While the Company expects that Koll will discharge its ultimate tax obligations, the Company

is aware that Koll has a history of operating losses and retained deficits Thus, there can be no assurance that Koll will have the financial ability to discharge such obligations. In addition, Koll has announced that it is soliciting consents from its debtholders for a financial restructuring, but the Company is presently unable to determine the effect, if any, of a financial restructuring on the ability of Koll to pay any remaining deficiency

Management believes that reserves as of December 31, 1996 are adequate for all indemnifications associated with these tax sharing agreements as well as any potential liability asserted by the Internal Revenue Service in accordance with Treasury Regulation 1 1502-06

Other Matters

The Company assumed responsibility under the Transfer Agreement for various other legal proceedings, claims and investigations related to various commercial transactions and product liability matters Most of these other matters are covered by insurance, subject to deductibles and maximum limits, and/or by third party indemnities The Company does not believe, based on currently available information, that the outcome of these other matters, irrespective of insurance coverage and third party indemnities, will have a material adverse effect on its financial position or results of operations

In connection with the 1992 Distribution, Abex and Henley allocated between them certain liabilities related to the businesses of Henley or its predecessors, including certain liabilities relating to self-insurance programs, and each indemnified the other against loss associated with liabilities assumed by the indemnifying party. In addition, Abex guaranteed certain contingent obligations of Koll relating to a predecessor company pension plan and environmental liabilities of Henley and certain of its predecessors, and Koll agreed to indemnify Abex in respect thereof. During the first quarter of 1997, the Company, Koll and certain of its subsidiaries entered into certain agreements (the "1997 Koll Agreements") pursuant to which, among other things, the parties re-allocated certain liabilities relating to the self-insurance programs, the Company agreed to assume sponsorship of, and financial responsibility for, the predecessor Company pension plan referred to above, the Company paid to Koll $2.3 million, and the Company received $0 5 million from a third party in connection with the sale of an asset by Koll.
The Company believes that its balance sheet at December 31, 1996 reflects adequate reserves for its remaining obligations under the 1997 Koll Agreements with respect to these matters. Furthermore, Koll has been discharging its assumed and indemnification responsibilities in the ordinary course The Company does not believe, based on currently available information, including information filed with the Securities and Exchange Commission and the EPA regarding such environmental liabilities, that liability for the discharge of the Company's remaining guarantee and indemnification obligations would have a material adverse effect on its financial position or results of operations even if Koll's financial circumstances, as described above in "--Tax Matters," were to cause Koll to stop discharging its responsibilities.

In connection with the 1997 Koll Agreements, the Company also agreed to assume whatever liability, if any, Koll or certain of its subsidiaries may have with respect to personal injury claims arising out of the operations of either the passenger rail car business of Pullman Incorporated ("Pullman"), a predecessor of Koll and the Company, or the business of Pullman Passenger Car Company, a subsidiary of Koll (collectively, the "Pullman Claims"). Koll also transferred to the Company all of the rights that Koll and such subsidiaries may have against Wheelabrator Technologies Inc., another predecessor of Koll and the