[redacted]

pay in connection with environmental matters in excess of the amounts recorded or disclosed above will not have a material adverse effect on its financial condition or results of operations.

With respect to the DCBU operations acquired at January 31, 1994, to date the Company has conducted only a due diligence, pre-acquisition review of the environmental loss contingencies and expenditures at these operations. Although additional investigation and review is in progress, the Company is not yet able to evaluate conclusively the scope of any environmental issues. The Company expects that these operations will have environmental exposure similar to that of other electrical equipment manufacturers. The Company's exposure is limited, however, by the agreement between the Company and Westinghouse Electric Corporation, pursuant to which the Company acquired DCBU. With respect to environmental conditions existing prior to the acquisition, Westinghouse has agreed to retain certain responsibilities, to share the cost of others and to indemnify the Company for its share of those costs to the extent that they exceed $3.5 million annually. For locations in the United States, this obligation to share and to indemnify extends for ten years, and for locations elsewhere it extends for fifteen years.

The Company continues to modify, on an ongoing, regular basis, certain of its processes in order to reduce the impact on the environment. Efforts in this regard include the removal of many underground storage tanks and the reduction or elimination of certain chemicals and wastes in its operations.

OPTIONS FOR COMMON SHARES

Options have been granted to certain employees, under various plans, to purchase the Company's Common Shares at prices equal to fair market value as of date of grant. These options expire ten years from date of grant. A summary of stock option activity follows:

	1993		1992	
	Average price per share	*Shares*	*Average price per share*	*Shares*
Outstanding, January 1	$28.81	3,368,670	$26.33	3,836,274
Granted	39.34	831,730	34.10	808,070
Exercised	27.28	(657,353)	24.50	(1,221,610)
Canceled	32.52	(109,197)	29.47	(54,064)
Outstanding, December 31	$31.53	3,433,850	$28.81	3,368,670
Shares exercisable				
January 1		2,334,758		2,903,104
December 31		2,401,683		2,334,758
Shares reserved for future grants				
January 1		2,856,882		3,703,528
December 31		2,133,630		2,856,882

SHAREHOLDERS' EQUITY

There are 150 million Common Shares authorized. There were 11 million and 12 million Common Shares held in treasury at the end of 1992 and 1991, respectively, which were reissued in conjunction with the June 1993 two-for-one stock split. At December 31, 1993, 5.8 million Common Shares were reserved principally for exercise and grant of stock options. At December 31, 1993, there were 15,417 holders of record of Common Shares. Additionally, 15,508 employees were shareholders through participation in the Share Purchase and Investment Plan.

In private placements the Company sold 1.3 million Common Shares in 1993 for aggregate net proceeds of $62 million, and sold an additional 800,000 Common Shares in January 1994 for aggregate net proceeds of $38 million. In May 1993, the Company redeemed its share purchase rights at a redemption price of 3-1/3 cents for each right, for a total payment of $2 million.

The Company's Employee Stock Ownership Plan (ESOP) was established to prefund a portion of the anticipated matching contributions through 1999 to its Share Purchase and Investment Plan (SPIP) for participating United States employees. That portion of SPIP expense related to the ESOP is calculated by first determining the ratio of shares allocated to employee ESOP accounts relative to shares released, and then applying that ratio to the amount contributed to the ESOP. That amount, along with dividends on unallocated Common Shares held by the ESOP, is used to repay the notes, including interest, in level installments. Unallocated ESOP shares are allocated to employee ESOP accounts in aggregate amounts based on loan principal payments made by the ESOP.

LEASE COMMITMENTS

Future minimum rental commitments as of December 31, 1993, under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, are as follows (in millions): 1994, $28; 1995, $23; 1996, $17; 1997, $14; 1998, $12; and after 1998, $91.

Rental expense in 1993, 1992 and 1991 (in millions) was $43, $45 and $49, respectively.

PENSION PLANS

The Company has non-contributory defined benefit pension plans covering the majority of employees. Plans covering salaried and certain hourly employees provide benefits that are generally based on years of service and final average compensation. Benefits for other hourly employees are generally based on years of service. Company policy is to fund at least the minimum amount required by applicable regulations. In the event of a change in control of the Company, excess pension plan assets of North American operations may be dedicated to funding of health and welfare benefits for employees and retirees.