

3.8. Undisclosed Liabilities. The Champion Companies do not have any material liabilities of the type required to be reflected in a statement of net assets prepared in accordance with GAAP except for: (i) liabilities reflected or reserved against in the combined balance sheet as of March 31, 1998, included in the Financial Statements or disclosed in the notes to the Financial Statements for the year ended December 31, 1997 and liabilities not so reflected and reserved against due to the fact that the Financial Statements do not comply with GAAP for a reason described in Disclosure Schedule 3.6, (ii) liabilities that have arisen in the ordinary course after March 31, 1998, and (iii) liabilities which have been disclosed to Buyer in one of the disclosure schedules to this Agreement, including Disclosure Schedule 3.8.

3.9. Litigation. Except as set forth in Disclosure Schedule 3.9, (i) none of the Champion Companies is a party to any pending (nor is there as of the date hereof, to Seller's Knowledge, any threatened) lawsuit, governmental proceeding or arbitration proceeding (nor is Seller or any Affiliate of Seller party to any pending lawsuit, governmental proceeding or arbitration proceeding that affects or could affect any of the Champion Companies or their assets); (ii) there are not any judgments, decrees, directives, rulings or orders of any Governmental Authority binding on any of the Champion Companies (or Seller or any Affiliate of Seller that affects or could affect any of the Champion Companies or their assets); and (iii) there are no pending or, to Seller's Knowledge, threatened governmental investigations, actions, charges, complaints, claims, demands, inquiries or proceedings concerning the Champion Companies. After Closing, Buyer and its Affiliates shall assume responsibility for the matters set forth in Disclosure Schedule 3.9 (except for the AlliedSignal Lawsuit and Bosch Infringement Claim which are subject to Section 5.21).

3.10. Compliance With Applicable Law. Except as set forth in Disclosure Schedule 3.10 (and except with respect to environmental matters which are addressed in Section 3.11 hereof), to Seller's Knowledge, (i) the Champion Companies are in compliance with all laws, ordinances, rules, regulations, decrees and orders of all Governmental Authorities applicable to the operation of the Business, except where the failure to be in compliance is not reasonably likely to have a Material