representatives, (A) to examine, to audit and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the power, possession or under the control of such Originator relating to the Receivables and Related Rights, including, without limitation, the Contracts and other agreements related thereto, and (B) to visit such Originator's offices and properties for the purpose of examining such materials described in the foregoing clause (A) and discussing matters relating to the Receivables and Related Rights or such Originator's performance hereunder with any of the officers or employees of such Originator having knowledge of such

matters; and (ii) without limiting the provisions of clause (i) next above, from time to time on request of the Administrator, permit certified public accountants or other auditors acceptable to the Administrator to conduct a review of its books and records with respect to the Receivables and Related Rights. Unless a Purchase and Sale Termination Event or Unmatured Purchase and Sale Termination Event shall exist, each Originator shall only be responsible for the cost of one examination described in clause (i) or clause (ii) above in any twelve-month period.

1. Keeping of Records and Books of Account. Maintain an ability to recreate records evidencing the Receivables in the event of the destruction of the originals thereof.

1. Performance and Compliance with Receivables and Contracts. At its expense timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the related Contracts and all other agreements related to the Receivables and Related Rights.

1. Location of Records. Keep its principal place of business and chief executive office, and the offices where it keeps its records concerning or related to Receivables and Related Rights, at the address(es) referred to in Section 5.13 or, upon 30 days' prior written notice to the Company and the Administrator, at such other locations in jurisdictions where all action required by Section 7.3 shall have been taken and completed.

1. Credit and Collection Policies. Comply in all material respects with its Credit and Collection Policy in connection with the Receivables and the related Contracts.

2. Separate Corporate Existence of the Company. Take such actions as shall be required in order that:

a) the Company's operating expenses (other than certain organization expenses and expenses incurred in connection with the preparation, negotiation and delivery of the Transaction Documents) will not be paid by IMO and such Originator;

a) the Company's books and records will be maintained separately from those of IMO and such Originator;

a) all financial statements of IMO and such Originator that are consolidated to include the Company will contain detailed notes clearly stating that (A) all of the Company's assets are owned by the Company, and (B) the Company is a separate entity with creditors who have received interests in the Company's assets;

a) IMO and such Originator will strictly observe corporate formalities in its dealing with the Company;

a) Except as otherwise provided in the Receivables Purchase Agreement in connection with the servicing of Receivables, IMO and such Originator shall not commingle its funds with any funds of the Company;

a) IMO and such Originator will maintain arm's length relationships with the Company, and IMO and such Originator will be compensated at market rates for any services it renders or otherwise furnishes to the Company; and

a) IMO and such Originator will not be, and will not hold itself out to be, responsible for the debts of the Company or the decisions or actions in respect of the daily business and affairs of the Company.

1. Post Office Boxes. Within 30 days after the date hereof, deliver to the Administrator a certificate from an authorized officer of such Originator to the effect that (i) the name of the renter of all post office boxes into which Collections may from time to time be mailed have been changed to the name of the

Company (unless such post office boxes are in the name of the relevant Lock-Box Banks) and (ii) all relevant postmasters have been notified that each of the Servicer and the Administrator are authorized to collect mail delivered to such post office boxes (unless such post office boxes are in the name of the relevant Lock-Box Bank).

A. Reporting Requirements. From the date hereof until the first day following the Purchase and Sale Termination Date, each Originator shall, unless the Administrator and the Company shall otherwise consent in writing, furnish to the Company and the Administrator:

1. Proceedings. Promptly after such Originator has knowledge thereof, written notice to the Company and the Administrator of (i) all pending proceedings and investigations of the type described in Section 5.6 not previously disclosed to the Company and/or the Administrator and (ii) all material adverse developments that have occurred with respect to any previously disclosed proceedings and investigations.

1. Other. Promptly, from time to time, such other information, documents, records or reports respecting the Receivables, the Related Rights or such Originator's performance hereunder that the Company or the Administrator may from time to time reasonably request in order to protect the interests of the Company, the Issuer, the Administrator or any other Affected Person under or as contemplated by the Transaction Documents.

A. Negative Covenants. From the date hereof until the date following the Purchase and Sale Termination Date, each Originator agrees that, unless the Administrator and the Company shall otherwise consent in writing (which consent shall not be unreasonably withheld), it shall not:

1. Sales, Liens, Etc. Except as otherwise provided herein or in any other Transaction Document, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any Receivable or related Contract, Collections or Related Security, or any interest therein, or assign any right to receive income in respect thereof.

1. Extension or Amendment of Receivables. Except as otherwise permitted in Section 4.2(a) of the Receivables Purchase Agreement or in accordance with the Credit and Collection Policy, extend, amend or otherwise modify the terms of any Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any Contract related thereto (which term or condition relates to payments under, or the enforcement of, such Contract).

1. Change in Business or Credit and Collection Policy. Make any change in the character of its business or materially alter its Credit and Collection Policy, which change would, in either case, materially change the credit standing required of particular Obligors or potential Obligors or impair, in any material respect, the collectibility of the Receivables generated by it.

1. Receivables Not to be Evidenced by Promissory Notes or Chattel Paper. Take any action to cause or permit any Receivable generated by it to become evidenced by any "instrument" or "chattel paper" (as defined in the applicable UCC) unless such "instrument" or "chattel paper" shall be delivered to the Company (which in turn shall deliver the same to the Issuer (or the Administrator on its behalf)).

1. Mergers, Acquisitions, Sales, etc. Merge or consolidate with another Person (except pursuant to a merger or consolidation involving such Originator where such Originator is the surviving corporation), or convey, transfer, lease or otherwise dispose of (whether in one or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired), other than pursuant to this Agreement.

1. Lock-Box Banks. Make any changes in its instructions to any Obligor regarding Collections or add or terminate any Lock-Box Bank unless the requirements of Section 1(i) of Exhibit IV to the Receivables Purchase Agreement have been met.

1. Accounting for Purchases. Account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than as sales of the Receivables and Related Security by such Originator to the Company.

1. Transaction Documents. Enter into, execute, deliver or otherwise become bound by any agreement, instrument, document or other arrangement (other than the Credit Agreement) that restricts the right of such Originator to amend, supplement, amend and restate or otherwise modify, or to extend or renew, or to waive any right under, this Agreement or any other Transaction Documents.

I.

ARTICLE

ADDITIONAL RIGHTS AND OBLIGATIONS IN RESPECT OF THE RECEIVABLES

A. Rights of the Company. Each Originator hereby authorizes the Company, the Servicer and the Administrator or their respective designees to take any and all steps in such Originator's name necessary or desirable, in their respective determination, to collect all amounts due under any and all Receivables and Related Rights, including, without limitation, endorsing such Originator's name on checks and other instruments representing Collections and enforcing such Receivables and the provisions of the related Contracts that concern payment and/or enforcement of rights to payment.

A. Responsibilities of The Originator. Anything herein to the contrary notwithstanding:

1. Each Originator agrees to (A) direct, and hereby grants to each of the Company and the Administrator the authority to direct, all Obligors of Receivables originated by such Originator to make payments of such Receivables directly to a Lock-Box Account at a Lock-Box Bank, and (B) to transfer any Collections that it receives directly, to the Servicer (for deposit to such a Lock-Box Account) within one Business Day of receipt thereof, and agrees that all such Collections shall be deemed to be received in trust for the Company.

1. Each Originator shall perform its obligations hereunder, and the exercise by the Company or its designee of its rights hereunder shall not relieve such Originator from such obligations.

1. None of the Company, the Servicer, the Issuer or the Administrator shall have any obligation or liability to any Obligor or any other third Person with respect to any Receivables, Contracts related thereto or any other related agreements, nor shall the Company, the Servicer, the Issuer or the Administrator be obligated to perform any of the obligations of any Originator thereunder.

1. Each Originator hereby grants to Administrator an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of such Originator all steps necessary or advisable to indorse, negotiate or otherwise realize on any writing or other right of any kind held or transmitted by such Originator or transmitted or received by the Company (whether or not from such Originator) in connection with any Receivable or Related Right.

A. Further Action Evidencing Purchases. Each Originator agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that the Company or the Servicer may reasonably request in order to perfect, protect or more fully

evidence the Receivables (and the Related Rights) purchased by, the Company hereunder, or to enable the Company to exercise or enforce any of its rights hereunder or under any other Transaction Document. Without limiting the generality of the foregoing, upon the request of the Company, each Originator will:

1. execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate; and

1. mark the summary master control data processing records with the legend set forth in Section 4.1(i).

Each Originator hereby authorizes the Company or its designee to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Receivables (and the Related Rights) now existing or hereafter generated by such Originator. If such Originator fails to perform any of its agreements or obligations under this Agreement, the Company or its designee may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Company or its designee incurred in connection therewith shall be payable by such non-performing Originator as provided in Section 9.1.

A. Application of Collections. Any payment by an Obligor in respect of any indebtedness owed by it to any Originator shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Company or the Administrator, be applied first, as a Collection of any Receivables of such Obligor, in the order of the age of such Receivables, starting with the oldest of such Receivables, and second, to any other indebtedness of such Obligor.

I.

ARTICLE

PURCHASE AND SALE TERMINATION EVENTS

A. Purchase and Sale Termination Events. Each of the following events or occurrences described in this Section 8.1 shall constitute a "Purchase and Sale Termination Event":

1. The Facility Termination Date shall have occurred; or

1. Any Originator shall fail to make any payment or deposit to be made by it hereunder when due and such failure shall remain unremedied for two Business Days after written notice; or

1. Any representation or warranty made or deemed to be made by any Originator (or any of its officers) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered pursuant hereto or thereto shall prove to have been false or incorrect in any material respect when made or deemed made (other than with respect to any Receivable for which the Purchase Price has been reduced and accounted for pursuant to Section 3.3); or

1. Any Originator shall fail to perform or observe in any material respect any material agreement contained in any of Sections 6.1(h) or 6.3; or

1. Any Originator shall fail to perform or observe in any material respect any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given by the Servicer, the Administrator or the Company to such Originator; or

a) Any Originator or any of its subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against such Originator or any of its subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for all or any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), such proceeding shall remain undismissed or unstayed for a period of 60 days; or any Originator or any of its subsidiaries shall take any corporate action to authorize any of the actions set forth in clause (i) above in this Section 8.1(f); or

1. The Internal Revenue Service shall, or shall indicate its intention in writing to any Originator to, file notice of a lien asserting a claim or claims pursuant to the Code with regard to any of the assets of any Originator, or the Pension Benefit Guaranty Corporation shall, or shall indicate its intention in writing to such Originator or an ERISA Affiliate to, either file notice of a lien asserting a claim pursuant to ERISA with regard to any assets of such Originator or an ERISA Affiliate or terminate any benefit plan that has unfunded benefit liabilities.

A. Remedies.

a) Optional Termination. Upon the occurrence of a Purchase and Sale Termination Event, the Company shall have the option by notice to the Originators (with a copy to the Administrator) to declare the Purchase and Sale Termination Date to have occurred.

a) Remedies Cumulative. Upon any termination of the Purchase Facility pursuant to this Section 8.2, the Company shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative.

I.

ARTICLE

INDEMNIFICATION

A. Indemnities by the Originators. Without limiting any other rights which the Company may have hereunder or under applicable law, each Originator, severally and itself alone, and IMO jointly and severally with each Originator hereby agrees to indemnify the Company and each of its assigns, officers, directors, employees and agents (each of the foregoing Persons being individually called a "Purchase and Sale Indemnified Party"), forthwith on demand, from and against any and all damages, losses, claims, judgments, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively called "Purchase and Sale Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of the following:

1. the transfer by such Originator of an interest in any Receivable or Related Right to any Person other than the Company;

1. the breach of any representation or warranty made by such Originator under or in connection with this Agreement or any other Transaction Document, or any information or report delivered by such Originator pursuant hereto or thereto which shall have been false or incorrect in any respect when made or deemed made;

1. the failure by such Originator to comply with any

applicable law, rule or regulation with respect to any Receivable or the related Contract, or the nonconformity of any Receivable or the related Contract with any such applicable law, rule or regulation;

1. the failure to vest and maintain vested in the Company an ownership interest in the Receivables generated by such Originator and the Related Rights free and clear of any Adverse Claim;

1. the failure of such Originator to file with respect to itself, or any delay by such Originator in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables or purported Receivables generated by such Originator or any Related Rights, whether at the time of any purchase or at any subsequent time;

1. any dispute, claim, offset or defense (other than discharge or stay in bankruptcy) of the Obligor to the payment of any Receivable or purported Receivable generated by such Originator (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the goods or services related to any such Receivable or the furnishing of or failure to furnish such goods or services;

1. any product liability claim arising out of or in connection with goods or services that are the subject of any Receivable;

1. any litigation, proceeding or investigation against such Originator;

1. any tax or governmental fee or charge (other than any tax excluded pursuant to the proviso below), all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase or ownership of the Receivables or any Related Right connected with any such Receivables; and

1. any failure of such Originator to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document;

excluding, however, (i) Purchase and Sale Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of a Purchase and Sale Indemnified Party, (ii) any indemnification which has the effect of recourse for non-payment or late payment of the Receivables to any indemnitor due to credit reasons, (iii) any tax based upon or measured by net income or gross receipts, and (iv) any withholding taxes imposed as a result of amounts paid or payable to such Purchase and Sale Indemnified Party pursuant to this Agreement.

If for any reason the indemnification provided above in this Section 9.1 is unavailable to a Purchase and Sale Indemnified Party or is insufficient to hold such Purchase and Sale Indemnified Party harmless, then each of the Originators, severally and for itself alone, and IMO, jointly and severally with each Originator, shall contribute (subject to the provisions in this Section 9.1) to the amount paid or payable by such Purchase and Sale Indemnified Party as a result of such loss, claim, damage or liability to the maximum extent permitted under applicable law.

I. ARTICLE

MISCELLANEOUS

A. Amendments, etc.

1. The provisions of this Agreement may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Company, IMO the Administrator and the Originators (with respect to an amendment) or by the Company (with respect to a waiver or consent by it).

1. No failure or delay on the part of the Company, Servicer, any Originator or any third party beneficiary in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company, the Servicer, or any Originator in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Company or the Servicer under this Agreement shall, except as may otherwise be stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval under this Agreement shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

A. Notices, etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by express mail or courier or by certified mail, postage-prepaid, or by facsimile, to the intended party at the address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, (i) if personally delivered or sent by express mail or courier or if sent by certified mail, when received, and (ii) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means.

A. No Waiver; Cumulative Remedies. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

A. Binding Effect; Assignability. This Agreement shall be binding upon and inure to the benefit of the Company and each Originator and their respective successors and permitted assigns; provided, however, that no Originator may assign its rights hereunder or any interest herein or delegate its duties hereunder without the prior written consent of the Company and the Administrator. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the date after the Purchase and Sale Termination Date on which the Originators have received payment in full for all Receivables and Related Rights purchased pursuant to Section 1.1 hereof. The rights and remedies with respect to any breach of any representation and warranty made by any Originator pursuant to Article V and the indemnification and payment provisions of Article IX and Section 10.6 shall be continuing and shall survive any termination of this Agreement.

A. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS, AND NOT THE CONFLICT OF LAW PRINCIPLES, OF THE STATE OF NEW YORK EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF A SECURITY INTEREST OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

A. Costs, Expenses and Taxes. In addition to the obligations of the Originators under Article IX, each Originator agrees to pay on demand:

1. all reasonable costs and expenses in connection with the enforcement of this Agreement and the other Transaction Documents; and

1. all stamp and other similar taxes and fees payable or determined to be

payable in connection with the execution, delivery, filing and recording of this Agreement or the other Transaction Documents, and agrees to indemnify each Purchase and Sale Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

A. Submission to Jurisdiction. EACH PARTY HERETO HEREBY IRREVOCABLY (a) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY COURT OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT; (b) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE OR UNITED STATES FEDERAL COURT; (c) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING; (d) CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PERSON AT ITS ADDRESS SPECIFIED IN SECTION 10.2; AND (e) TO THE EXTENT ALLOWED BY LAW, AGREES THAT A NONAPPEALABLE FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 10.7 SHALL AFFECT THE COMPANY'S RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY ACTION OR PROCEEDING AGAINST THE ORIGINATOR OR ITS RESPECTIVE PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

A. Waiver of Jury Trial. EACH PARTY HERETO EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT, OR UNDER ANY AMENDMENT, INSTRUMENT OR DOCUMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

A. Captions and Cross References; Incorporation by Reference. The various captions (including, without limitation, the table of contents) in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any underscored Section or Exhibit are to such Section or Exhibit of this Agreement, as the case may be. The Exhibits hereto are hereby incorporated by reference into and made a part of this Agreement.

A. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

A. Acknowledgment and Agreement. By execution below, each Originator expressly acknowledges and agrees that all of the Company's rights, title, and interests in, to, and under this Agreement shall be assigned by the Company to the Issuer pursuant to the Receivables Purchase Agreement, and such Originator consents to all such assignments. Each of the parties hereto acknowledges and agrees that the Administrator and the Issuer are third party beneficiaries of the rights of the Company arising hereunder and under the other Transaction Documents to which such Originator is a party.

Purchase and Sale Agreement

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

IMO FUNDING COMPANY, LLC

By: _____
Name: John A. Young
Title: Vice President

9211 Forest Hill Avenue
Suite 109
Richmond, Virginia 23235
Attention: John A. Young
Telephone: (804) 327-5673
Facsimile: (804) 327-5688

IMO INDUSTRIES INC., as initial Servicer

By: _____
Name: John A. Young
Title: Vice President

997 Lenox Drive

Suite 111

Lawrenceville, New Jersey 08648
Attention: Thomas M. O'Brien
Telephone: (609) 896-7627
Facsimile: (609) 896-7633
ORIGINATORS:

IMO INDUSTRIES INC., as an Originator

By: _____
Name: _____
Title: _____

997 Lenox Drive

Suite 111

Lawrenceville, New Jersey 08648
Attention: Thomas M. O'Brien
Telephone: (609) 896-7627
Facsimile: (609) 896-7633

WARREN PUMPS INC., as an Originator

By: _____
Name: _____
Title: _____

82 Bridges Avenue
Warren, Massachusetts 01083-0959
Attention: Gary A. Young
Telephone: (413) 436-7711 (x200)
Facsimile: (413) 436-5605

SCHEDULE 5.13

OFFICE LOCATIONS

Imo Industries Inc.

Principal Place of Business and Chief Executive Office:

997 Lenox Drive
Suite 111

Lawrenceville, New Jersey 08648

Additional Offices:

3900 Westinghouse Boulevard
Charlotte, NC 28373
Mecklenburg County

506 South Bickett Boulevard
Louisburg, NC 27549
Franklin County

7970 U.S. 24 Dixie Highway
Florence, KY 41042

13517 Pumice Street
Norwalk, CA

3750 East Market St.
York, PA 17402
York County

1710 Airport Road
Monroe, NC 28111-5020
Union County

479 Industrial Park Road
Columbia, KY 42728
Adair County

21 Clinton Street
Hudson, OH 44236-2899
Summit County

1579 Barber Road
Sarasota, FL 34240
Sarasota County

500 B. Edwards Avenue
New Orleans, LA 23279

9211 Forest Hill Avenue
Suite 109
Richmond, Virginia 23235

12600 SE 38th Street
Suite 230
Bellevue, Washington 98006

Warren Pumps Inc.

Principal Place of Business and Chief Executive Office:

82 Bridges Avenue
Warren, Massachusetts 01083-0959

Additional Offices:

1710 Airport Road
Monroe, NC 28111-5020
Union County

SCHEDULE 5.14(a)

TRADE NAMES

Imo Industries Inc.

Boston Gear
Morse Controls
Imo Pump
Fincor
Colfax Pump Group

Colfax Power Transmission

Warren Pumps Inc.

Warren
Colfax Pump Group

SCHEDULE 5.14(b)

PREVIOUS NAMES, MERGERS OR CORPORATE REORGANIZATION

Imo Industries Inc.

None

Warren Pumps Inc.

None

EXHIBIT A

FORM OF PURCHASE REPORT

EXHIBIT B

FORM OF COMPANY NOTE

EXHIBIT C

FORM OF OPINION OF ORIGINATOR'S COUNSEL

EXHIBIT D

FORM OF JOINDER AGREEMENT

EXHIBIT E
FORM OF ORIGINATOR ASSIGNMENT CERTIFICATE

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<DESCRIPTION>EXHIBIT 10.31
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STOCK PURCHASE AGREEMENT

by and between

Echlin Inc.

and

Imo Industries Inc.

Dated as of October 13, 1999

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of October 13, 1999, by and between Echlin Inc., a Connecticut corporation ("Seller"), and IMO Industries, Inc., a Delaware corporation ("Buyer").

RECITALS:

A. Automotive Controls Corp., a wholly owned subsidiary of Seller (the "Shareholder"), is the beneficial and record owner of all the issued and outstanding shares (the "Shares") of common stock, par value of \$1.00 per share, of Sierra International Inc., an Illinois corporation (the "Company").

B. Seller desires Shareholder to sell to Buyer, and Buyer desires to purchase from Shareholder, all of the Shares upon the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and subject to the terms and conditions set forth herein, Seller and Buyer hereby agree as follows:

ARTICLE I

DEFINITIONS

See Appendix A for a list of the definitions used in this Agreement.

ARTICLE II

DATE AND PURCHASE OF SHARES

2.1 Sale and Purchase of Shares. Subject to the terms and conditions of this Agreement, at the Closing (a) Seller shall cause the Shareholder to sell, assign and transfer all of the Shares to Buyer free and clear of any and all Liens except any created by or through Buyer, (b) Buyer shall purchase all of the Shares, (c) Seller shall deliver to Buyer one or more stock certificates representing the Shares with duly executed stock powers attached in proper form for transfer to Buyer or its designee, and (d) Buyer shall pay and deliver to Seller the Purchase Price as provided in Section 2.2 below.

2.2 Purchase Price. In full consideration for the Shares and subject to adjustment pursuant to Section 2.3 below, Buyer shall (a) pay to Seller at the Closing by wire transfer of immediately available funds to an account designated by Seller prior to the Closing an aggregate amount of cash equal to \$34,000,000 (the "Purchase Price") and (b) assume those obligations of Dana Corporation, a Virginia corporation ("Dana") under the Employee Retention Incentive Agreements to be assumed pursuant to Section 7.2(d).

2.3 Purchase Price Adjustment

(a) As used herein, the term "Closing Net Working Assets" means the aggregate of the sum of the value of the net trade accounts receivable and the value of the net inventory less the value of the net trade accounts payable of the Company as of the close of business on the date immediately preceding the Closing Date and as such values are determined in accordance with the Specified Accounting Principles and reflected in the Final Net Working Assets Statement.

(b) Within forty five (45) days after the Closing Date, Seller shall prepare and deliver to Buyer a statement of the Closing Net Working Assets of the Company, together with footnotes (collectively, the "Closing Net Working Assets Statement"). Seller shall prepare the Closing Net Working Assets Statement in accordance with the Specified Accounting Principles and the net inventory value to be reflected on the Closing Net Working Assets Statement is to be based on a physical inventory to be commenced by Buyer on the Closing Date and to be conducted by Buyer in the presence and under the supervision of Seller's Accountants. Buyer shall promptly deliver to Seller the results of the inventory count and shall grant Seller's Accountants such access to the Company's facilities and the results of the physical count as Seller reasonably requires to prepare the Closing Net Working Assets Statement.

(c) Buyer shall allow Seller and Seller's independent accountants ("Seller's Accountants") access to the business, books, records and personnel of the Company and the work papers, if any, of Buyer's independent accountants ("Buyer's Accountants"), prepared subsequent to the date hereof which are relevant to the Closing Net Working Assets Statement, and shall cooperate and direct its personnel and Buyer's Accountants to cooperate with Seller and Seller's Accountants to facilitate preparation and delivery of the Closing Net Working Assets Statement and in connection with the resolution of any disputes with respect thereto and the determination of the Final Net Working Assets Statement. Buyer and its representatives, including Buyer's Accountants, will be entitled to review all work papers, if any, of Seller's Accountants prepared subsequent to the date hereof, and to obtain access to the books and records of Seller or its Affiliates to the extent necessary for Buyer to review the Closing Net Working Assets Statement and to resolve any disputes concerning the same.

(d) The Closing Net Working Assets Statement delivered by Seller to Buyer will be the Final Net Working Assets Statement and will be conclusive and binding on the parties unless Buyer, within the thirty (30) day period after the delivery to Buyer of the Closing Net Working Assets Statement, notifies Seller in writing that Buyer disputes any of the amounts set forth therein, specifying the nature of each dispute and the basis therefor (the "Dispute Notice"); provided, that Buyer may deliver a Dispute Notice only if Buyer reasonably believes the Closing Net Working Assets Statement contains mathematical errors or has not been prepared in accordance with the Specific Accounting Policies. Failure by Buyer to dispute the amounts reflected in the Closing Net Working Assets Statement within such thirty (30) day period will be deemed an acquiescence thereto by Buyer. The parties shall attempt in good faith to reach agreement resolving all of the disputes set forth in the Dispute Notice within thirty (30) days after the Dispute Notice is delivered by Buyer to Seller, in which event the Closing Net Working Assets Statement, as amended to the extent necessary to reflect the resolution of all such disputes, will be the Final Net Working Assets Statement and will be conclusive and binding on the parties. If the parties are unable to resolve any or all of such disputes within the aforesaid thirty (30) day period, the parties will, promptly after the expiration of such time period, submit for resolution all unresolved disputes to Ernst & Young, as an arbiter (the "Designated Accounting Arbitrator") for resolution. Promptly, but no later than thirty (30) days after its acceptance of its appointment as Designated Accounting Arbitrator,

the Designated Accounting Arbitrator shall determine, based solely on presentation by Buyer and Seller, and not by independent review, those items in dispute on the Closing Net Working Assets Statement and shall render a written report as to the resolution of each dispute and the resulting calculation of the Final Net Working Assets Statement and the Closing Net Working Assets. In resolving any disputed item, the Designated Accounting Arbitrator may not assign a value to such item greater than the greatest value for such item claimed by either party or less than the smallest value for such item claimed by either party. The Designated Accounting Arbitrator will have exclusive jurisdiction over, and resort to the Designated Accounting Arbitrator as provided in this paragraph (d) will be the sole recourse and remedy of, the parties against one another or any other person (including Seller's Accountants or Buyer's Accountants) with respect to, any disputes arising out of or relating to the Closing Net Working Assets Statement and/or the Final Net Working Assets Statement; and the Designated Accounting Arbitrator's determination will be conclusive and binding on the parties and will be enforceable in a court of law.

(e) Seller shall pay the fees and expenses of Seller's Accountants. Buyer shall pay the fees and expenses of Buyer's Accountants. Buyer and Seller shall share equally the fees and expenses of the Designated Accounting Arbitrator.

(f) As used herein, the term "Final Net Working Assets Statement" means (i) the Closing Net Working Assets Statement if no Dispute Notice is given by Buyer within the time period set forth in Section 2.3(d) or (ii) if the Dispute Notice is timely given and all of the disputed items are resolved by mutual agreement of the parties, the Closing Net Working Assets Statement, as amended, if necessary, to reflect such resolution of all disputes, or (iii) if any or all of the disputed items are submitted to the Designated Accounting Arbitrator for resolution, the Closing Net Working Assets Statement, as amended, if necessary, to reflect any resolution of any disputes by mutual agreement of the parties and the resolution of all other disputes by the Designated Accounting Arbitrator.

(g) If the Closing Net Working Assets exceeds \$18,871,000, Buyer shall pay to Seller the amount of such excess. If the Closing Net Working Assets is less than \$18,871,000, Seller shall pay Buyer the amount of such difference. Any payments made by Buyer or Seller, as the case may be, pursuant to this Section 2.3(g) will be made together with interest thereon from the Closing Date to the date of payment at a rate of eight percent (8%) per annum within thirty (30) Business Days of the date on which the Final Net Working Assets Statement is determined by wire transfer of immediately available funds to the account designated by the payee; provided, however, that, if payment is not made within such thirty Business Day period, the applicable rate of interest is to be eleven percent (11%) per annum for the period from the day following such date through the date such payment is made.

ARTICLE III

CLOSING AND DELIVERIES

3.1 Closing. The closing of the transactions contemplated hereby (the "Closing") is to take place at the offices of Jones, Day, Reavis & Pogue, North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114, at 10:00 a.m., local time on the first Business Day following the satisfaction or waiver of each of the conditions set forth in Article VII (other than those conditions that are to be satisfied at the Closing), or on such other date or at such other time and place as the parties mutually agree in writing (the "Closing Date"). All proceedings to be taken and all documents to be executed and delivered by all parties at the Closing will be deemed to have been taken and executed simultaneously and no proceedings will be deemed to have been

taken nor documents executed or delivered until all have been taken, executed and delivered.

3.2 Deliveries by Seller. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following items:

(a) One or more certificates representing the Shares, accompanied by duly executed stock powers in proper form for transfer;

(b) The Articles of Incorporation of the Company, certified as of the most recent practicable date by the Secretary of State of the State of Illinois;

(c) A Certificate of the Secretary of State of the State of Illinois as to the good standing as of the most recent practicable date of the Company in Illinois and a certificate of good standing as of the most recent practicable date from the appropriate Governmental Authority in each state where the Company is qualified to do business;

(d) A certificate of the Secretary of Seller certifying as to the resolutions authorizing this Agreement and the transactions contemplated hereby;

(e) The Supply Agreement duly executed by Seller and the Company;

(f) The Freight Agreement duly executed by Echlin Freight Group and the Company;

(g) The Trucking Agreement duly executed by DTF Trucking, Inc. and the Company;

(h) The Transitional Services Agreement duly executed by Seller and the Company;

(j) The original corporate record books and stock record book of the Company;

(k) The certificate from Seller referred to in Section 7.3(c); and

(l) Written resignations of each director of the Company.

Notwithstanding the foregoing, Seller shall have an obligation to deliver at Closing only those agreements referred to in clauses (e) - (h) above which Buyer has advised Seller in writing prior to October 27, 1999 that Buyer desires to have Seller deliver.

3.3 Deliveries by Buyer. At the Closing, Buyer shall deliver or cause to be delivered to Seller the following items:

(a) The Purchase Price, paid by wire transfer of immediately available funds in accordance with Section 2.2(a);

(b) The certificate of an officer of Buyer referred to in Section 7.2(c); and

(c) A certificate of the Secretary of Buyer certifying as to the By-laws of Buyer and the resolutions authorizing this Agreement and the transactions contemplated hereby.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as of the date of this Agreement as follows:

4.1 Organization and Standing. The Company is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Company is duly qualified to do business and in good standing in the jurisdictions in which the character of the properties owned or leased by it or in which the conduct of its business requires it to be so qualified.

4.2 Authorization, Validity and Effect. Seller has all requisite power and authority to enter into and perform its obligations under this Agreement and all agreements and documents contemplated hereby and to consummate the; transactions contemplated hereby and thereby, and this Agreement and such other agreements and documents have been, or will be, duly executed and delivered by Seller pursuant to all necessary authorization and are, or will, when delivered, be the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as limited by (a) applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally from time to time in effect and (b) the availability of equitable remedies (regardless of whether enforceability is considered in a proceeding at law or in equity).

4.3 Capitalization. The authorized capital stock of the Company consists of 10,000 shares of common stock, par value of \$1.00 per share, of which, only the Shares are issued and outstanding. All of the Shares are duly and validly issued and outstanding and are fully paid and nonassessable. There are no authorized or outstanding Options or other agreements under which the Company may be obligated to issue or sell any shares of capital stock or any other securities of the Company.

4.4 Title. The Shareholder (a) is the record and beneficial owner of all of the Shares and (b) has valid title to all of the Shares free and clear of all Liens. Upon the consummation of the transactions contemplated by this Agreement in accordance with the terms hereof, Buyer will acquire valid title to the Shares, free and clear of all Liens except those created by or through Buyer.

4.5 No Conflict; Required Filings and Consents.

(a) Neither the execution and delivery of this Agreement by Seller, nor the consummation by Seller of the transactions contemplated herein, nor compliance by Seller with any of the provisions hereof, will (i) conflict with or result in a breach of any provision of the Company's Articles of Incorporation or By-laws, (ii) except as set forth in Schedule 4.5, constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation or imposition of any Lien upon any property or assets of the Company, pursuant to any note, bond, mortgage, indenture, license, agreement, lease or other instrument or obligation to which the Company is a party or by which any of its properties or assets may be subject, or (iii) subject to receipt of the requisite approvals referred to in Schedule 4.5 violate any Order or Law applicable to the Company or any of its properties or assets.

(b) Other than (i) those required under the HSR. Act and (ii) as set forth in Schedule 4.5, no notice to, filing with, authorization of, exemption by or Consent of any Person or Governmental Authority is necessary for the consummation by Seller of the transactions contemplated in this Agreement.

4.6 Financial Statements.

(a) The Company has prepared and furnished to Buyer and included in Schedule 4.6, the unaudited balance sheets of the Company as of the end of the fiscal years ending August 31, 1997 and 1998, the end of the calendar year ending December 31, 1998, and the unaudited consolidated statements of income for such periods. The Company has furnished to Buyer and included in Schedule 4.6 the unaudited balance sheet of the Company for the six months ended June 30, 1999 (the "June Balance Sheet"), and the unaudited statements of income for such period. All of the financial statements (i) are in accordance with the books and records of the Company, (ii) present fairly in all material respects the financial position of the Company as of the respective dates and the results of operations for the respective periods indicated, and (iii) have been prepared in all material respects in accordance with GAAP applied on a basis consistent with prior accounting periods except they contain none of the footnotes required by GAAP and the June Balance Sheet reflects no year-end adjustments.

(b) Except as reflected in the June Balance Sheet, as of June 30, 1999, there existed no liabilities (whether contingent or absolute, matured or unmatured, known or unknown) of the Company. Except as described in Schedule 4.6, since June 30, 1999, (i) the Company has not incurred any liabilities (whether contingent or absolute, matured or unmatured, known or unknown) other than in the ordinary course of business consistent with past practice and (ii) no change or event has occurred which has had a Material Adverse Effect on the Company.

(c) The projected unaudited balance sheet of the Company as of November 30, 1999 has been delivered to Buyer solely to provide Buyer with an understanding of the cyclical nature of the Business and the basis for the adjustment to the Purchase Price under Section 2.3(g).

4.7 Taxes.

(a) The Company has filed all Tax Returns required to be filed by it, paid or made in the June Balance Sheet adequate provision for the payment of all Taxes shown on such returns to be owed by it, and no claims for additional Taxes for any prior fiscal years are pending except as disclosed in Schedule 4.7. The Company is not a party to any pending Action, nor, to Seller's Knowledge, is any such Action threatened, by any Governmental Authority for the assessment or collection of Taxes.

(b) The Company is a member of the Selling Consolidated group as defined in Treasury Reg.ss. 1.338(h)(10)-1(c)(3) and Seller is eligible to make an election under IRCss.338(h)(10).

4.8 Properties, Assets and Leases.

(a) Except as disclosed on Schedule 4.8(a) the Company has good and valid title to all of the properties and assets reflected in the June Balance Sheet, free and clear of all Liens except for (i) those properties and assets which have been sold in the ordinary course since the date hereof and (ii) such imperfections or irregularities of title, Liens or defaults that do not affect the use thereof and statutory Liens securing payments not yet due.

(b) Schedule 4.8(b) contains a complete and accurate description in all material respects of all the Real Property and the Company's interest therein. The Real Property listed on Schedule 4.8(b) comprises all real property interests used in the conduct of the business and operations of the Company as conducted as of the date hereof. The Company has delivered to Buyer true and complete copies of all leases pertaining to the Real

Property. Subject to the terms of the Litchfield Facility Lease, all Real Property (including the improvements thereon) (i) is available and is adequate for immediate use in the conduct of the business and operations of the Company as currently conducted and (ii) complies in all material respects with all applicable building or zoning codes and regulations of any Governmental Authority having jurisdiction.

(c) Schedule 4.8(c) contains a complete list of all vehicle leases and subleases and all leases and subleases pursuant to which the Company leases personal property that require the payment of \$5,000 or more per year. Except as set forth in Schedule 4.8(c), (i) all leases listed on Schedule 4.8(c) and (ii) all leases pertaining to Real Property are valid, binding and enforceable in accordance with their terms, except as limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity (whether or not considered in a court of law or equity), and are in full force and effect. There are no existing defaults by the Company under such leases. The Company has not received notice of the occurrence of, nor to Seller's Knowledge has there occurred, any event which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute a default under such leases by any party thereto.

(d) Schedule 4.8(d) is an accurate list of all machinery, equipment and other tangible personal property, including motor vehicles, which are owned by the Company, used in the conduct of its business and having a net book value in excess of \$10,000 as of August 31, 1999 (collectively, the "Material Equipment"). Except as otherwise specified in Schedule 4.8(d), to Seller's Knowledge, all Material Equipment: is, in all material respects, in good repair and working order and is adequate for the conduct of the Company's business as currently conducted. Except as set forth in Schedule 4.8(d) hereto, no Person, other than the Company, owns any equipment or other tangible property or assets on the premises of the Company that is necessary to the operation of the business of the Company.

4.9 Employee Benefit Plans. Each "employee benefit plan", as defined in Section 3(3) of ERISA, maintained, contributed to or required to be contributed to by the Company for the benefit of current, former and retired employees (the "Company ERISA Plans") and each other plan, contract, program or arrangement maintained, contributed to or required to be contributed to by the Company for the benefit of current, former and retired employees (the "Company Benefit Arrangements") complies in all material respects with its terms and all applicable Laws, including ERISA, and no "reportable event" or "prohibited transaction" (as such terms are defined in ERISA) or termination has occurred with respect to any Company ERISA Plan under circumstances that present a risk of any material liability to the Company. The Company ERISA Plans and the Company Benefit Arrangements are listed on Schedule 4.9. Copies or descriptions of each Company ERISA Plan and Company Benefit Arrangement have been made available to Buyer for review prior to the date hereof. The Company has no obligation to provide medical or life insurance coverage to retired employees under the Company ERISA Plans, the Company Benefit Arrangements or any other plan or agreement. No Company ERISA Plan is a "multi-employer plan" as defined in Section 3(37) of ERISA, and no Company ERISA Plan promises or provides post-retirement medical benefit.

4.10 Company Contracts. Set forth in Schedule 4.10 is a list, as of the date hereof, of the following agreements (the "Company Contracts"):

(a) Each agreement to which the Company is a party requiring payment in excess of \$50,000 per year except those that are terminable at the option of the Company upon less than thirty (30) days notice;

(b) Each agreement covering the lease, purchase or service of

tangible personal property to which the Company is a party requiring payments in excess of \$10,000 per year;

(c) Each agreement to which the Company is a party with respect to indebtedness for money borrowed, including letters of credit, guaranties, indentures, swaps and similar agreements;

(d) Each management, consulting, employment, severance, collective bargaining or similar agreement, and each employment, to which the Company is a party;

(e) Each agreement with any manufacturer's representative, distributor or sales agent; and

(f) Each agreement between the Company and Seller or its Affiliates.

Each of the Company Contracts is valid, binding and enforceable in accordance with its terms, except as limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity (whether or not considered in a court of law or equity), and are in full force and effect. There are no existing material defaults by the Company under any of the Company Contracts. No event has occurred which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute a material default under any of the Company Contracts by any party thereto.

4.11 Legal Proceedings. Except as set forth in Schedule 4.11, there are no Actions instituted or pending, or, to Seller's Knowledge threatened or anticipated, against the Company or to which the Company is a party, or against any property, asset, interest or right of the Company. Except as disclosed on Schedule 4.11, the Company is not subject to any Order that would have a Material Adverse Effect on the Company.

4.12 Year 2000 Compliance. The Company has adopted and implemented commercially reasonable measures to investigate and correct any "year 2000 problems" associated with the operation of the Company's business.

4.13 Compliance with Laws. Except as set forth in Schedule 4.13, the Company: (a) is in compliance with all Laws and Orders applicable to it and (b) since January 1, 1997, has received no written notification or communication from any Governmental Authority (i) asserting that the Company is not in compliance with any Law or (ii) threatening to revoke any Permit of any Governmental Authority.

4.14 Environmental Matters. Except as set forth in Schedule 4.14:

(a) The Company has complied with all of the terms and conditions of all Permits which are required under, and has complied with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables which are contained in, all federal, state and local Laws relating to pollution or protection of the environment, including Laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, or any other materials or wastes including "hazardous substances" as defined in 42 U.S.C. ss. 9601, petroleum or any constituent thereof and any hazardous or solid waste as defined in 42 U.S.C. ss. 6903 ("Hazardous Substances") into the environment (including ambient air, surface water, ground water or lands) or otherwise regulating the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances (Environmental Laws)).

(b) Since October 1, 1989, the Company has not received any written notice of a charge, complaint, action, suit, proceeding, hearing, investigation, claim, demand or notice alleging any liability of the Company or any failure by the Company to comply with any Environmental Law ("Environmental Claim") and any disputes resulting from any notice received prior to such date have been resolved.

4.15 Intellectual Property.

(a) Schedule 4.15 sets forth a complete and correct list of all patented or registered Intellectual Property and pending patent applications or other applications for registrations of Intellectual Property owned or filed by or on behalf of the Company and any other Intellectual Property the Company currently uses in connection with its business.

(b) Except as set forth on Schedule 4.15 (i) the Company owns and possesses all right, title and interest in and to, or, to Seller's Knowledge, has a valid and enforceable license to use, the Intellectual Property currently used in the operation of the Company's business and (ii) since January 1, 1997, the Company has not received any notices of any infringement or misappropriation by, or conflict with, any third party with respect to the Intellectual Property or any third party's intellectual property rights and any disputes resulting from any notice received prior to such date have been resolved.

(c) "Intellectual Property" means all patents, patent applications, patent licenses, software licenses, know-how, licenses, trademarks, copyrights, service marks, trademark registrations and applications, copyright registrations and applications, service mark registrations and applications and all other intangible property rights or technology owned or used by the Company in the operation of its businesses.

4.16 No Brokers. Except for the compensation payable to W. Y. Campbell & Company ("Campbell") in connection with the transactions contemplated by this Agreement, which is to be paid by Seller, no broker, finder or similar agent has been employed by or on behalf of Seller or the Company, and no Person with which Seller or the Company have had any dealings or communications of any kind other than Campbell is entitled to any brokerage commission, finder's fee or any similar compensation in connection with this Agreement or the transactions contemplated hereby.

4.17 Company Employees. Schedule 4.17 sets forth a complete list of all current employees of the Company and their annualized rates of pay as of September 1, 1999 and since that date there have been no changes in the annual rates of pay of any employees. To Seller's Knowledge and except for those efforts made in 1998 in connection with the tender offer for Seller, there has not been since January 1, 1997 any effort by any labor organization to organize into a collective bargaining unit any employees of the Company..

4.18 Bank Accounts. Schedule 4.18 is an accurate list of all bank accounts maintained by the Company and the authorized signatories therefor.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as of the date of this Agreement as follows:

5.1 Investment Intent. The Shares are being purchased for its own account and not with the view to, or for resale in connection

with, any distribution or public offering thereof within the meaning of the Securities Act of 1933.

5.2 Organization and Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the requisite corporate power and authority to own, operate and lease its properties and to carry on its business as presently being conducted.

5.3 Authorization, Validity and Effect Buyer has the requisite corporate power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it, and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and such other agreements and documents, and the consummation of the transactions contemplated herein and therein, have been duly and validly authorized by all necessary corporate action in respect thereof on the part of Buyer. This Agreement and all agreements and documents contemplated hereby has been duly and validly executed and delivered by Buyer and represents the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms except as limited by (a) applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally from time to time in effect and (b) the availability of equitable remedies (regardless of whether enforceability is considered in a proceeding at law or in equity).

5.4 No Conflict; Required Filings and Consents.

(a) Neither the execution and delivery of this Agreement by Buyer, nor the consummation by Buyer of the transactions contemplated herein, nor compliance by Buyer with any of the provisions hereof, will (i) conflict with or result in a breach of any provision of the Articles of Incorporation or By-laws or equivalent organizational documents of Buyer, (ii) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation or imposition of any Lien upon, any property or assets of Buyer or, pursuant to any note, bond, mortgage, indenture, license, agreement, lease or other instrument or obligation to which it is a party or by which it or any of its properties or assets may be subject, and that would, in any such event, have a Material Adverse Effect on Buyer, or (iii) subject to receipt of the requisite approvals referred to in Schedule 5.4(b), to the actual knowledge of the executive officers of Buyer ("Buyer's Knowledge"), violate any Order or Law applicable to Buyer or any of its properties or assets,

(b) Other than (i) notices under the HSR Act, (ii) as set forth in Schedule 5.4(b) and (iii) where the failure to give such notice, make such filing, or receive such authorization, exemption or Consent would not have a Material Adverse Effect on Buyer, no notice to, filing with, authorization of, or exemption by, or Consent of any Person or Governmental Authority is necessary for the consummation by Buyer of the transactions contemplated in this Agreement.

5.5 Legal Proceedings. Except as set forth in Schedule 5.5, there are no Actions instituted or pending, or to Buyer's Knowledge, threatened, against Buyer, or against any of its properties, assets, interests or rights, that would interfere with or delay the consummation of the transactions contemplated by this Agreement. Buyer is not subject to any Order that would have a Material Adverse Effect on Buyer.

5.6 No Brokers. No broker, finder or similar agent has been employed by or on behalf of Buyer, and no Person with which Buyer has had any dealings or communications of any kind is entitled to any brokerage

commission, finder's fee or any similar compensation in connection with this Agreement or the transactions contemplated hereby.

5.7 Buyer's Financing. Buyer has sufficient funds available to consummate the transactions contemplated hereby and pay all related fees and expenses.

5.8 Financial Information. Buyer has made available to Seller copies of the audited consolidated financial statements of Buyer and its Subsidiaries as of and for the period ended December 31, 1997 and 1998 accompanied by the reports thereon of Buyer's independent public accountants (the "Buyer Financials"). Since December 31, 1998, no Material Adverse Effect has occurred with respect to Buyer.

5.9 No Reliance. The purchase of the Shares by Buyer and the consummation of the transactions contemplated hereunder by Buyer are not done in reliance upon any warranty or representation by, or information from, Seller or the Company of any sort, oral or written, except the warranties and representations specifically set forth in this Agreement (including the schedules and exhibits hereto) and in any certificates required to be delivered to Buyer by Seller hereunder and thereunder.

ARTICLE VI

COVENANTS AND AGREEMENTS

6.1 Interim Operation of the Company. From the date hereof until the Closing Date, except as contemplated by any other provision of this Agreement or as set forth in Schedule 6.1, unless Buyer has previously consented in writing thereto, Seller shall cause the Company to operate in the ordinary course of business and Seller shall cause the Company not to:

(a) incur any indebtedness or issue any debt securities or assume, guarantee or endorse the obligations of any other Persons, except for indebtedness incurred in the ordinary course of business consistent with past practice;

(b) except in the ordinary course of business consistent with past practice, acquire or dispose of any material assets;

(c) enter into any agreements, commitments or contracts, except agreements, commitments or contracts made in the ordinary course of business consistent with past practice;

(d) except in the ordinary course of business consistent with past practice, engage in any transactions with, or enter into any contracts or agreements with any Affiliates of the Company;

(e) enter into, adopt, amend or terminate any agreement relating to the compensation or severance of any employee associated with the Company, except to the extent required by Law, any existing agreements and for the agreement with John Bender in the form delivered to Buyer on October 12, 1999;

(f) make any material change to its accounting (including tax accounting) methods, principles or practices, except as may be required by GAAP;

(g) make any amendment to its Articles of Incorporation or By-laws;

(h) issue or sell any capital stock of the Company or split, combine or subdivide the capital stock of the Company; or

(i) agree to take any of the actions described in sub-clauses (a) through (h) above.

6.2 Reasonable Access; Confidentiality

(a) From the date hereof until the Closing, Seller shall cause the Company to give Buyer and its representatives (including its attorneys, agents and lenders or other sources of financing), upon reasonable notice to the Company, reasonable access to the assets, properties, books, records, agreements, employees and commitments of the Company and shall cause the Company to permit Buyer to make such inspections as it may reasonably require and to furnish Buyer during such period with all such information relating to the Company as Buyer may from time to time reasonably request.

(b) Any information provided to or obtained by Buyer pursuant to paragraph (a) above is "Information" as defined under the Confidentiality Agreement, dated July 16, 1999, between the Company and Buyer (the "Confidentiality Agreement"), and is to be held by Buyer in accordance with and be subject to the terms of the Confidentiality Agreement.

(c) Buyer agrees to be bound by and comply with the provisions set forth in the Confidentiality Agreement as if such provisions were set forth herein, and such provisions are hereby incorporated herein by reference.

6.3 Filings; Other Action. Subject to the terms and conditions provided herein, Seller and Buyer shall (a) promptly make their respective filings and thereafter make any other required submissions under the HSR Act; (b) use their reasonable best efforts to cooperate with each other in (i) determining which filings are required to be made prior to the Closing Date with, and which Consents are required to be obtained prior to the Closing Date from, Governmental Authorities in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (ii) timely making all such filings and timely seeking all such Consents; and (c) use their reasonable best efforts to cause the conditions to each of Seller's and Buyer's obligations hereunder to be fulfilled.

6.4 Publicity. Seller and Buyer shall make a joint press release announcing the execution of this Agreement and the transactions contemplated hereby, which is to be acceptable to each of Seller and Buyer; provided, however, that such press release and any other public disclosure by Seller or Buyer of this Agreement or the transactions contemplated hereby is not to disclose the Purchase Price unless such disclosure is required by Law. No other publicity release or announcement concerning the transactions contemplated hereby is to be issued by either party without the advance written consent of such other party, except any such release or announcement as may be required by applicable Law.

6.5 Records. With respect to the financial books and records (other than Tax records which are provided for in Section 6.6) and minute books of the Company relating to matters on or prior to the Closing Date, for a period of ten years after the Closing Date, neither Seller nor Buyer shall cause or permit their destruction or disposal without first offering to surrender them to Buyer or Seller as appropriate, and Seller and Buyer shall allow Buyer and Seller and his representatives, as appropriate, access to such books and records during regular business hours.

6.6 Tax Matters. From and after the Closing:

(a) Seller and Buyer shall (i) each provide the other and shall cause their respective accountants to provide the other party's accountant,

and Buyer shall cause the Company to provide Seller, with such assistance as may reasonably be requested by any of them in connection with the preparation of any Tax Return, or the conduct of any audit or other examination by any taxing authority or judicial or administrative proceedings relating to liability for Taxes; (ii) each retain and provide the other and shall cause their respective accountants to provide the other party's accountant, and Buyer shall cause the Company to retain and provide Seller with, any records or other information that may be relevant to such Tax Return, audit or examination, proceeding or determination; and (iii) each provide the other with any final determination of any such audit or examination, proceeding or determination that affects any amount required to be shown on any Tax Return of the other for any period. Without limiting the generality of the foregoing, Buyer shall retain, and shall cause the Company to retain, and Seller shall retain, until the applicable statute of limitations (including any extensions) have expired, copies of all Tax Returns, supporting work schedules, and other records or information that may be relevant to such returns for all Tax periods or portions thereof ending before or including the Closing and shall not destroy or otherwise dispose of any such records without first providing the other party with a reasonable opportunity to review and copy same at the cost of such other party.

(b) Seller shall prepare and file income Tax Returns with respect to the Company for all periods commencing prior to and ending on or before the Closing Date. Seller shall pay all Taxes described in Section 8.2(a)(vi). Buyer shall pay all Taxes of the Company for all periods that begin after the Closing Date, and shall prepare and file all Tax Returns with respect to the Company for all periods commencing after the Closing Date and ending thereafter.

(c) Seller and Buyer shall each pay fifty percent (50%) of any state and local sales and stock transfer taxes and all recording costs and fees however styled or designated that are required to be paid in connection with the transfer of the Shares contemplated by this Agreement.

(d) Seller and Buyer shall provide to each other prompt notice of, and as requested by the other party reasonable cooperation in respect of, any audit or similar investigation or proceeding in which the Internal Revenue Service or any other Governmental Authority makes or proposes to make a Tax adjustment to any Tax period of the Company ending on or before the Closing Date.

(e) Buyer and Seller shall make a timely, effective, and irrevocable election under Section 338(h)(10) of the Code and under any comparable statutes in any other jurisdiction with respect to the purchase of the Shares of the Company (collectively, the "Section 338(h)(10) Election"), and to file that election in accordance with applicable regulations. The Section 338(h)(10) Election will allocate the modified ADSP (as that term is defined in Treasury Regulations Section 1.338(h)(10)-1(f)) of the assets of the Company in accordance with the Treasury regulations promulgated under Section 338(h)(10). Neither Buyer nor Seller nor any of their respective Affiliates shall take any action inconsistent with, or fail to take any action necessary for the validity of the ss. 338(h)(10) Election, and shall utilize the asset values determined from the Allocation Agreement (as defined in Section 6.7) for the purpose of all tax returns filed and shall not take any action inconsistent therewith upon examination of any tax return, in any refund claim, in any litigation, or otherwise in respect to such returns.

6.7 Allocation Matters. The parties shall use their best efforts to enter into an agreement (the "Allocation Agreement") as soon as possible after the final determination of the purchase price allocating the Purchase Price among the assets and liabilities of the Company. Buyer shall deliver

to Seller a proposed Allocation Agreement within sixty (60) days after the signing of this agreement. If Seller has not objected to the proposed Allocation Agreement within thirty (30) days after receipt, such agreement shall be accepted and shall be the Allocation Agreement.

If Seller objects to Buyer's proposed Allocation Agreement. Seller shall give Buyer written notice of the objections and Seller and Buyer shall use reasonable efforts to resolve the differences. If within thirty (30) days after the date on which Seller has given Buyer notice of its objections, the parties have not adopted the Allocation Agreement, any dispute related thereto shall be referred to an independent accounting firm selected by the parties and resolved thirty (30) days after such referral. The independent accounting firm's determination shall be conclusive and binding upon Buyer and Seller and its Affiliates except as provided below. The costs, expenses, and fees of the independent accounting firm shall be borne equally by the parties.

The value assigned to the building and land located at 625 W. Columbian Blvd. (a.k.a. 1 Sierra Place), Litchfield, IL shall be \$912,000.

Buyer will prepare IRS Form 8023 and deliver the form to Seller no later than sixty (60) days prior to its due date. Seller will review and complete Section F ("Seller's Statement") of Form 8023, sign and return to Buyer no later than thirty (30) days prior to Form 8023's due date.

6.8 NAPA Business Practices. For one year following the Closing, Buyer shall cause the Company to continue the business practices (the "NAPA Business Practices") formerly employed by the Company as a supplier of products to NAPA, including, without limitation, the following practices: (a) the Company shall continue to supply NAPA products requested by NAPA within forty eight (48) hours after the order has been received, (b) the Company shall accept returns of products supplied by the Company to NAPA in an amount not more than two percentage points above the average amount expressed as a percentage accepted by the Company in the fiscal years 1996, 1997 and 1998, and (c) for all invoices paid by NAPA within sixty (60) days of shipment, NAPA will be entitled to take a 2% discount off the invoice price. Notwithstanding the foregoing, if NAPA amends any of the above described practices or any other NAPA Business Practice, Buyer shall cause the Company to negotiate in good faith with NAPA regarding such changes.

6.9 Non-Competition.

(a) For a period of two (2) years from the Closing Date, Seller shall not and shall cause its Affiliates not to (i) acquire or invest in any business that competes with the Business within the Restricted Territory; or (ii) sell any Current Products to any Current Customers or to any Current Competitors within the Restricted Territory.

(b) The provisions of Section 6.9(a) do not prohibit Seller or its Affiliates from (i) acquiring another Person engaged in activities prohibited by Section 6.9(a) if at the time of the acquisition the business of the Person acquired otherwise prohibited by Section 6.9(a) represents less than 20% of such Person's consolidated sales for its most recently completed fiscal year, (ii) acquiring up to five percent (5%) of the securities of any Person which is engaged in activities prohibited by Section 6.9(a) if the securities of such Person are listed on a national securities exchange or the NASDAQ Automated Quotation System, (iii) performing the obligations set forth in the Transitional Services Agreement, or (iv) engaging in any business activity in which Seller or its Affiliates (other than the Company) are currently engaged with any Person, whether or not such Person is a Current Customer or a Current Competitor.

(c) Seller acknowledges that its failure to comply with this

Section 6.9 will irreparably harm Buyer and Buyer will not have an adequate remedy at law in the event of such non-compliance. Therefore, Seller acknowledges that Buyer will be entitled to injunctive relief and/or specific performance, in addition to whatever other remedies it may have, at law or in equity, against any acts of non-compliance by Seller under this Section 6.9.

6.10 Accounts Receivable. If, following the Closing Date, Seller or any of its Affiliates (other than the Company) receive any payments of accounts receivable relating to the Company, such payments will be the property of, and will be immediately forwarded and remitted to, the Company.

ARTICLE VII

CONDITIONS TO CLOSING

7.1 Conditions to Obligations of Seller and Buyer. The respective obligations of Seller and Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver at or prior to the Closing of each of the following conditions:

(a) The waiting period applicable to the consummation of the transactions contemplated by this Agreement under the HSR Act shall have expired or been terminated.

(b) None of the parties hereto shall be subject to any Order of a court of competent jurisdiction that prohibits the consummation of the transactions contemplated by this Agreement. In the event any such Order shall have been issued, each party agrees to use its reasonable best efforts to have any such Order overturned or lifted.

7.2 Conditions to Obligation of Seller. The obligation of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver at or prior to the Closing of each of the following additional conditions:

(a) The representations, warranties and any certification or instrument delivered pursuant to this Agreement of Buyer set forth in this Agreement shall be true and correct in all respects as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date).

(b) Each of the agreements and covenants of Buyer to be performed and complied with by Buyer pursuant to this Agreement prior to the Closing Date shall have been duly performed and complied with in all material respects.

(c) Buyer shall have delivered to Seller a certificate, dated as of the Closing Date and signed on its behalf by its chief executive officer and its chief financial officer, as to the satisfaction by it of the conditions set forth in Sections 7.2(a) and 7.2(b).

(d) Buyer shall have assumed all obligations of Dana under the Employee Retention Incentive Agreements other than those relating to the payment of the Retention Incentive Payments and the Divestiture Payments as defined in the Employee Retention Incentive Agreements.

(e) The Company shall have assumed all obligations under the Clearwater Lease.

(f) The Company shall have entered into a lease agreement with Hewlett Packard Company as described in Schedule 4.8(d)(ii).

(g) Buyer shall have delivered the Purchase Price and the documents required to be delivered by Buyer pursuant to Section 3.3.

7.3 Conditions to Obligation of Buyer. The obligation of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver at or prior to the Closing of the following conditions:

(a) The representations and warranties of Seller set forth in this Agreement shall be true and correct in all respects as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date).

(b) Each of the agreements and covenants of Seller to be performed and complied with by Seller pursuant to this Agreement prior to the Closing Date shall have been duly performed and complied with in all material respects.

(c) Seller shall have assigned its rights under the Clearwater Lease to the Company.

(d) Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, as to the satisfaction by Seller of the conditions set forth in subsections 7.3(a) and 7.3(b).

(e) Between the date of this Agreement and the Closing Date, no change or event shall have occurred which has had a Material Adverse Effect on the Company.

(f) Seller shall have delivered to Buyer the documents required to be delivered by Seller pursuant to Section 3.2.

ARTICLE VIII

SURVIVAL AND INDEMNIFICATION

8.1 Survival Periods. The representations and warranties of the parties contained in this Agreement will survive the Closing until 18 months from the Closing Date (the "Expiration Date"); provided, however, that (i) the Expiration Date for any claims for indemnification relating to a breach of the representations and warranties set forth in Section 4.7 (Taxes) and Section 4.9 (Employee Benefit Plans) will be the expiration of all applicable periods prescribed under statutes of limitation and (ii) there will be no Expiration Date (other than the applicable statute of limitation) for the representations and warranties contained in Section 4.3 and Section 4.4. The covenants and agreements of the parties hereto shall survive the Closing in accordance with their terms. No party providing indemnification pursuant to this Article VIII (an "Indemnifying Party") is obligated to provide such indemnification with respect to the representations and warranties to the other party (the "Indemnified Party") unless the Indemnified Party has delivered written notice of its claim for indemnification prior to the Expiration Date; provided, however, that any claim for indemnification for which a notice has been given on or before the Expiration Date may continue to be asserted and indemnified against until finally resolved.

8.2 Indemnification, Subject to the other provisions of this Article VIII, from and after the Closing,

(a) Seller shall indemnify and hold Buyer harmless from and against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims and damages (collectively, "Damages") resulting from (i) any breach of any representation or warranty made by

Seller in this Agreement; (ii) the failure to perform or breach of any covenant or agreement made by Seller under this Agreement; (iii) liabilities associated with Company ERISA Plans or Company Benefit Plans; (iv) personal injury or property damage claims arising from or related to any products distributed by the Company to the extent that the injury or damage to which such claims relate occurred prior to the Closing Date and resulted from or is alleged to have resulted from products sold or services performed by the Company prior to the Closing Date; (v) the failure of Dana to pay the employees of the Company who are party to the Employee Retention Incentive Agreements the Retention Incentive Payments and the Divestiture Payments as defined in the Employee Retention Incentive Agreements, or (vi) Taxes (including income Taxes payable as a result of the application of Treasury Regulation ss. 1.1502-6) attributable to the Company (and its Affiliates included with the Company in the filing of a Consolidated Tax Return) for tax periods ending on or prior to the Closing Date including any gain recognized as a result of the Section 338(h)(10) Election provided for in Section 6.6(e).

(b) Buyer shall indemnify and hold Seller harmless from and against all Damages to the extent they are the result from (i) any breach of any representation or warranty made by Buyer in this Agreement (ii) the failure to perform or breach of any covenant or agreement made by Buyer under this Agreement or (iii) any Taxes for tax periods beginning after the Closing Date.

(c) For the avoidance of doubt, the Expiration Date, the Deductible and the Cap will not apply to Seller's indemnification obligations under Section 8.2(a)(ii), (iii), (iv), (v) or (vi) even if claims for indemnification under those sections might also be made under Section 8.2(a)(i).

8.3 Indemnification Amounts. Notwithstanding any provision to the contrary contained in this Agreement, Seller will not be obligated to indemnify Buyer for any Damages resulting from a breach of a representation or warranty (other than Damages resulting from a breach of the representations or warranties contained in Section 4.3 and Section 4.4) made by Seller (a) unless and until the amount of all such Damages exceeds \$500,000 (the "Deductible"), in which event, Buyer may assert its right to indemnification only for the amount of the Damages in excess of the Deductible (subject to clause (b) below), and (b) to the extent that the aggregate amount of all such payments for Damages to Buyer does not exceed \$17,000,000 ("Cap").

8.4 Claims.

(a) If an Indemnified Party intends to seek indemnification pursuant to this Article VIII, such Indemnified Party shall promptly notify the Indemnifying Party in writing of such claim describing such claim in reasonable detail; provided, that the failure to provide such notice will not affect the obligations of the Indemnifying Party unless it is actually prejudiced thereby, subject, however, to the time periods specified in Section 8.1 hereof. If such claim involves a claim by a third party against the Indemnified Party, the Indemnifying Party will have thirty (30) days after receipt of such notice to decide whether it will undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defense thereof, and if it so decides, the Indemnified Party shall cooperate with it in connection therewith; provided, that the Indemnified Party may participate in such settlement or defense through counsel chosen by it; and provided further, that the fees and expenses of such counsel are to be borne by the Indemnified Party. The Indemnifying Party shall not, without the written consent of the Indemnified Party, settle or compromise any action in any manner that would materially and adversely affect the Indemnified Party. If the Indemnifying Party does not

notify the Indemnified Party within thirty (30) days after the receipt of the Indemnified Party's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, the Indemnified Party will have the right to contest, settle or compromise the claim but shall not thereby waive any right to indemnity therefor pursuant to this Agreement. As long as the Indemnifying Party is contesting any such claim in good faith, the Indemnified Party shall not pay or settle any such claim. Notwithstanding the foregoing, the Indemnified Party has the right to pay or settle any such claim; provided, that the Indemnified Party has delivered the Indemnifying Party reasonable advance notice of any proposed settlement or payment.

(b) The Indemnified Party shall cooperate fully in all aspects of any investigation, defense, pretrial activities, trial, compromise, settlement or discharge of any claim in respect of which indemnity is sought pursuant to Article VIII, including, but not limited to, by providing the other party with reasonable access to employees and officers (including as witnesses) and other information.

8.5 Exclusive Remedy. The indemnification provisions of this Article VIII are the exclusive remedy following the Closing for any breaches or alleged breaches of any representation, warranty or other provision of this Agreement or the transactions contemplated hereby and, without limitation on the foregoing, Buyer hereby waives any and all rights that are or may otherwise be available to it at law or equity in respect of the purchase and sale of the Shares. Buyer has no right to set-off against any payments to be made by Buyer pursuant to this Agreement or otherwise. Each of the parties hereto, on behalf of itself and its officers, directors, employees, shareholders, partners, affiliates, agents or representatives (collectively, such party's "Representatives") agrees not to bring any actions or proceedings, at law, equity or otherwise, against any other party or its Representatives, in respect of any breaches or alleged breaches of any representation, warranty or other provision of this Agreement, except pursuant to the express provisions of this Article VIII. The parties hereby acknowledge that no party has made any representations and warranties, express or implied, with respect to this Agreement or the matters contemplated hereby, except as explicitly set forth in this Agreement.

8.6 Tax and Insurance. The amount of any Damages suffered by an Indemnified Party is to be reduced by any net tax, insurance or other benefits that such party receives in respect of or as a result of such Damages or the facts or circumstances relating thereto. If any Damages for which indemnification is provided hereunder are subsequently reduced by any net tax benefit, insurance payment or other recovery from a third party, the amount of such reduction is to be remitted to the Indemnifying Party.

ARTICLE IX

EMPLOYEE AND BENEFIT MATTERS

9.1 Employment. Buyer shall cause the Company to continue to employ, on the terms required by this Article IX, for a period of six (6) months after the Closing Date all individuals who are employed by the Company immediately prior to the Closing Date, including those who are on lay-off, leave of absence, or short-term disability as set forth on Schedule 9.1 (collectively "Continuing Employees"), provided that the foregoing, except as otherwise required by the Employee Retention Incentive Agreements, does not require Buyer to cause the Company to continue to employ any Continuing Employee who resigns or otherwise voluntarily terminates his or her employment with the Company or who is terminated by the Company for cause.

9.2 Compensation and Employee Benefits.

(a) In General. Subject to the provisions of Section 9.2(c), for

a period of six (6) months after the Closing Date, Buyer shall cause the Company to provide each Continuing Employee compensation and employee benefits which, in the aggregate, are substantially equivalent to those provided by Buyer to similarly situated employees immediately prior to the Closing Date. Subject to the foregoing and the other provisions of this Article IX and the provisions of the Employee Retention Incentive Agreements, Buyer has the right to determine the compensation and employee benefits of the Continuing Employees.

(b) Service Credit. For purposes of any employee benefit plan, program or arrangement established for or made available to Continuing Employees by the Company or Buyer (the "Buyer Plans"), Buyer shall, or shall cause the Company to, credit such Continuing Employees with service for all periods of service prior to the Closing Date with Seller, the Company or any Affiliate of either Seller or the Company except that Buyer shall have no obligation to give such credit to John Bender for purposes of Buyer's severance plan. Such service will be credited for purposes of determining eligibility for, vesting in, and the amount of benefits under all of the Buyer Plans and for all other purposes for which service is either taken into account or recognized; provided, however, such service need not be credited to the extent that it would result in duplication of coverage or benefits.

(c) Welfare Benefit Plans. Until the later of the Closing Date or December 31, 1999 ("Cut-Off Date"), Seller shall take such steps as are reasonably required in order to provide coverage for all Continuing Employees and their respective dependents under the Company ERISA Plans and Company Benefit Arrangements which are welfare benefit plans within the meaning of Section 3(1) of ERISA (the "Seller Welfare Plans"). Promptly on receipt of invoices therefor in such detail as Seller is able reasonably to provide, Buyer shall reimburse Seller for all expenses incurred by Seller and its Affiliates in order for Seller and its Affiliates to perform their obligations under the preceding sentence. Coverage for Continuing Employees and their respective dependents under the Seller Welfare Plans will terminate as of the Cut-Off Date. The Buyer Plans which are welfare benefit plans within the meaning of Section 3(1) of ERISA (the "Buyer's Welfare Plans") shall provide coverage and benefits to Continuing Employees (and the eligible dependents of the Continuing Employees) beginning on the Cut-off Date. In addition, no pre-existing condition, limitation, exclusion or waiting period applicable with respect to any Buyer Welfare Plan will apply to any Continuing Employee to the extent that such limitations, exclusions or waiting periods exceed those in effect under the Seller Welfare Plans.

(d) Savings and Pension Plans.

(i) Effective as of the Closing Date, Seller will, at its expense, cause all Continuing Employees to become fully vested in their account balances under the Echlin Incentive and Savings Investment Plan (the "Savings Plan") and their accrued benefits under the Pension Plan for Echlin Inc. Employees (the "Pension Plan").

(ii) With respect to each Continuing Employee who has an outstanding loan under the Savings Plan, Buyer shall lend to such Continuing Employee, upon execution of a promissory note acceptable to Buyer, an amount sufficient to repay such outstanding loan.

9.3 WARN Act and Severance. Buyer shall not engage in a "mass layoff" or "plant closing" as defined in the United States Worker Adjustment and Retraining Notification Act (the "WARN Act") without furnishing the notice required by Section 3 of the WARN Act. Buyer shall defend, indemnify and hold harmless Seller and its Affiliates from any claims, charges, suits, demands, damage, or liability arising out of or relating to noncompliance with the WARN Act from and after the Closing Date.

ARTICLE X

TERMINATION OF AGREEMENT

10.1 Termination. Notwithstanding any other provision of this Agreement, this Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual written consent of Buyer and Seller;

(b) by Buyer or Seller, upon written notice to the other party, if the transactions contemplated by this Agreement have not been consummated on or prior to a date 3 months from the date of this Agreement (the "Outside Date"), unless such failure of consummation is due to the failure of the party seeking such termination to perform or observe in all material respects the covenants and agreements hereof to be performed or observed by such party;

(c) by Buyer or Seller, upon written notice to the other party, if a Governmental Authority of competent jurisdiction has issued an Order enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, and such Order has become final and non-appealable; provided, however, that the party seeking to terminate this Agreement pursuant to this clause (c) has used its reasonable best efforts to remove such Order;

(d) by Buyer or Seller, if any condition to such party's obligation to consummate the transactions contemplated hereby has not been satisfied as of the Closing Date or if satisfaction of such condition becomes impossible (other than through the failure of such party to comply with its or his obligations under this Agreement) and the other party has not waived such condition on or before the Closing Date; or

(e) by Seller prior to October 21, 1999 if Dana's Board of Directors does not approve this Agreement.

10.2 Effect of Termination. The termination of this Agreement is to be effected by delivery of written notice of such termination by the party terminating the Agreement to the other party. In the event of termination of this Agreement pursuant to Section 10.1, no party will have any liability or any further obligation to any other party, except as provided in this Section 10.2 and except that nothing herein shall release, or be construed as releasing, any party hereto from any liability or damage to any other party hereto arising out of the breaching party's willful and material breach in the performance of any of its covenants, agreements, duties or obligations arising under this Agreement. The obligations of the parties to this Agreement under Sections 4.16, 5.6, 6.2 and 11.1 shall survive any termination of this Agreement. If Seller terminates this Agreement pursuant to Section 10.1(e) and within one year after such termination Seller or any of its Affiliates enters into any agreement intended to result in a Control Transaction with any Person other than Buyer, Dana or their respective Affiliates, then promptly upon the closing of such Control Transaction Seller shall pay Buyer a fee of \$3,000,000.

ARTICLE XI

MISCELLANEOUS AND GENERAL

11.1 Expenses. Whether or not the transactions contemplated by this Agreement are consummated, all costs and expenses (including all legal, accounting, broker, finder or investment banker fees) incurred in connection with this Agreement and the transactions contemplated hereby are to be paid

by the party incurring such expenses except as expressly provided herein and except that the filing fee in connection with the HSR Act filing is to be shared equally by Seller and Buyer.

11.2 Successors and Assigns This Agreement is to be binding upon and inures to the benefit of the parties hereto and their respective successors and permitted assigns, but is not assignable by any party hereto without the prior written consent of the other parties hereto except that Buyer may, upon written notice to Seller, assign its rights hereunder to an Affiliate of Buyer, but no such assignment shall relieve Buyer of any of its obligations hereunder.

11.3 No Third Party Beneficiaries. Each party hereto intends that this Agreement does not benefit or create any legal or equitable right, remedy or claim in or on behalf of any Person other than the parties hereto, and as a result this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

11.4 Notices. Any notice or other communication provided for herein or given hereunder to a party hereto will be sufficient if in writing, and sent by facsimile transmission (electronically confirmed), delivered in person, mailed by first class registered or certified mail, postage prepaid, or sent by Federal Express or other overnight courier of national reputation. addressed as follows:

If to Buyer:

John Young
Colfax Corporation
9211 Forest hill Avenue
Suite 109
Richmond, Virginia 23235
Fax: (804) 560-4076

with a copy to:

Thomas O'Brien
Colfax Corporation
997 Lenox Drive
Suite 111

Lawrenceville, New Jersey 08648
Fax: (609) 896-7633

and to:

Walter G. Lohr, Jr.
Hogan & Hartson L.L.P.
111 South Calvert Street
Suite 1600
Baltimore, Maryland 21202
Fax: (410) 539-6981

If to Seller:

Echlin Inc.
c/o Dana Corporation
4500 Dorr Street
Toledo, Ohio 43697
Attn: General Counsel

Fax: (419) 535-4790

with a copy to:

Jones, Day, Reavis & Pogue
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Attn: John P. Dunn, Esq.
Fax: (216) 579-0212

or to such other address with respect to a party as such party notifies the other in writing as above provided.

11.5 Complete Agreement. This Agreement and the exhibits and schedules hereto, and the other documents delivered by the parties in connection herewith, together with the Confidentiality Agreement, contain the complete and exclusive statement of the terms of the agreement between the parties hereto with respect to the transactions contemplated hereby and thereby and supersede all prior agreements and understandings between the parties hereto with respect thereto.

11.6 Captions; References. The captions contained in this Agreement are for convenience of reference only and do not form a part of this Agreement. When a reference is made in this Agreement to a clause, a Section or an Article, such reference will be to a clause, a Section or Article of this Agreement unless otherwise indicated.

11.7 Amendment. This Agreement may be amended or modified only by a written agreement duly executed by the parties to this Agreement.

11.8 Waiver. At any time prior to the Closing Date, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (c) waive compliance with any of the agreements or conditions contained herein, to the extent permitted by applicable Law. Any agreement on the part of a party hereto to any such extension or waiver will be valid only if set forth in a writing signed on behalf of such party.

11.9 Governing Law. This Agreement is to be governed by, and construed and enforced in accordance with, the laws of the State of Ohio, without regard to its rules of conflict of laws.

11.10 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision is to be interpreted to be only so broad as is enforceable.

11.11 Further Assurances. Seller shall, at the written request and expense of Buyer, at any time and from time to time following the Closing, execute and deliver to Buyer all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to more effectively sell, assign, transfer and convey to Buyer the Shares or otherwise to confirm or carry out the provisions of this Agreement. Buyer shall, and shall cause the Company to, at any time and from time to time following the Closing hereunder, execute and deliver to Seller all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to confirm or carry out the provisions of

this Agreement.

11.12 Disclosure Schedule Supplements. From time to time prior to the Closing, Seller shall promptly supplement or amend the Schedules to this Agreement (the "Disclosure Schedules") with respect to any matter which, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedules. The Disclosure Schedules will be deemed amended by all such supplements and amendments for all purposes except for purposes of determining whether the conditions set forth in Section 7.3(a) have been satisfied. Notwithstanding the foregoing, no such supplement or amendment will be effective for any purpose, including for purposes of modifying, altering, limiting or otherwise affecting the representations, warranties and indemnities contained herein to the extent that Seller had knowledge of the matters stated therein as of the date hereof.

11.13 Mutual Drafting. This Agreement is the result of the joint efforts of Buyer and Seller, and each provision hereof has been subject to the mutual consultation, negotiation and agreement of the parties and there is to be no construction against either party based on any presumption of that party's involvement in the drafting thereof.

11.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which is to be deemed an original but all of which is to constitute but one instrument.

APPENDIX A

"Actions" means any action, suit or legal, administrative or arbitral proceeding or investigation before any Governmental Authority.

"Affiliate" means with respect to any Person, any Person which directly or indirectly controls, is controlled by or is under common control with such Person.

"Agreement" has the meaning set forth in the preamble to this Agreement.

"Business" means the business of distributing the Current Products to the global marine and power equipment aftermarkets.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks in Illinois are authorized or obligated by Law or executive order to close.

"Buyer" has the meaning set forth in the preamble to this Agreement. "Buyer Financials" has the meaning set forth in Section 5.8. "Buyer Plans" has the meaning set forth in Section 9.2(b). "Buyer Reports" has the meaning set forth in Section 5.8. "Buyer's Accountants" has the meaning set forth in Section 2.3(c). "Buyer's Welfare Plans" has the meaning set forth in Section 9.2(c). "Buyer's Knowledge" has the meaning set forth in Section 5.4(a). "Campbell" has the meaning set forth in Section 4.16. "Cap" has the meaning set forth in 8.3(b).

"Clearwater Lease" means the lease agreement, dated November 20, 1995, by and between New England Mutual Life Insurance Company and Seller.

"Closing" has the meaning set forth in Section 3.1.

"Closing Net Working Assets Statement" has the meaning set forth in Section 2.3(b).

"Closing Date" has the meaning set forth in Section 3.1.

"Closing Net Working Assets" has the meaning set forth in Section 2.3(a).

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the recitals of this Agreement.

"Company Benefit Arrangements" has the meaning set forth in Section 4.9. "Company Contracts" has the meaning set forth in Section 4.10. "Company ERISA Plans" has the meaning set forth in Section 4.9. "Confidentiality Agreement" has the meaning set forth in Section 6.2(b).

"Consents" means any consent, approval, authorization, qualification, waiver or notification of a Governmental Authority or any other Person.

"Continuing Employees" has the meaning set forth in Section 9.1.

"Control Transaction" means any transaction or series of related transactions as a result of which any Person acquires from Seller or any of its Affiliates the Shares, substantially all the assets of the Company or other assets or securities of the Company sufficient to give such Person control over the business of the Company.

"Current Competitors" means those competitors of the Company set forth on Exhibit A.

"Current Customers" means any Person which Seller can reasonably demonstrate was a customer of the Company in the six-(6) months prior to Closing.

"Current Products" means those products of the Company listed in the most recently updated product catalogue of the Company as of the Closing Date.

"Cut-off Date" has the meaning set forth in Section 9.2(c). "Damages" has the meaning set forth in Section 8.2. "Dana" has the meaning set forth in Section 2.2. "Deductible" has the meaning set forth in Section 8.3.

"Designated Accounting Arbitrator" has the meaning set forth in Section 2.3(d).

"Disclosure Schedules" has the meaning set forth in Section 11.12. "Dispute Notice" has the meaning set forth in Section 2.3(d).

"Employee Retention Incentive Agreements" means the Employee Retention Incentive Agreements by and between Dana and certain management members of the Company set forth at Exhibit C.

"Environmental Claim" has the meaning set forth in Section 4.14(a).

"Expiration Date" has the meaning set forth in Section 8.1.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Final Net Working Assets Statement" has the meaning set forth in Section 2.3(f).

"Freight Agreement" means the Echlin Freight Group Membership

Contract, by and between Echlin Freight Group and the Company, in the form set forth at Exhibit D.

"GAAP" means United States generally accepted accounting principles.

"Governmental Authority" means any government or political subdivision, whether federal, state, local or foreign, or any agency or instrumentality of any such government or political subdivision, or any federal, state, local or foreign court or arbitrator.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indemnifying Party" and "Indemnified Party" have the meanings set forth in Section 8.1.

"Intellectual Property" has the meaning set forth in Section 4.15(c).

"June Balance Sheet" has the meaning set forth in Section 4.6.

"Laws" means any law, statute, code, ordinance, regulation or other legally enforceable requirement of any Governmental Authority.

"Liens" means any mortgage, lien, Option, encumbrance, restriction, pledge, adverse claim, interest, charge or other similar encumbrance.

"Litchfield Facility Lease" means the Lease by and between Brake Parts Inc., as lessee, and the Company, as lessor, in the form of Exhibit E.

"Material Adverse Effect" means, with respect to the Company or Buyer, a material adverse effect on the business, assets, liabilities or financial condition of such party and its Subsidiaries, if any, taken as a whole (other than effects which result from changes in general economic conditions).

"Material Equipment" has the meaning set forth in Section 4.8(d).

"NAPA Business Practices" has the meaning set forth in Section 6.8.

"Option" means any option, warrant, call, convertible or exchangeable security, subscription, preemptive right or voting trust, or agreement, any agreement restricting sale or transfer, or other agreement or right of a similar nature.

"Orders" means any order, judgment, ruling, injunction, award, decree or writ of any Governmental Authority.

"Outside Date" has the meaning set forth in Section 10.1(b). "Pension Plan" has the meaning set forth in Section 9.2(d)(i).

"Permits" means any license, permit, authorization, grant, approval, franchise, waiver, Consent, qualification or similar document: or authority issued or granted by any Governmental Authority.

"Person" means any individual, sole proprietorship, partnership, corporation, limited liability company, joint venture, unincorporated society or association, trust or other entity or Governmental Authority.

"Purchase Price" has the meaning set forth in Section 2.2.

"Real Property" means all of the Company's real property and interests in real property, leaseholds and subleaseholds, purchase options, easements,

licenses, rights to access, rights of way, all buildings and other improvements thereon, and other real property interests used in the business or operations of the Company together with any additions thereto between the date of this Agreement and the Closing Date.

"Representatives" has the meaning set forth in Section 8.5.

"Restricted Territory" means the geographic area within a 100 mile radius of any and all of the Company locations where the Company maintains an office or a facility during the two year period following the date of this Agreement.

"Savings Plan" has the meaning set forth in Section 9.2(d)(i).

"SEC" has the meaning set forth in Section 5.8.

"Section 338(h)(10) Election" has the meaning set forth in Section 6.6(e).

"Seller" has the meaning set forth in the preamble to this Agreement.

"Seller Welfare Plans" has the meaning set forth in Section 9.2 (c).

"Seller's Accountants" has the meaning set forth in Section 2.3(c).

"Seller's Knowledge" means the actual knowledge of Ira Davis, Robert Tobey or Ed Zak.

"Shares" has the meaning set forth in the recitals of this Agreement.

"Specified Accounting Principles" means the Specified Accounting Principles set forth in Exhibit E.

"Subsidiaries" means any Person of which at least a majority of the outstanding shares or other equity interests having ordinary voting power for the election of directors or comparable managers of such Person are at the time owned, directly or indirectly, by such Person, by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries.

"Supply Agreement" means the Supply Agreement, by and between Seller and the Company, in the form set forth at Exhibit G.

"Tax or Taxes" means any domestic or foreign federal, state or local income, franchise, business, occupation, sales/use, manufacturer's excise, payroll, withholding, Federal Insurance Contributions Act and employment and unemployment taxes, personal and real property taxes and all other taxes or charges (including all interest and penalties) measured, assessed, levied, imposed or collected by any Governmental Authority.

"Tax Returns" means all Tax returns (including information returns) and reports that are or were required to be filed by, or with respect to, the Company or its income, properties or operations.

"Transitional Services Agreement" means the Transitional Services Agreement, by and between Seller and the Company, in the form set forth at Exhibit H.

"Trucking Agreement" means the DTF Trucking Agreement, by and between DTF Trucking, Inc. and the Company, in the form set forth at Exhibit I.

"WARN Act" has the meaning set forth in Section 9.3.

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SUBSIDIARIES AND AFFILIATES OF IMO INDUSTRIES INC.

Date: 12/31/99

NAME	STATE OR COUNTRY OF INCORPORATION OR ORGANIZATION
IMO INDUSTRIES (UK) LIMITED	ENGLAND
BAIRD ATOMIC LTD.	ENGLAND
MORSE CONTROLS LIMITED	ENGLAND
MORSE CONTROLS AB	SWEDEN
RMH CONTROLS LIMITED	ENGLAND
MORSE CONTROLS PTY. LTD.	NEW SOUTH WALES
MORSE CONTROLS (NZ) LIMITED	NEW ZEALAND
TELEFLEX-MORSE (N.Z.) LTD.	NEW ZEALAND
IMO INDUSTRIES PENSION TRUSTEE LIMITED	ENGLAND
BOSTON GEAR COMPANY LIMITED	ENGLAND
TELEFLEX LIMITED	ENGLAND
TELEFLEX MORSE LTD.	ENGLAND
IMO INDUSTRIES LIMITED	ENGLAND
IMO INDUSTRIES GmbH	GERMANY
MORSE CONTROLS SARL	FRANCE
MORSE CONTROLS S.L.	SPAIN
IMO INDUSTRIES PTE LTD	SINGAPORE
NHK MORSE CO., LTD.	JAPAN (1)
NHK JABSCO CO., LTD.	JAPAN (2)
IMO AB	SWEDEN
IMO-PUMPEN AG	SWITZERLAND
IMO GRESHAM PUMPS (INDIA) LTD.	INDIA (3)
IMO POMPES S.A.	FRANCE
IMO-PUMPEN GmbH	GERMANY
IMO INDUSTRIES (CANADA) INC	CANADA
DELSALESCO, INC.	U.S. VIRGIN ISLANDS
IMOVEST INC.	DELAWARE
BAIRD CORPORATION	MASSACHUSETTS
LABTEST EQUIPMENT COMPANY	CALIFORNIA
INCOM TRANSPORTATION, INC.	DELAWARE
BOSTON GEAR INDUSTRIES OF CANADA INC.	CANADA
VHC INC.	TEXAS
VARO TECHNOLOGY CENTER, INC.	TEXAS
VARO TECHNOLOGY CENTER JOINT VENTURE.	TEXAS (4)
TURBODEL INC.	TEXAS
TRIPower VENTURE	TEXAS (5)
APPLIED OPTICS CENTER CORPORATION	MASSACHUSETTS
ITT AND VARO, A JOINT VENTURE	TEXAS (6)
KEI LASER, INC.	MARYLAND
OPTIC-ELECTRONIC INTERNATIONAL, INC.	TEXAS
WARREN PUMPS INC.	DELAWARE
SHANGHAI DONG FENG MORSE CONTROL CABLE CO., LTD.	CHINA (1)
BOMBAS IMO DE VENEZUELA C.V.	VENEZUELA
SIERRA INTERNATIONAL INC.	ILLINOIS

- (1) 50% owned by Imo Industries Inc.
- (2) 50% owned by NHK Morse Co., Ltd.
- (3) 40% owned by IMO AB
- (4) 50% owned by Varo Technology Center, Inc. and 50% owned by VHC Inc.
- (5) 50% owned by Turbodel Inc.
- (6) 50% owned by VHC Inc.

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