

noted above, it is impossible to predict the extent to which remediation will be required at a

particular site and the ultimate cost thereof. Based upon its present knowledge of the sites at which Pneumo Abex has been named as a PRP, the Company estimates that the total cost of investigation and remediation at all sites, to all identified PRPs, could exceed \$200 million. Based upon the Company's experience and its knowledge of the relative contribution of the various parties at the sites, Pneumo Abex's share of liability at most sites is expected to be minimal. With respect to the Portsmouth site, Pneumo Abex has entered into a Consent Decree in which the EPA has required that financial responsibility in the amount of \$20 million be established as evidence of Pneumo Abex's financial capability of undertaking the remedial work. As discussed below, the Company is indemnified by Whitman Corporation ("Whitman") for the costs of establishing and maintaining letters of credit that establish such financial responsibility. Whitman also is required to indemnify the Company for the cleanup costs at such site.

Pursuant to the Transfer Agreement, the Company agreed to indemnify PCT, to the extent not paid by third party indemnitors or insurers, with respect to all environmental matters associated with Abex's former operations other than the operations relating to PCT's aerospace business which were recently sold to Parker Hannifin. The Company believes that existing insurance coverage is sufficient to reimburse the Company for all material environmental expenditures. Moreover, pursuant to a stock purchase agreement, dated April 28, 1988, as amended, between Pneumo Abex and Whitman and related settlement agreement, dated September 23, 1991, between Pneumo Abex and Whitman (collectively, the "Whitman Agreements"), Whitman is obligated to indemnify Pneumo Abex for costs, expenses and liabilities relating to environmental and natural resource matters to the extent attributable to the operation of the businesses acquired from Whitman prior to their acquisition in 1988, subject to certain conditions and limitations principally relating to compliance with notice, cooperation and other procedural requirements. Generally, known and unknown liabilities arising after the 1988 Whitman acquisition are the responsibility of PCT or the Company. Nothing has come to the attention of the Company, however, that would indicate that post-1988 activities may give rise to a material environmental liability for the Company. Whitman is generally discharging the indemnified liabilities in the ordinary course. Whitman is actively managing a significant number of indemnified matters, including the potential cleanup of the Portsmouth, Virginia site, and the Company's involvement varies and is limited for those matters being managed by Whitman. The Company's obligations pursuant to the Transfer Agreement are also limited by the presence of other third party indemnitors, including FMC Corporation, Wagner Electric Corporation and BF Goodrich Company, each of which purchased assets and businesses of Pneumo Abex and agreed to indemnify Pneumo Abex for any liabilities arising out of their operations subsequent to the date of closing each respective transaction. No material claim has been made or is currently contemplated under these indemnities.

In addition to the remedial action costs for the Portsmouth, Virginia site, as to which Whitman has acknowledged its indemnification responsibilities, there are approximately 33 tort claims pending against Pneumo Abex alleging exposure to lead dust from the Portsmouth site. Whitman has agreed to fund 50% of the defense costs and has reserved its rights on any obligation to indemnify Pneumo Abex in the event of an adverse outcome. These cases are in the preliminary stages of discovery. The Company does not believe that Pneumo Abex's activities at the Portsmouth site resulted in any lead-based injury to the plaintiffs because of, among other things, the low average lead levels of the plaintiffs and the existence of alternate lead sources. The Company's belief is based on the facts contained in the official record of the historical uses of and activities at and around the Portsmouth site and the medical and personal histories of the plaintiffs. The Company is defending these cases vigorously. Based upon currently available information, including the public record and the information described above, the