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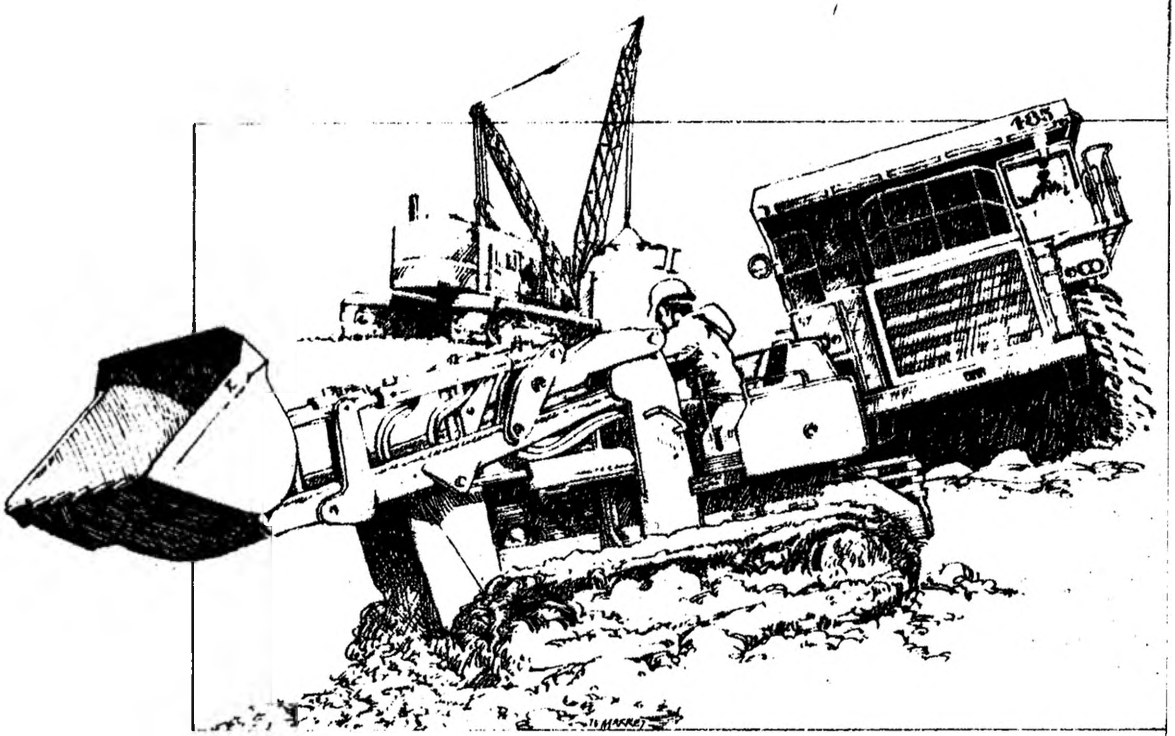

NOTE I – Litigation

(000's not omitted in this Note)

Since 1971, when the first claim was filed, the Company has been a defendant or codefendant in lawsuits alleging injury and/or death from exposure to asbestos fibers in the air. As of January 1, 1985 there were 18,667 lawsuits pending, compared with 14,936 and 11,768 as of January 1, 1984 and January 1, 1983, respectively. 6,059 new lawsuits were filed in 1984, compared with 5,308 and 4,494 in 1983 and 1982, respectively. As of January 1, 1985, 6,206 cases have been terminated by settlements, dismissals, summary judgments and trial verdicts. Since the beginning of the litigation and through December 31,1984, settlements have averaged approximately $5,500 per case, exclusive of defense fees. Defense fees typically are less than 50% of settlement costs.

Since 1941, the Company has continuously purchased, in varying amounts and from a number of carriers, products liability insurance coverage totaling approximately $395 million. Prior to November 14, 1983, conflicts among the carriers relating to responsibility for coverage limited the Company's access to this pool of coverage and forced the Company to absorb approximately 39% of the costs associated with asbestos-related litigation. Such conflicts are the subject of a Declaratory Judgment Action commenced in 1978 involving the Company and its primary and first level excess insurance carriers. In September, 1983 and June, 1984, the Court issued rulings – currently on appeal – which, if sustained, will assure the Company broad access to its insurance pool and will entitle the Company to reimbursement of more than $20 million of costs previously expended by it, together with interest.

In November, 1983, February, 1984, July, 1984 and October, 1984, the Court entered interim funding orders requiring the Company's primary insurance carriers, and then its primary and first-level excess insurance carriers, to fund, on behalf of the Company, substantially all liability and defense costs associated with asbestos-related litigation. The Company believes that the October, 1984 funding order, which by agreement was not appealed, will continue to provide funding of such costs pending completion of appeal of the September, 1983 and June, 1984 rulings.

Based on the above, the Company will not accrue for the liability and defense costs it would have otherwise been forced to absorb or for which it might be liable if the appeal is determined adversely to the Company. Such costs approximated $7.3 million, $9.1 million and $6.4 million in 1983, 1982 and 1981, respectively. Nor has the Company accrued for any reimbursement from insurance carriers of asbestos-related litigation costs previously paid by the Company.

The Company's aggregate unused limit of indemnity insurance for the period 1941 to 1982 is, as of December 31, 1984, approximately $360 million. The Company believes that in the event the Court's rulings of September, 1983 and June, 1984 are substantially affirmed, and based on experience to date in the asbestos-related litigation, the Company will have sufficient insurance to cover its asbestos-related liabilities for the foreseeable future. However, because of the uncertainty of the ultimate outcome of the Company's insurance litigation and because of the uncertainty of the number of asbestos-related lawsuits still to be filed and of the cost of disposition of cases, it is not possible to predict the cost after insurance recoveries of settling and defending existing and future cases or the impact thereof on the Company's consolidated financial position and results of operations.

As of December 31, 1984, the Company has been named as a defendant in 43 property damage cases in which the plaintiffs, primarily school boards and other public entities, seek damages for removal of asbestos-containing products located in buildings. The cases are in their early stages. The Company believes it has policies of insurance to cover the claims. The Company is negotiating with its insurance carriers with respect to coverage of these claims.

A $3 million note due the Company in August of 1984 in connection with the purchase in 1983 of certain of the Company's assets was not paid, and the Company commenced an action to foreclose on property securing the note. The purchaser has made claims of offset against the note of $7.4 million and is seeking exemplary and punitive damages in an amount of not less than $10 million. The Company believes that adequate reserves have been provided and that the lawsuit will not have a material adverse effect on the Company's financial position.

Other legal proceedings pending against the Company include several discrimination claims by discharged employees, litigation concerning the sale of facilities, and a number of miscellaneous product liability, commercial, and environmental proceedings. In management's opinion, the eventual disposition of the matters referred to in this paragraph will have no material adverse effect on the Company's consolidated financial position and results of operations.