Cooper Industries
P.O. Box 4446
Houston, Texas 77210

RECEIVED
FEB 10 1995
SUPERFUND PROGRAM
MANAGEMENT BRANCH

EPA Region 5 Records Ctr.
339880

COOPER

February 7, 1995

VIA AIRBORNE

Ms. Marsha Adams
Responsible Party Unit
U.S. EPA, HSMP-5J
77 West Jackson Boulevard
Chicago, IL 60604

Re: **Stickney/Tyler Site, City of Toledo, Lucas County Ohio**

Dear Ms. Adams:

Enclosed is the response to the Section 104(e) of CERCLA Request for Information submitted to Cooper Industries, Inc. (hereinafter "Cooper"). Pursuant to my conversation with you on January 10, 1995, Cooper was granted a second extension to respond to this request until February 8, 1995.

As I informed you in our earlier conversation, Cooper is a large diversified manufacturing company with worldwide operations. Cooper is also the parent company of numerous corporate entities located throughout the United States. Therefore, we are restricting our response to those plants or entities which are located within a 100 mile radius of the general Toledo, Ohio metropolitan area (Champion Spark Plug Company) which conceivably could have sent wastes to the Site.

In order to respond to this request, a reasonable search of the records of Cooper has been made. Copies of those documents relevant to the request are attached. The EPA's letter further requested that Cooper's response be accompanied by a notarized affidavit from a company representative or official. It is Cooper's position that neither Section 3007 of RCRA nor Section 104 of CERCLA contain requirements that the information and documentation submitted in response to this request include a notarized affidavit of the type you requested. Cooper has made a diligent search of its records, and we are confident that the responses contained herein are accurate, to the extent that information is currently available. Cooper will supplement its response at the earliest possible time if and when subsequent information becomes available.

We trust the attached information is sufficient.

1001 Fannin, Suite 4000
Houston, Texas 77002
713 739-5400

Very truly yours,

W. Anne Lemelle

W. Anne Lemelle
Legal Assistant, Environmental

Enclosure

cc w/enclosure: Ceil Price, Counsel, Environmental
J. Ronald Sandberg, Senior Counsel, Environmental
Mark Cummings, Environmental Coordinator, Cooper Automotive, Chesterfield, MO
Terry Rife, Manager, Safety & Worker's Compensation, Cooper Automotive, Toledo, OH

I:\USERS\LEMELLE\WPDOC\EPACORR\STICK-TY.L

STICKNEY/TYLER SITE
TOLEDO, OHIO
RESPONSE - COOPER INDUSTRIES, INC.

1. Identify all persons consulted in the preparation of the answers to these Information Requests.

   Response: W. Anne Lemelle
   Legal Assistant, Environmental
   Cooper Industries, Inc.
   P. O. Box 4446
   Houston, Texas 77210
   (713) 739-5655

   Terry Rife
   Manager, Safety & Worker's Compensation
   Champion Ignition Products
   Cooper Automotive
   P. O. Box 910
   Toledo, Ohio 43661-0001
   (419) 535-2567

2. Identify all documents consulted, examined, or referred to in the preparation of the answers to these Requests and provide copies of all such documents.

   Response: Documents consulted in the preparation of these answers were Annual Reports, agreements, newspaper articles, corporate data, and other correspondence. Please refer to the documents attached hereto.

3. If you have reason to believe that there may be persons able to provide a more detailed or complete response to any Information Request or who may be able to provide additional responsive documents, identify such persons.

   Response: To the best of our knowledge, there are no other persons who can provide a more detailed or complete response to any of these requests.

4. Identify all persons having knowledge or information about the generation, transportation, treatment, disposal or other handling of hazardous substances by Respondent, or by Respondent's predecessors or successor in interest, or their contractors.

Response:

Thomas L. Oess
Manager of Purchasing
Champion Ignition Products
Cooper Automotive
P. O. Box 910
Toledo, Ohio 43661-0001
(419) 535-2567

Terry Rife
Manager, Safety & Worker's Compensation
Champion Ignition Products
Cooper Automotive
P. O. Box 910
Toledo, Ohio 43661-0001
(419) 535-2567

Robert Textor
Burlington Plant
Cooper Automotive
P. O. Box 768
Burlington, Iowa 52601
(319) 753-5401

Harold E. Smith
Maintenance Supervisor (retired)
2860 Ninth St.
Englewood, FL 34224

Richard Bracht
Supervisor, Shipping (retired)
6144 Windamar
Toledo, OH 43611

Ed Markowiak
Purchasing Supervisor (retired)
3717 Larchmonk Parkway
Toledo, OH 43613

Charles F. Townsend
5916 Cresthaven Lane, #120B
Toledo, OH 43614

John C. Mosher
3026 Idlewood
North Port, FL 34287
(813) 426-7076

5. Describe the corporate history and the current corporate structure of Respondent, Respondent's predecessors in interest, Respondent's successors in interest, and any subsidiaries (not limited to the

Greater Toledo Metropolitan Area.) Include in the description, but do not necessarily limit it to, the following:

Response: Cooper Industries, Inc. is headquartered in Houston, Texas, and employs about 47,000 people in 38 countries and operates more than 150 manufacturing facilities worldwide. Cooper manufactures thousands of products that are grouped into four business segments: Electrical Products, Tools & Hardware, Automotive Products, and Petroleum & Industrial Equipment. The Automotive Products segment manufactures and distributes spark plugs, wiper blades, lamps, heating and air conditioning parts, etc.

In a Plan and Agreement of Merger, dated February 21, 1989, Cooper acquired Champion Spark Plug Company. On July 24, 1989, Champion became a wholly owned direct subsidiary of Cooper. Most of the plants and former entities of Champion are now part of the Automotive Products segment of Cooper.

a) The names, titles, and duties of the directors, Officers and major shareholders of Respondent, Respondent's predecessors in interest, Respondent's successors in interest and any subsidiaries at the time of: (i) their incorporation, (ii) sale of a major interest in stock or merger with a successor in interest, (iii) sale of assets, as defined above.

   Response: Please refer to the attached Annual Reports for Cooper Industries, Inc. and Champion Spark Plug Company.

b) If the shareholders of the selling corporations, were different from the shareholders of the purchasing corporation at the time of the sale, state whether there was any relationship between the shareholders other than that of seller/buyer;

   Response: To the best of our knowledge, there was no relationship between the shareholders of Cooper and the shareholders of Champion at the time of the merger.

c) With regard to any mergers, sales of a majority interest in stock, or a sale of assets, provide a copy of the final sales contract or purchase agreement executed between the parties, including all schedules, appendices, exhibits, valuations or appraisals of assets or other attachments; also identify all purchasers or recipients of any mergers, sales of a major interest in stock, as defined above, or sales of assets, as defined above.

   Response: Attached is a copy of the Plan and Agreement of Merger between Cooper and Champion. Cooper has attached copies of certain appendices and schedules which Cooper believes are responsive to your request. However, copies of all such

schedules and appendices are not being submitted as they are considered confidential and moreover are not relevant to this investigation.

Also attached are copies of agreements for the sale of DeVilbiss Company and Baron Drawn Steel. Please refer to Cooper's response to Question 10 below for additional information.

d) All customers and suppliers of any predecessor in interest in its last year of operation prior to any merger, sale of a majority interest in stock, or sale of assets, as defined above, and all customers and suppliers of any successor in interest in its first two years of operation;

Response: Due to the size of the business of Champion and Cooper, this request is overly broad and burdensome. It is not feasible for Cooper to procure the requested information on customers and suppliers of Champion and Cooper for the subject period.

e) All supervisory personnel and employees of any predecessor in its last year of operation prior to any merger, sale of any major interest in stock or sale of assets, and all supervisory personnel and employees of any successor in interest in its first two years of operation subsequent to any merger, stock sale or sale or assets;

Response: Please refer to copies of the DeVilbiss Company organizational charts and structure from 1986. Cooper has been unable to locate personnel lists for other entities of Champion.

f) All plant processes, manufacturing methods, and/or procedures that were in effect at a predecessor in interest prior to its merger, sale of any major interest in stock, or sale of assets. Further identify which processes were discontinued after the sale, and when such processes were discontinued;

Response: Please refer to Cooper's response to Question 10 below.

g) Any and all obligations and liabilities of any predecessor in interest that were assumed by Respondent, and any and all obligations and liabilities of Respondent that were assumed by any successor in interest;

Response: Please refer to Cooper's response to Question 5c) above.

h) Any re-location of production, or manufacturing operations, by a successor in interest, from the place where such operations were conducted by a predecessor in interest, including the date and reasons for such re-location.

Response: Certain operations of Champion were sold or ultimately discontinued, but to the best of our knowledge, no manufacturing operations were relocated.

i) Any appraisals or valuation of assets that were created or produced as part of negotiations for mergers, sales or purchases of major interests in stock, or sales of assets, whether or not such transactions were consummated.

Response: Cooper objects to this request as being confidential and not relevant to this investigation.

6. Provide a copy of the Articles of Incorporation and By-Laws for Respondent, Respondent's predecessors in interest, Respondent's successors in interest, including any subsidiaries of any of the aforementioned parties, as defined in Definition #13. If the Articles of Incorporation do not otherwise indicate, identify the state in which each entity is incorporated.

Response: Attached are copies of the Articles of Incorporation and By-Laws for Champion Spark Plug Company. Also attached are the Articles of Incorporation and the Regulations for Cooper Industries, Inc.

7. Provide a copy of any Articles of Dissolution for Respondent, its predecessors in interest, its successors in interest, including any subsidiaries of any of the aforementioned parties, as defined in Definition #13.

Response: There are no Articles of Dissolution for Champion. Champion is currently a wholly owned direct subsidiary of Cooper Industries, Inc.

8. For any entities identified in the Answer to Question #7, above, which have dissolved, provide a copy of that entity's annual report for the year in which it dissolved, and copies of any dissolved entities' successors-in-interest's annual reports for the first three years after its (their) incorporation.

Response: Not applicable. However, Cooper has provided a copy of the 1988 (last) Annual Report for Champion.

9. State the dates during which Respondent, Respondent's predecessor in interest, and Respondent's successor in interest, and any subsidiaries each operated and conducted business in the Greater Toledo Metropolitan Area.

Response: Based on Annual Reports for Champion for the relevant period (1950 thru 1970), the following Champion companies or entities conducted business in the Greater Toledo Metropolitan Area:

1) Upton Ave. (corporate headquarters) - Toledo, Ohio
2) The DeVilbiss Co. (division) - Toledo, Ohio
3) Impact Cutoff Machine Division - Toledo, Ohio
4) Spray Equipment Division - Toledo, Ohio
5) Baron Drawn Steel Corp. - Toledo, Ohio
6) Fort Industry - Toledo, Ohio
7) Orrtonics - Toledo, Ohio

Please also refer to Cooper's response to Question 10 below.

10. Describe the nature of activities or business of Respondent, Respondent's predecessors in interest, Respondent's successors in interest, and any subsidiaries in the Greater Toledo Metropolitan Area, including any activities or business with respect to using, purchasing, receiving, generating, processing, storing, treating, disposing, transporting, or otherwise handling hazardous substances, pollutants, or contaminants. Include in your description, but do not limit it to, the following:

a) The manufacturing processes of each company in the Greater Toledo Metropolitan Area;

Response:

1) **Upton Ave.** - This is where the corporate headquarters and primary manufacturing operations for Champion were located. Champion manufactures and markets spark plugs and other products utilized in the automotive aftermarket.

2) **DeVilbiss** - Acquired by Champion in 1967 and operated as an independent division. It was a leading designer, manufacturer and marketer of industrial and automotive finishing and automotive refinishing products and systems, portable and stationary consumer air compressors and respiratory care durable products and services. DeVilbiss was sold by Champion in 1988, prior to Cooper's acquisition of Champion in 1989.

3) **Impact Cutoff Machine Division** - Based upon interviews with Champion employees, the Impact Cutoff Machine Division manufactured tools that cut steel. It was subsequently sold to

Hammil Manufacturing. Cooper has been unable to locate any documents or other information on this division of Champion.

4) **Spray Equipment Division** - A division of Champion which manufactured spray paint equipment.

5) **Baron Drawn Steel Corp.** - processor of cold drawn steel and cold heading steel wire products. Sold by Cooper in 1994. Baron would buy steel in one form, hot rolled bars, draw it cold through dies, straighten it, cut it to length, and sell it to a variety of different manufacturers who in turn make a wide variety of parts.

6) **Fort Industry** - This division began operating in the early 1970s. Its manufacturing operation was the assembly operation for Champion. The operations were subsequently combined with the already existing assembly operation at Upton Avenue. The property was sold in 1985. Cooper has been unable to locate any documentation on this former facility.

7) **Orrtronics** - Based upon information from Champion employees and a copy of an obituary for Bernard A. Cousino, Champion acquired Cousino Electronics in the mid-1960s. Orrtronics was formed by Champion to manufacture the Cousino eight-track tape players. Champion sold Orrtonics to Farraday, Inc. in 1969. Cooper has been unable to locate any documents or other information on this former operation of Champion.

b) The names of the entities that supplied the above-named companies with hazardous substances, pollutants, or contaminants;

Response: Cooper has been unable to locate any documentation regarding suppliers of materials to the above named companies during the subject period.

c) How, when, and where such hazardous substances, pollutants or contaminants were used, purchased, received, generated, processed, stored, treated, transported, disposed or otherwise handled by the above-named companies; include in your description, but do not limit it to, any disposal of hazardous substances at the Stickney/Tyler site.

Response: Based upon information available to Cooper for the subject period, materials disposed of by Champion were sent to the King Road Landfill, not to the Stickney/Tyler Site.

11. Provide copies of the following documents submitted, created, or drafted by any entity identified in the Responses to these Information Requests, which is currently doing business in the

Greater Toledo Metropolitan Area: all filed corporate tax returns from the last three years; all audited financial statements from the last three years; and all loan applications submitted within the last three years.

Response: In lieu of providing tax returns, financial statements, and all loan applications from the last three years, enclosed are copies of the 1993 Annual Report and Form 10-K for Cooper.

12. If any of the documents solicited in this information request are no longer available, please indicate the reason why they are no longer available. If the records were destroyed, provide the following:

    a) The document retention policies of any entity which would once have had possession of the documents in question.

    b) A description, by each entity having possession of the documents of how the records were destroyed and the approximate date of destruction;

    c) A description of the type of information that would have been contained in the document;

    d) The name, job title, and most current address known by you of the person(s) who would have produced these documents; the person(s) who would have been responsible for the destruction of these documents.

Response: Persons responsible for document retention at Champion prior to Cooper's acquisition were:

Everett Anderson (retired)
716 Broer
Toledo, OH 43607
(419) 536-4808

Miriam Duszynski (terminated)
4549 Highland Dr.
Roanoke, VA 24019
(803) 951-3013

A copy of Champion's records retention policy for the period 1964-1973 is attached for your reference.

Bernard A. Cousino Entrepreneur and Inventor, 1902-1994

Bernard A. Cousino, a Toledo native, passed away at his home in Ft. Myers, Florida on December 29, 1994, at the age of 92. Bernie, as he was known to all his friends, will best be remembered for his numerous contributions to the world of inventing.

Mr. Cousino was a graduate of Woodward High School and the University of Notre Dame. He worked 12-hour shifts at the Overland (Jeep) factory at a punch press to finance his education. He later studied at Columbia University and took a job with the National Boy Scout office in New York City in the early 1930s. Mr. Cousino was then sent to St. Louis to start the Cub Scout program there. When the Great Depression hit he returned to Toledo with his family and worked as camp director at Miakonda for two years. He then took a position at Burnham (Sylvania) High School where he taught English and Mechanical Drafting. During the summers Bernie and a cousin showed movies outdoors in the days before permanent drive-in theaters at places such as the former Franklin Park Field. Mr. Cousino started an audio-visual club at Burnham which became the spark that lead to his long career as an entrepreneur and inventor. After WWII he obtained the Bell & Howell audio-visual franchise for Northwest Ohio and formed Cousino Audio-Visual, Inc., which later became Cousino Electronics, Inc.

Following closely in the footsteps of his boyhood hero, Thomas Edison, Mr. Cousino was the holder of over 60 United States patents and 16 from foreign countries, with a concentration in the audio-visual field. Perhaps his most famous invention was the 8-track tape player, which revolutionized the music industry. A special tape lubricant which Mr. Cousino developed made it possible for President Eisenhower to broadcast his famous Christmas message to the world via satellite. In 1958, one of his inventions was previewed in General Motors' "Car of the Future"- the automobile tape deck.

In the mid 1960's, Cousino Electronics, Inc. was acquired by Champion Spark Plug Company. Shortly thereafter Orrtronics, Inc. was formed by Champion to manufacture the 8-track tape players Mr. Cousino had designed, and he became Executive Vice President. Soon after Orrtronics, Inc. was sold to Faraday, Inc. In 1969, Mr. Cousino retired to Florida where he formed Cousino Corp., and later Cousino Microloop Corp., to continue to develop continuous-loop tape devices and other products. In the early 1980s he developed a talking teddy bear, Tedi-Tutor, with a continuous-loop tape player inside. The concept was reviewed by the makers of Teddy-Ruxpin, who at the time were using cassette players, and has now been incorporated in all of their recent production of bears.

Throughout his career, Mr. Cousino was involved with several major U.S. corporations, including General Motors, Ford, RCA, 3M, Westinghouse, Disney, and NASA.

Mr. Cousino never ran out of ideas. Only days before his death he had just completed filing his final invention-a continuous loop video cassette that would allow VCRs to play tapes repeatedly without rewinding.

An active member of the Rotary Club of Toledo for many years, Bernie joined Rotary in Ft. Myers and remained active up to the week of his death.

In 1992 Mr. Cousino co-founded the Edison Inventors Association to help promote creativity in America. Today the club has over 150 members. A memorial fund has been established by the Association to continue Bernie's dream of rekindling the creative spirit of Thomas Edison in the youth of this country. Donations may be sent to the Bernard A. Cousino Memorial Fund, c/o the Edison Inventors Association, P.O. Box 07398, Ft. Myers, Florida 33919.

Mr. Cousino is survived by his wife, Ruth Messmer Cousino; 2 children, Ralph Cousino of Henderson, NV, and Carol Metcalfe of Ft. Myers; 2 step-children; 8 grandchildren, including Brent L. Cousino of Sylvania, Ohio; 7 step-grandchildren; and 6 great-grandchildren.

A Memorial Service is planned for Wednesday, January 4, at the McGregor Baptist Church in Ft. Myers, FL. The family will be receiving friends at 2 p.m. with the Service to begin at 3 p.m.

FORM 1342
REV. 1-58

STANDARD PROCEDURE

CHAMPION SPARK PLUG COMPANY

SUBJECT RECORDS RETENTION PROGRAM

NO.	154
ISSUE DATE	September 1, 1964
REVISION DATE	November 15, 1973

THIS PROCEDURE RESCINDS AND SUPERSEDES S/P 154 DATED SEPTEMBER 1, 1964 IN ITS ENTIRETY

PURPOSE

To control the retention, transfer, microfilming and disposal of company records.

SCOPE

All forms and documents originated by personnel of any Champion plant or department and which have been scheduled for specific retention or disposition by proper authority in Toledo will be governed by this procedure.

FORMS USED

Form 312 Record Retention Schedule
Form 606 Record Disposition
Form 926 Microfilm Certificate of Authenticity
Form 243 Warehouse Storage Box Control
Form 928 Microfilm Master Control

GENERAL

Each department is furnished an approved Record Retention Schedule (Form 312) for the documents filed in that department.

The Corporate Secretary's Office, in conjunction with the Systems Department, is responsible for establishing and distributing retention schedules, with appropriate approvals, for new types of documents as they are originated (by any department) and for any needed revisions to existing schedules.

The microfilm clerk will serve as a control and follow-up for all document transfers out of the departments, in accordance with the approved schedule, for disposition, i.e., microfilm, storage or destruction.

For purposes of definition, 'Record Storage' as used herein refers to deposition dates in the room used for document storage.

President or Executive Committee Chairman

FORM 1342
REV. 1-58

STANDARD PROCEDURE

CHAMPION SPARK PLUG COMPANY

SUBJECT RECORDS RETENTION PROGRAM

NO. 154
ISSUE DATE September 1, 1964
REVISION DATE November 15, 1973

PROCEDURE

I. ORIGINATING DEPARTMENT

1. Call the Records Clerk for required number of transfer cases for the documents scheduled for transfer, as indicated on the master Record Retention Schedule (Form 312).

2. Prepare Form 606, Records Disposition, for each type of document or set of documents to be transferred. (See sample Form 606 attached)

3. Pack the documents into the transfer cases in the order in which they are to be stored and/or microfilmed.

4. Label each transfer case showing:
   a. Originating department
   b. Document title or contents
   c. Time period of number series of contents
   d. Date to destroy.

5. Send the transfer cases with the Form(s) 606 to the Records Clerk.

II. RECORDS CLERK

1. Receive the request for transfer cases from the originating department.
   NOTE: As time permits, review the master Record Retention Schedules (Form 312) and other controls to determine non-conformance to schedules by any department. Inform the corresponding department head or the Corporate Secretary's Office of such situations.

2. Verify the requested transfer of documents with the master Record Retention Schedule, Form 312. Notify the department supervisor of any discrepancies.

3. Send the required number of transfer cases to the requesting department.

4. On return of the filled transfer cases and Form 606, re-verify the requested disposition against the master Record Retention Schedule, Form 312.
   NOTE: The requested disposition may be one or any combination of the following actions:

   a. Record Storage
   b. Warehouse Storage
   c. Microfilm
   d. Destruction

A. Scheduled for Record Storage

1. Assign the location under which the documents will be placed in Record Storage.

2. Send the documents to the Record Storage for placement in assigned locations.

3. Post to Form 606 the following:
   a. The assigned location
   b. The date accomplished
   c. Signature

FORM 1242
REV. 1-58

STANDARD PROCEDURE

CHAMPION SPARK PLUG COMPANY

SUBJECT RECORDS RETENTION PROGRAM

SHEET 3 OF 5

NO. 154

ISSUE DATE September 1, 1964

REVISION DATE November 15, 1973

4. File Form 606 by the date scheduled for transfer out of Record Storage.
   NOTE: This file will consist of a card (Form 606) for each subject record in Record Storage. The first card in the file will always represent those documents next scheduled for transfer.

B. Scheduled for Warehouse Storage

1. Receive Form 606 for those documents scheduled to be stored in the warehouse. Verify the requested transfer with the master Record Retention Schedule, Form 312.
   NOTE: Form 606 indicating transfer to Warehouse Storage may originate directly from the requesting department or the Record Storage file. The Microfilm Clerk will serve to control and follow-up for all document transfer out of departments.

2. From Form 243, Warehouse Storage Box Control, assign box numbers for those documents to be stored in the warehouse.

3. Post to Form 243 the box numbers, their corresponding contents and the dates transferred (to warehouse).

4. Post to the Form 606 the date of transfer, the box numbers and signature.

5. For each box number assigned, prepare three card labels showing:
   a. Box number
   b. Document title(s)
   c. Time period or number series of contents
   d. Specific destruction dates
   e. Departments or group number.

6. Have one label attached to each end of each box.

7. File the third label (of each box) by box number)

8. Send the storage boxes to Warehouse Storage.

9. File Form 606 by the date scheduled for transfer out of Warehouse Storage
   NOTE: This file will consist of a card (form 606) for each subject record in Warehouse Storage. The first cards in the file will always represent those documents next scheduled for transfer or destruction.

C. Scheduled for Microfilm

1. Assign a Microfilm Roll No. (from Form 928, Microfilm Master Control). Post to Form 928 the title of the documents involved on the roll, etc.)

2. Prepare Form 926, Microfilm Certificate of Authenticity, by typing:
   a. Assigned Roll No.
   b. Plant
   c. Department
   d. Document title
   e. Method documents are filed
   f. Starting identification and indexing data

3. Microfilm the 'normal' and 'A' side of each roll of film in the following sequence:
   a. At start of each 'side', film the Form 926
   b. Film the documents.
   c. Insert and film, identifying the index cards as necessary, recording each index point.
   d. At the end of each 'side', post to Form 926 the last document filmed on the roll, the date filmed, the date mailed for processing and signature.
   e. Film the Form 926 as the last document on the roll (or roll side).

4. Post to Form 606 the following:
   a. The date microfilmed.
   b. The roll numbers assigned.
   c. Signature.

5. Send the microfilm for processing; hold forms 606 and 926 in suspense file pending return. Inspect the returned film for completeness and legibility.

6. Post to Form 926 the processing dates, i.e., dates mailed for processing and return, date inspected, retakes made and any remarks made.

7. From Form 926, prepare a label listing the roll number, the document title and index points. Attach the label to the film box and file by roll number.

8. As time permits, from Forms 926 and 606 post the following information for cross reference purposes to:
   a. Form 928 (in microfilm roll number sequence)
      1) Group no.
      2) Roll no.
      3) Contents

9. Destroy Form 926

10. Dispose of actual documents as scheduled on Form 606. File Form 606 in one of the following files, depending on disposal action taken:
    a. Destruction file
    b. Record Storage file
    c. Warehouse Storage file
    d. Film Storage file

D. <u>Destruction of Documents</u>

1. Monthly, review the files of Form 606 for scheduled destruction dates of documents in storage.

2. Obtain the Records Retention supervisor's initial on Form 606, representing the boxes to be destroyed.

FORM 1042
REV. 1-58

STANDARD PROCEDURE

CHAMPION SPARK PLUG COMPANY

SUBJECT RECORDS RETENTION PROGRAM

NO.	154
ISSUE DATE	September 1, 1964
REVISION DATE	November 15, 1973

3. To correctly identify the boxes scheduled for destruction, use the file card label (see B5) for each box scheduled for destruction, to pull the boxes from storage and properly dispose thereof.

4. Pull the card label from the side of each box to be destroyed and match with the card label from file.

5. From the card labels of the destroyed (box) contents, post to Form 243 and Form 606 the date and method of disposal. Destroy the card labels.

6. File Form 606 by originating department, by document title in a 'destructed file'.

COOPER INDUSTRIES

CERTIFIED COPY
TWENTY-FIFTH AMENDED ARTICLES OF INCORPORATION

OF

COOPER INDUSTRIES, INC.

I hereby certify that the following is a true, correct and complete copy of the Twenty-Fifth Amended Articles of Incorporation of Cooper Industries, Inc., duly approved and adopted by the Board of Directors of the Corporation on February 21, 1990 and approved by the shareholders on April 24, 1990, filed with the Secretary of State of the State of Ohio, U.S.A., and recorded by him on Roll G863 at Frame 1280 of the Records of Incorporations and Miscellaneous Filings, which Twenty-Fifth Amended Articles of Incorporation restate the Twenty-Fourth Amended Articles of Incorporation and amendments thereto, said Twenty-Fifth Amended Articles of Incorporation being presently in force as appears from the records of this Corporation now in the official custody of its Secretary.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of said Corporation and have affixed its corporate seal this ..... day of ....., 19....

.....

Secretary, Cooper Industries, Inc.

TWENTY-FIFTH AMENDED ARTICLES OF INCORPORATION
OF
COOPER INDUSTRIES, INC.

ARTICLE I

NAME

The name of the Corporation shall be COOPER INDUSTRIES, INC.

ARTICLE II

PRINCIPAL OFFICE IN OHIO

The place in Ohio where the principal office of the Corporation is to be located as provided in the Ohio Revised Code, Section 1701.04, is Cleveland in Cuyahoga County.

ARTICLE III

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code, as now in effect or hereafter amended.

ARTICLE IV

AUTHORIZED SHARES

The authorized number of shares of the Corporation shall consist of 1,340,750 shares of Preferred Stock with no par value (hereinafter called "Preferred Stock"), 36,197,499 shares of Preferred Stock par value $1.00 per share (hereinafter called "Preferred Stock ($1 par)"), 10,000,000 shares of Preferred Stock par value $2.00 per share (hereinafter called "$2.00 Par Preferred Stock") and 250,000,000 shares of Common Stock par value $5.00 per share (hereinafter called "Common Stock"). No holder of shares of any class of stock of the Corporation shall as such holder have any preemptive right to purchase shares of any class of stock of the Corporation or shares or other securities convertible into or exchangeable for or carrying rights or options to purchase shares of any class of stock of the Corporation, whether such class of stock, shares or other securities are now or hereafter authorized, which at any time may be proposed to be issued by the Corporation or subjected to rights or options to purchase granted by the Corporation. Except as otherwise specifically provided in this Article IV, any action to be taken by the shareholders of the Corporation under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code which would require the affirmative vote of two-thirds of the voting power unless otherwise provided in the Corporation's Articles of Incorporation, may be taken by the affirmative vote of a majority of the voting power of the Corporation.

A. TERMS OF PREFERRED STOCK

The Shares of Preferred Stock shall have the following express terms:

SECTION 4.1A—*Issue in Series—Terms to be Fixed by Directors*—The Preferred Stock may be issued from time to time in one or more series. All shares of Preferred Stock shall

be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Board of Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. Subject to the provisions of Sections 4.2A to 4.8A, both inclusive, which provisions shall apply to all Preferred Stock, the Board of Directors hereby is authorized to cause such shares to be issued in one or more series and with respect to each such series prior to the issuance thereof to fix:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board of Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding);

(c) the dividend rate of the series;

(d) the dates of payment of dividends and the dates from which dividends shall be cumulative;

(e) the redemption rights and price or prices for shares of the series;

(f) sinking fund requirements, if any, for the purchase or redemption of shares of the series;

(g) the liquidation price payable on shares of the series in the event of any liquidation, dissolution or winding up of the affairs of the Corporation;

(h) whether the shares of the series shall be convertible into Common Stock, and, if so, the conversion price or prices, any adjustments thereof, and all other terms and conditions upon which such conversion may be made; and

(i) restrictions (in addition to those set forth in Sections 4.6A(b) and 4.6A(c)) on the issuance of shares of any class or series.

The Board of Directors is authorized to adopt from time to time amendments to the Articles of Incorporation fixing or changing, with respect to each such series, the matters described in clauses (a) to (i), both inclusive, of this Section 4.1A.

SECTION 4.2A—*Dividends*—The holders of Preferred Stock of each series, in preference to the holders of Common Stock and of any other class of shares ranking junior to the Preferred Stock, shall be entitled to receive out of any funds legally available and when and as declared by the Board of Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 4.1A and no more, payable quarterly on the dates fixed for such series. Such dividends shall be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividends may be paid upon or declared or set apart for any of the Preferred Stock for any quarterly dividend period unless at the same time a like proportionate dividend for the same quarterly dividend period, ratable in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared or set apart for all Preferred Stock of all series then issued and outstanding and entitled to receive such dividend.

SECTION 4.3A—*Dividends on Junior Stock*—In no event so long as any Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Stock or other shares ranking junior to the Preferred Stock, be paid or declared or any distribution be made on the Common Stock or any other shares ranking junior to the Preferred Stock,

nor shall any Common Stock or any other shares ranking junior to the Preferred Stock be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Stock or other shares ranking junior to the Preferred Stock):

(a) Unless all accrued and unpaid dividends on Preferred Stock, including the full dividends for the current quarterly dividend period, shall have been declared and paid or a sum sufficient for payment thereof set apart; and

(b) Unless there shall be no arrearages with respect to the redemption of Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 4.1A.

SECTION 4.4A—*Redemption*—(a) Subject to the express terms of each series and to the provisions of Section 4.6A(b) (iii), the Corporation may from time to time redeem all or any part of the Preferred Stock of any series at the time outstanding (i) at the option of the Board of Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 4.1A or (ii) in fulfillment of the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 4.1A, together in each case with accrued and unpaid dividends to the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of the Preferred Stock to be redeemed at their respective addresses then appearing on the books of the Corporation, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Corporation may deposit the aggregate redemption price of the shares of Preferred Stock to be redeemed with any bank or trust company, having capital and surplus of more than Five Million Dollars ($5,000,000), named in such notice, directed to be paid to the respective holders of the shares of Preferred Stock so to be redeemed, in amounts equal to the redemption price of all shares of Preferred Stock so to be redeemed, on surrender of the stock certificate or certificates held by such holders, and upon the making of such deposit such holders shall cease to be shareholders with respect to such shares, and after such notice shall have been given and such deposit shall have been made such holders shall have no interest in or claim against the Corporation with respect to such shares except only to receive such money from such bank or trust company without interest or the right to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of Preferred Stock are to be redeemed, the Corporation shall select by lot the shares so to be redeemed in such manner as shall be prescribed by its Board of Directors. If the holders of shares of Preferred Stock which shall have been called for redemption shall not, within ten years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company and the Corporation shall be relieved of all responsibility in respect thereof and to such holders.

(c) Any shares of Preferred Stock which are redeemed by the Corporation pursuant to the provisions of this Section 4.4A and any shares of Preferred Stock which are purchased and delivered in satisfaction of any sinking fund requirements provided for shares of such series and any shares of Preferred Stock which are converted in accordance with the express terms thereof shall be cancelled and not reissued. Any shares of Preferred Stock otherwise acquired by the Corporation shall resume the status of authorized and unissued shares of Preferred Stock without serial designation.

SECTION 4.5A—*Liquidation*—(a) The holders of Preferred Stock of any series shall, in case of any liquidation, dissolution or winding up of the affairs of the Corporation be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Stock or any other shares ranking junior to the Preferred Stock the amounts fixed with respect to shares of such series in accordance with Section 4.1A. In case the net assets of the Corporation legally available therefor are insufficient to permit the payment upon all outstanding shares of Preferred Stock of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of Preferred Stock in proportion to the full preferential amount to which each such share is entitled. After payment to holders of Preferred Stock of the full preferential amounts as aforesaid, holders of Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 4.5A.

SECTION 4.6A—*Voting*—(a) The holders of Preferred Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders; and, except as otherwise provided herein or required by law, the holders of Preferred Stock and the holders of Common Stock shall vote together as one class on all matters. If, and so often as, the Corporation shall be in default in the payment of six (6) full quarterly dividends (whether or not consecutive) on any series of Preferred Stock at the time outstanding, whether or not earned or declared, the holders of Preferred Stock of all series, voting separately as a class and in addition to all other rights to vote for Directors, shall be entitled to elect, as herein provided, two (2) members of the Board of Directors of the Corporation who shall be in addition to the regular members of the Board of Directors elected by the common shareholders pursuant to the Corporation's Code of Regulations; provided, however, that the holders of shares of Preferred Stock shall not have or exercise such special class voting rights except at meetings of the shareholders for the election of Directors at which the holders of not less than thirty-five percent (35%) of the outstanding shares of Preferred Stock of all series then outstanding are present in person or by proxy; and provided further that the special class voting rights provided for herein when the same shall have become vested shall remain so vested until all accrued and unpaid dividends on the Preferred Stock of all series then outstanding shall have been paid, whereupon the number of persons constituting the Board of Directors shall be reduced by the number of Directors then in office elected pursuant to this Section, the term of office of said Directors so elected shall end, and the holders of Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph. A vacancy in the class of Directors elected pursuant to this Section shall be filled by the remaining Director of the class and the Code of Regulations in effect at the time of filing of these terms and provisions is hereby amended to the extent it is inconsistent herewith. In the event of default entitling the holders of Preferred Stock to elect two (2) Directors as above specified, a special meeting of the shareholders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such

special meeting if the annual meeting of shareholders shall be held within ninety (90) days after the date of receipt of the foregoing written request from the holders of Preferred Stock. At any meeting at which the holders of Preferred Stock shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the members of the Board of Directors which the holders of Preferred Stock are entitled to elect as hereinabove provided.

(b) The affirmative vote of the holders of at least two-thirds (⅔) of the shares of Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Preferred Stock are concerned, such action may be effected with such vote):

(i) any amendment, alteration or repeal of any of the provisions of the Amended Articles of Incorporation or of the Regulations of the Corporation which affects adversely the voting powers, rights or preferences of the holders of Preferred Stock; provided, however, that, for the purposes of this clause only, (i) neither the amendment of the Amended Articles of Incorporation so as to authorize or create, or to increase the authorized or outstanding amount of, Preferred Stock or of any shares of any class ranking on a parity with or junior to the Preferred Stock, nor the amendment of the provisions of the Regulations so as to increase the number of Directors of the Corporation shall be deemed to affect adversely the voting powers, rights or preferences of the holders of Preferred Stock; and provided further, that if such amendment, alteration or repeal affects adversely the rights or preferences of one or more but not all series of Preferred Stock at the time outstanding, only the affirmative vote of the holders of at least two-thirds (⅔) of the number of the shares at the time outstanding of the series so affected shall be required;

(ii) the authorization or creation of, or the increase in the authorized amount of any shares of any class, or any security convertible into shares of any class, ranking prior to the Preferred Stock; or

(iii) the purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of Preferred Stock, unless all dividends upon all Preferred Stock then outstanding for all previous quarterly dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with.

(c) the affirmative vote of the holders of at least a majority of the shares of Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Preferred Stock are concerned, such action may be effected with such vote);

(i) The sale, lease or conveyance by the Corporation of all or substantially all of its property or business, or its consolidation with or merger into any other corporation unless the corporation resulting from such consolidation or merger will have after such consolidation or merger no class of shares either authorized or outstanding ranking prior to or on a parity with the Preferred Stock except the same number of shares ranking

prior to or on a parity with the Preferred Stock and having the same rights and preferences as the shares of the Corporation authorized and outstanding immediately preceding such consolidation or merger, and each holder of Preferred Stock immediately preceding such consolidation or merger shall receive the same number of shares, with the same rights and preferences, of the resulting corporation; or

(ii) The authorization of any shares ranking on a parity with the Preferred Stock or an increase in the authorized number of shares of Preferred Stock.

SECTION 4.7A—*Preemptive Rights*—The holders of Preferred Stock shall have no preemptive right to purchase or have offered to them for purchase any shares or other securities of the Corporation, whether now or hereafter authorized.

SECTION 4.8A—*Prior or Parity Stock*—Whenever reference is made to shares "ranking prior to the Preferred Stock" or "on a parity with the Preferred Stock", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are given preference over, or rank on an equality with (as the case may be), the rights of the holders of Preferred Stock; and whenever reference is made to shares "ranking junior to the Preferred Stock", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are junior and subordinate to the rights of the holders of Preferred Stock. The Preferred Stock ($1 par) shall rank on a parity with the Preferred Stock and the $2.00 Par Preferred Stock.

B. EXPRESS TERMS OF THE CUMULATIVE CONVERTIBLE PREFERRED STOCK, SERIES B

[EXPLANATORY NOTE: The Express Terms of the Cumulative Convertible Preferred Stock, Series B, were deleted following the redemption of said Series B Preferred Stock on April 5, 1990.]

C. EXPRESS TERMS OF THE SERIES A PARTICIPATING PREFERRED STOCK

SECTION 4.1C—*Designation and Amount*—The shares of such series shall be designated as "Series A Preferred Stock" and the number of shares constituting such series shall initially be 800,000, no par value, such number of shares to be subject to increase or decrease by action of the Board of Directors.

SECTION 4.2C—*Dividends and Distributions*—(a) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Participating Preferred Stock with respect to dividends, the holders of shares of Series A Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all noncash

dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $5.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Participating Preferred Stock. In the event the Corporation shall at any time after February 17, 1987 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Participating Preferred Stock as provided in paragraph (a) above concurrently with its declaration of a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10.00 per share of the Series A Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than thirty (30) days prior to the date fixed for the payment thereof.

SECTION 4.3C—*Voting Rights*—The holders of shares of Series A Participating Preferred Stock shall have the following voting rights:

(a) The holders of Preferred Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders; and, except as otherwise provided herein or required by law, the holders of Preferred Stock and the holders of Common Stock shall vote together as one class on all matters. If, and so often as, the Corporation shall be in default in the payment of six (6) full quarterly dividends (whether or not consecutive) on any series of Preferred Stock at the time outstanding, whether or

not earned or declared, the holders of Preferred Stock of all series, voting separately as a class and in addition to all other rights to vote for directors, shall be entitled to elect, as herein provided, two (2) members of the Board of Directors of the Corporation who shall be in addition to the regular members of the Board of Directors elected by the common shareholders pursuant to the Corporation's Code of Regulations; provided, however, that the holders of shares of Preferred Stock shall not have or exercise such special class voting rights except at meetings of the shareholders for the election of Directors at which the holders of not less than thirty-five percent (35%) of the outstanding shares of Preferred Stock of all series then outstanding are present in person or by proxy; and provided further that the special class voting rights provided for herein when the same shall have become vested shall remain so vested until all accrued and unpaid dividends on the Preferred Stock of all series then outstanding shall have been paid, whereupon the number of persons constituting the Board of Directors shall be reduced by the number of Directors then in office elected pursuant to this Section, the term of office of said Directors so elected shall end, and the holders of Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph. A vacancy in the class of Directors elected pursuant to this Section shall be filled by the remaining Director or the class and the Code of Regulations in effect at the time of filing of these terms and provisions is hereby amended to the extent it is inconsistent herewith. In the event of default entitling the holders of Preferred Stock to elect two (2) Directors as above specified, a special meeting of the shareholders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders shall be held within ninety (90) days after the date of receipt of the foregoing written request from the holders of Preferred Stock. At any meeting at which the holders of Preferred Stock shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the members of the Board of Directors which the holders of Preferred Stock are entitled to elect as hereinabove provided.

SECTION 4.4C—*Certain Restrictions*—(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Preferred Stock, except dividends paid

ratably on the Series A Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) purchase or otherwise acquire for consideration any shares of Series A Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the annual dividend rates and other rights and preferences of the series, shall determine in good faith will result in fair and equitable treatment to the holders of such series.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4.4C, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 4.5C—*Reacquired Shares*—Any shares of Series A Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired promptly after the acquisition thereof.

SECTION 4.6C—*Liquidation, Dissolution or Winding Up*—(a) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Participating Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference").

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Participating Preferred Stock then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

SECTION 4.7C—*No Redemption*—The shares of Series A Participating Preferred Stock shall not be redeemable.

SECTION 4.8C—*Ranking*—The Series A Participating Preferred Stock shall rank equal to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets.

SECTION 4.9C—*Amendment*—The Restated Articles of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds (⅔) or more of the outstanding shares of the Series A Participating Preferred Stock, voting separately as a class.

SECTION 4.10C—*Fractional Shares*—Series A Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Participating Preferred Stock.

D. TERMS OF PREFERRED STOCK ($1 Par)

The shares of Preferred Stock ($1 par) shall have the following express terms:

SECTION 4.1D—*Issue in Series—Terms to be Fixed by Directors*—The Preferred Stock ($1 par) may be issued from time to time in one or more series. All shares of Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Board of Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. Subject to the provisions of Section 4.2D to 4.8D, both inclusive, which provisions shall apply to all Preferred Stock ($1 par), the Board of Directors hereby is authorized to cause such shares to be issued in one or more series and with respect to each such series prior to the issuance thereof to fix:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board of Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding);

(c) the dividend rate of the series;

(d) the dates of payment of dividends and the dates from which dividends shall be cumulative;

(e) the redemption rights and price or prices for shares of the series;

(f) sinking fund requirements, if any, for the purchase or redemption of shares of the series;

(g) the liquidation price payable on shares of the series in the event of any liquidation, dissolution or winding up of the affairs of the Corporation;

(h) whether the shares of the series shall be convertible into Common Stock, and, if so, the conversion price or prices, any adjustments thereof, and all other terms and conditions upon which such conversion may be made; and

(i) restrictions (in addition to those set forth in Sections 4.6D(b) and 4.6D(c)) on the issuance of shares of any class or series.

The Board of Directors is authorized to adopt from time to time amendments to the Articles of Incorporation fixing or changing, with respect to each such series, the matters described in clauses (a) to (i), both inclusive, of this Section 4.1D.

SECTION 4.2D—*Dividends*—The holders of Preferred Stock ($1 par) of each series, in preference to the holders of Common Stock and of any other class of shares ranking junior to the Preferred Stock ($1 par), shall be entitled to receive out of any funds legally available and when and as declared by the Board of Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 4.1D and no more, payable quarterly on the dates fixed for such series. Such dividends shall be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividends may be paid upon or declared or set apart for any of the Preferred Stock ($1 par) for any quarterly dividend period unless at the same time a like proportionate dividend for the same quarterly dividend period, ratable in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared or set apart for all Preferred Stock ($1 par) of all series then issued and outstanding and entitled to receive such dividend.

SECTION 4.3D—*Dividends on Junior Stock*—In no event so long as any Preferred Stock ($1 par) shall be outstanding shall any dividends, except a dividend payable in Common Stock or other shares ranking junior to the Preferred Stock ($1 par) be paid or declared or any distribution be made on the Common Stock or any other shares ranking junior to the Preferred Stock ($1 par) be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Stock or other shares ranking junior to the Preferred Stock ($1 par)):

(a) unless all accrued and unpaid dividends on Preferred Stock ($1 par), including the full dividends for the current quarterly dividend period, shall have been declared and paid or a sum sufficient for payment thereof set apart; and

(b) unless there shall be no arrearages with respect to the redemption of Preferred Stock ($1 par) of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 4.1D.

SECTION 4.4D—*Redemption*—(a) Subject to the express terms of each series and to the provisions of Section 4.6D(b)(iii), the Corporation may from time to time redeem all or any part of the Preferred Stock ($1 par) of any series at the time outstanding (i) at the option of the Board of Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 4.1D or (ii) fulfillment of the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 4.1C, together in each case with accrued and unpaid dividends to the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of Preferred Stock ($1 par) to be redeemed at their respective addresses then appearing on the books of the Corporation, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Corporation may deposit the aggregate redemption price of the shares of Preferred Stock ($1 par) to be redeemed with any bank or trust company, having capital and surplus of more than Five Million Dollars ($5,000,000), named in such notice, directed to be paid to the respective holders of the shares of Preferred Stock ($1 par) so to be redeemed, in amounts equal to the redemption price of all shares of Preferred Stock ($1 par) so to be redeemed, on surrender of stock certificate or certificates held by such holders, and upon the making of such deposit such holders shall cease to be shareholders with respect to such shares, and after such notice shall have been given and such deposit shall have been made, such holders shall have no interest in or claim against the Corporation with respect to such shares except only to receive such money from such bank or trust company without interest or the right to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of any series of Preferred Stock ($1 par) is to be redeemed, the Corporation shall select by lot the shares of the series so to be redeemed in such manner as shall be prescribed by its Board of Directors. If the holders of shares of Preferred Stock ($1 par) which shall have been called for redemption shall not, within six (6) years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company and the Corporation shall be relieved of all responsibility in respect thereof and to such holders.

(c) Any shares of Preferred Stock ($1 par) which are redeemed by the Corporation pursuant to the provisions of this Section 4.4D and any shares of Preferred Stock ($1 par) which are purchased and delivered in satisfaction of any sinking fund requirements provided

for shares of such series and any shares of Preferred Stock ($1 par) which are converted in accordance with the express terms thereof shall be cancelled and not reissued. Any shares of Preferred Stock ($1 par) otherwise acquired by the Corporation shall resume the status of authorized and unissued shares of Preferred Stock ($1 par) without serial designation.

SECTION 4.5D—*Liquidation*—(a) The holders of Preferred Stock ($1 par) of any series shall, in case of any liquidation, dissolution or winding up of the affairs of the Corporation, be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Stock or any other shares ranking junior to the Preferred Stock ($1 par) the amounts fixed with respect to shares of such series in accordance with Section 4.1D. In case the net assets of the Corporation legally available therefor are insufficient to permit the payment upon all outstanding shares of Preferred Stock ($1 par) of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of Preferred Stock ($1 par) in proportion to the full preferential amounts to which each such share is entitled. After payment to holders of Preferred Stock ($1 par) of the full preferential amounts as aforesaid, holders of Preferred Stock ($1 par) as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 4.5D.

SECTION 4.6D—*Voting*—(a) The holders of Preferred Stock ($1 par) shall be entitled to one-tenth (1/10) vote for each share of such stock upon all matters presented to the shareholders; and, except as otherwise provided herein or required by law, the holders of Preferred Stock ($1 par) and the holders of Preferred Stock, the holders of $2.00 Par Preferred Stock and the holders of Common Stock shall vote together as one class on all matters. If, and so often as, the Corporation shall be in default in the payment of six (6) full quarterly dividends (whether or not consecutive) on any series of Preferred Stock ($1 par) at the time outstanding, whether or not earned or declared, the holders of Preferred Stock ($1 par) of all series, voting separately as a class and in addition to all other rights to vote for Directors, shall be entitled to elect, as herein provided, two (2) members of the Board of Directors of the Corporation who shall be in addition to the regular members of the Board of Directors elected by the common shareholders and directors elected by the holders of any other class of shares, pursuant to these Amended Articles of Incorporation or the Corporation's Code of Regulations; provided, however, that the holders of shares of Preferred Stock ($1 par) shall not have or exercise such special class voting rights except at meetings of the shareholders for the election of Directors at which the holders of not less than thirty-five percent (35%) of the outstanding shares of Preferred Stock ($1 par) of all series then outstanding are present in person or by proxy; and provided further that the special class voting rights provided for herein when the same shall have become vested shall remain so vested until all accrued and unpaid dividends on the Preferred Stock ($1 par) of all series then outstanding shall have been paid, whereupon the number of persons constituting the Board of Directors shall be reduced by the number of Directors then in office elected pursuant to this Section 4.6D, the term of office of said Directors so elected shall end, and the holders of Preferred Stock ($1 par) shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph. A vacancy in the class of Directors elected pursuant to this

Section 4.6D shall be filled by the remaining Directors of the class and if no other Directors of the class are then in office such vacancy shall be filled by the holders of Preferred Stock ($1 par) entitled to elect the class of directors. The Code of Regulations in effect at the time of filing of these terms and provisions is hereby amended to the extent it is inconsistent herewith. In the event of default entitling the holders of Preferred Stock ($1 par) to elect two (2) Directors as above specified, a special meeting of the shareholders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of Preferred Stock ($1 par) of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders shall be held within ninety (90) days after the date of receipt of the foregoing written request from the holders of Preferred Stock ($1 par). At any meeting at which the holders of Preferred Stock ($1 par) shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of Preferred Stock ($1 par) of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the members of the Board of Directors which the holders of Preferred Stock ($1 par) are entitled to elect as hereinabove provided.

(b) The affirmative vote of the holders of at least two-thirds of the shares of Preferred Stock ($1 par) at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Preferred Stock ($1 par) shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Preferred Stock ($1 par) are concerned, such action may be effected with such vote):

(i) any amendment, alteration or repeal of any of the provisions of the Amended Articles of Incorporation or of the Regulations of the Corporation which affects adversely the voting powers, rights or preferences of the holders of Preferred Stock ($1 par); provided, however, that, for the purposes of this clause only, (i) neither the amendment of the Amended Articles of Incorporation so as to authorize or create, or to increase the authorized or outstanding amount of, Preferred Stock ($1 par) or of any shares of any class ranking on a parity with or junior to the Preferred Stock ($1 par), nor the amendment of the provisions of the Regulations so as to increase the number of Directors of the Corporation shall be deemed to affect adversely the voting powers, rights or preferences of the holders of Preferred Stock ($1 par); and provided further, that if any amendment, alteration or repeal affects adversely the rights or preferences of one or more but not all series of Preferred Stock ($1 par) at the time outstanding, only the affirmative vote of the holders of at least two-thirds of the number of the shares at the time outstanding of the series so affected shall be required;

(ii) the authorization or creation of any class, or the increase in the authorized amount of any shares of any class, or any security convertible into shares of any class, ranking prior to the Preferred Stock ($1 par); or

(iii) the purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Preferred Stock ($1 par) then outstanding except in accordance with a stock purchase offer made to all holders of record of Preferred Stock ($1 par), unless all dividends upon all Preferred Stock ($1 par) then outstanding for all previous quarterly periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with.

(c) The affirmative vote of the holders of at least a majority of the shares of Preferred Stock ($1 par) at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Preferred Stock ($1 par) shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Preferred Stock ($1 par) are concerned, such action may be effected with such vote):

(i) the sale, lease or conveyance by the Corporation of all or substantially all of its property or business, or its consolidation with or merger into any other corporation unless the corporation resulting from such consolidation or merger will have after such consolidation or merger no class of shares either authorized or outstanding ranking prior to or on a parity with the Preferred Stock ($1 par) except the same number of shares ranking prior to or on a parity with the Preferred Stock ($1 par) and having the same rights and preferences as the shares of the Corporation authorized and outstanding immediately preceding such consolidation or merger, and each holder of Preferred Stock ($1 par) immediately preceding such consolidation or merger shall receive the same number of shares, with the same rights and preferences, of the resulting corporation; or

(ii) the authorization of any shares ranking on a parity with the Preferred Stock ($1 par) or an increase in the authorized number of shares of Preferred Stock ($1 par).

SECTION 4.7D—*Preemptive Rights*—The holders of Preferred Stock ($1 par) shall have no preemptive right to purchase or have offered to them for purchase or have offered them for purchase any shares or other securities of the Corporation, whether now or hereafter authorized.

SECTION 4.8D—*Prior or Parity Stock*—Whenever reference is made to shares "ranking prior to the Preferred Stock ($1 par)" or "on a parity with the Preferred Stock ($1 par)", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are given preference over, or rank on an equality with (as the case may be) the rights of the holders of Preferred Stock ($1 par); and whenever reference is made to shares "ranking junior to the Preferred Stock", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are junior and subordinate to the rights of the holders of Preferred Stock ($1 par). The Preferred Stock ($1 par) shall rank on a parity with the Preferred Stock and the $2.00 Par Preferred Stock.

E. EXPRESS TERMS OF THE $1.60 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

There is hereby established a series out of the authorized and unissued shares of Preferred Stock ($1 par) to which the following provisions shall be applicable:

SECTION 4.1E—*Designation of Series*—The series shall be designated "$1.60 Convertible Exchangeable Preferred Stock" (hereinafter called "$1.60 Convertible Exchangeable Stock").

SECTION 4.2E—*Number of Shares*—The number of shares of $1.60 Convertible Exchangeable Stock is 33,376,420, which number the Board of Directors may increase or decrease, but not decrease below the number of shares of the series then outstanding.

SECTION 4.3E—*Dividend Rate*—The dividend rate for the $1.60 Convertible Exchangeable Stock is $1.60 per share per annum payable quarterly. The initial dividend shall be prorated based on the portion of the quarter elapsed after the date of issuance of the shares.

If a dividend upon any shares of $1.60 Convertible Exchangeable Stock, or any other outstanding stock of the Corporation ranking on a parity with the $1.60 Convertible Exchangeable Stock as to dividends, is in arrears: no stock of the Corporation ranking on a parity with the $1.60 Convertible Exchangeable Stock as to dividends may be (a) redeemed pursuant to a sinking fund or otherwise, except by means of a redemption pursuant to which all outstanding shares of the $1.60 Convertible Exchangeable Stock and all stock of the Corporation ranking on a parity with the $1.60 Convertible Exchangeable Stock as to dividends are redeemed or pursuant to which a pro rata redemption is made from all holders of the $1.60 Convertible Exchangeable Stock and all stock of the Corporation ranking on a parity with the $1.60 Convertible Exchangeable Stock as to dividends, the amount allocable to each series of such stock being determined on the basis of the aggregate liquidation preference of the outstanding shares of each series and the shares of each series being redeemed only on a pro rata basis, or (b) purchased or otherwise acquired for any consideration by the Corporation except pursuant to an acquisition made pursuant to the terms of one or more offers to purchase all of the outstanding shares of the $1.60 Convertible Exchangeable Stock and all stock of the Corporation ranking on a parity with the $1.60 Convertible Exchangeable Stock as to dividends (which offers shall describe such proposed acquisition of all such parity stock), which offers shall each have been accepted by the holders of at least fifty percent (50%) of the shares of each series or class of stock receiving such offer outstanding at the commencement of the first of such purchase offers. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under this Section 4.3E, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 4.4E—*Dividend Payments Dates; Cumulation Dates*—The dates at which dividends on the $1.60 Convertible Exchangeable Stock shall be payable are January 1, April 1, July 1 and October 1 of each year. Dividends on $1.60 Convertible Exchangeable Stock shall accrue and be cumulative from the date of issuance.

SECTION 4.5E—*Redemption Price*—The $1.60 Convertible Exchangeable Stock shall not be redeemable at the option of the Corporation prior to the later of January 1, 1995 or the first dividend payment date following the fifth anniversary of the effective time of the Merger (the "Initial Redemption Date"). Thereafter the $1.60 Convertible Exchangeable Stock shall be redeemable at the option of the Corporation and the redemption prices per share shall be as follows plus an amount equal to all accrued and unpaid dividends:

If Redemption Date is During 12-Month Period Beginning On:	Redemption Price
Initial Redemption Date in:	
1995	$23.50
The Anniversary of the Initial Redemption Date in each of the following years:	
1996	$23.34
1997	$23.18
1998	$23.02
1999	$22.86
2000 and thereafter	$22.70

The Corporation agrees not to deposit any funds for redemption of the $1.60 Convertible Exchangeable Stock pursuant to this Section 4.5E prior to the expiration of five years from and after the effective time of the Merger.

SECTION 4.6E—*Liquidation Rights*—The amount payable on $1.60 Convertible Exchangeable Stock shall be $22.70 per share on any liquidation, dissolution or winding up of the affairs (a "Liquidation") of the Corporation plus in each case an amount equal to all accrued and unpaid dividends. If upon any Liquidation of the Corporation, the assets available for distribution to the holders of $1.60 Convertible Exchangeable Stock and any other stock of the Corporation ranking on a parity with the $1.60 Convertible Exchangeable Stock upon Liquidation issued by the Corporation which shall then be outstanding (hereinafter in this paragraph called the "Total Amount Available") shall be insufficient to pay the holders of all outstanding shares of $1.60 Convertible Exchangeable Stock and all other such parity stock the full amounts (including all dividends accrued and unpaid) to which they shall be entitled by reason of such Liquidation of the Corporation, then there shall be paid to the holders of the $1.60 Convertible Exchangeable Stock in connection with such Liquidation of the Corporation, an amount equal to the product derived by multiplying the Total Amount Available times a fraction, the numerator of which shall be the full amount to which the holders of the $1.60 Convertible Exchangeable Stock shall be entitled under the terms of this Section 4.6E by reason of such Liquidation of the Corporation and the denominator of which shall be the total amount which would have been distributed by reason of such Liquidation of the Corporation with respect to the $1.60 Convertible Exchangeable Stock and all other stock ranking on a parity with the $1.60 Convertible Exchangeable Stock upon Liquidation then outstanding had the Corporation possessed sufficient assets to pay the full amount which the holders of all such stock would be entitled to receive in connection with such Liquidation of the Corporation.

SECTION 4.7E—*Conversion*—The shares of $1.60 Convertible Exchangeable Stock shall be convertible, at the option of the holders thereof at any time at the principal office of the Corporation located in Houston, Texas, or at the offices of such duly appointed transfer agents for the $1.60 Convertible Exchangeable Stock, if any, as the Board of Directors of the Corporation may determine, into fully paid and nonassessable shares (calculated to the nearest $1/100$ of a share) of Common Stock of the Corporation at the rate of .55 shares of Common Stock for each share of $1.60 Convertible Exchangeable Stock; provided, however, that in case of the redemption of any shares of $1.60 Convertible Exchangeable Stock such right of conversion shall cease and terminate, as to the shares called for redemption, at the close of business on the day next prior to the date fixed for redemption, unless default shall be made in the payment of the redemption price. The rate at which shares of Common Stock shall be deliverable in exchange for shares of $1.60 Convertible Exchangeable Stock upon conversion thereof is hereinafter referred to as the "conversion rate" for the $1.60 Convertible Exchangeable Stock. The conversion rate shall be subject to adjustment from time to time in certain instances as hereinafter provided, except that no adjustment shall be made unless by reason of the happening of any one or more of the events hereinafter specified, the conversion rate then in effect shall be changed by 1% or more, but any adjustment of less than 1% that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, together with adjustment or adjustments so carried forward, amounts to 1% or more, provided that such adjustment shall be made in all events (regardless of whether or not the amount thereof or the cumulative amount thereof amounts to 1% or more) upon the happening of one or more of the events specified in either paragraph (a) or paragraph (d) of this Section 4.7E, or not later than three (3) years after the happening of the events specified in paragraphs (b) or (c) of this Section 4.7E. Upon conversion the Corporation shall make no payment or adjustment on account of dividends accrued or in arrears on the $1.60 Convertible Exchangeable Stock surrendered for conversion.

Before any holder of $1.60 Convertible Exchangeable Stock shall be entitled to convert the same into Common Stock, he shall surrender the certificate or certificates for such $1.60 Convertible Exchangeable Stock at the principal office of the Corporation in Houston, Texas, or at the office of any transfer agent appointed as aforesaid, which certificate or certificates, if the Corporation shall so request, shall be duly endorsed to the Corporation or in blank, and shall give written notice to the Corporation at any of said offices that he elects so to convert said $1.60 Convertible Exchangeable Stock and shall state in writing therein the name or names in which he wishes the certificate or certificates for Common Stock to be issued.

The Corporation will as soon as practicable after such surrender of certificates for $1.60 Convertible Exchangeable Stock accompanied by the written notice and the statement above prescribed, issue and deliver at the principal office of the Corporation in Houston, Texas, or at the office of any transfer agent appointed as aforesaid, to the person for whose account such $1.60 Convertible Exchangeable Stock was so surrendered, or to his nominee or nominees, certificates for the number of full shares of Common Stock to which he shall be entitled as aforesaid, together with a cash adjustment for any fraction of a share as hereinafter stated, if not evenly convertible. Subject to the following provisions of this paragraph, such conversion shall be deemed to have been made as of the date of such surrender of the $1.60 Convertible Exchangeable Stock to be converted; and the person or persons entitled to receive the Common Stock issuable upon conversion of such $1.60 Convertible Exchangeable Stock shall be treated for all purposes as the record holder or holders of such Common Stock on such date. The Corporation shall not be required to convert, and no surrender of $1.60 Convertible Exchangeable Stock shall be effective for that purpose, while the stock transfer books of the Corporation are closed for any purpose; but the surrender of $1.60 Convertible Exchangeable Stock for conversion during any period while such books are closed shall become effective for conversion immediately upon the reopening of such books, as if the conversion had been made on the date such $1.60 Convertible Exchangeable Stock was surrendered, and at the conversion rate in effect at the date of such surrender.

The conversion rate for the $1.60 Convertible Exchangeable Stock shall be subject to adjustment from time to time as follows:

(a) If the Corporation shall at any time pay a dividend on its Common Stock in Common Stock, subdivide its outstanding shares of Common Stock into a larger number of shares or combine its outstanding shares of Common Stock into a smaller number of shares, the conversion rate in effect immediately prior thereto shall be adjusted so that each share of $1.60 Convertible Exchangeable Stock shall thereafter be convertible into the number of shares of Common Stock which the holder of a share of $1.60 Convertible Exchangeable Stock would have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event. An adjustment made pursuant to this paragraph (a) shall become effective retroactively to the record date in the case of a dividend and shall become effective on the effective date in the case of a subdivision or combination.

(b) If the Corporation shall issue rights or warrants to all holders of shares of Common Stock for the purpose of entitling them (for a period not exceeding forty-five (45) days from the date of issuance) to subscribe for or purchase shares of Common Stock at a price per share less than the average market price per share (determined as provided below) of the Common Stock on the record date for the determination of the stockholders entitled to receive such rights or warrants, then in each such case unless the holders of shares of the $1.60 Convertible Exchangeable Stock shall be permitted to

subscribe for or purchase shares of Common Stock on the same basis as though such shares of $1.60 Convertible Exchangeable Stock had been converted into shares of Common Stock immediately prior to such record date, the number of shares of Common Stock into which each share of the $1.60 Convertible Exchangeable Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which each share of $1.60 Convertible Exchangeable Stock was convertible on the date immediately preceding such record date by a fraction the numerator of which shall be the sum of the number of shares of Common Stock outstanding on such record date and the number of additional shares of Common Stock so offered for subscription or purchase, and the denominator of which shall be the sum of the number of shares of Common Stock outstanding on such record date and the number of shares of Common Stock which the aggregate offering price of the total number of shares so offered would purchase at such average market price; provided, however, in the event that all the shares of Common Stock offered for subscription or purchase are not delivered upon the exercise of such rights or warrants, upon the exercise of such rights or warrants the number of shares of Common Stock into which each share of $1.60 Convertible Exchangeable Stock shall thereafter be convertible shall be readjusted to the number of shares which would have been in effect had the numerator and the denominator of the foregoing fraction and the resulting adjustment been made based upon the number of shares of Common Stock actually delivered upon the exercise of such rights or warrants rather than upon the number of shares of Common Stock offered for subscription or purchase. For the purposes of this paragraph (b), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation.

For the purpose of any computation under this Section 4.7E, the average market price per share of Common Stock on any date shall be the average of the daily closing prices for the fifteen (15) consecutive trading days commencing twenty (20) trading days before the earlier of the date in question and the trading day before the "ex date", if any, with respect to the issuance or distribution requiring such computation. The term "ex date", when used with respect to any issuance or distribution, means the first trading day on which the Common Stock trades regular way in the market from which the closing price is then to be determined in accordance with the following sentence without the right to receive such issuance or distribution. The closing price for each day shall be the last sales price regular way or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way, in either case on the New York Stock Exchange Composite Tape or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if not listed or admitted to trading on any national securities exchange, on the National Association of Securities Dealers Automated Quotations National Market System or, if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on such National Market System, the average of the closing bid and asked prices as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors of the Corporation for such purpose.

(c) If the Corporation shall distribute to the holders of Common Stock (i) any rights or warrants to subscribe for or purchase any security of the Corporation (other than those referred to in paragraph (b) above) or any evidence of indebtedness or other securities of the Corporation (other than Common Stock), or (ii) cash or other assets (other than any regular quarterly dividend payable solely in cash that may from time to

time be fixed by the Board of Directors of the Corporation), having a fair market value (as determined in a resolution adopted by the Board of Directors of the Corporation, which shall be conclusive evidence of such fair market value) in an amount during any 12-month period equal to ten percent (10%) or more of an amount determined by multiplying the number of shares of Common Stock outstanding on the record date for the determination of holders of Common Stock entitled to receive such distribution, by the average market price per share (determined as provided in paragraph (b) above) of the Common Stock on such record date, then in each such case the number of shares of Common Stock into which each share of $1.60 Convertible Exchangeable Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which each share of $1.60 Convertible Exchangeable Stock was theretofore convertible on the day immediately preceding the record date for the determination of the stockholders entitled to receive such distribution by a fraction the numerator of which shall be the average market price per share (determined as provided in paragraph (b) above) of the Common Stock on such record date and the denominator of which shall be such average market price per share less the then fair market value (as determined by the Board of Directors of the Corporation as provided above) of the portion of the cash or other assets, rights, warrants, evidences of indebtedness or other securities so distributed applicable to one (1) share of Common Stock. Such adjustment shall become effective retroactively immediately after the record date. The reclassification (including any reclassification upon a merger in which the Corporation is the continuing corporation) of Common Stock into securities which include both Common Stock and other securities shall be deemed to involve (i) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the record date for the determination" above), and (ii) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter.

(d) In case of any capital reorganization or any reclassification of the capital stock of the Corporation (other than any reclassification referred to in paragraph (c) above) or in case of the consolidation or merger of the Corporation with any other person (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock) or in case of any sale or conveyance of all or substantially all of the assets of the Corporation, the person formed by such consolidation or resulting from such capital reorganization, reclassification or merger or which acquires such assets, as the case may be, shall make provision in the articles or certificate of incorporation of such person such that each share of $1.60 Convertible Exchangeable Stock shall thereafter be convertible into the kind and amount of shares of stock, other securities, cash and other property receivable upon such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance, as the case may be, by a holder of the number of shares of Common Stock into which such share of $1.60 Convertible Exchangeable Stock was convertible immediately prior to such capital reorganization, reclassification of capital stock, consolidation, merger, sale or conveyance, giving effect to any adjustment required by Section 4.10E hereof in determining such number of shares of Common Stock, assuming (i) such holder of Common Stock of the Corporation is not a person with which the Corporation consolidated or into which the Corporation merged or which merged into the Corporation or to which such sale or transfer was made, as the case may be ("constituent entity"), or an affiliate of a constituent entity, and (ii) such person failed to exercise his rights of

election, if any, as to the kind or amount of securities, cash and other property receivable upon such capital reorganization, reclassification of capital stock, consolidation, merger, sale or transfer and, in any case appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to rights and interests thereafter of the holder of the $1.60 Convertible Exchangeable Stock, to the end that the provisions set forth herein (including the specified changes in and other adjustments of the conversion rate) shall thereafter be applicable, as near as reasonably may be, in relation to any shares of stock or other securities or other property thereafter deliverable upon the conversion of the $1.60 Convertible Exchangeable Stock. In the event that at any time, as a result of any adjustment made pursuant to subparagraphs (a) to (d) above, the holder of any $1.60 Convertible Exchangeable Stock thereafter surrendered for conversion shall become entitled to receive any shares of the Corporation other than shares of Common Stock, the number and type of such other shares so receivable upon conversion of any share of $1.60 Convertible Exchangeable Stock shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained in subparagraphs (a) to (d) above, with respect to the Common Stock.

(e) Whenever the conversion rate is adjusted as provided in this Section 4.7E and/or Section 4.10E hereof, the Corporation shall forthwith file with any transfer agents for the $1.60 Convertible Exchangeable Stock appointed as aforesaid a certificate signed by the President or one of the Vice Presidents of the Corporation and by its Treasurer or an Assistant Treasurer, stating the adjusted conversion rate determined as provided in this Section 4.7E and Section 4.10E hereof. Such certificate shall show in detail the facts requiring such adjustment. Whenever the conversion rate is adjusted, the Corporation will forthwith cause a notice stating the adjustment and the conversion rate to be mailed to the respective holders of record of $1.60 Convertible Exchangeable Stock. Such transfer agents shall be under no duty to make any inquiry or investigation as to the statements contained in any such certificate or as to the manner in which any computation was made, but may accept such certificate as conclusive evidence of the statements therein contained, and each transfer agent shall be fully protected with respect to any and all acts done or action taken or suffered by it in reliance thereon. No transfer agent in its capacity as transfer agent shall be deemed to have any knowledge with respect to any change of capital structure of the Corporation unless and until it receives a notice thereof pursuant to the provisions of this paragraph (e) and in default of any such notice each transfer agent may conclusively assume that there has been no such change.

The Corporation shall at all times reserve and keep available, out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the $1.60 Convertible Exchangeable Stock, such number of shares as shall from time to time be sufficient to effect the conversion of all shares of $1.60 Convertible Exchangeable Stock from time to time outstanding. The Corporation shall from time to time, in accordance with the laws of Ohio, increase the authorized amount of its Common Stock if at any time the number of shares of Common Stock remaining unissued shall not be sufficient to permit the conversion of all the then outstanding $1.60 Convertible Exchangeable Stock.

No fractions of shares of Common Stock are to be issued upon conversion, but in lieu thereof the Corporation will pay therefor in cash based on the closing price (determined as provided in the last sentence of paragraph (b) above) of the Common Stock on the business day next preceding the day of conversion. If more than one

certificate representing $1.60 Convertible Exchangeable Stock shall be surrendered for conversion at one time by the same holder, the number of full shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of $1.60 Convertible Exchangeable Stock so surrendered.

The Corporation will pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of $1.60 Convertible Exchangeable Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of Common Stock in a name other than that in which the $1.60 Convertible Exchangeable Stock so converted was registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

In case (i) the Corporation shall declare a dividend (or any other distribution) on Common Stock, other than a regular quarterly cash dividend as may from time to time be fixed by the Board of Directors of the Corporation, or shall declare or authorize repurchase of in excess of ten percent (10%) of the then outstanding shares of Common Stock; or (ii) the Corporation shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or of any other rights or warrants; or (iii) of any capital reorganization or reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Corporation is a party and for which approval of any shareholders of the Corporation shall be required, or of the sale or transfer of all or substantially all of the assets of the Corporation or any Change in Control (as defined); or (iv) of any dissolution, liquidation or winding up of the Corporation; then in any such event the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of $1.60 Convertible Exchangeable Stock, and shall cause to be mailed to the holders of record of the $1.60 Convertible Exchangeable Stock, at their last address as they shall appear upon the stock transfer books of the Corporation, at least fifteen (15) days prior to the applicable record date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption or granting of rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, redemption, rights or warrants are to be determined, or (B) the date on which such capital reorganization, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such capital reorganization, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

SECTION 4.8E—*Effects of Conversion on Capital and Surplus*—Upon conversion of $1.60 Convertible Exchangeable Stock the stated capital of the Common Stock issued upon such conversion shall be the aggregate par value thereof, and the stated capital and capital surplus (capital in excess of par or stated value) of the Corporation shall be correspondingly increased or reduced to reflect the difference between the stated capital of the $1.60 Convertible Exchangeable Stock so converted and the par or stated value of the Common Stock issued upon conversion.

SECTION 4.9E—*Exchange*—The Corporation shall be entitled to purchase or redeem all outstanding shares of $1.60 Convertible Exchangeable Stock on any quarterly dividend payment date ("Dividend Due Date") commencing with the Initial Redemption Date by exchange, in whole but not in part, for its 7.05% Convertible Subordinated Debentures due 2015 (the "Debentures"), described in the Indenture (the "Indenture") filed as an exhibit to the Corporation's Registration Statement on Form S-4 (Registration No. 33-31941) as filed with the Securities and Exchange Commission, the aggregate principal amount of which shall be equal to the number of outstanding shares of $1.60 Convertible Exchangeable Stock multiplied by $22.70 per share. Such exchange may not occur unless full cumulative dividends through the Dividend Due Date established as the exchange date for the $1.60 Convertible Exchangeable Stock have been paid or set apart for payment. Any such exchange shall be effected in the same manner as a redemption for cash of the $1.60 Convertible Exchangeable Stock, as aforesaid, and with such notice as provided in Section 4.4D of these Articles of Incorporation. Upon any such exchange, the $1.60 Convertible Exchangeable Stock shall (provided such exchange is duly and properly effected) be deemed to cease to be outstanding, as of the close of business on the date established for such exchange, and all rights of any holder thereof shall thereupon be extinguished except the right to receive the Debentures in exchange therefor and cash as provided below. As in the case of a redemption of $1.60 Convertible Exchangeable Stock, holders of $1.60 Convertible Exchangeable Stock must surrender such stock in order to receive the Debentures for which such stock has been exchanged, but upon such surrender such holders will be entitled to receive all interest accrued on the Debentures from the date of exchange at the time and in the manner that such interest would be paid in the ordinary course. Dividends due on the Dividend Due Date on which the exchange is effected will be mailed to holders in the regular course.

The Debentures will have a mandatory sinking fund beginning at the earliest January 1, 2000 (or the first January 1 following the exchange date) in the amount of five percent (5%) of the aggregate principal amount of the Debentures issued on the exchange date.

No exchange of the $1.60 Convertible Exchangeable Stock for the Debentures may be effected unless prior to such exchange the Corporation causes to be delivered to the Trustee under the Indenture (completed and with such changes therein as may be required by law or usage): (i) a certificate of the President or any Vice President of the Corporation, reasonably satisfactory to the Trustee, to the effect that the Indenture in question is duly qualified under the Trust Indenture Act of 1939 as then in effect, the Debentures are valid and binding obligations of the Corporation, enforceable in accordance with their terms and all necessary corporate and governmental approvals, including without limitation any securities registrations, for the issuance of the Debentures have been obtained; and (ii) an opinion of counsel to the Corporation, reasonably satisfactory to the Trustee, to the same effect as the foregoing certificate. Such certificate and opinion shall be available for inspection during normal business hours by the holders of the $1.60 Convertible Exchangeable Stock upon request to the Trustee.

In such exchange each holder of $1.60 Convertible Exchangeable Stock will be entitled to receive cash in an amount equal to the then applicable redemption price to the extent that such holder would otherwise be entitled to receive a Debenture with a principal amount of less than $1,000, unless the Indenture shall permit the issuance of a Debenture in such lesser principal amount. For the purposes of the foregoing sentence a holder shall be deemed to own all shares of $1.60 Convertible Exchangeable Preferred Stock held of record and beneficially, in "street" name or otherwise, for such person.

SECTION 4.10E—*Additional Adjustment for Change in Control*—In case there shall occur a Change in Control, the conversion rate for the $1.60 Convertible Exchangeable Stock shall, in addition to any applicable adjustment to be made pursuant to Section 4.7E hereof, be adjusted to the Market Adjusted Rate (but only if the Market Adjusted Rate is higher than the conversion rate in effect at such time without giving effect to this Section 4.10E).

(a) As used herein, (i) a "Change in Control" of the Corporation shall be deemed to have occurred at such time as any Person, together with any of its Affiliates or Associates, acquires beneficial ownership of, directly or indirectly, shares of stock of the Corporation entitling such Person to exercise fifty five percent (55%) or more of the total voting power of all classes of stock of the Corporation entitled to vote in elections of directors; provided that such acquisition shall not be deemed to be a Change in Control if such acquisition results from a business combination (including a merger or consolidation or sale of all or substantially all the assets of the Corporation), in which the $1.60 Convertible Exchangeable Stock thereafter is convertible solely into Common Stock (or like equity securities, exclusive of cash for fractional shares) of the Corporation, or of the then ultimate parent company of the Corporation, which Common Stock (or like equity securities) is publicly traded on The New York Stock Exchange, Inc., the American Stock Exchange, Inc., the NASDAQ National Market System or other comparable stock exchange or quotation system; (ii) an "Affiliate" of, or a Person "affiliated" with, a specified Person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified; (iii) an "Associate" of, or a Person "associated" with, any Person, means (A) any corporation or organization (other than the Corporation or a subsidiary of the Corporation) of which such Person is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, (B) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity, and (C) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person or who is a director or officer of such Person or any of its parents or subsidiaries; and (iv) the term "beneficial owner" shall be determined in accordance with Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(b) As used herein, (i) the "Market Adjusted Rate" shall be the conversion rate determined by multiplying (A) the number of shares of Common Stock into which each share of $1.60 Convertible Exchangeable Stock was convertible immediately prior to the Change in Control by (B) the quotient obtained by dividing the Current Conversion Price by the Change in Control Price, provided however that in no event shall such quotient be more than 1.25 nor less than 1.0 and accordingly any quotient which is more than 1.25 shall be reduced to 1.25 and any quotient which is less than 1.0 shall be increased to 1.0 for the purposes of calculating the Market Adjusted Rate; (ii) the "Current Conversion Price" shall be the price obtained by dividing (A) the full amount (excluding accrued and unpaid dividends) to which the holder of a share of $1.60 Convertible Exchangeable Stock would be entitled by reason of Liquidation of the Corporation assuming the assets of the Corporation are sufficient for the payment thereof by (B) the number of shares of Common Stock into which each share of $1.60 Convertible Exchangeable Stock was convertible immediately prior to the Change in Control; and (iii) the "Change in Control Price" shall be the average market price per share (as

determined pursuant to Section 4.7E) of the Common Stock on the date of the Change in Control, which in the case of a Change in Control effected by means of a tender offer or exchange offer shall be the expiration date of such offer.

(c) Any required adjustment pursuant to this Section 4.10E shall be effective immediately following consummation of the transaction giving rise to the Change in Control and, for purposes of any adjustment to be made pursuant to paragraph (d) of Section 4.7E, shall be given effect in accordance with such paragraph (d). Nothing in this Section 4.10E shall be construed to limit the applicability of Section 4.7E hereof, and nothing in Section 4.7E hereof shall be construed to limit the applicability of this Section 4.10E.

(d) If, because of any existing or future law, rule, regulation or principle of accounting, or any interpretation of any thereof, the Corporation would be required to treat the $1.60 Convertible Exchangeable Stock in the Corporation's financial statements other than as a security includable in shareholders' equity in such financial statements resulting from the inclusion of this Section 4.10E, then this Section 4.10E shall be void and have no further application or effect.

(e) If, because of any existing or future law, rule, regulation or principle of accounting, or any interpretation of any thereof, the Corporation would be required, prior to a Change in Control or a situation which makes a Change in Control imminent, to utilize a conversion ratio of the $1.60 Convertible Exchangeable Stock into the Corporation's Common Stock greater than .55 (as adjusted from time-to-time pursuant to the provisions of Section 4.7E hereof) in computations of its earnings per share resulting from the inclusion of this Section 4.10E, then this Section 4.10E shall be void and have no further application or effect.

F. Terms of $2.00 Par Preferred Stock

The Shares of $2.00 Par Preferred Stock shall have the following express terms:

Section 4.1F—*Issue in Series—Terms to be Fixed by Directors*—The $2.00 Par Preferred Stock may be issued from time to time in one or more series. All shares of $2.00 Par Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Board of Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. Subject to the provisions of Sections 4.2F to 4.8F, both inclusive, which provisions shall apply to all $2.00 Par Preferred Stock, the Board of Directors hereby is authorized to cause such shares to be issued in one or more series and with respect to each such series prior to the issuance thereof to fix:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board of Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding);

(c) the dividend rate of the series;

(d) the dates of payment of dividends and the dates from which dividends shall be cumulative;

(e) the redemption rights and price or prices for shares of the series;

(f) sinking fund requirements, if any, for the purchase or redemption of shares of the series;

(g) the liquidation price payable on shares of the series in the event of any liquidation, dissolution or winding up of the affairs of the Corporation;

(h) whether the shares of the series shall be convertible into Common Stock, and, if so, the conversion price or prices, any adjustments thereof, and all other terms and conditions upon which such conversion may be made; and

(i) restrictions (in addition to those set forth in Sections 4.6F(b) and 4.6F(c)) on the issuance of shares of any class or series.

The Board of Directors is authorized to adopt from time to time amendments to the Articles of Incorporation fixing or changing, with respect to each such series, the matters described in clauses (a) to (i), both inclusive, of this Section 4.1F.

Section 4.2F—*Dividends*—The holders of $2.00 Par Preferred Stock of each series, in preference to the holders of Common Stock and of any other class of shares ranking junior to the $2.00 Par Preferred Stock, shall be entitled to receive out of any funds legally available and when and as declared by the Board of Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 4.1F and no more, payable quarterly on the dates fixed for such series. Such dividends shall be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividends may be paid upon or declared or set apart for any of the $2.00 Par Preferred Stock for any quarterly dividend period unless at the same time a like proportionate dividend for the same quarterly dividend period, ratable in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared or set apart for all $2.00 Par Preferred Stock of all series then issued and outstanding and entitled to receive such dividend.

Section 4.3F—*Dividends on Junior Stock*—In no event so long as any $2.00 Par Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Stock or other shares ranking junior to the $2.00 Par Preferred Stock, be paid or declared or any distribution be made on the Common Stock or any other shares ranking junior to the $2.00 Par Preferred Stock, nor shall any Common Stock or any other shares ranking junior to the $2.00 Par Preferred Stock be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Stock or other shares ranking junior to the $2.00 Par Preferred Stock):

(a) Unless all accrued and unpaid dividends on $2.00 Par Preferred Stock, including the full dividends for the current quarterly dividend period, shall have been declared and paid or a sum sufficient for payment thereof set apart; and

(b) Unless there shall be no arrearages with respect to the redemption of $2.00 Par Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 4.1F.

Section 4.4F—*Redemption*—(a) Subject to the express terms of each series and to the provisions of Section 4.6F(b) (iii), the Corporation may from time to time redeem all or any part of the $2.00 Par Preferred Stock of any series at the time outstanding (i) at the option of the Board of Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 4.1F or (ii) in fulfillment of the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 4.1F, together in each case with accrued and unpaid dividends to the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of the $2.00 Par Preferred Stock to be redeemed at their respective addresses then appearing on the books of the Corporation, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Corporation may deposit the aggregate redemption price of the shares of $2.00 Par Preferred Stock to be redeemed with any bank or trust company, having capital and surplus of more than Five Million Dollars ($5,000,000), named in such notice, directed to be paid to the respective holders of the shares of $2.00 Par Preferred Stock so to be redeemed, in amounts equal to the redemption price of all shares of $2.00 Par Preferred Stock so to be redeemed, on surrender of the stock certificate or certificates held by such holders, and upon the making of such deposit such holders shall cease to be shareholders with respect to such shares, and after such notice shall have been given and such deposit shall have been made such holders shall have no interest in or claim against the Corporation with respect to such shares except only to receive such money from such bank or trust company without interest or the right to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of any series of $2.00 Par Preferred Stock are to be redeemed, the Corporation shall select by lot the shares of that series so to be redeemed in such manner as shall be prescribed by its Board of Directors. If the holders of shares of $2.00 Par Preferred Stock which shall have been called for redemption shall not, within ten years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company and the Corporation shall be relieved of all responsibility in respect thereof and to such holders.

(c) Any shares of $2.00 Par Preferred Stock which are redeemed by the Corporation pursuant to the provisions of this Section 4.4F and any shares of $2.00 Par Preferred Stock which are purchased and delivered in satisfaction of any sinking fund requirements provided for shares of such series and any shares of $2.00 Par Preferred Stock which are converted in accordance with the express terms thereof shall be cancelled and not reissued. Any shares of $2.00 Par Preferred Stock otherwise acquired by the Corporation shall resume the status of authorized and unissued shares of $2.00 Par Preferred Stock without serial designation.

SECTION 4.5F—*Liquidation*—(a) The holders of $2.00 Par Preferred Stock of any series shall, in case of any liquidation, dissolution or winding up of the affairs of the Corporation be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Stock or any other shares ranking junior to the $2.00 Par Preferred Stock the amounts fixed with respect to shares of such series in accordance with Section 4.1F. In case the net assets of the Corporation legally available therefor are insufficient to permit the payment upon all outstanding shares of $2.00 Par Preferred Stock of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of $2.00 Par Preferred Stock in proportion to the full preferential amount to which each such share is entitled. After payment to holders of $2.00 Par Preferred Stock of the full preferential amounts as aforesaid, holders of $2.00 Par Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 4.5F.

SECTION 4.6F—*Voting*—(a) The holders of $2.00 Par Preferred Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders; and, except as otherwise provided herein or required by law, the holders of $2.00 Par Preferred Stock and the holders of Preferred Stock, the holders of Preferred Stock ($1 par) and the holders of Common Stock shall vote together as one class on all matters. If, and so often as, the Corporation shall be in default in the payment of six (6) full quarterly dividends (whether or not consecutive) on any series of $2.00 Par Preferred Stock at the time outstanding, whether or not earned or declared, the holders of $2.00 Par Preferred Stock of all series, voting separately as a class and in addition to all other rights to vote for Directors, shall be entitled to elect, as herein provided, two (2) members of the Board of Directors of the Corporation who shall be in addition to the regular members of the Board of Directors elected by the common shareholders and directors elected by holders of any other class of shares pursuant to the Amended Articles of Incorporation or the Corporation's Code of Regulations; provided, however, that the holders of shares of $2.00 Par Preferred Stock shall not have or exercise such special class voting rights except at meetings of the shareholders for the election of Directors at which the holders of not less than thirty-five percent (35%) of the outstanding shares of $2.00 Par Preferred Stock of all series then outstanding are present in person or by proxy; and provided further that the special class voting rights provided for herein when the same shall have become vested shall remain so vested until all accrued and unpaid dividends on the $2.00 Par Preferred Stock of all series then outstanding shall have been paid, whereupon the number of persons constituting the Board of Directors shall be reduced by the number of Directors then in office elected pursuant to this Section, the term of office of said Directors so elected shall end, and the holders of $2.00 Par Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph. A vacancy in the class of Directors elected pursuant to this Section shall be filled by the remaining Director of the class and the Code of Regulations in effect at the time of filing of these terms and provisions is hereby amended to the extent it is inconsistent herewith. In the event of default entitling the holders of $2.00 Par Preferred Stock to elect two (2) Directors as above specified, a special meeting of the shareholders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of $2.00 Par Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders shall be held within ninety (90) days after the date of receipt of the foregoing written request from the holders of $2.00 Par Preferred Stock. At any meeting at which the holders of $2.00 Par Preferred Stock shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of $2.00 Par Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the members of the Board of Directors which the holders of $2.00 Par Preferred Stock are entitled to elect as hereinabove provided.

(b) The affirmative vote of the holders of at least two-thirds of the shares of $2.00 Par Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of $2.00 Par Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of $2.00 Par Preferred Stock are concerned, such action may be effected with such vote):

(i) any amendment, alteration or repeal of any of the provisions of the Amended Articles of Incorporation or of the Regulations of the Corporation which affects adversely the voting powers, rights or preferences of the holders of $2.00 Par Preferred Stock; provided, however, that, for the purposes of this clause only, (i) neither the amendment of the Amended Articles of Incorporation so as to authorize or create, or to increase the authorized or outstanding amount of, $2.00 Par Preferred Stock or of any shares of any class ranking on a parity with or junior to the $2.00 Par Preferred Stock, nor the amendment of the provisions of the Regulations so as to increase the number of Directors of the Corporation shall be deemed to affect adversely the voting powers, rights or preferences of the holders of $2.00 Par Preferred Stock; and provided further, that if such amendment, alteration or repeal affects adversely the rights or preferences of one or more but not all series of $2.00 Par Preferred Stock at the time outstanding, only the affirmative vote of the holders of at least two-thirds (⅔) of the number of the shares at the time outstanding of the series so affected shall be required;

(ii) the authorization or creation of, or the increase in the authorized amount of any shares of any class, or any security convertible into shares of any class, ranking prior to the $2.00 Par Preferred Stock; or

(iii) the purchase or redemption (for sinking fund purposes or otherwise) of less than all of the $2.00 Par Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of $2.00 Par Preferred Stock, unless all dividends upon all $2.00 Par Preferred Stock then outstanding for all previous quarterly dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with.

(c) the affirmative vote of the holders of at least a majority of the shares of $2.00 Par Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of $2.00 Par Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of $2.00 Par Preferred Stock are concerned, such action may be effected with such vote);

(i) The sale, lease or conveyance by the Corporation of all or substantially all of its property or business, or its consolidation with or merger into any other corporation unless the corporation resulting from such consolidation or merger will have after such consolidation or merger no class of shares either authorized or outstanding ranking prior to or on a parity with the $2.00 Par Preferred Stock except the same number of shares ranking prior to or on a parity with the $2.00 Par Preferred Stock and having the same rights and preferences as the shares of the Corporation authorized and outstanding immediately preceding such consolidation or merger, and each holder of $2.00 Par Preferred Stock immediately preceding such consolidation or merger shall receive the same number of shares, with the same rights and preferences, of the resulting corporation; or

(ii) The authorization of any shares ranking on a parity with the $2.00 Par Preferred Stock or an increase in the authorized number of shares of $2.00 Par Preferred Stock.

SECTION 4.7F—*Preemptive Rights*—The holders of $2.00 Par Preferred Stock shall have no preemptive right to purchase or have offered to them for purchase any shares or other securities of the Corporation, whether now or hereafter authorized.

SECTION 4.8F—*Prior or Parity Stock*—Whenever reference is made to shares "ranking prior to the $2.00 Par Preferred Stock" or "on a parity with the $2.00 Par Preferred Stock",

such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are given preference over, or rank on an equality with (as the case may be), the rights of the holders of $2.00 Par Preferred Stock; and whenever reference is made to shares "ranking junior to the $2.00 Par Preferred Stock", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are junior and subordinate to the rights of the holders of $2.00 Par Preferred Stock. The $2.00 Par Preferred Stock shall rank on a parity with the Preferred Stock and the Preferred Stock ($1 par).

G. FAIR PRICE TO SHAREHOLDERS IN BUSINESS COMBINATIONS

SECTION 4.1G—The affirmative vote of the holders of not less than eighty percent (80%) of the voting power of the Corporation shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined); provided, however, that the eighty percent (80%) voting requirement shall not be applicable, and the provisions of Ohio law and of these Articles relating to the percentage of shareholder approval, if any, shall apply to any such Business Combination if:

(a) The "Continuing Directors" of the Corporation (as hereinafter defined) by a two-thirds vote have expressly approved the Business Combination either in advance of or subsequent to the acquisition of outstanding shares of Common Stock of the Corporation that caused the Related Person involved in the Business Combination to become a Related Person; or

(b) If the following conditions are satisfied:

(i) The aggregate amount of the cash and the fair market value of the property, securities or other consideration to be received in the Business Combination by holders of the Common Stock of the Corporation, other than the Related Person involved in the Business Combination, is not less than the "Highest Per Share Price" (with appropriate adjustments for recapitalizations, reclassifications, stock splits, reverse stock splits and stock dividends) paid by the Related Person in acquiring any of its holdings of the Corporation's Common Stock, all as determined by two-thirds of the Continuing Directors; and

(ii) A proxy statement complying with the requirements of the Securities Exchange Act of 1934, as amended, shall have been mailed at least 30 days prior to any vote on the Business Combination, to all shareholders of the Corporation for the purpose of soliciting shareholder approval of the Business Combination. The proxy statement shall contain at the front thereof, in a prominent place, the position of the Continuing Directors as to the advisability (or inadvisability) of the Business Combination and, if deemed appropriate by two-thirds of the Continuing Directors, the opinion of an investment banking firm selected by two-thirds of the Continuing Directors as to the fairness of the terms of the Business Combination, from the point of view of the holders of the outstanding shares of capital stock of the Corporation other than the Related Person involved in the Business Combination.

SECTION 4.2G—For purposes of this Section E of Article IV:

(a) The term "Business Combination" means (i) any merger, consolidation or share exchange of the Corporation or any of its subsidiaries into or with a Related Person, in

each case irrespective of which corporation or company is the surviving entity; (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with a Related Person (in a single transaction or a series of related transactions) of all or a Substantial Part (as hereinafter defined) of the assets of the Corporation (including without limitation any securities of a subsidiary) or a Substantial Part of the assets of any of its subsidiaries; (iii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with the Corporation or to or with any of its subsidiaries (in a single transaction or series of related transactions) of all or a Substantial Part of the assets of a Related Person; (iv) the issuance or transfer of any securities of the Corporation or any of its subsidiaries by the Corporation or any of its subsidiaries to a Related Person (other than an issuance or transfer of securities which is effected on a pro rata basis to all shareholders of the Corporation); (v) any reclassification of securities (including any reverse stock split), recapitalization, or any other transaction involving the Corporation or any of its subsidiaries, that would have the effect of increasing the voting power of a Related Person; (vi) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of a Related Person, and (vii) the entering into of any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination.

(b) The term "Related Person" shall mean any individual, corporation, partnership or other person or entity other than the Corporation or any of its subsidiaries which, as of the record date for the determination of shareholders entitled to notice of and to vote on any Business Combination, or immediately prior to the consummation of such transaction, together with its "Affiliates" and "Associates" (as defined in Rule 12b-2 of the Regulations under the Securities Exchange Act of 1934 as in effect at the date of the adoption of this Section G of Article IV by the shareholders of the Corporation (collectively and as so in effect, the "Exchange Act")), are "Beneficial Owners" (as defined in Rule 13d-3 of the Exchange Act) in the aggregate of 20 percent or more of the outstanding shares of Common Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity. Notwithstanding the definition of "Beneficial Owners" in this subparagraph (b), any Common Stock of the Corporation that any Related Person has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed beneficially owned by the Related Person.

(c) The term "Substantial Part" shall mean more than twenty percent (20%) of the fair market value, as determined by two-thirds (⅔) of the Continuing Directors, of the total consolidated assets of the Corporation and its subsidiaries taken as a whole, as of the end of its most recent fiscal year ending prior to the time the determination is being made.

(d) For the purposes of paragraph (b)(i) of Section 4.1G, in the event of a Business Combination in which the Corporation is the surviving corporation, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by shareholders of the Corporation other than Related Persons or parties to such Business Combination.

(e) The term "Continuing Directors" shall mean a director who either (i) was a member of the Board of Directors of the Corporation immediately prior to the time that the Related Person involved in a Business Combination became a Related Person, or (ii) was designated (before his or her initial election as Director) as a Continuing Director by two-thirds of the then Continuing Directors.

(f) A "Related Person" shall be deemed to have acquired a share of the Common Stock of the Corporation at the time when such Related Person became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Related Person under the foregoing definition of Related Person, the price paid for said shares shall be deemed to be the higher of (i) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (ii) the market price of the shares in question at the time when the Related Person became the Beneficial Owner thereof.

(g) The term "Highest Per Share Price" as used in this Section G shall mean the highest price determined by two-thirds of the Continuing Directors to have been paid at any time by the Related Person for any share or shares of Common Stock. In determining the Highest Per Share Price, all purchases by the Related Person shall be taken into account regardless of whether the shares were purchased before or after the Related Person became a Related Person. The Highest Per Share Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by the Related Person with respect to the shares of Common Stock of the Corporation acquired by the Related Person.

SECTION 4.3G—Any amendment, change or repeal of this Article IV, Section G, or any other amendment of these Articles of Incorporation which would have the effect of modifying or permitting circumvention of this Article IV, Section G, shall require the favorable vote, at a meeting of the shareholders of the Corporation, of the holders of at least eighty percent (80%) of the voting power of the Corporation; provided, however, that this Section 4.3G shall not apply to and such eighty percent (80%) vote shall not be required for, any such amendment, change or repeal recommended to shareholders by two-thirds (⅔) of the Continuing Directors and such amendment, change or repeal so recommended shall require only the vote, if any, required under the applicable provisions of the General Corporation Law of the State of Ohio and of these Articles. For the purposes of this Section 4.3G only, if at the time when any such amendment, change, or repeal is under consideration there is no proposed Business Combination (in which event, the definition of Continuing Director in paragraph (e) of Section 4.2G would be inapplicable), the "Continuing Directors" shall be deemed to be those persons who are members of the Board of Directors of the Corporation at the time when the amendment of these Articles to add this Section G was approved by the shareholders plus those persons who are Continuing Directors under clause (ii) of paragraph (e) of Section 4.2G.

ARTICLE V

PURCHASE OF CORPORATION'S SHARES

The Corporation by action of its Board of Directors may purchase any issued shares of the Corporation to the extent not prohibited by law.

ARTICLE VI

OPTIONS AND WARRANTS

The directors are authorized, from time to time, in their discretion, to grant to such persons, for such periods and upon such terms as to the directors may appear advisable, options to purchase such number of shares of any class or classes or of any series of any class as the directors may deem advisable, and to cause warrants or other appropriate instruments evidencing such options to be issued.

ARTICLE VII

Indemnification Of Directors, Officers And Employees

(a) The Corporation shall indemnify any director or officer or any former director or officer of the Corporation or any person who is serving or has served at the request of the Corporation as a director, officer, or trustee of another corporation, joint venture, trust or other enterprise against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Corporation, to which he was, is, or is threatened to be made a party by reason of the fact that he is or was such director, officer, or trustee, provided it is determined in the manner set forth in paragraph (c) of this Article that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and that, with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful.

(b) In the case of any threatened, pending or completed action or suit by or in the right of the Corporation, the Corporation shall indemnify each person indicated in paragraph (a) of this Article against expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense or settlement thereof, provided it is determined in the manner set forth in paragraph (c) of this Article that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court of common pleas or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper.

(c) The determinations referred to in paragraphs (a) and (b) of this Article shall be made (i) by a majority vote of a quorum consisting of directors of the Corporation who were not and are not parties to or threatened with any such action, suit or proceeding, or (ii) if such a quorum is not obtainable or if a majority vote of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the Corporation, or any person to be indemnified, within the past five years, or (iii) by the shareholders, or (iv) by the court of common pleas or the court in which such action, suit or proceeding was brought.

(d) Expenses, including attorneys' fees, incurred in defending any action, suit or proceeding referred to in paragraphs (a) and (b) of this Article, may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding as authorized by the directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, or trustee to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article.

(e) The indemnification provided by this Article shall not be deemed exclusive (i) of any other rights to which those seeking indemnification may be entitled under the articles, the regulations, any agreement, any insurance purchased by the Corporation, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, or of (ii) the power of the

Corporation to indemnify any person who is or was an employee or agent of the Corporation or of another corporation, joint venture, trust or other enterprise which he is serving or has served at the request of the Corporation, to the same extent and in the same situations and subject to the same determinations as are hereinabove set forth with respect to a director, officer, or trustee. As used in this paragraph (e), references to the "Corporation" include all constituent corporations in a consolidation or merger in which the Corporation or a predecessor to the Corporation by consolidation or merger was involved. The indemnification provided by this Article shall continue as to a person who has ceased to be a director, officer, or trustee and shall inure to the benefit of the heirs, executors, and administrators of such a person.

ARTICLE VIII

Elimination of Cumulative Voting

No shareholder of this Corporation may cumulate his voting power.

These Twenty-Fifth Amended Articles of Incorporation shall supersede and take the place of the theretofore existing Articles of Incorporation and amendments thereto.

COOPER INDUSTRIES

Amended

REGULATIONS

OF

COOPER INDUSTRIES, INC.

As Adopted April 26, 1988

AMENDED

REGULATIONS

OF

COOPER INDUSTRIES, INC.

As Adopted April 26, 1988

ARTICLE I

Meetings of Shareholders

SECTION 1.1. Annual Meeting.

The annual meeting of the shareholders of the Company for the election of directors and the transacting of such other business as shall be specified in the notice of the meeting shall be held on the last Tuesday in April of each year or on such other date as the directors may determine.

SECTION 1.2. Special Meetings.

Special meetings of the shareholders may be called at any time by the Chairman of the Board, the President, or by a Vice President, or by action of the directors at a meeting, or by a writing signed by a majority of the directors in office, or by shareholders holding twenty-five percent or more of the outstanding shares entitled to vote thereat, or by such shareholders and in such manner as the Articles of Incorporation may provide.

SECTION 1.3. Place of Meetings.

All meetings of the shareholders shall be held at the principal office of the Company in the City of Mount Vernon, Ohio, or at such other place in or outside the State of Ohio, and at such time as may be designated by the Chairman of the Board or the President and specified in the notice of meeting.

SECTION 1.4. Notice of Meetings.

Written notice of each annual or special meeting of the shareholders, stating the time, place, and purposes thereof, shall be given to each shareholder of record as of the applicable record date who is entitled to vote thereat, by mailing the same, not less than ten days before the date of the meeting, to his address as it appears on the records of the Company. Any shareholder may waive any notice required to be given by law, the Articles, or the Regulations, and the attendance of any shareholder at any meeting without protesting, prior to or at the commencement of the meeting, the lack of proper notice shall be deemed to be a waiver by him of notice of such meeting.

SECTION 1.5. Quorum.

Unless the Articles of Incorporation otherwise provide, the holders of shares entitling them to exercise a majority of the voting power of the Company shall constitute a quorum to hold a meeting of the shareholders; provided that at any meeting duly called, whether or not a quorum is present, the holders of a majority of the voting shares represented thereat may adjourn such meeting from time to time without notice other than by announcement at such meeting.

ARTICLE II

Board of Directors

SECTION 2.1. Number; Election; Term.

The number of directors shall be not less than nine nor more than fifteen, as determined by the affirmative vote of a majority of the shares present or represented and entitled to vote for directors at a duly called and held meeting. In addition to the authority of the shareholders to fix or change the number of directors, by a majority vote of the directors in office the directors of the Corporation may change the number of directors and may fill any director's office that is created by an increase in the number of directors. No reduction shall have the effect of shortening the term of any incumbent director and when so fixed such number shall continue to be the authorized number of directors until changed by the shareholders or by the directors by vote as aforesaid. The directors shall be divided into three classes, each class to consist of three or more directors as determined by the affirmative vote of a majority of the shares present or represented and entitled to vote for directors at a duly called and held meeting, but no reduction shall have the effect of shortening the term of any incumbent director and the number of directors in any class shall not exceed by more than two the number in any other class. The term of office of each director shall be until the third Annual Meeting following his election (but not in excess of 3 years) and until the election and qualification of his successor. In case of a vacancy among the directors of any class, the vacancy may be filled for the unexpired term by vote of a majority of the remaining directors, irrespective of class. During any vacancy in the Board of Directors, the remaining directors shall have full power to act as the Board of Directors of the Company. No director shall be removed without an 80% vote of the voting power of the Corporation in favor of such removal, unless a majority of the Board of Directors has previously voted in favor of said removal, in which case the shareholder voting requirements specified under the Ohio General Corporation Law shall apply.

SECTION 2.2. Quorum.

A majority of the directors in office at the time shall constitute a quorum for a meeting of the directors; provided that at any meeting duly called, whether or not a quorum is present, a majority of the directors present may adjourn such meeting from time to time and place to place within or without the State of Ohio, without notice other than by announcement at the meeting. At such meeting of the directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of not less than a majority of the directors present.

SECTION 2.3. Organization Meeting.

Immediately after each annual meeting of the shareholders, or special meeting held in lieu thereof, the directors, if a quorum is present, shall hold an organization meeting at the place designated by the Chairman of the Board, the President or a Vice President, for the purpose of electing officers and transacting any other business. Notice of such meeting need not be given. If for any reason such organization meeting is not held at such time, a special meeting for such purpose shall be held as soon thereafter as practicable.

SECTION 2.4. Regular Meetings.

Regular meetings of the directors may be held at such times and places within or without the State of Ohio as may be provided for in by-laws or resolutions adopted by the directors and upon such notice, if any, as shall be so provided for.

SECTION 2.5. Special Meetings.

Special meetings of the directors may be held at any time within or without the State of Ohio upon call by the Chairman of the Board, the President, a Vice President, or at least one-third of the directors. Notice of each such meeting shall be given to each director by letter or telegram or in person not less than forty-eight hours prior to such meeting; provided, however, that such notice shall be deemed to have been waived by the directors attending such meeting, and may be waived in writing or by telegram by any director either before or after such meeting. Unless otherwise indicated in the notice thereof, any business may be transacted at any organization, regular, or special meeting.

SECTION 2.6. Compensation.

The directors are authorized to fix a reasonable compensation for directors and to provide a fee and reimbursement of expenses for attendance at any meeting of the directors to be paid to each director who is not otherwise a salaried officer or employee of the Company.

ARTICLE III

Committees

SECTION 3.1. The directors at any time may elect from their number an executive committee and other committees, each of which shall consist of not less than three directors. Each member of such committee shall hold office at the pleasure of the directors and may be removed by the directors at any time with or without cause. Vacancies occurring in the committee may be filled by the directors. During any vacancy on a committee, the remaining members shall have full power to act as the committee. Each committee may prescribe its own rules for calling and holding meetings and its method of procedure, subject, however, to any rules prescribed by the directors, and, if no such rules shall have been prescribed, the rules applicable to calling and holding directors' meetings shall apply to the committee meetings. A quorum for any meeting of a committee shall consist of not less than a majority of the members in office at the time and at each meeting of the committee at which a quorum is present, all questions and business shall be determined by the affirmative vote of not less than a majority of the members present. Except as the executive committee's powers and duties may be limited or otherwise prescribed by the directors, the executive committee, during the intervals between the meetings of the directors, shall possess and may exercise all of the powers of the directors in the management and control of the business and property of the Company; and other committees shall have such powers of the directors as shall be from time to time delegated to them by the Board of Directors; provided, however, that no committee shall be empowered to elect directors to fill vacancies among the directors or on any committee of the directors. Subject to said exceptions, persons dealing with the Company shall be entitled to rely upon any action of a committee with the same force and effect as though such action had been taken by the directors. Subject to the rights of third persons, any action of a committee shall be subject to revision or alteration by the directors. The directors are authorized to fix a reasonable compensation for members of the committees.

ARTICLE IV

Officers

SECTION 4.1. Officers Designated.

The directors at their organization meeting shall elect a President, one or more Vice Presidents, a Secretary, a Treasurer, a Controller, and in their discretion a Chairman of the

Board, an Assistant Secretary or Secretaries, an Assistant Treasurer or Treasurers, and such other officers as the directors may see fit. The President and the Chairman of the Board shall be, and the other officers may, but need not be, chosen from among the directors. Any two or more of such officers other than that of President and Vice President, or Secretary and Assistant Secretary, or Treasurer and Assistant Treasurer, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity.

SECTION 4.2. Tenure of Office.

The officers of the Company shall hold office until the next organization meeting of the directors and until their successors are chosen and qualified, except in case of resignation, death, or removal. The directors may remove any officer at any time with or without cause by a majority vote of the directors in office at the time. A vacancy in any office, however created, may be filled by election by the directors.

SECTION 4.3. Chairman of the Board.

The Chairman of the Board, if any, shall have such powers and duties as appertain to that office and as may be prescribed by the directors.

SECTION 4.4. President.

The President shall have such powers and duties as appertain to that office and as may be prescribed by the directors.

SECTION 4.5. Vice Presidents.

The Vice Presidents in the order designated by the directors shall perform the duties of the President in case of the absence or disability of the latter, or when circumstances prevent the latter from acting, together with such other duties as the directors may prescribe. In case the President and such Vice Presidents are absent or unable to perform their duties, the directors may appoint a President pro tempore.

SECTION 4.6. Secretary.

The Secretary shall keep the minutes of all meetings of the shareholders and the directors. He shall keep such books as may be required by the directors, shall have charge of the seal, minute books and stock books of the Company, and shall give all notices of meetings of the shareholders and of the directors, and shall have such other powers and duties as the directors may prescribe.

SECTION 4.7. Treasurer.

The Treasurer shall receive and have in charge all money, bills, notes, bonds, shares in other corporations and similar property belonging to the Company, and shall do with the same as may be ordered by the directors. He shall formulate and administer credit and collection policies and procedures, and shall represent the Company in its relations with banks and other financial institutions, subject to instructions from the directors. On the expiration of his term of office, he shall turn over to his successor, or to the directors, all property, books, papers, and money of the Company in his hands.

SECTION 4.8. Controller.

The Controller shall be the chief accounting officer of the Company, and shall supervise the keeping of the financial accounts of the Company.

SECTION 4.9. Other Officers.

The other officers, if any, shall have such powers and duties as the directors may prescribe.

SECTION 4.10. Change in Power and Duties of Officers.

Anything in this Article IV to the contrary notwithstanding, the Board of Directors may, from time to time, increase or reduce the powers and duties of the respective officers of the Company whether or not the same are set forth in this Code of Regulations and may permanently or temporarily delegate the duties of any officer to any other officer, agent or employee and may generally control the action of the officers and require performance of all duties imposed upon them.

SECTION 4.11. Compensation.

The directors are authorized to determine or to provide the method of determining the compensation of officers.

SECTION 4.12. Bond.

Any officer, if required by the directors, shall give bond for the faithful performance of his duties. Any surety on such bond shall be at the expense of the Company.

SECTION 4.13. Signing Checks and Other Instruments.

The directors are authorized to determine or provide the method of determining how checks, notes, bills of exchange and similar instruments shall be signed, countersigned, or endorsed.

SECTION 4.14. Authority to Transfer and Vote Securities.

The Chairman of the Board, the President, the Secretary or the Treasurer of the Company are each authorized to sign the name of the Company and to perform all acts necessary to effect a transfer of any shares, bonds, or other evidences of indebtedness or obligations, subscription rights, warrants, and other securities of another corporation owned by the Company and to issue the necessary powers of attorney for the same; and each such officer is authorized on behalf of the Company to vote such securities, to appoint proxies with respect thereto, and to execute consents, waivers and releases with respect thereto, or to cause any such action to be taken.

ARTICLE V
Amendments

SECTION 5.1. The regulations may be altered, changed, or amended in any respect, or superseded by new regulations, in whole or in part, by the affirmative vote of the holders of record of shares entitling them to exercise a majority of the voting power of the Company with respect thereto at an annual or special meeting called for such purpose or without a meeting by the written consent of the holders of record of shares entitling them to exercise two-thirds of the voting power with respect thereto.

SECTION 5.2. Notwithstanding any other provisions of these Regulations or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of stock required by law or these Regulations, the affirmative vote of the holders of at least 80% of the Corporation's voting power shall be required to alter, amend or repeal Article II, Section 2.1 of these Regulations.

CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of the Regulations of Cooper Industries, Inc. at present in force.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of said Company and have affixed its corporate seal this ..... day of ....., 19.....

.....

Secretary of Cooper Industries, Inc.

CERTIFICATE OF INCORPORATION

OF

CHAMPION SPARK PLUG COMPANY.

FIRST - The name of this corporation is CHAMPION SPARK PLUG COMPANY.

SECOND - Its principal office and place of business in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The agent in charge thereof is the Delaware Charter Guarantee & Trust Co., No. 328 duPont Building, 7 West 10th Street.

THIRD - The nature of the business and the objects and purposes proposed to be transacted, promoted and carried on, are to do any or all of the things herein mentioned, as fully and to the same extent as natural persons might or could do and in any part of the world, viz:

To manufacture, purchase, acquire, use, lease, sell, export, import and generally to deal in any and all kinds of electrical equipment, machinery, parts and appliances for motor vehicles, motors and engines, and particularly in all kinds of electrical ignition devices, contrivances, machinery and appliances for motor vehicles, and all kinds of engines and motors, movable or stationary.

To manufacture, purchase, acquire, use, lease, sell or otherwise dispose of any and all kinds of apparatus, machinery, equipment and materials necessary or useful in accomplishing the purposes aforesaid.

To take, own, hold, deal in, mortgage or otherwise lien, and to lease, sell, exchange, transfer, or in any manner whatever dispose of real property, within or without the State of Delaware, wherever situated.

To manufacture, purchase, or acquire in any lawful manner, and to hold, own, mortgage, pledge, sell, transfer, or in any manner dispose of, and to deal and trade in goods, wares, merchandise and property of any and every class and description, and in any part of the world.

To acquire the good will, rights and property, and to undertake the whole or any part of the assets or liabilities of any person, firm, association or corporation; to pay for the same in cash, the stock of this company, bonds or otherwise; to hold or in any manner to dispose of the whole or any part of the property so purchased; to conduct in any lawful manner the whole or any part of any business so acquired and to exercise all the powers necessary or convenient in and about the conduct and management of such business.

To apply for, purchase, or in any manner to acquire, and to hold, own, use and operate, or to sell or in any manner dispose of, and to grant license or other rights in respect of, and in any manner deal with, any and all

rights, inventions, improvements and processes used in connection with or secured under letters patent or copyrights of the United States or other countries, or otherwise, and to work, operate or develop the same, and to carry on any business, manufacturing or otherwise, which may be deemed to directly or indirectly effectuate these objects or any of them.

To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of, the shares of the capital stock of, or any bonds, securities or evidences of indebtedness issued or created by any other corporation or corporations of this State or any other State, country, nation or government, and while owner of said stock may exercise all the rights, powers and privileges of ownership, including the right to vote thereon, to the same extent as natural persons might or could do.

To enter into, make and perform contracts of every kind with any person, firm, association or corporation, municipality, body politic, county, territory, State, Government or Colony or dependency thereof, and without limit as to amount to draw, make, accept, endorse, discount, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or transferable instruments and evidence of indebtedness, whether secured by mortgage or otherwise, as well as to secure the same by mortgage or otherwise, so far as may be permitted by the laws of the State of Delaware.

To have offices, conduct its business and promote its objects within and without the State of Delaware, in other States, the District of Columbia, the territories and Colonies of the United States, and in foreign countries, without restriction as to place or amount.

To purchase, hold, cancel and re-issue the shares of its capital stock.

To do any or all of the things herein set forth to the same extent as natural persons might or could do, and in any part of the world, as principals, agents, contractors, trustees or otherwise, and either alone or in company with others.

IN GENERAL to carry on any other business in connection therewith, whether manufacturing or otherwise, not contrary to the laws of the State of Delaware, and with all the powers conferred upon corporations by the laws of the State of Delaware.

FOURTH - The amount of the total authorized capital stock of this Corporation is One Million Dollars ($1,000,000.00) divided into ten thousand shares, of One Hundred Dollars ($100.00) each.

The amount of capital stock with which it will commence business is One Thousand Dollars ($1,000.00) being ten shares, of One Hundred Dollars ($100.00) each.

FIFTH - The names and places of residence of each of the original subscribers to the capital stock are as follows:

NAME.	RESIDENCE.
F. D. Buck	Wilmington, Delaware.
M. L. Horty	Wilmington, Delaware.
K. E. Longfield	Wilmington, Delaware.

SIXTH - The existence of this Corporation is to be perpetual.

SEVENTH - The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

EIGHTH - The Directors shall have power to make and to alter or amend the By-Laws, to fix the amount to be reserved, and to authorize and cause to be executed, mortgages and liens, without limit as to the amount, upon the property and franchises of this Corporation.

The Directors may, by resolution passed by a majority of the whole Board, designate two or more of their number to constitute an Executive Committee, who to the extent provided in said resolution or in the By-Laws of said Company, shall have and exercise the powers of the Board of Directors in the management of the business and affairs of the Company, and may have power to authorize the seal of the Company to be affixed to all papers which may require it.

The Directors may, by a vote of the stockholders, be divided into one, two or three classes; the term of office of the first class to expire at the annual meeting next ensuing; of the second class one year thereafter; of the third class two years thereafter; and at each annual election held after such classification and election, Directors shall be chosen for a full term, as the case may be, to succeed those whose terms expire.

With the consent in writing, and pursuant to an affirmative vote of the holders of a majority of the capital stock issued and outstanding the Directors shall have authority to dispose, in any manner, of the whole property of this Corporation.

The By-Laws shall determine whether and to what extent the accounts and books of this Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account, or book or document of this Corporation, except as conferred by law or the By-Laws, or by resolution of the stockholders or Directors.

The stockholders and Directors shall have power to hold their meetings and keep the books, documents and papers of the Corporation outside of the State of Delaware, at such places as may be from time to time designated by the By-Laws, except as otherwise required by the laws of Delaware.

This Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by the statutes of the State of Delaware, and all rights conferred on officers, Directors and stockholders herein are granted, subject to this reservation.

It is the intention that the objects, purposes and powers specified in the third paragraph hereof shall, except where otherwise specified in said paragraph be nowise limited or restricted by reference to or inference from the terms of any other clause or paragraph in this Certificate of Incorporation, but that the objects, purposes and powers specified in the third paragraph and in each of the clauses or paragraphs of this charter shall be regarded as independent objects, purposes and powers.

WE, THE UNDERSIGNED, being each of the original subscribers to the capital stock hereinbefore named for the purpose of forming a corporation to do business both within and without the State of Delaware, and in pursuance of an Act of the Legislature of the State of Delaware entitled "An Act Providing a General Corporation Law" (approved March 10th, 1899), and the acts amendatory thereof and supplemental thereto, do make and file this Certificate, and declare that the facts herein stated are true, and we have accordingly hereunto set our respective hands and seals this 11th day of September A. D. 1916.

F. D. Buck (SEAL)

M. L. Horty (SEAL)

K. E. Longfield (SEAL)

STATE OF DELAWARE)
:SS.
COUNTY OF NEW CASTLE)

BE IT REMEMBERED, that on this eleventh day of September A. D. 1916, personally appeared before me, the subscriber, a Notary Public in and for the State and County aforesaid, F. D. Buck, M. L. Horty and K. E. Longfield, parties to the foregoing Certificate of Incorporation, known to me personally to be such, and I having first made known to them and to each of them the contents of said certificate, they did each severally acknowledge that they signed, sealed and delivered the same as their several voluntary act and deed, and that the facts therein stated were truly set forth.

GIVEN under my hand and seal of office the day and year aforesaid.

George Dare Hopkins,

Notary Public.

* * * * * * * * * * * * * *

* George Dare Hopkins, *
Notary Public.
* *
For the State of Delaware,
* Appointed December 30th, 1913. *
* For 4 Years. *

* * * * * * * * * * * * * *

STATE OF DELAWARE

OFFICE OF SECRETARY OF STATE.

I, GEO. H. HALL, Secretary of State of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of Certificate of Incorporation of "CHAMPION SPARK PLUG COMPANY", as received and filed in this office the eleventh day of September, A. D. 1916, at 1 o'clock P. M.

* * * * * *
* STATE *
* SEAL *
* *
* * * * * *

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal, at Dover, this eleventh day of September, in the year of our Lord one thousand nine hundred and sixteen.

GEO. H. HALL,

Secretary of State.

FIFTH - A set of proposed By-Laws, for the management of the Company's property and the regulation and government of its affairs, was presented. On motion duly made, seconded and carried, the meeting proceeded to the consideration of the By-Laws, article by article. On motion duly made, seconded and carried, each of the articles was separately adopted. Thereupon, on motion duly made, seconded and carried, the By-Laws were adopted as a whole, and were ordered to be entered in full in the minutes.

They are so entered as follows:

BY-LAWS

-of the-

CHAMPION SPARK PLUG COMPANY

ARTICLE I.

OFFICE

SECTION I. The principal office of this corporation in Delaware shall be in Wilmington, Delaware, and it shall there be represented by the Delaware Charter Guarantee & Trust Company; and its principal office in Ohio shall be in the City of Toledo.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

SECTION I. The annual meetings of stockholders shall be held at the office of the Company in the City of Toledo, Ohio, on the second Monday of July of each year at ten o'clock A. M., when they shall by plurality vote elect a Board of Directors for the ensuing year and transact such other business as may properly come before said meeting.

SECTION II. A majority in amount of stock issued and outstanding shall constitute a quorum for an election or for the transation of other business.

SECTION III. Each stockholder shall be entitled to one vote, either in person or by proxy, for each share of stock registered in his name on the books of the corporation for twenty days preceding the meeting.

SECTION IV. Notice of such meeting shall be mailed at least five days prior to such meeting to each stockholder to his postoffice address appearing on the records of the Company.

SECTION V. Special meetings of the Stockholders shall be held at the place prescribed for the annual meetings, unless otherwise ordered by the Board of Directors, and shall be called by the Secretary on the written request of two Directors, or on the written request of the owners of a majority of the stock, by notice given to each stockholder at least three days prior to such meetings. Such notice shall briefly state the objects of such meetings, and no other business shall be transacted at such meeting.

ARTICLE III.

DIRECTORS.

SECTION I. The property and business of this corporation shall be managed by a Board of at least three

Directors, and they shall hold office until the next annual meeting of the Stockholders, or until their successors are elected and qualified.

SECTION II. Regular meetings of the Directors shall be held at the office of the Company, in the City of Toledo, State of Ohio, on the first Monday of each month at ten o'clock A. M. unless otherwise ordered by the Board.

No notice shall be required to be given of regular meetings.

SECTION III. Special meetings shall be held at the place prescribed for the regular meetings, unless otherwise ordered by the Board, and may be called by the President on his own motion on one day's notice to each Director.

SECTION IV. Special meetings shall be called in like manner by the President upon the written request of two members of the Board. All calls for special meetings shall briefly state the objects of said meetings and no other business shall be transacted at such meetings.

SECTION V. At any meeting of the Board a majority of the members elected and qualified shall constitute a quorum for the transaction of business, but a less number may adjourn.

SECTION VI. The Board of Directors shall have power to elect or appoint all necessary officers and committees, to employ agents, factors, clerks, and workmen, to require any of them to give such bond for the faithful discharge of their duties as may be deemed wise, to fix their compensation, to prescribe their duties, to dismiss any appointed officer or employe, and generally to control all the officers of the corporation.

SECTION VII. The Board may delegate to any committee such powers as to the Board may seem wise.

SECTION VIII. The Board of Directors, in addition to the powers and authority expressly conferred upon them by these By-Laws, may exercise all such powers and do all such things as may be exercised or done by the corporation, but subject, nevertheless, to the provisions of the law, or the charter, and of these By-Laws.

SECTION IX. The order of business at the meetings of the Board shall be as follows:

1. A quorum being present, the President shall call the Board to order.

2. The minutes of last meeting shall be read and considered as approved, if there is no amendment offered.

3. Reports of officers.

4. Reports of committees.

5. Unfinished business.

6. Miscellaneous business.

7. New business.

ARTICLE IV.

OFFICERS.

SECTION I. The executive officers of the Company shall be a President, one or more Vice-Presidents, a Secretary, a Treasurer, and such other officers as may from time to time be elected or appointed by the Board of Directors; the Secretary and Treasurer may or may not be the same person, and the Vice-President may if deemed advisable by the Board of Directors hold the offices of Vice-President and Treasurer; or Vice-President and Secretary, but not the offices of Vice-President, Secretary and Treasurer.

SECTION II. The President shall be a member of the Board of Directors, and he shall be the chief executive officer of the Company and shall exercise general supervision and administration over all its affairs. He shall, when present, preside at all meetings of the Stockholders and Directors and shall appoint all special or other committees except the Executive Committee unless otherwise ordered by the Board of Directors. He shall, with the Treasurer, sign all certificates of shares of the capital stock of the Company. He shall sign or countersign as may be necessary all such bills, notes, checks, contracts, and other instruments as may pertain to the business and affairs of the Company, and he shall sign, when duly authorized, all contracts, orders, deeds, liens, licenses and other instruments of a special nature. He shall, as far as may be possible and desirable, familiarize himself with and exercise supervision over the affairs of this or any other corporation in which this corporation may be interested.

SECTION III. The Vice-President of the Company shall in the absence, disability, or refusal to act of the President, be vested with all the powers of the President, and shall be required to perform all his duties. He shall perform such other duties as may be prescribed by the Board of Directors.

SECTION IV. The Secretary shall be sworn to the faithful discharge of his duties and shall keep full minutes of all the meetings of the Stockholders and of the Board of Directors, and shall perform the same duty for the standing committees when required. He shall issue all calls for meetings of the Stockholders and Directors and shall notify all Officers and Directors of their election. He shall have charge of the seal of the corporation and affix the same to the certificates of

stock when such certificates are signed by the President and Treasurer and shall affix the seal, attested by his signature to such other instruments as may require the same. He shall have charge of the stock certificate books, stock transfer books, and stock ledgers, and such other books and papers as the Board of Directors may place in his charge. He shall make such reports to the Board of Directors as they may require, and he shall also prepare such reports and statements as may be required by the provisions of the law.

SECTION V. The Treasurer shall be the custodian of all funds and securities of the Company and shall keep full and accurate records and accounts in books provided for that purpose of all receipts, disbursements, credits, assets, liabilities and general financial transactions of the Company. He shall endorse for collection or deposit, to the credit of the Company, all bills, notes, checks, and other negotiable instruments of the Company coming into his hands in such depositories and safe deposits as may be designated by the Board of Directors. He shall disburse the funds of the Company as may be ordered by the specific instructions of the Board of Directors or Executive Committee, taking proper vouchers for all such disbursements.

SECTION VI. In the absence of any officer, the Board of Directors may delegate his powers and duties to any other officer, or to any Director, for the time being.

ARTICLE V.

COMMITTEES.

SECTION I. The President and Treasurer shall constitute an executive committee with authority to possess and discharge all the powers of the Board of Directors during the intervals between its meetings.

ARTICLE VI.

CAPITAL STOCK

SECTION I. The certificates of stock shall be signed by the President and Treasurer and be attested by the corporate seal.

SECTION II. Transfers of stock shall be made either in person or by attorney only on the books of the Company and on the surrender of the certificate or certificates of such shares.

ARTICLE VII.

WAIVER OF NOTICE

SECTION I. Any Stockholder, officer or Director may at any time waive any notice required to be given under these By-Laws.

ARTICLE VIII.

NOTICE.

SECTION I. Whenever under the provisions of these By-Laws notice is required to be given to any Director, officer or Stockholder, it shall not be construed to be limited to personal notice, but such notice may be given in writing by depositing the same in the post office or letter box in a postpaid, sealed wrapper, addressed to such Director, officer or Stockholder at his or her address, as the same appears in the books of the corporation, and the time when the same shall be mailed shall be deemed to be the time of the giving of such notice.

ARTICLE IX.

ALTERATION AND AMENDMENT.

SECTION I. The Board of Directors may by a majority vote of the whole Board, alter or amend these By-Laws at any regular or at any special meetings, provided notice of such alteration or amendment has been given to each Director at least three days prior to said meeting.

ARTICLE X.

DEFERRED MEETINGS.

SECTION I. If any meeting provided for in these By-Laws, should fall upon a legal holiday, the same shall be held upon the next succeeding business day at the same hour and place.

ARTICLE XI.

CORPORATE SEAL

SECTION I. The seal of the Company shall be circular in form with the words "CHAMPION SPARK PLUG COMPANY" on the circumference, and the word "SEAL" in the center.

SIXTH - On motion duly made, seconded and carried, it was resolved that the Board of Directors be and is hereby empowered and directed to purchase the entire property and business of the CHAMPION SPARK PLUG COMPANY, a corporation organized under the laws of Massachusetts, as a going concern, including all property and assets, real or personal, of whatsoever kind or description and wheresoever situate, tangible or intangible, including the good will of said corporation, and as a part of said purchase to assume the liabilities and obligations of said cor-

poration, and to issue in payment therefor such amount of the fully paid capital stock of this Company as to the Board of Directors may seem fair and reasonable compensation for such business and property.

SEVENTH - On motion made, duly seconded and unanimously adopted, it was ordered and resolved that the capital stock of this Company and the number of shares therein be increased up to and including the amount named in the certificate of incorporation, as the total authorized capital stock of this Company, and that the Directors of this Company be and they are hereby empowered without any notice whatever, either to the present incorporators, subscribers or stockholders, or to any future subscribers or stockholders, to issue the same until it shall reach the amount named in the certificate of incorporation as the total authorized capital stock of this Company.

EIGHTH - Upon motion duly made, seconded and carried, it was resolved that the Delaware Charter Guarantee & Trust Company be and is hereby appointed the representative of this Company in the State of Delaware, to maintain an office for this Company in said State, to have an agent in charge thereof, to exhibit this Company's sign on said office, as required by law, and to keep in said office such lists and copies of records as the statute of the State of Delaware may require to be kept in said State, and the Secretary was ordered to send a copy of the foregoing resolution, duly certified by him, to the said Delaware Charter Guarantee & Trust Company.

NINTH - On motion duly made, seconded and carried, it was resolved that the Board of Directors be and is hereby empowered to purchase, from time to time, such property and similarly to procure the performance of such services and labor as it may deem necessary for the Company, and to issue in payment therefor such amount or amounts of the full paid capital stock of this

Company as to the Directors may seem fair and reasonable compensation for such property, services or labor.

TENTH - On motion duly adopted, the stockholders proceeded to an election by ballot for Directors of the Company to hold office as such until the next annual meeting of the stockholders or until their successors shall be chosen and qualified.

ELEVENTH - Said election resulted as follows:

NAMES.	NUMBER VOTES RECEIVED.
Robert A. Stranahan	10
Frank D. Stranahan	10
L. W. Stranahan	10

TWELFTH - The chairman thereupon declared that each of the following named persons had been elected a director of the Company to serve for said period:

Robert A. Stranahan Frank D. Stranahan

L. W. Stranahan

THIRTEENTH - On motion made, duly seconded and carried, the following assignments of stock were approved and accepted by the affirmative vote of all present:

F. D. Buck to Robert A. Stranahan of four shares.

M. L. Horty to Frank D. Stranahan of three shares.

K. E. Longfield to L. W. Stranahan of three shares.

FOURTEENTH - Thereupon, on motion duly made, seconded and carried, the meeting adjourned.

M. L. Horty

Secretary of the Meeting.

[CONFORMED COPY]

PLAN AND AGREEMENT OF MERGER

by and among

COOPER INDUSTRIES, INC.,

CHAMPION SPARK PLUG COMPANY

and

SPARK PLUG ACQUISITION COMPANY

dated as of February 21, 1989

PLAN AND AGREEMENT OF MERGER

TABLE OF CONTENTS

Page

ARTICLE I

THE OFFER

Section 1.1. The Offer..... 2
Section 1.2. Company Actions..... 6
Section 1.3. Directors..... 10

ARTICLE II

THE MERGER

Section 2.1. Merger..... 12
Section 2.2. Effective Time..... 14
Section 2.3. Certificate of Incorporation..... 14
Section 2.4. By-Laws..... 15
Section 2.5. Officers..... 15
Section 2.6. Board of Directors..... 15
Section 2.7. Company Common Stock Options..... 16

ARTICLE III

TERMS OF THE TRANSACTION

Section 3.1. Conversion of Shares in the Merger..... 17
Section 3.2. Dissenting Shares of Company Common Stock..... 18
Section 3.3. Payment for Shares of Company Common Stock..... 20

Page

ARTICLE IV

REPRESENTATIONS AND
WARRANTIES BY THE COMPANY

Section 4.1.	Corporate Organization	23
Section 4.2.	Subsidiary Stock; Subsidiaries	26
Section 4.3.	Financial Statements; SEC Filings	28
Section 4.4.	Absence of Changes	30
Section 4.5.	Intellectual Property	33
Section 4.6.	Absence of Undisclosed Liabilities	34
Section 4.7.	Litigation	35
Section 4.8.	Capital Stock	35
Section 4.9.	Taxes	36
Section 4.10.	Employee Benefit Plans	38
Section 4.11.	Employment and Severance Agreements	43
Section 4.12.	Brokers and Finders	44
Section 4.13.	Termination of Dana Merger Agreement	44

ARTICLE V

REPRESENTATIONS AND WARRANTIES
BY PARENT AND MERGER SUB

Section 5.1.	Corporate Organization; Capitalization	45
Section 5.2.	Corporate Power; etc	46
Section 5.3.	Financing	49
Section 5.4.	Financial Statements; SEC Filings	49
Section 5.5.	Litigation	51
Section 5.6.	Brokers and Finders	51

ARTICLE VI

COVENANTS OF PARENT AND THE COMPANY

Section 6.1.	Proxy Statement	52
Section 6.2.	Access and Investigation	54
Section 6.3.	Stockholders' Meeting	56
Section 6.4.	Acquisition Proposals	57
Section 6.5.	Interim Operations of the Company	58
Section 6.6.	Consents	60
Section 6.7.	Filings	61

		Page
Section 6.8.	Best Efforts; Further Assurances.....	61
Section 6.9.	Publicity.....	62
Section 6.10.	Notification of Certain Matters.....	63
Section 6.11.	Declaration of Dividends, etc.....	64
Section 6.12.	Indemnification and Insurance.....	65
Section 6.13.	Redemption of Rights.....	70
Section 6.14.	Employee Benefits.....	71
Section 6.15.	Collective Bargaining Agreements.....	72
Section 6.16.	Section 203 and Article Fifteenth.....	72
Section 6.17.	Derivative Actions.....	73

ARTICLE VII

CONDITIONS TO PARENT'S AND
MERGER SUB'S OBLIGATION TO CLOSE

Section 7.1.	Conditions to Parent's and Merger Sub's Obligation to Close.....	74

ARTICLE VIII

CONDITIONS TO THE
COMPANY'S OBLIGATION TO CLOSE

Section 8.1.	Conditions to the Company's Obligation to Close.....	76

ARTICLE IX

TERMINATION

Section 9.1.	Termination.....	77
Section 9.2.	Effect of Termination.....	80

ARTICLE X

SURVIVAL OF
REPRESENTATIONS AND WARRANTIES

Section 10.1.	Survival of Representations and Warranties.....	84

Page

ARTICLE XI

MISCELLANEOUS

Section 11.1. Costs and Expenses..... 85
Section 11.2. Notices..... 85
Section 11.3. Amendment..... 86
Section 11.4. Entire Agreement..... 87
Section 11.5. Counterparts..... 87
Section 11.6. Applicable Law..... 87
Section 11.7. Descriptive Headings..... 88
Section 11.8. Assignment..... 88
Section 11.9. Certain Definitions..... 88

Annex A..... A-1

Disclosure Schedules

PLAN AND AGREEMENT OF MERGER

PLAN AND AGREEMENT OF MERGER (this "Agreement") dated as of this 21st day of February, 1989, by and among Cooper Industries, Inc., a corporation organized and existing under the laws of the State of Ohio ("Parent"), Champion Spark Plug Company, a corporation organized and existing under the laws of the State of Delaware (the "Company"), and Spark Plug Acquisition Company, a corporation organized and existing under the laws of the State of Delaware and a wholly owned subsidiary of Parent ("Merger Sub").

WHEREAS, the Boards of Directors of Parent, the Company and Merger Sub have approved the acquisition of the Company by Parent;

WHEREAS, in furtherance thereof it is proposed that Merger Sub will make a tender offer (as it may be amended from time to time in accordance herewith, the "Offer") to purchase all, but not less than a majority, of the issued and outstanding shares (on a fully diluted basis) of Common Stock, par value $.30 per share, of the Company ("Company Common Stock"), at a price of $21.00 per share (such amount, or any greater amount per share paid pursuant to the Offer, being hereinafter referred to as the "Per Share Amount"), net to the seller in cash, in

accordance with the terms and subject to the conditions provided for herein and in Annex A hereto; and

WHEREAS, the Board of Directors of the Company has unanimously approved the making of the Offer and resolved and agreed to recommend that stockholders of the Company tender their shares of Company Common Stock pursuant to the Offer; and

WHEREAS, also in furtherance of such acquisition, the Boards of Directors of Parent, Merger Sub and the Company have each approved the merger (the "Merger") of Merger Sub with and into the Company following the Offer, in accordance with the General Corporation Law of the State of Delaware ("DGCL") and upon the terms and subject to the conditions set forth herein, with the Company as the corporation surviving the Merger.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, Parent, Merger Sub and the Company hereby agree as follows:

ARTICLE I

THE OFFER

Section 1.1. The Offer. (a) Provided that this Agreement shall not then have been terminated in

accordance with the terms hereof and that there shall not have been a failure of a condition set forth in Annex A hereto, as promptly as practicable after the date hereof, but in no event later than five business days following the date of public announcement of this Agreement, Parent shall cause Merger Sub to commence (within the meaning of Rule 14d-2 of the Securities and Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the "Exchange Act")) the Offer. The obligations of Merger Sub to accept for payment and pay for any shares of Company Common Stock tendered in accordance with the terms of the Offer shall be subject to the conditions set forth in Annex A hereto. Merger Sub expressly reserves the right to increase the Per Share Amount payable in the Offer or to make any other changes in the terms and conditions of the Offer; provided, however, that without the consent of the Company, Merger Sub may not make any change (i) in the condition to the Offer that at least a majority of the issued and outstanding shares (on a fully diluted basis) of the Company Common Stock be tendered pursuant to the Offer (the "Minimum Share Condition"), (ii) that decreases the Per Share Amount or alters the form of the consideration payable in the Offer, (iii) that reduces the maximum number of

shares of Company Common Stock to be purchased in the Offer, or (iv) that imposes conditions to the Offer in addition to those set forth in Annex A hereto or amends any of the conditions set forth therein. In addition, except as may be required by applicable law, or regulation, Merger Sub may not extend the Expiration Date of the Offer (as such term is defined in the Offer Documents (as hereinafter defined)) if all conditions of the Offer have been satisfied or waived at the time the Offer would otherwise expire. Notwithstanding the foregoing, Merger Sub may extend the Offer for a period not to exceed five business days if, in the reasonable judgment of Merger Sub, such extension would facilitate Merger Sub purchasing at least 90% of the outstanding shares of Company Common Stock pursuant to the Offer. The terms and conditions of the Offer other than the Minimum Share Condition are for the sole benefit of Parent and Merger Sub and may be asserted by Parent or Merger Sub regardless of the circumstances giving rise to any such condition or (subject to the preceding three sentences) may be waived by Parent or Merger Sub, in whole or in part at any time and from time to time, in their sole discretion, except that the Minimum Share Condition may not be waived without the consent of the Company. The Per Share Amount shall be

paid net to the seller in cash, upon the terms and subject to the conditions of the Offer. Assuming the prior satisfaction or waiver of the conditions to the Offer, Merger Sub shall, in accordance with the terms of the Offer, accept for payment the shares of Company Common Stock validly tendered pursuant to the Offer and not withdrawn as soon as legally permissible, subject to the right of Merger Sub to extend the Offer as provided above, and shall pay for such shares as promptly as practicable after acceptance thereof, in each case upon the terms and subject to the conditions of the Offer. The Company agrees that no shares of Company Common Stock held by the Company or any of its subsidiaries will be tendered to Merger Sub pursuant to the Offer.

(b) On the date of commencement of the Offer, Parent and Merger Sub shall file with the Securities and Exchange Commission (the "SEC" or the "Commission") a Tender Offer Statement on Schedule 14D-1 with respect to the Offer (together with all amendments and supplements thereto, the "Schedule 14D-1") which will contain (either included as an exhibit or incorporated by reference) the offer to purchase and the form of the related letter of transmittal (together with all supplements and amendments thereto, the "Offer Documents").

Each of Parent, Merger Sub and the Company shall promptly correct any information in the Offer Documents (in the case of the Company, only to the extent such information was provided by it expressly for use in the Offer Documents) if and to the extent that such information shall have become false or misleading, and Parent and Merger Sub shall take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and to be disseminated to the holders of shares of Company Common Stock, in each case as and to the extent required by applicable federal securities laws.

Section 1.2. Company Actions. (a) The Company hereby consents to the Offer and represents and warrants to Parent and Merger Sub that (i) the Company's Board of Directors, at a meeting duly called and held, has, in light of and subject to the terms and conditions set forth herein, (v) withdrawn its recommendation with respect to the tender offer (the "Dana Offer") commenced on January 27, 1989 by Dana Corporation, a Virginia corporation ("Dana"), and DC Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Dana ("DC"), with respect to shares of Company Common Stock, (w) determined that the consideration to be paid in each of the Offer and the Merger is fair to and in the best interests

of the Company and its stockholders, (x) approved this Agreement and the transactions contemplated hereby, and resolved to recommend that the stockholders of the Company tender their shares of Company Common Stock pursuant to the Offer and to recommend that the stockholders of the Company adopt this Agreement and approve all of the transactions contemplated hereby (subject to the exercise of the fiduciary duties of the Company's Board of Directors after consultation with Jones, Day, Reavis & Pogue and with Dillon, Read & Co. Inc. ("Dillon Read")), and (y) approved the acquisition by Merger Sub of shares of Company Common Stock pursuant to the Offer pursuant to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL") with the result that Section 203 of the DGCL will not apply to the Offer, the Merger or any of the transactions contemplated by this Agreement (the "Section 203 Resolution"), (ii) Dillon Read has rendered to the Board of Directors of the Company a favorable opinion as of the date hereof with respect to the fairness to the holders of the Company Common Stock, from a financial point of view, of the Per Share Amount, and (iii) at least 66-2/3% of the Continuing Directors (as such term is defined in Article Fifteenth of the Company's Certificate of Incorporation) then in office, by

resolution duly adopted at a meeting of such Board of Directors, has duly approved this Agreement, the Offer and the Merger and the transactions contemplated by this Agreement (the "Article Fifteenth Resolution"), and that by virtue of such approval the approval of the affirmative vote of more than a majority of the voting power of Company Common Stock shall not at any time be required for adoption of this Agreement.

(b) The Company hereby agrees to prepare and file with the SEC on the date of the commencement of the Offer a Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments and supplements thereto, the "Schedule 14D-9") containing the recommendations of the Company's Board of Directors described in subsection (a) of this Section subject to the exercise of the fiduciary duties of the Company's Board of Directors as described in such subsection. The Company hereby further agrees to disseminate the Schedule 14D-9 as required by Rule 14d-9 promulgated under the Exchange Act. Each of the Company, Parent and Merger Sub shall correct promptly any information in the Schedule 14D-9 (in the case of Parent or Merger Sub, only to the extent such information was provided by it expressly for use in the Schedule 14D-9) that shall have become false

or misleading, and the Company shall take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and to be disseminated to the holders of shares of Company Common Stock, in each case as and to the extent required by applicable federal securities laws.

(c) The Company shall cause its transfer agent to furnish promptly Merger Sub with mailing labels containing the names and addresses of all record holders of shares of Company Common Stock, security position listings of shares of Company Common Stock and all other available listings or computer files containing names, addresses and security position listings of any record holders or beneficial owners of shares of Company Common Stock, each as of a recent date. The Company shall promptly furnish Merger Sub with such additional information, including updated lists of stockholders, mailing labels and security position listings, and such other assistance as Merger Sub or its agents may reasonably request for the purpose of communicating the Offer to the record and beneficial holders of shares of Company Common Stock. Merger Sub shall hold any information provided to it pursuant to this clause (c) in confidence, will not use such information for any purpose except in

connection with the transactions contemplated hereby and will return all copies of such information in its possession to the Company in the event this Agreement is terminated.

(d) Parent shall be entitled to review and consent, which consent shall not be unreasonably withheld, to all communications made by or on behalf of the Company to stockholders of the Company generally or to Chinook Partners, L.P., a Delaware limited partnership ("Chinook Partners"), or to any limited or general partner of Chinook Partners (other than in any such person's capacity as a director or officer of the Company), in connection with this Agreement or the transactions contemplated hereby.

Section 1.3. Directors. (a) Promptly upon the acceptance for payment of any shares of Company Common Stock pursuant to the Offer, subject to compliance with applicable law, Merger Sub shall be entitled to designate such number of directors, rounded up to the next whole number, of the Board of Directors of the Company as will give Merger Sub representation on the Board of Directors of the Company equal to at least that number of directors which equals the product of (x) the total number of directors on the Board of Directors (including

directors appointed or elected pursuant to this sentence) and (y) the ratio that the number of shares of Company Common Stock held by Parent, Merger Sub and any of their respective affiliates bears to the total number of shares of Company Common Stock outstanding (exclusive of shares of Company Common Stock held by the Company as treasury stock). At the request of Merger Sub pursuant to the preceding sentence the Company shall, as promptly as practicable, take all actions necessary to cause Merger Sub's designees to be so appointed or elected, including seeking and accepting resignations from incumbent directors. Notwithstanding the foregoing, prior to the Effective Time (as hereinafter defined), the Company's Board of Directors shall at all times have at least three directors who are Continuing Company Directors, and any amendment, modification or waiver of any term or provision of this Agreement on behalf of the Company shall require, and any termination of this Agreement by the Company pursuant to Section 9.1 hereof shall require only, the affirmative vote of a majority of the Continuing Company Directors. For purposes of the preceding sentence, "Continuing Company Directors" shall mean (i) directors of the Company who are directors on the date hereof ("Present Directors") and (ii) persons ("Successor

Directors") nominated or elected to succeed any Present Directors or Successor Directors by a majority of the remaining Present Directors or Successor Directors or, if there are no remaining Present Directors or Successor Directors, successors to such Present Directors and Successor Directors elected by a majority of the Company's Board of Directors and who are unaffiliated with either Parent or Merger Sub.

(b) If required by applicable law, the Company shall promptly take all action necessary to comply with Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder in order to fulfill its obligations under this Section 1.3 and shall provide for inclusion in the Schedule 14D-9 and shall mail to the stockholders of the Company such information as is required under such Section 14(f) and Rule 14f-1 in order to fulfill its obligations under this Section 1.3 and applicable law. Parent shall provide the required information with respect to its designees as director.

ARTICLE II

THE MERGER

Section 2.1. Merger. On the Effective Date of the Merger, Merger Sub shall be merged with and into the

Company, and the Company shall be the surviving corporation in the Merger (the "Surviving Corporation"). The corporate existence of the Company, with all its purposes, powers and objects, shall continue unaffected and unimpaired by the Merger and, as the Surviving Corporation, it shall be governed by the laws of the State of Delaware and succeed to all rights, assets, liabilities and obligations of the Company in accordance with Section 259(a) of the DGCL. Subject to the following sentence, the separate existence and corporate organization of Merger Sub shall cease upon the Effective Time (as hereinafter defined). Anything in this Agreement to the contrary notwithstanding, in the event that less than 90% of the shares of Company Common Stock outstanding on a fully diluted basis are purchased pursuant to the Offer, Parent may elect, instead of merging Merger Sub with and into the Company as herein provided to cause Merger Sub to set up a subsidiary which would merge with and into the Company at the Effective Time. In the event Parent makes the election referred to in the preceding sentence, the parties agree to execute an amendment to this Agreement in order to reflect the foregoing and make such other changes as are necessary and desirable in light thereof.

Section 2.2. Effective Time. Subject to the provisions of Articles VII, VIII and IX, the closing of the Merger (the "Closing") and the consummation of the Merger shall be effected as promptly as practicable after the later to occur of (i) adoption of this Agreement and the Merger by the stockholders of the Company, if such adoption is required, all as more fully provided in Section 6.3, (ii) completion of the Offer if such adoption by the stockholders is not required, and (iii) May 1, 1989. The Closing shall be held at 11:00 a.m. at the offices of Parent in First City Tower, Suite 4000, Houston, Texas 77002, or at such other place and time as the parties shall agree. As soon as practicable after the Closing, a certificate of merger or a certificate of ownership and merger, as the case may be, shall be executed and acknowledged by Merger Sub and the Company and delivered to the Secretary of State of the State of Delaware for filing as provided by the DGCL and, upon completion of such filing, the Merger shall become effective as set forth herein and in such certificate. The time at which the Merger becomes effective is herein called the "Effective Time".

Section 2.3. Certificate of Incorporation. The Certificate of Incorporation of Merger Sub as in

effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Surviving Corporation, until the same shall thereafter be altered, amended or repealed in accordance with law or said Certificate of Incorporation, except that (i) Article I shall be amended to read "The name of the Corporation is Champion Spark Plug Company" and (ii) a provision shall be added to read substantially identical to Article Fourteenth of the Certificate of Incorporation of the Company.

Section 2.4. By-Laws. The By-Laws of Merger Sub as in effect immediately prior to the Effective Time shall be the By-Laws of the Surviving Corporation until the same shall thereafter be altered, amended or repealed in accordance with law, the Certificate of Incorporation of the Surviving Corporation or said By-Laws.

Section 2.5. Officers. The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation, until their successors shall have been elected and shall qualify.

Section 2.6. Board of Directors. The directors of the Surviving Corporation shall be the directors of Merger Sub immediately prior to the Effective Time,

and such individuals shall serve until their successors shall have been elected and shall qualify.

Section 2.7. Company Common Stock Options. Each option to purchase shares of the Company's Common Stock issued pursuant to the Company's Amended and Restated 1986 Key Executive Stock Option Plan (the "1986 Plan") and outstanding immediately prior to the Effective Time (an "Option"), whether or not then exercisable or vested, shall be cancelled immediately following the Effective Time in exchange for a payment in cash equal to (i) the product of (A) the total number of shares of Company Common Stock subject to the unexercised portion of such Option and (B) the excess of the Per Share Amount over the exercise price per share of Company Common Stock subject to such Option plus (ii) the amount of unused credits awarded pursuant to Section 4(c) of the 1986 Plan applicable to such Option. Parent shall make, or cause the Surviving Corporation to make, promptly after the Effective Time, all such payments. The 1986 Plan shall be terminated immediately after such cancellation and payment. The Company shall use its best efforts to obtain, prior to the Effective Time, the written agreement (in a form acceptable to Parent) of each person holding an Option that payment of the amount set forth above will

satisfy the Company's obligations to such person in respect of such Option and will take such other action as is necessary or appropriate to effect the provisions of this Section 2.7.

ARTICLE III

TERMS OF THE TRANSACTION

Section 3.1. Conversion of Shares in the Merger. At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any share of the Company Common Stock:

(a) The Company Common Stock which is held by the Company as treasury stock (or held by a subsidiary of the Company) and the Company Common Stock owned by Parent or any of its subsidiaries (including Merger Sub) shall be cancelled and retired, without any conversion thereof, and no payment shall be made with respect thereto;

(b) Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than any shares cancelled pursuant to Section 3.1(a) and any Dissenting Shares (as defined in Section 3.2(a)) shall be converted into the right to receive, upon surrender of the

certificate formerly representing such share of Company Common Stock, cash in an amount equal to the Per Share Amount (the "Merger Consideration"). No interest shall be paid or accrued on the Merger Consideration.

(c) Each share of Merger Sub common stock, par value $0.01 per share, issued and outstanding immediately prior to the Effective Time shall be converted into and exchangeable for one share of common stock, par value $0.01 per share, of the Surviving Corporation.

Section 3.2. Dissenting Shares of Company Common Stock. (a) Notwithstanding the provisions of Section 3.1 or any other provision of this Agreement to the contrary, shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time and are held by stockholders who have not voted such shares of Company Common Stock in favor of the adoption of this Agreement and approval of the Merger and who shall have properly demanded appraisal of such shares of Company Common Stock in accordance with and shall have complied with all other applicable requirements of Section 262 of the DGCL (the "Dissenting Shares") shall not be converted into the right to receive the Merger Consid-

eration, as provided herein, at or after the Effective Time unless and until the holder of such Dissenting Shares shall have failed to perfect or shall have effectively withdrawn or lost such right to appraisal and payment under the DGCL. If a holder of Dissenting Shares shall have so failed to perfect or shall have effectively withdrawn or lost such right to appraisal and payment, then, as of the Effective Time or the occurrence of such event, whichever last occurs, such holder's Dissenting Shares shall be converted into and represent solely the right to receive the Merger Consideration, without any interest thereon, as provided in Section 3.1 hereof.

(b) The Company shall give Parent (i) prompt written notice of any written demands for appraisal, withdrawals of demands for appraisal and any other instruments served pursuant to Section 262 of the DGCL and received by the Company, and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under Section 262 of the DGCL. The Company will not voluntarily make any payment with respect to any demands for appraisal and will not, except with the prior written consent of Parent, settle or offer to settle any such demands.

Section 3.3. Payment for Shares of Company Common Stock. (a) Prior to the Effective Time, Merger Sub shall designate a United States bank or trust company (with capital surplus and undivided profits of at least $100,000,000) to act as disbursing agent (the "Disbursing Agent") for purposes of making cash payments contemplated hereby. As soon as practicable after the Effective Time, Parent shall, or shall cause Merger Sub to, deposit with the Disbursing Agent, in trust for the benefit of the Company's stockholders, the funds necessary to make the payments contemplated by Section 3.1(b) on a timely basis (hereinafter collectively referred to as the "Payment Fund"). Parent and Merger Sub shall enter into a Disbursing Agent Agreement (the "Disbursing Agent Agreement") with the Disbursing Agent which shall set forth the duties, responsibilities and obligations of the Disbursing Agent consistent with the terms of this Agreement.

(b) Parent shall cause the Disbursing Agent to make the cash payments referred to in Section 3.1(b) out of the Payment Fund. The Payment Fund shall not be used for any other purpose. Promptly following a date which is not less than six months after the Effective Time, the Disbursing Agent shall return to the Sur-

viving Corporation all cash and other instruments in its possession that constitute any portion of the Payment Fund, if any, and the Disbursing Agent's duties shall terminate. Thereafter, each holder of a certificate formerly representing shares of Company Common Stock may surrender such certificate to the Surviving Corporation and (subject to applicable abandoned property, escheat and similar laws) receive in exchange therefor the Merger Consideration, without interest.

(c) Promptly after the Effective Time, Parent shall cause the Disbursing Agent to mail to each former record holder of shares of Company Common Stock entitled to receive payment pursuant to Section 3.1(b) a form letter of transmittal (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of a certificate or certificates formerly representing shares of Company Common Stock to the Disbursing Agent) and instructions for use in effecting the surrender to the Disbursing Agent of such certificate or certificates formerly representing shares of Company Common Stock to be converted pursuant to Section 3.1(b) (such certificate or certificates are collectively referred to herein as the "Certificates") in exchange for the Merger Consideration. Upon

surrender of a Certificate to the Disbursing Agent together with a duly executed letter of transmittal and any other required documents, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration payable in respect of each share of Company Common Stock formerly represented thereby and such Certificate shall forthwith be cancelled. If payment is to be made to a person other than the person in whose name a Certificate so surrendered is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of the Certificate so surrendered or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not applicable. Until surrendered in accordance with the provisions of this Section 3.3, each Certificate shall represent for all purposes only the right to receive the Merger Consideration, without any interest.

(d) After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of shares of Company Common Stock

which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for the Merger Consideration in accordance with the procedures set forth, in this Article III.

(e) From and after the Effective Time, the holders of certificates evidencing ownership of shares of Company Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares except as otherwise provided herein or by applicable law.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES BY THE COMPANY

The Company hereby represents and warrants to each of Parent and Merger Sub:

Section 4.1. Corporate Organization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, has corporate power to own all of its properties and assets and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing in the states of the United States

and other domestic and foreign jurisdictions where its ownership, operation, or leasing of property or assets or the conduct of its business requires it to be so qualified, except in such jurisdictions, if any, where the failure to be so qualified would not, individually or in the aggregate, have a material adverse effect upon the business, assets, properties, results of operations or financial condition of the Company and its subsidiaries taken as a whole (collectively, the "Business Condition"). The Company has all necessary federal, state, local and foreign authorizations to own, lease or operate all of its properties and assets and to carry on its business as now being conducted, except any such authorizations the failure to obtain which would not or would not be reasonably likely to have, individually or in the aggregate, a material adverse effect on the Business Condition or prevent the consummation of the Offer, the Merger or the other transactions contemplated hereby. The Company has corporate power to enter into this Agreement and to carry out its obligation hereunder. Subject to any required approval of the holders of Company Common Stock, the Company is duly authorized to merge with Merger Sub pursuant to this Agreement. Subject to (i) any required approval of this Agreement by the holders of

Company Common Stock, (ii) the receipt of any foreign or domestic governmental approvals required in connection with the Offer or Merger, and (iii) the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations thereunder (the "HSR Act") and federal and state laws relating to the transactions contemplated by this Agreement, the execution and delivery of this Agreement do not, and the consummation of the Offer and the Merger will not, (i) violate or conflict with any provision of the Company's certificate of incorporation or by-laws, (ii) except as set forth in Schedule 4.1 hereto, violate or conflict with any provision of, or result in the acceleration of any obligation under, any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which the Company or any of its subsidiaries is a party or by which any of them is bound, except for any violations, conflicts or accelerations which would not or would not be reasonably likely to have, individually or in the aggregate, a material adverse effect on the Business Condition or prevent the consummation of the Offer, the Merger or the other transactions contemplated hereby, or (iii) violate or conflict with any other restriction of any kind or character to which the Company or any of its subsidiaries is

subject, including any applicable law, except for any violations or conflicts which would not or would not be reasonably likely to have, individually or in the aggregate, a material adverse effect on the Business Condition or prevent the consummation of the Offer, the Merger or the other transactions contemplated hereby. The Board of Directors of the Company has taken all action required by law, its certificate of incorporation, its by-laws or otherwise, to authorize the execution and delivery of this Agreement. This Agreement is a valid and binding agreement of the Company, enforceable against it in accordance with its terms, except as such validity, binding effect or enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally or by equitable principles relating to the availability of remedies, and subject, to the extent required, to approval of this Agreement and the Merger by the holders of Company Common Stock. The Company has provided Parent with true and complete copies of its Certificate of Incorporation and by-laws.

Section 4.2. Subsidiary Stock; Subsidiaries. (a) Except as set forth in the Company Financial Statements or the Company Filings (in each case as hereinafter defined) or in Schedule 4.2 hereto, and except in the

case of foreign subsidiaries, for directors qualifying or director nominee shares, the Company owns, directly or indirectly, all of the outstanding stock of each of its subsidiaries and has made no material investment in, or material advance of cash to, any company, partnership, joint venture or other business association or entity, other than its subsidiaries. There are no outstanding options, warrants or other rights to acquire, nor any outstanding securities convertible into, stock of any class of any subsidiary of the Company.

(b) Each subsidiary of the Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, has corporate power and all necessary material federal, state, local or foreign authorizations to own, operate or lease all of its properties and assets and to carry on its business as it is now being conducted, except any such authorizations the failure to obtain which would not or would not be reasonably likely to have, individually or in the aggregate, a material adverse effect on the Business Condition or prevent the consummation of the Offer, the Merger or the other transactions contemplated hereby, and is duly qualified to do business and is in good standing in each jurisdiction where its

ownership, operation, or leasing of property or the conduct of its business requires such qualification, except in such jurisdictions, if any, where the failure to be so qualified would not have a material adverse effect upon the Business Condition. All of the outstanding shares of capital stock of each of the Company's subsidiaries owned directly or indirectly by the Company have been validly issued and are fully paid, non-assessable and free of preemptive rights and are owned by either the Company or another of its wholly owned subsidiaries free and clear of all liens, charges, claims or encumbrances, except for such liens, charges, claims or encumbrances with respect to any such shares of capital stock of subsidiaries whose assets and operations are not material to the Business Condition, or which would not, individually or in the aggregate, have a material adverse effect on the Business Condition.

Section 4.3. Financial Statements; SEC Filings. (a) The consolidated balance sheets of the Company and its subsidiaries as of December 31, 1987 and December 31, 1986 and related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended, included in the Annual Report on Form 10-K of the Company for the fiscal years

ended December 31, 1987 and December 31, 1986 as filed with the SEC, and the unaudited consolidated condensed balance sheet of the Company as of September 30, 1988 and the related unaudited consolidated condensed summary of income for the nine-month period then ended included in the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 1988 as filed with the SEC, copies of all of which have been made available by the Company to Parent (collectively, the "Company Financial Statements"), have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as reflected in the Company Financial Statements, and present fairly the consolidated financial position of the Company and its subsidiaries at the dates and the consolidated results of operations of the Company and its subsidiaries for the periods stated therein, subject, in the case of unaudited interim statements, to normal year-end adjustments.

(b) Since December 31, 1986, each of the Company and its subsidiaries that is required to make filings under the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder, the "Act" or the "Securities Act"), or the Exchange Act, has filed with the SEC all forms, reports

and documents required to be filed by it pursuant to the Securities Act and the Exchange Act, all of which, as of their respective filing dates complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act. The Company has heretofore made available to Parent a true and complete copy of (i) each final prospectus and definitive proxy statement filed by the Company or any of its subsidiaries with the Commission since December 31, 1986, and (ii) each report filed by the Company or any of its subsidiaries with the Commission since December 31, 1986 (the documents referred to in clauses (i) and (ii) being hereinafter referred to as the "Company Filings"). None of the Company Filings as of the dates they respectively were filed with the Commission contained any untrue statement of a material fact or omitted to state a material fact necessary to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.4. Absence of Changes. Except as disclosed in the Schedules to this Agreement, the Company Filings or the Company Financial Statements, and except as contemplated by this Agreement, since September 30, 1988, the Company and its subsidiaries have conducted

their respective businesses in the ordinary course and there has not been:

(a) any material adverse change in the Business Condition or any event which is reasonably likely to result in a material adverse change in the Business Condition;

(b) any change in the method of accounting or accounting practice of the Company and its subsidiaries on a consolidated basis, other than changes required by generally accepted accounting principles;

(c) any direct or indirect redemption, purchase or other acquisition of any shares of Company Common Stock at a price in excess of the Per Share Amount or any declaration, setting aside or payment or any dividend or other distribution (whether in cash, stock or property) in respect of the Company Common Stock, other than regular quarterly cash dividends and amounts required to be paid for the redemption of Company Rights pursuant to the Rights Agreement;

(d) except as set forth in Schedule 4.4(d) hereto, any increase in the compensation payable or to become payable by the Company or any of its subsidiaries to any of their respective officers or employees over the rate payable at September 30, 1988, other than

normal merit increases, increases required by union contracts and increases consented to by Parent in writing or any increase or modification in any bonus, pension, insurance or other employee benefit, plan, payment or arrangement (including, but not limited to, the granting of Options) made to, for or with respect to employees other than in the ordinary course or business and consistent with past practice;

(e) any issuance of shares of Company Common Stock, except upon exercise of Options granted under the 1986 Plan;

(f) any amendment or termination by the Company or any of its subsidiaries of any contract, agreement or license material to the Company and its subsidiaries taken as a whole, other than in the ordinary course of business consistent with past practice;

(g) except as set forth in Schedule 4.4(g) hereto, any entering into by the Company or any of its subsidiaries of any contract, agreement or license material to the Company and its subsidiaries taken as a whole, other than in the ordinary course of business consistent with past practice;

(h) any material indebtedness incurred by the Company or any of its subsidiaries in respect of

borrowed money or any material commitment in respect of borrowed money entered into by the Company or any of its subsidiaries other than in the ordinary course of business; or

(i) any revaluation by the Company of any of its assets in any material extent, including without limitation, writing down the value of inventory or writing off notes or accounts receivable other than in the ordinary course of business.

Section 4.5. Intellectual Property. Except as set forth on Schedule 4.5 hereto, no proceedings are pending or, to the knowledge of the Company, threatened that challenge the validity of the ownership by the Company or its subsidiaries of any trademarks, trade names, copyrights, patents, inventions, processes and other technical know how and other proprietary rights (collectively, "Intellectual Property") now used in the conduct of their respective businesses and neither the Company nor any of its subsidiaries has received any notice of conflict not heretofore resolved with the asserted rights of others, except proceedings or notices which, individually or in the aggregate, are not reasonably likely to have a material adverse effect on the Business Condition. Except as disclosed on Schedule 4.5 hereto, neither the

Company nor any or its subsidiaries has licensed anyone to use any of its Intellectual Property and the Company has no knowledge of the infringing use of any of its Intellectual Property or the infringement of any of its Intellectual property by any other person, in each of the foregoing cases, where the Intellectual Property is material, individually or in the aggregate, to the Company and its subsidiaries taken as a whole.

Section 4.6. Absence of Undisclosed Liabilities. There are no liabilities of the Company or any of its subsidiaries of any kind whatsoever, whether or not accrued and whether or not contingent or absolute, determined or determinable, that are material to the Company and its subsidiaries taken as a whole, other than (a) liabilities disclosed or provided for in the Company Financial Statements, (b) liabilities disclosed in the Company Filings or disclosed as liabilities on any of the Schedules to this Agreement, (c) liabilities incurred on behalf of the Company in connection with this Agreement and the contemplated Offer or Merger, and (d) liabilities incurred in the ordinary course of business since September 30, 1988, none of which, either individually or in the aggregate, are reasonably likely to be materially adverse to the Business Condition.

Section 4.7. Litigation. Except as disclosed in Schedule 4.7 hereto, in the Company Filings or in the Company Financial Statements, there are no claims, actions, proceedings or investigations pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries before any domestic or foreign court or governmental or regulatory authority or body which, individually or in the aggregate, have a reasonable likelihood of resulting in a material adverse effect on the Business Condition. Neither the Company nor any of its subsidiaries is subject to any outstanding order, writ, injunction or decree which materially and adversely affects the Business Condition.

Section 4.8. Capital Stock. The authorized capital stock of the Company consists of 80,000,000 shares of Company Common Stock and 5,000,000 shares of Preferred Stock without par value (the "Company Preferred Stock"). The issued capital stock of the Company on January 20, 1989 consisted of 33,692,520 outstanding shares of Company Common Stock and 4,870,600 shares of Company Common Stock held in its treasury. There are no outstanding obligations, options or rights to acquire shares of Company Common Stock or any outstanding securities or other instruments convertible into shares of

Company Common Stock, other than (i) Options granted under the 1986 Plan, evidencing the right of the holders thereof, as of January 20, 1989, to purchase 877,186 shares of Company Common Stock and (ii) the Rights to Purchase Series A Junior Participating Preferred Stock, no par value, of the Company (the "Company Rights").

Section 4.9. Taxes. The Company and its subsidiaries have duly and timely filed or caused to be filed (or there has been duly and timely filed on their behalf) or will duly and timely file or cause to be filed (or there will be duly and timely filed on their behalf) all tax returns, reports and declarations required by applicable law to be filed at or before the Effective Time except those returns, reports and declarations with respect to which the failure to file would not have a material adverse effect on the Business Condition (as used in this Section, "Returns"). All Returns (including amendments) have been prepared and filed in good faith and are complete and accurate in all material respects. Each of the Company and its subsidiaries has paid (or there has been paid on their behalf), or has set up, or will set up an adequate reserve for the payment of, all taxes shown as due on its Returns and has paid, or will pay (or there has been paid, or will be paid, on its

behalf), or has set up, or will set up an adequate reserve for the payment of, all income, franchise, property, sales or use, employment, stamp or other taxes, except for any such taxes arising out of, or attributable to, the transactions contemplated by this Agreement, anticipated to be payable in respect of that portion of the period subsequent to the last period, for which any Return has been prepared and filed ending at the Effective Time. Neither the Company nor any of its subsidiaries will have any material liability for any such taxes in excess of the amounts so paid or reserves so established and neither the Company nor any of its subsidiaries is delinquent in the payment of any material tax, assessment or governmental charge and none of them has requested any extension of time within which to file any Returns in respect of any fiscal year which have not since been filed. No deficiencies for any tax, assessment or governmental charge have been proposed in writing, asserted or assessed (tentatively or definitely), in each case, by any taxing authority, against the Company or any of its subsidiaries for which there are not adequate reserves. As of the date of this Agreement, there are no pending requests for waivers of the time to assess any such tax, other than those made in the ordinary

course and for which payment has been made or there are adequate reserves. The federal income tax returns of the Company and its subsidiaries have been audited by the Internal Revenue Service through the fiscal year ending December 31, 1979. For the purposes of this Agreement, the term "tax" shall include all federal, state, local and foreign taxes including interest and penalties thereon. The Company has not filed an election under Section 341(f) of the Internal Revenue Code of 1986, as amended (the "Code") to be treated as a consenting corporation.

Section 4.10. Employee Benefit Plans.

(a) Schedule 4.10(a) contains a written list of all employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and all collective bargaining agreements relating to employee benefits with respect to which the Company or its domestic subsidiaries has incurred, or may incur, any future obligations, including, without limitation, all plans, agreements or arrangements relating to deferred compensation, pensions, profit sharing, retirement income or other benefits, severance arrangements, health benefits and insurance benefits (other than plans, arrangements or agreements applying to employees of the Company generally which are funded by insurance)

(collectively, the "Company Plans"). The Company has furnished or made available to Parent complete and correct copies of (i) all Company Plans, reasonably available to the Company, and (ii) the most recent actuarial report for each Company Plan that is a defined benefit plan (within the meaning of Section 3(35) of ERISA). Except as set forth on Schedule 4.10 hereto none of the Company Plans is a multiemployer plan within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA.

(b) Each Company Plan has been administered and operated in accordance with its terms and applicable law in all material respects, including, without limitation, in accordance with the Tax Equity and Fiscal Responsibility Act, the Tax Reform Act of 1984, the Retirement Equity Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Tax Reform Act of 1986, the revenue Act of 1987 and the Technical and Miscellaneous Revenue Act of 1988, except where the failure to be so administered or operated would not have a material adverse effect on the Business Condition. Except as set forth in Schedule 4.10(b), the Company has received a favorable determination letter from the Internal Revenue Service ("IRS") with respect to each Company Plan which is intended to be a "qualified" plan under Section 401(a)

of the Code and, to the best knowledge of the Company, the IRS has taken no action to revoke any such letter. No material liability under ERISA or otherwise has been incurred or, to the knowledge of the Company based upon existing facts, is reasonably likely to be incurred by the Company, with respect to any Company Plan.

(c) Neither the Company nor, to the best of the Company's knowledge, any of its subsidiaries has engaged in any transaction in connection with which the Company or any subsidiary, directly or indirectly, would be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code other than penalties or taxes which would not, individually or in the aggregate, have a material adverse effect on the Business Condition.

(d) Except as set forth on Schedule 4.10(d), there are no actions, suits, claims or proceedings, pending or, to the best of the Company's knowledge, threatened (other than routine claims for benefits), which would be reasonably likely to result in any liability to the Company or to any of its subsidiaries with respect to any Company Plan or any trust related thereto which would have a material adverse effect on the Business Condition.

(e) No liability (other than liability for premium payments required by Section 4007 of ERISA, which premiums have been paid when due except where the failure to pay would not have a material adverse effect on the Business Condition) to the Pension Benefit Guaranty Corporation ("PBGC") exists or has been incurred with respect to any Company Plan subject to Title IV of ERISA which would have a material adverse effect on the Business Condition.

(f) Except as set forth in Schedule 4.10(f) hereto, the actuarial present value of all accrued benefits determined, in accordance with reasonable actuarial assumptions and methods set forth in the most recently completed actuarial valuation report under each Company Plan which is a "defined benefit plan" (within the meaning of Section 335 of ERISA) and which is subject to subtitles C and D of Title IV of ERISA (each such plan being hereinafter referred to as a "Title IV Plan") and maintained or contributed to by the Company and its subsidiaries, as from time to time in effect, did not, as of the date of the most recently completed annual actuarial valuation for each such plan, exceed the value of the assets of each such Company Plan as of such date.

(g) Except as set forth on Schedule 4.10(g) hereto, there have not been any "reportable events", as that term is defined in Section 4043 of ERISA, with respect to any Title IV Plan required to be reported to the PBGC since January 1, 1987.

(h) Neither any of the Company Plans subject to Part 3 of Subtitle B of Title I or to Title II of ERISA nor any trusts have incurred any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA or Section 412 of the Code (whether or not waived), since January 1, 1984, and full payment has been made of all contributions required to be made under the terms of each Company Plan.

(i) With respect to any multiemployer plan to which the Company or any of its subsidiaries is required to contribute, (i) the Company and its subsidiaries have made all required contributions when due, (ii) the Company has delivered or made available to Parent copies of the Reports of the Actuarial Valuation of the Northwest Ohio Area Industries UAW Retirement Income Plan made as of January 1, 1988 and made as of January 1, 1987 (as used in this Section, "Reports") and (iii) if the Company and its subsidiaries and other trades or businesses which are under common control with the Compa-

ny (within the meaning of Section 414 of the Code) would have incurred complete withdrawals (within the meaning of Section 4203 of ERISA) from each such multiemployer plan as of the date of the most recent of the Reports, the liability to such plans would not have been material to the Business Condition.

Section 4.11. Employment and Severance Agreements. Except as set forth on Schedule 4.11 hereto, there are no employment, severance or termination agreements (other than in accordance with local law and custom, employment agreements with key employees of foreign subsidiaries or as set forth in the Company Filings) to which the Company or any of its subsidiaries is a party. Except for this Agreement and those agreements described in the Company Filings or on Schedule 4.11 hereto (true and complete copies of which agreements have been delivered to Parent), neither the Company nor any of its subsidiaries is a party to, or bound by, any employment agreement or any other arrangement or understanding with any person that provides for the payment of any consideration by the Company or any of its subsidiaries (or Parent or the Surviving Corporation) to such person as a result of the consummation of any of the transactions contemplated by this Agreement.

Section 4.12. Brokers and Finders. Except for Dillon Read, for whose fees (which have been previously disclosed to Parent) the Company shall be solely responsible, no financial adviser, broker, agent or finder has been retained by the Company in connection with this Agreement or any transaction contemplated hereby and no such financial adviser, broker, agent or finder is entitled to any fee or other compensation on account of this Agreement or any transaction contemplated hereby. A copy of the Company's agreement with Dillon Read has previously been provided to Parent by the Company.

Section 4.13. *Termination of Dana Merger Agreement*. (a) The Company has terminated the Plan and Agreement of Merger, dated as of January 25, 1989, among the Company, Dana and DC (the "Dana Merger Agreement") pursuant to Section 9.1(d)(1) thereof, and has discharged fully or made provision to discharge fully all of its obligations to Dana and DC thereunder, including the payment by the Company to Dana of $15 million pursuant to Section 9.2(b) thereof.

(b) The Company is not obligated to make any further payments to Dana under the Dana Merger Agreement or otherwise.

ARTICLE V

REPRESENTATIONS AND WARRANTIES
BY PARENT AND MERGER SUB

Parent and Merger Sub hereby jointly and severally represent and warrant to the Company:

Section 5.1. Corporate Organization; Capitalization. (a) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio. The authorized capital stock of Parent consists of (i) 1,811,240 shares of preferred stock, no par value, of which 16,996 were issued and outstanding as of December 31, 1988, (ii) 9,495,143 shares of preferred stock, par value $1.00 per share, of which no shares were issued and outstanding as of December 31, 1988, and (iii) 250,000,000 shares of common stock, par value $5.00 per share, of which 50,689,342 were issued and outstanding and none were held in treasury of Parent as of December 31, 1988.

(b) The authorized capital stock of Merger Sub consists of 1,000 shares of common stock, par value $0.01 per share, and 1,000 shares of preferred stock, par value $0.01 per share. The issued capital stock of Merger Sub consists of 100 shares of common stock, par value $0.01 per share, which are owned by

Parent on the date hereof. Merger Sub was incorporated on February 14, 1989, is validly existing and in good standing under the laws of Delaware and has engaged in no business and incurred no liabilities except as contemplated by this Agreement.

Section 5.2. Corporate Power; etc. Parent has corporate power to own all of its properties and assets and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing in each jurisdiction where its ownership, operation or leasing of property or the conduct of its business requires it to be so qualified, except in such jurisdictions, if any, where the failure to be so qualified would not, either individually or in the aggregate, have a material adverse effect upon the business, assets, properties, results of operations or financial condition of Parent and its subsidiaries, taken as a whole (the "Parent Business Condition"). Parent has all necessary federal, state, local and foreign authorizations to own, lease or operate all of its properties and assets and to carry on its business as now being conducted, except any such authorizations the failure to obtain which would not have or would not be reasonably likely to have, individually or in the aggregate, a material adverse effect on

the Parent Business Condition or prevent the consummation of the Offer, the Merger or the other transactions contemplated hereby. Parent and Merger Sub each have corporate power to execute, deliver and carry out the terms of this Agreement, and Merger Sub is duly authorized to merge with the Company pursuant to this Agreement. Subject to (i) the receipt of any foreign or domestic governmental approvals required in connection with the Offer or the Merger and (ii) compliance with the provisions of HSR Act and federal and state securities laws relating to the transactions contemplated by this Agreement, the execution and delivery of this Agreement, do not, and the consummation of the Offer or the Merger will not, (i) violate or conflict with any provision of the certificate of incorporation or by-laws of Parent or any of its subsidiaries, (ii) except as set forth in Schedule 5.2 hereto, violate or conflict with any provision of, or result in the acceleration of any obligation under, any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which Parent or any of its subsidiaries is a party or by which it or any of them is bound, except for any violations, conflicts or accelerations which would not or would not be reasonably likely to have, individually or in the aggregate, a material

adverse effect on the Parent Business Condition or prevent the consummation of the Offer, the Merger or the other transactions contemplated hereby, or (iii) violate or conflict with any other restriction of any kind or character to which Parent or any of its subsidiaries is subject, except for any violations or conflicts which would not or would not be reasonably likely to have, individually or in the aggregate, a material adverse effect on the Parent Business Condition or prevent the consummation of the Offer, the Merger or the other transactions contemplated hereby. The Boards of Directors of Parent and Merger Sub, and Parent as the sole stockholder of Merger Sub, have taken all action required by law, their respective certificates of incorporation, their respective by-laws or otherwise, to authorize the execution and delivery of this Agreement, and this Agreement is a valid and binding agreement of each of Parent and Merger Sub, enforceable against each of them in accordance with its terms, except as such validity, binding effect or enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally or by equitable principles relating to the availability of remedies.

Section 5.3. Financing. Prior to the expiration of the Offer, Parent or Merger Sub will have all funds necessary for the purchase of shares of Company Common Stock pursuant to the Offer. Prior to the Effective Time, Parent or Merger Sub will have all funds necessary to consummate the Merger.

Section 5.4. Financial Statements; SEC Filings. (a) The consolidated financial position of Parent and its subsidiaries as of December 31, 1987 and December 31, 1986 and related consolidated results of operations for the years ended December 31, 1987, 1986 and 1985 and consolidated changes in financial position for the years then ended, included in the Annual Report on Form 10-K of Parent for the fiscal year ended December 31, 1987 as filed with the SEC and the unaudited consolidated financial position of Parent and its subsidiaries as of September 30, 1988 and the related unaudited consolidated results of operations and consolidated changes in financial position for the nine-month period then ended included in the Quarterly Report on Form 10-Q of Parent for the fiscal quarter ended September 30, 1988 as filed with the SEC, copies of all of which have been made available by Parent to the Company (collectively, the "Parent Financial Statements"), have been prepared in accordance

with generally accepted accounting principles applied on a consistent basis, except as reflected in the Parent Financial Statements, and present fairly the consolidated financial position of Parent and its subsidiaries at the dates and the consolidated results of operations of Parent and its subsidiaries for the periods stated therein subject, in the case of unaudited interim statements, to normal year-end adjustments.

(b) Since December 31, 1987, each of the Parent and each of its subsidiaries that is required to make filings under the Securities Act or the Exchange Act has filed with the Commission all forms, reports and documents required to be filed by it pursuant to the Securities Act and the Exchange Act, all of which, as of their respective filing dates, complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act. Parent has heretofore made available to the Company a true and complete copy of (i) each final prospectus and definitive proxy statement filed by the Parent or any of its subsidiaries with the Commission since December 31, 1987, and (ii) each report filed by the Parent or any of its subsidiaries with the Commission since December 31, 1987 (the documents referred to in clauses (i) and (ii) being hereinafter re-

ferred to as the "Parent Filings"). None of the Parent Filings as of the dates they respectively were filed with the Commission contained any untrue statement of a material fact or omitted to state a material fact necessary to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 5.5. Litigation. There are no claims, actions, proceedings or investigations pending or, to the knowledge of Parent, threatened against Parent or any of its subsidiaries before any domestic or foreign court or governmental or regulatory authority or body which, individually or in the aggregate, have a reasonable likelihood of resulting in a material adverse effect on the Parent Business Condition. Neither Parent nor its subsidiaries is subject to any outstanding order, writ, injunction or decree which materially and adversely affects the Parent Business Condition.

Section 5.6. Brokers and Finders. Parent represents and warrants that no financial adviser, broker, agent or finder has been retained by Parent in connection with this Agreement or any transaction contemplated hereby and that no such financial adviser, broker, agent or finder is entitled to any fee or other compensa-

tion on account of this Agreement or any transaction contemplated hereby.

ARTICLE VI

COVENANTS OF PARENT AND THE COMPANY

Section 6.1. Proxy Statement. Promptly after consummation of the Offer, if required by applicable law in order to consummate the Merger the Company and Parent shall prepare and the Company shall file with the Commission as soon as is reasonably practicable a preliminary proxy statement, together with a form of proxy, or information statement with respect to the meeting of the Company's stockholders at which the stockholders of the Company will be asked to adopt this Agreement and approve the Merger (if required by the DGCL) and as promptly as practicable thereafter, subject to compliance with the rules and regulations of the Commission, the Company shall mail a definitive proxy statement or information statement to stockholders of the Company (if required by the DGCL or the Exchange Act). The term "Proxy Statement" shall mean such proxy or information statement at the time it initially is mailed to the Company's stockholders, any related letter to stockholders, notice of meeting and form of proxy, and all amendments or supplements thereto, if any, similarly mailed. Each of the

parties hereto shall notify the other parties hereto promptly of the receipt by it of any comments of the Commission and of any request by the Commission for amendments or supplements to the Proxy Statement and will supply the other parties hereto with copies of all correspondence between it and its representatives, on the one hand, and the Commission or the member of its staff or any other governmental official, on the other hand, with respect to the Proxy Statement. The Company, Parent and the Merger Sub each shall use its best efforts to obtain and furnish the information required to be included in the Proxy Statement; and the Company, after consultation with Parent, shall use its best efforts to respond promptly to any comments made by the Commission or any other governmental official with respect to the Proxy Statement and any preliminary version thereof and cause the Proxy Statement and related form of proxy to be mailed to its stockholders at the earliest practicable date. The information provided and to be provided by Parent, the Merger Sub and the Company for use in the Proxy Statement shall not, on the date the Proxy Statement is first mailed to the Company's stockholders or on the date of the Stockholders' Meeting, contain any statement which, at the time of and in light of the circum-

stances under which it is made, is false or misleading with respect to any material fact, or omit to state any material fact in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication which has become false or misleading and Parent, the Company and the Merger Sub each shall correct any such information provided by it for use in the Proxy Statement which shall have become false or misleading and shall take all steps necessary to cause such Proxy Statement as so corrected to be filed with the Commission and to be disseminated to the holders of shares of Company Common Stock in each case as and to the extent required by applicable law. The Proxy Statement shall comply as to form in all material respects with all applicable requirements of the federal securities laws.

Section 6.2. Access and Investigation. Each of Parent and Merger Sub may, prior to the Effective Time and through its own representatives, including, without limitation, directors, officers, accountants, attorneys and financial advisors, make such investigation of the assets and business of the Company and its subsidiaries, including the confirmation of cash, inventories, accounts receivable and liabilities, as it deems necessary or

advisable, but such investigation shall not affect any representations and warranties hereunder or Parent's right to terminate this Agreement as provided in Article IX. The Company agrees to permit Parent and its representatives to have, after the date of execution hereof, access during normal business hours, upon reasonable advance notice, to the premises and to all the books and records of the Company and its subsidiaries, including tax returns and accountants' work papers, and the officers of the Company will furnish to Parent such financial and operating data and other information with respect to the business and properties of the Company and its subsidiaries, as Parent shall from time to time reasonably request. In the event of the termination of this Agreement, each party promptly will deliver to the other party all documents, work papers and other material (and any reproductions thereof) obtained by such party or on its behalf from such other party or its subsidiaries as a result of this Agreement or in connection therewith, whether so obtained before or after the execution hereof, and will itself not use any information so obtained and will use its best efforts to have any information so obtained kept confidential and not used in any way detrimental to such other party or its stockholders.

Section 6.3. Stockholders' Meeting. The Company shall take all action necessary in accordance with applicable law and its Certificate of Incorporation and Bylaws to convene a meeting of its stockholders (the "Stockholders' Meeting") promptly after the purchase of shares of Company Common Stock pursuant to the Offer for the purpose of obtaining any stockholder approval required in connection with the transactions contemplated hereby, if such stockholder approval is required by applicable law; provided, however, that nothing contained herein will affect the right of Parent or Merger Sub to take action by written consent in lieu of a meeting to the extent permitted by applicable law. Subject to the fiduciary duties of the Board of Directors (after consultation with Jones, Day, Reavis & Pogue and with Dillon Read) of the Company under applicable law, the Proxy Statement shall contain the recommendation of the Board of Directors of the Company that the stockholders of the Company vote to approve the Merger and adopt this Agreement and the Company shall use its best efforts to solicit from stockholders of the Company proxies in favor of such approval and adoption. At any such meeting, all shares of Company Common Stock then owned by Parent or any of its subsidiaries, including Merger Sub, will be

voted in favor of approval and adoption of the Merger and this Agreement.

Section 6.4. Acquisition Proposals. Unless and until this Agreement shall have been terminated pursuant to the terms hereof, except as otherwise contemplated by this Agreement, the Company will not (and will not permit any of its subsidiaries to and will use its best efforts to cause its officers, directors and employees and any investment banker, attorney, accountant or other agent retained by it or any of its subsidiaries not to) initiate or solicit, directly or indirectly, any proposal or offer to acquire all or any substantial part of the business and properties or capital stock of the Company and its subsidiaries taken as a whole, whether by merger, purchase of assets, tender offer or otherwise (an "Acquisition Proposal"), or initiate, directly or indirectly, any contact with any person in an effort to or with a view towards soliciting any Acquisition Proposal. Notwithstanding the foregoing, the Company may furnish information concerning its business, properties or assets to a corporation, partnership, person or other entity or group (other than Parent or an affiliate or associate of Parent) and may negotiate with such entity or group if Jones, Day, Reavis & Pogue advises the Company's Board of

Directors that the failure to furnish such information or negotiate with such entity or group could subject the Company's directors to liability for breach of their fiduciary duties. In the event the Company shall receive an Acquisition Proposal, it shall immediately inform Parent as to any such offer and the details thereof and shall convey to Parent any letter, proposal or other document in which an Acquisition Proposal is expressed.

Section 6.5. Interim Operations of the Company. The Company covenants and agrees that after the date hereof, and prior to the earlier to occur of (x) the Effective Time and (y) such time as Parent shall control a majority of the Company's Board of Directors pursuant to Section 1.3 hereof, and except with the consent of Parent, which consent will not be unreasonably withheld, or as expressly provided herein:

(a) the business of the Company and its subsidiaries shall be conducted only in the ordinary and usual course and, to the extent consistent therewith, each of the Company and its subsidiaries shall use its best efforts to preserve its business organization intact and maintain its existing relations with customers, suppliers, employees and business partners;

(b) neither the Company nor any of its subsidiaries (other than immaterial foreign subsidiaries) shall (i) amend its charter or by-laws; (ii) transfer, lease, license, sell, mortgage, pledge, dispose of or encumber any material assets other than in the ordinary and usual course of business, or incur or modify in any material respect any material indebtedness; or (iii) enter into any material commitment or transaction (including, but not limited to, any material borrowing, capital expenditure or purchase or sale of assets);

(c) neither the Company nor any of its subsidiaries shall (i) grant any increase in the compensation payable or to become payable by the Company or any of its subsidiaries to any of its executive officers or key employees (except in the ordinary course of business and consistent with prior practices) or adopt any new, or amend or otherwise increase the amounts payable or to become payable under any existing bonus, incentive compensation, deferred compensation, profit sharing, stock option, stock purchase, insurance, pension, retirement or other employee benefit plan (including, but not limited to, the granting of stock options, stock appreciation rights or restricted stock awards); or (ii) enter into any employment agreement with or, except in accordance

with the existing written policies of the Company, grant any severance or termination pay to any officer, director or employee of the Company or any of its subsidiaries;

(d) neither the Company nor any of its subsidiaries (other than immaterial foreign subsidiaries) shall modify or amend in any material respect or terminate any of its material contracts or waive, release or assign any material rights or claims;

(e) neither the Company nor any of its subsidiaries shall permit any insurance policy naming it as a beneficiary or a loss payable payee to be cancelled or terminated without notice to and consent of Parent, except in the ordinary course of business; provided, however, that such consent shall not be unreasonably withheld; and

(f) neither the Company nor any of its subsidiaries will enter into an agreement to do any of the foregoing.

Section 6.6. Consents. Parent and the Company shall use their respective reasonable best efforts to obtain all consents and approvals required in connection with, and waivers of any violations, breaches and defaults that may be caused by, the consummation of the Merger or the other transactions contemplated by this

Agreement (other than consents, approvals and waivers the failure to obtain which would not, individually or in the aggregate, have a material adverse effect on the Business Condition or on the Parent Business Condition, as the case may be).

Section 6.7. Filings. Parent and the Company shall, as promptly as practicable, make any required filings, and Parent and the Company shall promptly make any other required submissions, under any law, statute, order, rule or regulation with respect to the Merger and shall cooperate with each other with respect to the foregoing.

Section 6.8. Best Efforts; Further Assurances. (a) Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations, including, without limitation, the DGCL, or to remove any injunctions or other impediments or delays, legal or otherwise, to consummate the Offer and make effective the Merger and the other transactions contemplated by this Agreement.

(b) If at any time after the Effective Time any further action is necessary or desirable to

carry out the purposes of this Agreement, the proper officers and directors of the Company, Parent and Merger Sub designated by Parent shall take, or cause to be taken, all such necessary action.

(c) If at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or otherwise are necessary or desirable to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, the title to any property or right of the Company acquired or to be acquired by reason of or as a result of the Merger, the Company and its proper officers and directors shall execute and deliver all such proper deeds, assignments and assurances in law and do all things necessary and proper to vest, perfect or confirm title to such property or rights in the Surviving Corporation and otherwise to carry out the purpose of this Agreement, and the proper officers and directors of the Surviving Corporation are fully authorized in the name of the Company or otherwise to take any and all such action.

Section 6.9. Publicity. The initial press release(s) with respect to the execution of this Agreement shall be acceptable to Parent and the Company. Thereafter, so long as this Agreement is in effect, nei-

ther the Company, Parent nor any of their respective subsidiaries shall issue or cause the publication of any press release or other announcement with respect to the Offer, the Merger, this Agreement or the other transactions contemplated hereby without the prior consultation of the other party, except as may be required by law or by any listing agreement with a national securities exchange.

Section 6.10. Notification of Certain Matters. The Company, Parent and Merger Sub agree to give prompt notice to each other of (i) the occurrence, or failure to occur, of any event which occurrence or failure to occur would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time, promptly upon becoming aware of such event, and (ii) any material failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.10 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

Section 6.11. Declaration of Dividends, etc. The Company agrees that prior to the Effective Time (or such earlier time at which Parent shall control a majority of the Company's Board of Directors), the Company shall not, except as contemplated in this Agreement,

(a) declare, set aside or pay any dividend or other distribution or payment (whether in cash, stock or property) in respect of shares of its capital stock owned by any person, except for the third and fourth quarter cash dividends at a rate not in excess of $.05 per share of Company Common Stock if the Effective Time shall not have occurred prior to the applicable declaration date for such cash dividends; provided, however, that the declaration, payment and record dates for such cash dividends are fixed by the Board of Directors of the Company at such times as are in accordance with the Company's usual and customary practice;

(b) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of its capital stock or that of its subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of its capital stock or that of its subsidiaries, other than

pursuant to the terms of outstanding options and employee stock option plans;

(c) redeem, purchase or otherwise acquire any outstanding shares of its capital stock or other securities, except pursuant to outstanding employee stock option plans;

(d) split, combine or reclassify any shares of its capital stock or otherwise change its capitalization; or

(e) authorize or propose any of the foregoing.

Section 6.12. Indemnification and Insurance. (a) From and after the time Merger Sub purchases shares of Company Common Stock pursuant to the Offer through and including the Effective Time (without regard to the termination of this Agreement), Parent will not take any action, nor permit any action to be taken, which would change or amend the provisions of the Certificate of Incorporation or by-Laws of the Company in effect on the date hereof relating to limitation of liability or indemnification or eliminate or make any modification in the Company's existing D&O Insurance (as hereinafter defined). Parent agrees that from and after the Effective Time all rights to indemnification now existing in favor

of individuals who at or prior to the Effective Time were directors, officers, employees or agents of the Company or any of its subsidiaries as set forth in the Certificate of Incorporation or by-Laws of the Company shall survive the Merger and shall continue in full force and effect for a period of six years following the Effective Time.

(b) From and after the Effective Time, Parent shall cause the Surviving Corporation to indemnify and hold harmless each of the directors, officers, employees or agents of the Company or any of its subsidiaries (collectively, the "Indemnitees" and individually, the "Indemnitee") to the fullest extent permitted by law against any and all claims, damages, liabilities, losses, costs, charges, expenses (including, without limitation, reasonable costs of investigation, and the fees and disbursements of legal counsel and other advisers and experts), judgments, fines, penalties and amounts paid in settlement, asserted against, reasonably incurred by or imposed upon any Indemnitee (collectively, "Losses" and individually a "Loss"), (i) in connection with or arising out of any threatened, pending or completed claim, action, suit or proceeding (whether civil, criminal, administrative or investigative), including without limitation

any and all claims, actions, suits, proceedings or investigations by or on behalf of or in the right of or against the Company or any of its subsidiaries or their affiliates, or by any present or former stockholder of the Company (collectively, "Claims" and individually, a "Claim"), which is based upon any act or omission, occurring prior to the Effective Time, of any Indemnitee as a director, officer, employee or agent of the Company or any of its subsidiaries and which arises out of the Offer, the Merger, the Proxy Statement or any of the transactions contemplated by this Agreement, other than a Claim which is based upon or attributable to (x) the willful misconduct of such Indemnitee or (y) the Indemnitee having actually realized a personal profit to which he was not entitled from the purchase and sale by the Indemnitee of equity securities of the Company which are recoverable by the Company pursuant to Section 16(b) of the Exchange Act or a personal profit arising from transactions in publicly traded securities of the Company which were effected by the Indemnitee in violation of Section 10(b) of the Exchange Act, or Rule 10b-5 promulgated thereunder, and (ii) in connection with or arising out of the enforcement of the obligations of Parent or the Surviving Corporation set forth in this Section 6.12;

provided, however, that (i) the Surviving Corporation will be entitled to participate in and, to the extent that it may wish, to assume the defense of any such Claim, with counsel reasonably satisfactory to the Indemnitee except that, if any Indemnitee (or group of Indemnitees) reasonably believes that, by reason of a potential conflict of interest, it is advisable for such Indemnitee (or group of Indemnitees) to be represented by separate counsel, or if the Surviving Corporation shall fail to assume responsibility for such defense, such Indemnitee (or group of Indemnitees) may retain counsel satisfactory to such Indemnitee (or group of Indemnitees) who will represent such Indemnitee (or group of Indemnitees) and the Surviving Corporation shall pay all reasonable fees and disbursements of such counsel promptly as statements therefor are received; (ii) the Indemnitee and the Surviving Corporation will cooperate with each other, and use their respective best efforts to assist, in the vigorous defense of any such matter; and (iii) the Surviving Corporation shall not be liable for any settlement effected without its written consent, which consent, however, shall not be unreasonably withheld; and (iv) the Surviving Corporation shall not have any indemnification obligation hereunder to any Indemnitee as to damages,

fines, penalties or judgments if it shall be ultimately determined by the court which rendered such judgment and levied such damages, fines or penalties, after exhaustion of all avenues of appeal, that such judgment and damages, fines or penalties are a consequence of any act of willful dishonesty or a willful criminal act constituting a felony by such Indemnitee. This Section 6.12(b) will be construed as an agreement, as to which the Indemnitees are intended to be third party beneficiaries, between Parent and the Indemnitees, as unaffiliated third parties.

(c) In the event the Surviving Corporation or any of its successors or assigns (i) reorganizes or consolidates with or merges into any other person and is not the resulting, continuing or surviving corporation or entity of such consolidation or merger or (ii) liquidates, dissolves or transfers all or substantially all of its properties and assets to any person, then, and in each such case, proper provision will be made so that the successors and assigns of the Surviving Corporation assume the obligations set forth in this Section 6.12.

(d) The Surviving Corporation will use its best efforts to maintain the Company's existing officers' and directors' liability insurance ("D&O Insur-

ance") in full force and effect without reduction of coverage below $20 million for a period of two years after the Effective Time; provided, however, that the Surviving Corporation will not be required to pay an annual premium therefor in excess of the last annual premium paid prior to the date hereof (the "Current Premium"); and provided, further, that if the existing D&O Insurance expires, is terminated or cancelled during such two-year period, the Surviving Corporation will use its best efforts to obtain as much D&O Insurance covering officers and directors as can be obtained for the remainder of such period for a premium on an annualized basis not in excess of the Current Premium. Parent may, at its option, discharge its obligations under the first sentence of this Section 6.12(d) to provide the Company's existing officers and directors with insurance coverage through Parent's insurance policies, copies of which have been delivered to the Company prior to the date hereof.

Section 6.13. Redemption of Rights. The Board of Directors of the Company shall, as of immediately prior to the consummation of the Offer, call for redemption all of the then outstanding Company Rights, and from and after the time of such redemption no person will have any right to exercise any of the Company Rights or any

other rights under the Rights Agreement pursuant to which the Company Rights have been issued, aside from the right to receive the redemption payment of $0.05 per Company Right, and the Company Rights will no longer have any force or effect.

Section 6.14. Employee Benefits. (a) Parent agrees that the Company will honor and, from and after the Effective Time, Parent will cause the Surviving Corporation to honor, in accordance with their terms, all agreements to which the Company or any of its subsidiaries presently is a party and which are listed on Schedule 6.14.

(b) Except as set forth in Section 6.15 hereof, it is the present intention of Parent, to the extent permitted by law, to cause the Surviving Corporation to take such actions as are necessary so that, for not less than one year after the date hereof, employees of the Surviving Corporation and its subsidiaries during such period will be provided employee benefit and incentive compensation and similar plans and programs that provide compensation and benefits which are not, in the aggregate, materially less favorable than those provided to employees of the Company and its subsidiaries as of the date hereof; provided, however, that it is agreed and

understood that after the Effective Time no party hereto will have any obligation to issue shares of capital stock of Parent, Merger Sub, the Surviving Corporation or any of such person's subsidiaries pursuant to any such plan or program.

Section 6.15. Collective Bargaining Agreements. Nothing contained in this Agreement shall require the Surviving Corporation, the Merger Sub or Parent to assume, adopt or otherwise be bound by the terms of any collective bargaining agreement to which the Company or any of its Subsidiaries has been, is now or shall become, prior to the Effective Time, a party, and the Surviving Corporation, the Merger Sub and the Parent expressly disclaim any intent or obligation to assume, adopt or otherwise be bound by the terms of any such collective bargaining agreement.

Section 6.16. Section 203 and Article Fifteenth. The Company's Board of Directors and the Continuing Directors, respectively, shall not revoke, modify, rescind or amend the Section 203 Resolution or the Article Fifteenth Resolution, as the case may be, nor shall they resolve to do any of the foregoing, and the Company and the Company's Board of Directors shall each take such other action as may be necessary to ensure that

the restrictions of Section 203 of the DGCL and Article Fifteenth of the Articles will not apply to the Merger.

Section 6.17. Derivative Actions. The Company has previously provided Parent with copies of the complaints and all related pleadings or other documents filed of record in Harriss v. Champion Spark Plug Co., No. 89-0414 (Ohio Ct. Common Pl., Lucas Co., filed Feb. 1, 1989), Brennan v. Stranahan, No. 89-0366 (Ohio Ct. Common Pl., Lucas Co., filed Jan. 30, 1989), and In re Champion Spark Plug Company Shareholders' Litigation, Consolidated Civil Action No. 10569 (Del. Ch. filed Feb. 7, 1989) (the "Derivative Actions"). The Derivative Actions are, to the actual knowledge of the Company, all of the actions which have been filed against the Company or any member of the Board of Directors of the Company as of the date hereof with respect to the actions of the Company and the Board of Directors of the Company taken in connection with the Dana Merger Agreement. The Company will use its best efforts to keep Parent informed of, and consult with Parent concerning (a) the status of the Derivative Actions (as well as any litigation of a similar nature commenced after the date hereof), and (b) settlement discussions, if any, between the plaintiffs in the Derivative Actions and the Company. The Company

shall not enter into a binding settlement with the plaintiffs in connection with the Derivative Actions (as well as any litigation of a similar nature commenced after the date hereof) without the prior consent of Parent.

ARTICLE VII

CONDITIONS TO PARENT'S AND MERGER SUB'S OBLIGATION TO CLOSE

Section 7.1. Conditions to Parent's and Merger Sub's Obligation to Close. The obligation of Parent and Merger Sub to consummate the Merger is subject to the satisfaction at or prior to the Effective Time, of the following conditions:

(a) Each of the material acts and undertakings of the Company to be performed by it on or before the earlier of (x) such time as Parent shall control at least a majority of the Company's Board of Directors and (y) the Effective Time pursuant to the terms hereof shall have been duly performed in all material respects; provided, however, that no failure by the Company to have so performed any such material act or undertaking that is within its actual capacity to perform shall constitute a failure of satisfaction of the foregoing condition where the Company's failure of performance occurred, and was actually known to Parent, at or prior

to the time Parent, Merger Sub or any of their affiliates accepted for payment any shares of Company Common Stock pursuant to the Offer.

(b) This Agreement shall have been duly adopted by the stockholders of the Company by the requisite vote in accordance with applicable law.

(c) Any applicable waiting period under the HSR Act relating to the Merger shall have expired or been terminated.

(d) No governmental authority, agency or commission or court of competent jurisdiction in the United States shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, injunction, order or decree which is in effect and which prevents or makes illegal the consummation of the Merger.

(e) Parent, Merger Sub or any of their affiliates shall have purchased shares of Company Common Stock pursuant to the Offer; provided, however, that this condition shall be deemed to have been satisfied if Parent, Merger Sub or any of their affiliates shall, in violation of the terms of the Offer, have failed to accept for payment and pay for shares of Company Common Stock pursuant to the Offer.

ARTICLE VIII

CONDITIONS TO THE COMPANY'S OBLIGATION TO CLOSE

Section 8.1. Conditions to the Company's Obligation to Close. The obligation of the Company to consummate the Merger is subject to the satisfaction at or prior to the Effective Time, of the following conditions:

(a) This Agreement shall have been duly adopted by the stockholders of the Company by the requisite vote in accordance with applicable law.

(b) Any applicable waiting period under the HSR Act relating to the Merger shall have expired or been terminated.

(c) No governmental authority, agency or commission or court of competent jurisdiction in the United States shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, injunction, order or decree which is in effect and which prevents or makes illegal the consummation of the Merger.

(d) Parent, Merger Sub or any of their affiliates shall have purchased shares of Company Common Stock pursuant to the Offer.

ARTICLE IX

TERMINATION

Section 9.1. Termination. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and the Merger contemplated herein may be abandoned at any time prior to the Effective Time, whether before or after stockholder approval thereof:

(a) By the mutual consent of the Board of Directors of Parent and the Board of Directors of the Company.

(b) By any of the Company, Parent or Merger Sub:

(1) if the Effective Time shall not have occurred on or before September 30, 1989; provided, however, that (i) the right to terminate this Agreement under this clause (b)(1) shall not be available to any party whose failure to fulfill materially any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date; or

(2) if any court of competent jurisdiction in the United States or other United States governmental body shall have issued an order, decree

or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their best efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and non-appealable.

(c) By either of Parent or Merger Sub:

If (1) prior to the purchase of shares of Common Stock pursuant to the Offer the Company's Board of Directors shall have withdrawn or modified or amended in a manner significantly adverse to Parent its approval or recommendation of this Agreement or the Offer or the Merger (it being understood and agreed that any redemption of the Company Rights, other than in accordance with this Agreement or with the express written consent of Parent, shall be deemed to be a withdrawal of the recommendation of the Company's Board of Directors), or (2) the Company Rights shall have become non-redeemable, or (3) the Board of Directors of the Company shall have allowed to occur or resolved to do any of the foregoing, or (4) due to an occurrence which results in a failure to satisfy any of the

conditions set forth in Annex A hereto, (A) Parent or Merger Sub shall have failed to commence the Offer within five business days after the date hereof, (B) terminated the Offer or (C) failed to pay for any shares of Company Common Stock within 120 days after commencement of the Offer; provided, however, that any termination by either Parent or Merger Sub pursuant to this sub-clause (4) must occur promptly after such termination of, or failure to commence, the Offer.

(d) By the Company:

(1) If, prior to the purchase by Parent, Merger Sub or their affiliates of at least a majority of the outstanding shares of Company Common Stock, (i) the Company receives an offer from any person other than Parent or any of its affiliates with respect to an Acquisition Proposal and (ii) the Board of Directors of the Company determines, upon the advice of Jones, Day, Reavis & Pogue to such effect, that the fulfillment of the fiduciary duties of the Company's Board of Directors requires that the Board of Directors approve or recommend such offer;

(2) At any time prior to the purchase of any shares of Company Common Stock pursuant to the Offer, if either Parent or Merger Sub shall have breached, or failed to perform in any material respect, any of their respective material obligations, covenants or agreements under this Agreement, or any representation or warranty of Parent or Merger Sub set forth in this Agreement shall be untrue or incorrect in any material respect either when made or at any time prior to the purchase of shares of Company Common Stock pursuant to the Offer as if made at and as of such time; or

(3) If, due to an occurrence which results in a failure to satisfy any of the conditions set forth in Annex A hereto, Parent or Merger Sub shall have (A) failed to commence the Offer within five business days after the date hereof, (B) terminated the Offer, or (C) failed to pay for shares of Company Common Stock within 120 days after commencement of the Offer.

Section 9.2. Effect of Termination. (a) In the event of the termination of this Agreement as provided herein, (i) this Agreement shall forthwith become null and void, and there shall be no liability on the part of

Parent, Merger Sub or the Company, or any of their respective officers, directors, employees, agents or stockholders, except for fraud or for material breach of this Agreement and except that the provisions as set forth in Sections 1.2(c), 6.2, the first sentence of 6.12(a), 6.16, 9.2, 11.1 and the proviso to 11.4 shall survive the termination hereof. Nevertheless, anything in this Agreement to the contrary notwithstanding, if any of the conditions specified in Article 7 hereof have not been satisfied, Parent shall have the right to waive such condition and to proceed with the Merger and, if any of the conditions specified in Article 8 hereof have not been satisfied, the Company shall have the right to waive such condition and to proceed with the Merger.

(b) (i) If Parent or Merger Sub shall terminate this Agreement pursuant to Section 9.1(c)(1), (2) or (3) hereof, or if the Company shall terminate this Agreement pursuant to Section 9.1(d)(1) hereof, then the Company shall (A) pay Parent a fee of $10 million promptly, but in no event later than two days after the date of such termination, and (B) pay to Parent a second fee of $10 million promptly, but in no event later than two days after the consummation of the first to occur of any (i) merger, consolidation, leveraged buyout or similar trans-

action involving the Company and any Other Buyer (as defined in Annex A hereto), (ii) acquisition of a material portion of the consolidated assets of the Company and its subsidiaries by any Other Buyer, or (iii) acquisition by any Other Buyer of beneficial ownership of at least a majority of the then outstanding shares of Company Common Stock, but only if the consummation thereof occurs within one year after the date of such termination.

(ii) If Parent or Merger Sub shall terminate this Agreement because of an event of the type identified in paragraph (f)(1) of Annex A, other than an event which would otherwise give rise to payment under Section 9.2(b)(i) above, then the Company shall pay Parent a fee of $20 million promptly, but in no event later than two days, after the date of the first such event of such type.

(iii) Notwithstanding the foregoing, (A) no fee shall be payable by the Company pursuant to this Section 9.2(b) if Parent or Merger Sub shall have been in material breach of its material obligations hereunder at the time such fee would otherwise have become payable and (B) in no event shall fees and/or expenses aggregating more than $20 million be payable by the Company to Parent pursuant to this Section 9.2.

(c) In the event this Agreement is terminated by Parent pursuant to Section 9.1(c)(4) hereof as a result of the Company's material breach of, or failure to perform in any material respect, any of its material obligations, covenants or agreements under this Agreement, or as a result of any representation or warranty of the Company set forth in this Agreement being untrue or incorrect in any material respect, then in addition to whatever other rights Parent may have against the Company for damages or other remedies in respect of such breach or other cause for termination pursuant to Section 9.1(c)(4) hereof, the Company shall promptly reimburse Parent for all of its out-of-pocket expenses and fees (including, without limitation, the fees and expenses of its counsel, and of all banks and other financial institutions, and their respective agents, whether for arranging or providing any financing, or otherwise) incurred by Parent or any of its affiliates or on behalf of any of them in connection with the Offer, the Merger or the consummation of any other transactions contemplated by this Agreement; provided, however, that in no event shall any amounts be payable by the Company pursuant to this Section 9.2(c) if the Company has become

obligated to make any payment pursuant to Section 9.2(b) hereof.

(d) In the event this Agreement is terminated by the Company pursuant to Section 9.1(d)(2) hereof, then in addition to whatever other rights the Company may have against Parent or Merger Sub for damages or other remedies in respect of any breach or other cause for termination pursuant to Section 9.1(d)(2), Parent shall promptly reimburse the Company for all of its out-of-pocket expenses and fees (including, without limitation, the fees and expenses of its counsel and the fees and expenses of Dillon Read in accordance with the terms of engagement of Dillon Read previously disclosed to Parent) incurred by the Company or any of its affiliates or on behalf of any of them in connection with the Offer, the Merger or the consummation of any other transactions contemplated by this Agreement.

ARTICLE X

SURVIVAL OF REPRESENTATIONS AND WARRANTIES

Section 10.1. Survival of Representations and Warranties. None of the representations and warranties included or provided for herein, or in any instrument of transfer or other document delivered pursuant hereto,

shall survive the purchase of shares of Company Common Stock pursuant to the Offer.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Costs and Expenses. Except as otherwise specifically provided herein, all legal and other costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

Section 11.2. Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by registered mail or certified mail, postage prepaid, addressed as follows:

If to Parent or
Merger Sub to:

Cooper Industries, Inc.
First City Tower, Suite 4000
1001 Fannin
Houston, Texas 77002

Attention: Duane F. Emmert, Esq.
General Counsel

With a copy to:

J. Michael Schell, Esq.
Skadden, Arps, Slate, Meagher
& Flom
919 Third Avenue
New York, New York 10022

If to the Company to:

Champion Spark Plug Company
One SeaGate
Toledo, Ohio 43661
Attention: John A. Garwood,
Secretary

With a copy to:

William H. Steinbrink, Esq.
Jones, Day, Reavis & Pogue
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114

or such other address as shall be furnished in writing by any party, and any such notice of communication shall be deemed to have been given as of the date so mailed.

Section 11.3. Amendment. This Agreement may be amended before stockholder approval of the Merger and this Agreement with respect to any of the terms contained herein and, without further approval of such stockholders, may be amended after stockholder approval of the Merger and this Agreement with respect to any of the terms contained herein except to reduce or change the consideration payable to the stockholders of the Company in the Merger or to otherwise adversely affect the rights of such stockholders hereunder. No such amendment shall be effective unless in a writing signed by the parties hereto (and unless, in the case of the Company, such

amendment is approved by the Continuing Company Directors as provided in Section 1.3 hereof).

Section 11.4. Entire Agreement. This Agreement and the transactions contemplated hereby and thereby constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, including the provisions of the letter agreement dated February 3, 1989 by and between Parent and the Company; provided, however, that if this Agreement is terminated pursuant to the terms hereof prior to the purchase of shares of Company Common Stock by Parent or Merger Sub, the provisions of such letter agreement shall be reinstated.

Section 11.5. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered go the other parties.

Section 11.6. Applicable Law. This Agreement shall be governed by and construed in accordance with the

laws of the State of Delaware (without regard to the principles of conflicts of law thereof).

Section 11.7. Descriptive Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 11.8. Assignment. This Agreement and all the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of their rights hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties; provided, however, that Merger Sub's rights hereunder may be assigned to any other wholly owned subsidiary of Parent without the Company's consent and upon such an assignment such subsidiary shall succeed to all of the rights, obligations and liabilities of Merger Sub hereunder.

Section 11.9. Certain Definitions. For purposes of this Agreement,

(a) "subsidiary" shall mean, when used with reference to any entity, any corporation, a majority of the outstanding voting securities or equivalent equity

interest of which are owned directly or indirectly by such entity;

(b) "affiliate" shall have the meaning ascribed thereto by Rule 12b-2 under the Exchange Act.

IN WITNESS WHEREOF, this Agreement has been signed by the duly authorized officers of each of the parties as of the day and year first written above.

COOPER INDUSTRIES, INC.

By: /s/ Alan E. Riedel
Name: Alan E. Riedel
Title: Senior Vice President

SPARK PLUG ACQUISITION COMPANY

By: /s/ Harry J. Lawson
Name: Harry J. Lawson
Title: Vice President

CHAMPION SPARK PLUG COMPANY

By: /s/ O. Lee Henry
Name: O. Lee Henry
Title: Chief Executive Officer

ANNEX A
to
Plan and Agreement of Merger

Certain Conditions of the Offer. Notwithstanding any other provision of the Offer, Merger Sub shall not be required to accept for payment, purchase or pay for any shares of Company Common Stock tendered, and Parent and Merger Sub may terminate or amend the Offer and may postpone the acceptance for payment and purchase of, and payment for, shares of Company Common Stock if, (i) the Minimum Share Condition shall not have been satisfied; (ii) all waiting periods under the Hart-Scott-Rodino Act applicable to the purchase of shares of Company Common Stock pursuant to the offer shall not have expired or been terminated; or (iii) the Company shall not have properly and validly redeemed the Company Rights in accordance with the Merger Agreement and the Company Rights Agreement or shall have any material liabilities or obligations of whatever nature, aside from the obligation to pay the Redemption Price (as defined in the Company Rights Agreement), under or pursuant to the Company Rights Agreement; or (iv) at any time on or after February 21, 1989 and prior to the time of acceptance of any such shares of Company Common Stock for payment, or the payment for any such shares of Company Common Stock

(whether or not any shares of Company Common Stock have theretofore been accepted for payment or paid for pursuant to the Offer), any of the following events shall occur:

(a) there shall have occurred (i) any general suspension of, or limitation on prices for, trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange, the Pacific Stock Exchange or the over-the-counter markets, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation (whether or not mandatory) by any federal, state or foreign governmental authority on, or any other event which materially and adversely affects the extension of credit by, banks or other lending institutions, (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, or (iv) in the case of any of the foregoing existing at the time of commencement of the Offer, a material acceleration or worsening thereof; or

(b) there shall be threatened, instituted or pending any action, proceeding or counterclaim by or before any court or government, governmental authority or other regulatory or administrative agency or commission, domestic or foreign, or by any other Person (as defined below), domestic or foreign, or there shall be any determination by any government, governmental authority or other regulatory or administrative agency or commission, that in any such case is reasonably likely to: (i) restrain or prohibit the consummation of the Offer or Merger or any of the transactions contemplated by this Agreement or the Offer; (ii) prohibit or restrain Parent's or Merger Sub's (or any of their respective affiliates') ownership or operation of all or any material portion of its own or the Company's business or assets, or to compel Parent or Merger Sub (or any of their respective affiliates) to dispose of or hold separate all or any material portion of its own or the Company's business or assets; (iii) restrain, prohibit or make the acceptance for payment of, payment for, or other acquisi-

tion of (whether pursuant to the Offer or otherwise) some or all of the shares of Company Common Stock illegal or result in a material delay in the ability of Parent or Merger Sub to consummate the Offer or the Merger or in material damages; or (iv) impose material limitations on the ability of Parent or Merger Sub effectively to acquire or hold or to exercise full rights of ownership with respect to any shares of Company Common Stock, including, without limitation, the right to vote any shares of Company Common Stock purchased by it (whether pursuant to the Offer or otherwise) on all matters properly presented to the stockholders of the Company; provided, however, that in the event of any such action or proceeding, brought by a Person (as hereinafter defined) other than a court, government, governmental authority or regulatory or administrative agency, such action or proceeding must, in the reasonable opinion of Parent (based on an opinion of outside counsel for Parent), be reasonably expected to materially and adversely affect its ability to consummate the transactions

contemplated by the Agreement or to materially and adversely affect the Business Condition or the Parent Business Condition; or

(c) any statute, rule, regulation, judgment, order or injunction shall be enacted, promulgated, entered, enforced, issued or deemed applicable to the Offer or the Merger or any other action shall have been taken, proposed or threatened by any court, government, governmental authority, or other regulatory or administrative agency or commission, domestic or foreign, that would have any of the effects set forth in clause (i), (ii), (iii) or (iv) of clause (b) of this Annex A; or

(d) the Company shall have breached, or failed to perform in any material respect, any of its material obligations, covenants or agreements under this Agreement, or any representation or warranty of the Company set forth in this Agreement shall be untrue or incorrect in any material respect either when made or at any time prior to the payment for shares of Company Common Stock pursuant to the offer as if made at and as of such time; or

(e) this Agreement shall have been terminated by Parent or the Company pursuant to its terms or the Company and Parent shall have reached an agreement that Parent shall amend or terminate the Offer or postpone the payment for shares of Company Common Stock pursuant thereto; or

(f) (i) any corporation, partnership, person, trust, association, entity or group (as defined in Section 13(d)(3) of the Exchange Act) (a "Person") other than Parent or any of its affiliates (an "Other Buyer"), acquires beneficial ownership of at least a majority of the then outstanding shares of Company Common Stock; (ii) any merger, consolidation, leveraged buyout or similar transaction involving the Company and any Other Buyer shall have been consummated; (iii) any Other Buyer shall have acquired a material portion of the assets of the Company; (iv) the Board of Directors of the Company shall have withdrawn, modified or amended in a manner adverse to Parent, its approval or recommendation of the Offer or the Merger or shall have approved or recommend-

ed any other Acquisition Proposal (it being understood and agreed that any redemption or other modification of the Company Rights, other than in accordance with the terms of this Agreement or with the express written consent of Parent, shall be deemed to be a withdrawal of the recommendation of the Company's Board of Directors); (v) any Other Buyer shall have entered into an agreement with the Company to effect any transaction described in clauses (i) through (iv) of this subsection (f); or (vi) the Board of Directors shall have resolved to do any of the foregoing (the "Triggering Events");

which, in the reasonable judgement of Parent, in any such case, and regardless of the circumstances giving rise to any such condition, makes it inadvisable to proceed with the Offer or with the acceptance for payment or payment for shares of Company Common Stock.

The foregoing conditions (except the Minimum Share Condition) are for the sole benefit of Parent and Merger Sub and may be asserted by Parent or Merger Sub regardless of the circumstances giving rise to any such conditions or may be waived by Parent and Merger Sub in

whole or in part at any time and from time to time in their sole discretion; provided, however, that Merger Sub may not make any change in the Minimum Share Condition without the consent of the Company. Notwithstanding the fact that Parent and Merger Sub have reserved the right to assert the occurrence of a condition following acceptance for payment of shares of Company Common Stock but prior to payment for shares of Company Common Stock in order to delay payment or cancel their obligation to pay for properly tendered shares of Company Common Stock, Parent and Merger Sub will either promptly pay for or promptly return such shares of Company Common Stock. The failure by Parent or Merger Sub at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by Parent or Merger Sub concerning any event described above shall be final and binding on all parties including all stockholders of the Company.

Schedule 4.1 to Section 4.1
Corporate Organization

1. The Company entered into a Guaranty Agreement dated March 1, 1980 with American Fletcher National Bank and Trust Company, as Trustee, whereby the Company guaranteed the obligations of DeVilbiss Electronics Corporation in the principal amount of $1,800,000. The Guaranty Agreement provides that the Company will not merge into another corporation unless the surviving corporation assumes the Company's obligation under the Guaranty Agreement. Eagle Industries, Inc., assumed this obligation and indemnified the Company from any loss under the Guaranty Agreement which indemnification is secured by a letter of credit.

2. The Company has entered into a $38,000,000 Credit Agreement dated as of June 1, 1984 with the Morgan Guaranty Trust Company, as agent. In Section 5.06 of the Credit Agreement the Company agreed that it would not merge into another person unless the Company was the corporation surviving such merger and, as a result of the merger and giving effect to such merger, there would be no event of default under the Credit Agreement. As of January 20, 1989, there were no outstanding loans pursuant to the Credit Agreement.

3. The Company entered into a Guaranty and Bond Purchase Agreement dated as of June 1, 1984 with American Fletcher National Bank and Trust Company, as Trustee, whereby the Company guaranteed the obligations of The Anderson Company of Indiana in the principal amount of $4,800,000. The Guaranty Agreement provides that the Company will comply with the terms, conditions, and provisions of Section 5.06 of the Credit Agreement with Morgan Guaranty Trust Company, as agent, referred to in item no. 2 above.

Schedule 4.2
CHAMPION SPARK PLUG COMPANY
SUBSIDIARIES

	State or Country of Incorporation	Percentage of Securities Owned
Anco Products, Ltd.	Canada	100 %
The Anderson Company of Indiana	Delaware	100 %
Arman Motor Products, Ltd.	England	100 %
Baron Drawn Steel Corporation	Ohio	100 %
Baron Drawn Steel Corporation of Michigan	Michigan	100 %
Bougie Champion, S.A.	France	100 %
Bujias Champion de Mexico, S.A. de C.V.	Mexico	91 %
Bujias Champion de Venezuela, C.A.	Venezuela	100 %
CSP Industries B.V.	Holland	100 %
Champion Fuel Systems, Ltd.	Delaware	100 %
Champion Iberica S.A.	Spain	100 %
Champion Interamericana, Ltd.	Delaware	100 %
Champion Service & Trading Pte. Ltd.	Singapore	100 %
Champion Spark Plug Co. (Aust.) Pty. Limited	Australia	100 %
Champion Spark Plug Co. (Japan) Ltd.	Japan	100 %
Champion Spark Plug Co. of South Africa (Pty.) Ltd.	South Africa	100 %
Champion Spark Plug Company of Canada, Limited	Canada	100 %
Champion Spark Plug Europe S.A.	Belgium	100 %
Champion Spark Plug (Far East) Pte. Limited	Singapore	100 %
Champion Spark Plug International Sales Corp.	Delaware	100 %
Champion Spark Plug Italiana, S.p.A.	Italy	100 %
Champion Spark Plug Korea Ltd.	Korea	50 %
Champion Spark Plug New Zealand	New Zealand	100 %
Champion Spark Plug Taiwan, Inc.	Taiwan	100 %
Champion Sparking Plug Company (Ireland) Limited	Ireland	100 %
Champion Sparking Plug Company, Limited	England	100 %
Champion Tool Company	Delaware	100 %
Champion World Air, Inc.	Delaware	100 %
Champion Zundkerzen Deutschland G.m.b.H.	West Germany	100 %
Hellertown Manufacturing Company	Delaware	100 %
Iowa Industries, Inc.	Delaware	100 %
Jordan Products, Inc.	Ohio	100 %
KC Champion, Ltd.	Korea	50 %
Livingston Industries, Inc.	California	100 %
Marcus Engineering (Wirral) Company, Ltd.	England	100 %
Modi Champion Limited	India	40 %
P B Marketing, Inc.	Delaware	100 %
SPM, Inc. (Merged with Champion Spark Plug Co. September 1, 1988)	Delaware	100 %
Sharon Manufacturing Company	Michigan	100 %
Sunset Properties, Inc.	Ohio	100 %
Velas Champion do Brasil, Ltda.	Brazil	100 %

Schedule 4.2
CHAMPION SPARK PLUG COMPANY
SUBSIDIARIES

The Company has agreed to loan to Business Class, Inc. ("BCI") up to One Million Dollars in connection with the joint development by the Company and BCI of a mall-type, retail venture for men's and women's clothing and apparel, travel items and items incidental thereto. The Company additionally is obligated to guaranty BCI's lease of a mall premises. It appears that such lease obligations will amount to $110,000 a year for a minimum of five (5) years.

The Company has a 40% equity interest in Modi Champion Ltd., an India corporation. Under certain circumstances, the Company may be obligated to invest additional funds into Modi Champion Ltd. at the Company's option, as a loan or as equity.

The Company has a 50% equity interest in Champion Spark Plug Korea Ltd. The Company has guaranteed debt of Champion Spark Plug Korea Ltd. in the maximum principal amount of approximately $733,000.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1993
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-1175

Cooper Industries, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Ohio	31-4156620
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

First City Tower, Suite 4000, Houston, Texas 77002
(Address of Principal Executive Offices) (Zip Code)
713/739-5400
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $5 par value	The New York Stock Exchange The Pacific Stock Exchange
Preferred Stock - $1.60 Convertible Exchangeable Preferred Stock, $1 par value	The New York Stock Exchange The Pacific Stock Exchange
Rights to Purchase Preferred Stock	The New York Stock Exchange The Pacific Stock Exchange
7% Convertible Subordinated Debentures due 2012	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate value of the registrant's voting stock held by non-affiliates of the registrant as of March 8, 1994 was $5,240,891,595.

Number of shares outstanding of registrant's Common Stock as of

March 8, 1994 - 115,912,510

DOCUMENTS INCORPORATED BY REFERENCE

Cooper Industries, Inc. Proxy Statement for the Annual Meeting of Shareholders to be held on April 26, 1994 (Part III - Items 10, 11 and 12)

1993 Annual Report to Shareholders (Part I - Item 1, Part II - Items 5, 6, 7 and 8, and Part IV - Item 14(a)(1))

PART I

ITEM 1. BUSINESS; ITEM 2. PROPERTIES

GENERAL

The terms "Cooper" or "Company" refer to the registrant, Cooper Industries, Inc. Cooper was incorporated under the laws of the State of Ohio on January 8, 1919.

The Company operates in five business segments: Electrical Products, Electrical Power Equipment, Tools & Hardware, Automotive Products and Petroleum & Industrial Equipment.

Cooper manufactures, markets and sells its products and provides services throughout the world, operating facilities in 39 countries and currently employing approximately 49,500 people. On December 31, 1993, the plants and other facilities used by Cooper throughout the world contained an aggregate of approximately 45,435,000 square feet of space, of which approximately 85% was owned and 15% leased. The charts on the next page show the number of employees, square footage of facilities owned and leased and location of manufacturing facilities for each industry segment. Cooper believes its facilities are adequate and suitable for current and projected operations. Certain equipment and production facilities have been financed by industrial revenue or pollution control bonds issued by local government authorities and are subject to security arrangements customary in such financings.

Segment	Number of Employees	Number and Nature of Facilities				Square Footage of Plants and Facilities	
		Manufacturing	Warehouse	Sales	Other	Owned	Leased
Electrical Products	10,400	32	8	33	-	6,274,000	1,106,000
Electrical Power Equipment	4,400	13	3	50	2	3,950,000	84,000
Tools & Hardware	10,100	39	30	9	2	7,679,000	1,151,000
Automotive Products	13,500	46	16	17	6	7,401,000	2,792,000
Petroleum & Industrial Equipment	10,700	29	35	84	4	13,116,000	1,679,000
Other	400	-	-	-	1	-	203,000
Total	49,500	159	92	193	15	38,420,000	7,015,000

Manufacturing Plant Locations

Segment	United States	Canada	Mexico	South America	United Kingdom	Europe (Other Than UK)	Australia	Other
Electrical Products	20	2	5	-	3	1	1	-
Electrical Power Equipment	12	-	-	-	-	-	-	1
Tools & Hardware	25	2	-	2	1	7	2	-
Automotive Products	31	2	4	1	1	5	1	1
Petroleum & Industrial Equipment	18	-	-	1	5	4	-	1
Total	106	6	9	4	10	17	4	3

Operations in the United States are conducted by unincorporated divisions and subsidiaries of the Company, organized by the five business segments. Activities outside the United States contribute significantly to the revenues and operating earnings of all segments of Cooper. These activities are conducted in major commercial countries by wholly owned subsidiaries and jointly owned companies, the management of which is structured through the Company's five business segments. As a result of these international operations, sales and distribution networks are maintained throughout most of the industrialized world. Cooper believes that there are generally no substantial differences in the business risks associated with these international operations compared with domestic activities. Exhibit 21.0 is a list of Cooper's subsidiaries.

Data with respect to Cooper's industry segments, domestic and international operations and export sales is contained in Note 15 of the Notes to Consolidated Financial Statements, incorporated herein by reference to pages 58 through 60 of Cooper's 1993 Annual Report to Shareholders. A discussion of acquisitions and divestitures is included in Notes 2 and 4 of the Notes to Consolidated Financial Statements, incorporated herein by reference to pages 44 through 45 and 46 of Cooper's 1993 Annual Report to Shareholders.

With its five business segments, Cooper serves five major markets: industrial, construction, electrical power, automotive and oil and gas exploration, production and transmission. Markets for Cooper's products and services are worldwide, though the United States is the largest market. Within the United States, there is no material geographic concentration by state or region. Most operating units experience significant competition from both larger and smaller companies with the key competitive factors being price, quality, brand name and availability. Cooper believes that it is among the leading manufacturers in the world of nonpower hand tools, industrial tools, chain products, drapery hardware and window coverings, automotive brakes, lamps, wire sets, spark plugs, wiper blades, steering, suspension, driveline and temperature control products, aviation ignition components, compression equipment for oil and natural gas applications, drilling-related equipment, oilfield valves and wellhead equipment, industrial machinery, primary electrical power equipment, hazardous duty electrical equipment, lighting products and fuses.

Cooper's research and development activities are for purposes of improving existing products and services and originating new products. During 1993, approximately $42.1 million was spent for research and development activities as compared with approximately $42.3 million in 1992 and $43.6 million in 1991. Cooper obtains and holds patents on products and designs in the United States and many foreign countries where operations are conducted. Although in the aggregate Cooper's patents are important in the operation of its businesses, the loss by expiration or otherwise of any one patent or group of patents would not materially affect its business.

Cooper does not presently anticipate that compliance with currently applicable environmental regulations and controls will significantly change its competitive position, capital spending or earnings during 1994. Cooper has been a party to administrative and legal proceedings with governmental agencies that have arisen under statutory provisions regulating the discharge or potential discharge of material into the environment. Orders and decrees consented to by Cooper have contained agreed-upon timetables for fulfilling reporting or remediation obligations or maintaining specified air and water discharge levels in connection with permits for the operations of various plants. Cooper believes it is in compliance with the orders and decrees and such compliance is not material to the business or financial condition of Cooper.

Approximately 55% of the United States hourly production work force of Cooper is employed in 93 manufacturing facilities, distribution centers and warehouses not covered by labor agreements. Numerous agreements covering approximately 45% of the hourly production employees exist with 49 bargaining units at 46 operations in the United States and with various unions at 52 international operations. During 1993, new agreements were concluded covering hourly production employees at 15 operations in the United States. Cooper considers its employee relations to be excellent.

Sales backlog at December 31, 1993 was approximately $804 million (of which approximately 2% is estimated for delivery after year-end 1994) compared with backlog of approximately $1,298 million at December 31, 1992.

The following describes the business conducted by each of the Company's business segments. More information regarding the products, markets, distribution methods and market conditions for each segment is incorporated herein by reference to pages 2 and 3, 10 through 21 and 25 (excluding the last sentence of the first paragraph) through 35 of Cooper's 1993 Annual Report to Shareholders.

Electrical Products

The Electrical Products segment manufactures, markets and sells electrical products, including fittings, enclosures, plugs and receptacles, used in secondary electrical power distribution applications, such as general construction and industrial maintenance and repair, and by original equipment manufacturers. The segment also manufactures, markets and sells lighting fixtures used in general construction, renovation and repair applications and fuses for the electronics, transportation and consumer markets.

The principal raw material requirements include copper, tin, lead, plastics, insulating materials, pig iron, aluminum ingots, steel, aluminum and brass. These raw materials are available from and supplied by numerous sources located in the United States and abroad.

Demand for Electrical Products follows general economic conditions and is generally sensitive to activity in the construction and electronics markets and industrial production levels. The segment's product lines are marketed directly to original equipment manufacturers and through major distributor chains and thousands of independent distributors to a variety of end users.

In the fall of 1993, the Company spun-off through an initial public offering of stock the Belden wire and cable operation, which was part of the Electrical Products segment and manufactured and marketed wire, cable and cord products for the electronics and electrical markets.

Electrical Power Equipment

The Electrical Power Equipment segment manufactures, markets and sells electrical products used in primary power transmission and distribution. Products include distribution switchgear, power and distribution transformers, transformer terminations and accessories, capacitors, voltage regulators, surge arrestors, pole-line hardware and other related power systems components.

The principal raw material requirements include silicon steel, carbon steel and rod steel, magnet wire, copper coils and aluminum wire and sheets. These raw

materials are available from and supplied by numerous sources located in the United States and abroad.

Demand for Electrical Power Equipment is driven by general economic conditions, residential and commercial construction, and spending by utilities for replacements, expansions and efficiency improvements. The segment's products are marketed through distributors and directly to utilities and industrial end users.

Tools & Hardware

The Tools & Hardware segment manufactures, markets and sells hand tools and chain and clamp products for industrial, construction and consumer markets; air-powered and electric tools for general industry; and drapery hardware and custom window coverings for residential and commercial window treatment markets.

The principal raw material requirements include rolled coiled steel, wood, plastic pellets, flat and bar stock steel, brass, copper, tin plate, fiberglass, greige goods, aluminum, iron castings and plastic sheet. These materials are available from and supplied by numerous sources in the United States and abroad.

Historically, demand for nonpowered hand tools has been relatively stable and is driven by employment levels and industrial activity in major industrial countries. Demand for industrial power tools and many chain products is related to employment levels and the overall level of U.S. and European industrial activity. Demand for drapery hardware and window coverings is influenced by housing starts, turnover of existing housing units and consumer disposable income. The segment's products are sold by a company salesforce, independent distributors and retailers.

Automotive Products

The Automotive Products segment manufactures, markets and sells automotive brakes and lights, wire and cable, spark plugs, windshield wipers, steering, suspension, driveline and temperature control products and other products for the automotive aftermarket; lights, spark plugs and windshield wipers for original equipment manufacturers; and aviation ignition components.

The principal raw material requirements include steel, iron, nickel, glass, aluminum, aluminum oxide, zinc, copper, rubber, plastic and chemicals. The materials are available from and supplied by numerous sources in the United States and abroad.

Demand for automotive aftermarket products has been relatively stable and is driven by the number of vehicles produced, the age and number of vehicles on the road, and the number of vehicle miles driven. Demand for automotive products sold to original equipment manufacturers is driven by the number of vehicles produced. The segment's products are sold through distributors and wholesalers to aftermarket outlets and directly to original equipment manufacturers and retailers.

Petroleum & Industrial Equipment

The Petroleum & Industrial Equipment segment manufactures, markets and services engines, pumps and compressors used in the production, transmission, storage and processing of natural gas and oil; industrial air compressors, blowers and pumps; valves, wellhead equipment, blowout preventers, chokes and control

systems, couplings and other components for oil and gas drilling, production and transmission activities; and forgings for a variety of specialized applications. Some of these products also have application in municipal and general industrial markets.

The principal raw material requirements include iron castings and steel beams, rails, billets, rods, plates, castings and forgings. Major purchases include gasoline, diesel and aircraft derivative turbine engines, electric motors, micro-computing processors and motorized carriers. These materials are available from and supplied by numerous sources located primarily in the United States, except for aircraft derivative turbine engines which are obtained from Great Britain.

Demand for Petroleum & Industrial Equipment products is sensitive to general economic conditions, environmental regulation and energy supply and demand. Repair parts and consumables have experienced relatively stable demand over time. Products and services are marketed by employee sales engineers, salesmen and through independent dealers, distributors and manufacturers' representatives located throughout the world.

On January 10, 1994, the Company entered into a definitive agreement to sell the Cameron Forged Products Division of its Petroleum & Industrial Equipment segment to Wyman-Gordon Company, subject to the approval of Wyman-Gordon shareholders and certain other conditions. Immediately after the sale, Cooper will own a 48 percent interest in Wyman-Gordon.

In October 1993, the Company announced its intention to spin-off the Gardner-Denver Industrial Machinery Division of its Petroleum & Industrial Equipment segment by distributing 100% of the common stock of Gardner Denver Machinery Inc. to holders of the Company's common stock. Gardner Denver Machinery Inc. manufactures and markets air compressors and blowers for industrial applications and equipment used in oil and gas production and well servicing, drilling and stimulation. The spin-off should be completed in April 1994.

ITEM 3. LEGAL PROCEEDINGS

The Company and certain of its current officers and directors are named in four alleged class action lawsuits brought in federal court in Houston on behalf of persons who purchased Cooper stock during the period from February 1, 1993 through January 25, 1994. The complaints appear to allege that the defendants, through certain public statements, misled investors respecting (i) deterioration in certain of the Company's markets and the demand for some of its products, and (ii) the Company's anticipated performance in 1994. The ultimate liability, if any, which may result from these lawsuits cannot be determined at this time.

As previously reported, on December 8, 1988, the U.S. Environmental Protection Agency ("EPA"), Region VI, issued an Administrative Order to Cooper Industries, Inc., Flow Control Division concerning alleged federal Clean Water Act violations. The allegations concerned wastewater discharges from the Company's Missouri City, Texas plant to the local sewer system. The EPA sought a civil penalty and the submission of a compliance schedule from the Company. The Company previously submitted a compliance schedule and negotiated a consent decree with the EPA under which the Company agreed to pay a civil penalty of $139,000. The executed consent

decree was filed with the court in May 1993 and became effective July 23, 1993. On July 30, 1993 Cooper paid the agreed civil penalty of $139,000. On October 4, 1993, the court issued an order of dismissal for this matter.

During November 1992, the Cooper-Bessemer Rotating operation of the Company received a letter from the Ohio Attorney General's office alleging violations of the Ohio Right To Know, Toxic Release Inventory reporting requirements. The allegations arise out of an Ohio EPA audit of the facility on April 30, 1992. The State initially proposed a penalty of $212,240. After negotiations between the Company and the State, the State reduced its proposed penalty to $139,457. In February 1994, the Company requested that the State not proceed with this matter until the EPA issues its decision in a rule-making proceeding currently under review addressing similar federal regulatory issues. The State has indicated that it is interested in renewing settlement negotiations.

In March 1993, the Wisconsin Department of Natural Resources (DNR) alleged violations by the Company's Pewaukee, Wisconsin plant of air pollution control regulations concerning organic compound emissions from two coating lines and a rotary tumble coater. In August 1993, the Company proposed a settlement agreement to the DNR under which the Company would test changes in processes and coating materials to lower the amount of emissions. If process and materials changes were found to be insufficient, the Company would assure compliance by other means. The DNR forwarded the matter to the Wisconsin Department of Justice (DOJ). In March 1994, the DOJ orally advised the Company that the State will seek a civil penalty of approximately $150,000 in addition to a compliance schedule such as the one that the Company proposed and penalties during the implementation of the compliance schedule. Negotiations are continuing with the DOJ.

The Company is also subject to various other suits, legal proceedings and claims that arise in the normal course of business. While it is not feasible to predict the outcome of these matters with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on the Company's financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this report, no matters were submitted to a vote of the shareholders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of March 8, 1994, there were 36,124 record holders of Cooper's Common Stock and 2,121 record holders of Cooper's $1.60 Convertible Exchangeable Preferred Stock, which is convertible into Cooper Common Stock. Information regarding dividends, trading markets and market prices for Cooper's Stock is incorporated herein by reference to page 24 of Cooper's 1993 Annual Report to Shareholders.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference to pages 36 and 37, Notes 1 through 4, 9 and 13 of Notes to Consolidated Financial Statements on pages 43 through 46, 50 through 51 and 56 through 57, and Earnings Outlook on pages 34 through 35 of Cooper's 1993 Annual Report to Shareholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated by reference to pages 10 through 21 and 25 through 35 of Cooper's 1993 Annual Report to Shareholders, excluding the last sentence of the first paragraph on page 25.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated by reference to pages 38 through 62 of Cooper's 1993 Annual Report to Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference to pages 3 through 8 and 9 of the Cooper Proxy Statement for the 1994 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to pages 10 through 16 of the Cooper Proxy Statement for the 1994 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference to pages 2 and 8 of the Cooper Proxy Statement for the 1994 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements and Other Financial Data (incorporated by reference to the pages shown below in Cooper's 1993 Annual Report to Shareholders).

	Page No.
Report of Independent Auditors	38
Cooper Industries, Inc. and Subsidiaries:	
Consolidated Results of Operations for Each of the Three Years in the Period Ended December 31, 1993 ..	39
Consolidated Financial Position as of December 31, 1993 and December 31, 1992	40

Consolidated Cash Flows for Each of the Three Years in the Period Ended December 31, 1993	41
Consolidated Changes in Shareholders' Equity for Each of the Three Years in the Period Ended December 31, 1993	42
Notes to Consolidated Financial Statements	43 - 62
Management's Discussion and Financial Review	25 (excluding last sentence of first paragraph)-35
Financial History	36 - 37

With the exception of the financial statements, financial data and other information listed above or incorporated under Items 1, 5, 6, 7 and 8 of this Form 10-K, the 1993 Annual Report to Shareholders is not deemed filed as part of this report. The financial statement schedules listed below should be read in conjunction with the financial statements listed above. Financial statement schedules not included in this Form 10-K Annual Report have been omitted because they are not applicable or the required information is shown in the financial statements or notes hereto. Financial information with respect to subsidiaries not consolidated and 50% or less owned persons accounted for by the equity method has not been included since in the aggregate such subsidiaries and investments do not constitute a significant subsidiary.

2. Financial Statement Schedules (located on the following pages of this Report). Each Schedule is for each of the three years in the period ended December 31, 1993.

Schedule		Page No.
V	Property, Plant and Equipment	S-1 to S-3
VI	Accumulated Depreciation of Property, Plant and Equipment	S-4 to S-6
IX	Short-Term Borrowings	S-7 to S-9
X	Supplementary Income Statement Information	S-10

3. Exhibits

3.1 Twenty-Fifth Amended Articles of Incorporation of Cooper Industries, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-K for the year ended December 31, 1992).

3.2 Code of Regulations (By-Laws), as amended, of Cooper Industries, Inc. (incorporated herein by reference to Exhibit 3.2 of the Company's Form 10-K for the year ended December 31, 1992).

4.1 Rights Agreement, dated as of February 17, 1987, between Cooper Industries, Inc. and First Chicago Trust Company of New York as Rights Agent, an amendment thereto dated August 14, 1989 (incorporated herein by reference to Exhibit 4.4 to Registration Statement No. 33-31941), and an amendment thereto dated November 6, 1990 (incorporated herein by reference to Exhibit 4.4 to Registration Statement No. 33-38808).

4.2 Rights Agreement, dated as of November 20, 1989, between Cooper Industries, Inc. and First Chicago Trust Company of New York as Rights Agent (incorporated herein by reference to Exhibit A to Registration Statement on Form 8-A filed on November 21, 1989), and an amendment thereto dated November 6, 1990 (incorporated herein by reference to Exhibit 4.5 to Registration Statement No. 33-38808).

10.1 1989 Director Stock Option Plan (incorporated herein by reference to Exhibit 28.1 to Registration Statement No. 2-33-29302).

10.2 Cooper Industries, Inc. Directors Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K for the year ended December 31, 1992).

10.3 Cooper Industries, Inc. Directors Retirement Plan (incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-K for the year ended December 31, 1992).

10.4 Cooper Industries, Inc. Executive Restricted Stock Incentive Plan (incorporated herein by reference to Exhibit 10.4 of the Company's Form 10-K for the year ended December 31, 1992).

10.5 Cooper Industries, Inc. Supplemental Excess Defined Benefit Plan (incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-K for the year ended December 31, 1992).

10.6 Cooper Industries, Inc. Supplemental Excess Defined Contribution Plan (incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-K for the year ended December 31, 1992).

10.7 Management Incentive Compensation Deferral Plan (incorporated herein by reference to Exhibit 10.8 of the Company's Form 10-K for the year ended December 31, 1992).

10.8 Crouse-Hinds Company Officers' Disability and Supplemental Pension Plan (incorporated herein by reference to Exhibit 10.9 of the Company's Form 10-K for the year ended December 31, 1992).

13.0 Text of Cooper Industries, Inc. 1993 Annual Report to Shareholders incorporated herein by reference.

21.0 List of Cooper Industries, Inc. Subsidiaries.

23.0 Consent of Ernst & Young.

24.0 Powers of Attorney from members of the Board of Directors of Cooper Industries, Inc.

Cooper will furnish to the Commission supplementally upon request a copy of any instrument with respect to long-term debt of the Company.

Copies of the above Exhibits are available to shareholders of record at a charge of $.25 per page, minimum order of $10.00. Direct requests to:

Cooper Industries, Inc.
Attn: Corporate Secretary
P.O. Box 4446
Houston, Texas 77210

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the last quarter of 1993.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COOPER INDUSTRIES, INC.

Date: March 30, 1994

By /s/ ROBERT CIZIK
(Robert Cizik, Chairman and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROBERT CIZIK (Robert Cizik)	Chairman and Chief Executive Officer (Principal Executive Officer) and Director	March 30, 1994
/s/ DEWAIN K. CROSS (Dewain K. Cross)	Senior Vice President, Finance (Principal Financial Officer)	March 30, 1994
/s/ DONALD R. SHELEY, JR. (Donald R. Sheley, Jr.)	Vice President and Controller (Principal Accounting Officer)	March 30, 1994
/s/ ALAN E. RIEDEL (Alan E. Riedel)	Director	March 30, 1994
/s/ H. JOHN RILEY, JR. (H. John Riley, Jr.)	Director	March 30, 1994
*WARREN L. BATTS (Warren L. Batts)	Director	March 30, 1994
*CONSTANTINE S. NICANDROS (Constantine S. Nicandros)	Director	March 30, 1994
*CLIFFORD J. GRUM (Clifford J. Grum)	Director	March 30, 1994
*SIR RALPH H. ROBINS (Sir Ralph H. Robins)	Director	March 30, 1994
*A. THOMAS YOUNG (A. Thomas Young)	Director	March 30, 1994

* By /s/ DIANE K. SCHUMACHER
(Diane K. Schumacher, as Attorney-In-Fact for each of the persons indicated)

Cooper Industries, Inc.

1993 Annual Report on Form 10-K

Cross Reference Sheet

Item No. in Form 10-K		Page Reference in 10-K	Page Reference in Incorporated Annual Report	Page Reference in Incorporated Proxy Statement
Item 1.	Business	3-8	2, 3, 10-21, 25-35, 44-45, 46, 58-60	-
Item 2.	Properties	3-8	-	-
Item 3.	Legal Proceedings	8-9	-	-
Item 4.	Submission of Matters to a Vote of Security Holders	9	-	-
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	9	24	-
Item 6.	Selected Financial Data	9	34-35,36-37, 43-46,50-51,56-57	-
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10	10-21, 25-35	-
Item 8.	Financial Statements and Supplementary Data	10	38-62	-
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	10	-	-
Item 10.	Directors and Executive Officers of the Registrant	10	-	3-8, 9
Item 11.	Executive Compensation	10	-	10-16
Item 12.	Security Ownership of Certain Beneficial Owners and Management	10	-	2, 8
Item 13.	Certain Relationships and Related Transactions	10	-	-
Item 14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	10-13, S-1 et seq.	25-62	-

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1993

(millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Additions at Cost	Column D Retirements	Column E Other Changes	Column F Balance At End of Period
Land and land improvements	$ 127.3	$ 5.5	$ 2.7	$ 2.3 (1) (2.3)(2) 5.4 (3) (10.2)(4) (2.1)(5)	$ 123.2
Buildings	737.4	33.8	20.1	11.7 (1) (8.2)(2) 12.4 (3) (90.4)(4)	676.6
Machinery and equipment	1,518.8	129.3	45.2	2.9 (1) (13.2)(2) 44.6 (3) (243.1)(4) (56.1)(5)	1,338.0
Tooling, dies, patterns, etc.	135.2	24.9	1.4	1.7 (1) (0.7)(2) 1.4 (3) (40.7)(4) (1.3)(5)	119.1
All other	285.7	38.7	23.1	(0.5)(1) (2.3)(2) 1.9 (3) (31.6)(4) (3.1)(5)	265.7
Construction in progress	97.3	12.3	-	0.1 (1) (0.7)(2) (11.4)(4) (2.8)(5)	94.8
	$2,901.7	$244.5	$92.5	$(436.3)	$2,617.4

(1) Other (transfers to inventory, reclassifications between categories, etc.).
(2) Effect of translation in accordance with SFAS No. 52.
(3) Assets obtained in business acquisitions and the fair market value adjustments and related activity associated with those assets.
(4) Assets reclassified to Net Assets of Businesses Held for Disposition and assets disposed of in business divestitures.
(5) Reduction in carrying value of assets related to transformer product line.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1992

(millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Additions at Cost	Column D Retirements	Column E Other Changes	Column F Balance At End of Period
Land and land improvements	$ 123.9	$ 6.1	$ 4.7	$ 1.9 (1) (3.4)(2) 5.6 (3) (2.1)(4)	$ 127.3
Buildings	685.0	50.9	14.9	11.0 (1) (19.9)(2) 23.1 (3) 2.2 (4)	737.4
Machinery and equipment	1,373.4	129.3	43.8	6.8 (1) (37.2)(2) 55.9 (3) 34.4 (4)	1,518.8
Tooling, dies, patterns, etc.	130.4	6.9	2.9	(1.5)(1) (1.9)(2) 0.9 (3) 3.3 (4)	135.2
All other	262.0	43.8	17.9	(1.4)(1) (5.8)(2) 5.0 (3)	285.7
Construction in progress	107.7	(3.2)	-	(5.8)(1) (1.9)(2) 0.5 (3)	97.3
	$2,682.4	$233.8	$84.2	$ 69.7	$2,901.7

(1) Other (transfers to inventory, reclassifications between categories, etc.).
(2) Effect of translation in accordance with SFAS No. 52.
(3) Assets obtained in business acquisitions and the fair market value adjustments and related activity associated with those assets.
(4) Effect of adoption of FAS 109.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1991

(millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Additions at Cost	Column D Retirements	Column E Other Changes	Column F Balance At End of Period
Land and land improvements	$ 122.0	$ 6.7	$ 6.3	$ 1.3 (1) .2 (2)	$ 123.9
Buildings	654.5	48.1	10.9	(5.5)(1) (1.2)(2)	685.0
Machinery and equipment	1,225.4	130.6	28.6	23.6 (1) (2.2)(2) 15.2 (3) 9.4 (4)	1,373.4
Tooling, dies, patterns, etc.	114.9	4.5	1.3	12.5 (1) (.2)(2)	130.4
All other	229.2	49.5	15.9	(.1)(1) (.7)(2)	262.0
Construction in progress	126.9	(9.4)	.1	(9.4)(1) (.3)(2)	107.7
	$2,472.9	$230.0	$63.1	$42.6	$2,682.4

(1) Other (transfers to inventory, reclassifications between categories, etc.).
(2) Effect of translation in accordance with SFAS No. 52.
(3) Assets obtained in business acquisitions and fair market value adjustments and related activity associated with those assets.
(4) Correction of prior year error in translation.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1993

(millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column D Retirements	Column E Other Changes	Column F Balance At End of Period
Land improvements	$ 19.4	$ 1.9	$ 0.3	$ (0.1)(1) (1.0)(2) (4.9)(3)	$ 15.0
Buildings	213.2	26.2	11.8	2.8 (1) (1.1)(2) (37.1)(3)	192.2
Machinery and equipment	801.5	111.8	35.9	0.6 (1) (4.2)(2) (142.2)(3)	731.6
Tooling, dies, patterns, etc.	11.6	24.6	0.6	0.8 (1) (0.2)(2) (8.5)(3)	27.7
All other	170.4	37.5	18.6	1.7 (1) (1.3)(2) (22.2)(3)	167.5
	$1,216.1	$202.0	$67.2	$(216.9)	$1,134.0

(1) Includes change in accumulated depreciation related to "other" asset activity.
(2) Effect of translation in accordance with SFAS No. 52.
(3) Assets reclassified to Net Assets of Businesses Held for Disposition and assets disposed of in business dispositions.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1992

(millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column D Retirements	Column E Other Changes	Column F Balance At End of Period
Land improvements	$ 17.6	$ 2.0	$ 0.4	$ 0.8 (1) (0.6)(3)	$ 19.4
Buildings	193.7	25.1	3.5	2.0 (1) (4.2)(2) 0.1 (3)	213.2
Machinery and equipment	701.4	123.8	33.0	9.0 (1) (19.6)(2) 19.9 (3)	801.5
Tooling, dies, patterns, etc.	7.1	6.4	1.5	0.3 (1) (0.7)(2)	11.6
All other	148.6	38.9	13.0	(0.8)(1) (3.3)(2)	170.4
	$1,068.4	$196.2	$51.4	$ 2.9	$1,216.1

(1) Includes change in accumulated depreciation related to "other" asset activity.
(2) Effect of translation in accordance with SFAS No. 52.
(3) Effect of adoption of FAS 109.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1991

(millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column D Retirements	Column E Other Changes	Column F Balance At End of Period
Land improvements	$ 15.5	$ 2.1	$ .3	$ .3 (1)	$ 17.6
Buildings	174.5	24.3	3.0	(1.4)(1) (.7)(2)	193.7
Machinery and equipment	585.6	110.6	20.7	17.3 (1) (.8)(2) 9.4 (3)	701.4
Tooling, dies, patterns, etc.	4.6	2.5	.8	.8 (2)	7.1
All other	124.7	35.7	12.1	.8 (1) (.5)(2)	148.6
	$904.9	$175.2	$36.9	$25.2	$1,068.4

(1) Includes change in accumulated depreciation related to "other" asset activity.
(2) Effect of translation in accordance with SFAS No. 52.
(3) Correction of prior year error in translation.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 1993

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate at End of Period(5)	Column D Maximum Amount Outstanding During the Period	Column E Average Amount Outstanding During the Period (1)	Column F Weighted Average Interest Rate During the Period (2)(5)
	(millions except percentages)				
Commercial paper	$ 573.7 (3)	3.32% (4)	$1,394.2	$1,120.0	3.22% (4)
Payable to banks	346.7 (3)	4.91%	436.0	297.1	5.38%

(1) Computed as the sum of the daily aggregate amounts borrowed divided by 365 days.

(2) Computed by dividing interest expense for the year for each "category of borrowing" by the amount computed in Column E.

(3) At December 31, 1993, $573.7 million of commercial paper and $247.0 million of borrowings payable to banks were reclassified to long-term debt reflecting the Company's intention to refinance these amounts during the twelve-month period following the balance sheet date through either continued short-term borrowings or utilization of available credit facilities.

(4) Includes applicable fees.

(5) Weighted average interest rates in the table do not include incremental borrowing costs associated with interest rate swaps. During the period, an average of $547.1 million of borrowings were covered under interest rate swaps that converted floating-rate borrowings into fixed-rate borrowings at an interest rate approximately 0.5 percentage points higher than the floating rate. At year end, $500 million of borrowings were covered under interest rate swaps expiring early in 1994 at rates higher than the floating rate by approximately 0.3 percentage points.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 1992

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate at End of Period(5)	Column D Maximum Amount Outstanding During the Period	Column E Average Amount Outstanding During the Period (1)	Column F Weighted Average Interest Rate During the Period (2)(5)
	(millions except percentages)				
Commercial paper	$1,096.1 (3)	3.55% (4)	$1,794.4	$836.8	3.63% (4)
Payable to banks	304.1 (3)	6.03%	967.8	399.6	7.12%

(1) Computed as the sum of the daily aggregate amounts borrowed divided by 366 days.

(2) Computed by dividing interest expense for the year for each "category of borrowing" by the amount computed in Column E.

(3) At December 31, 1992, $1,080.0 million of commercial paper and $120.0 million of borrowings payable to banks were reclassified to long-term debt reflecting the Company's intention to refinance these amounts during the twelve-month period following the balance sheet date through either continued short-term borrowings or utilization of available credit facilities.

(4) Includes applicable fees.

(5) Weighted average interest rates in the table do not include incremental borrowing costs associated with interest rate swaps. During the period, an average of $669.9 million of borrowings were covered under interest rate swaps that converted floating-rate borrowings into fixed-rate borrowings at an interest rate approximately 0.8 percentage points higher than the floating rate. At year end, $755 million of borrowings were covered under interest rate swaps expiring early in 1993 at rates higher than the floating rate by approximately 1.1 percentage points.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 1991

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate at End of Period	Column D Maximum Amount Outstanding During the Period	Column E Average Amount Outstanding During the Period (1)	Column F Weighted Average Interest Rate During the Period (2)
	(millions except percentages)				
Commercial paper	$ -	-	$ 925.0	$399.1	6.29% (4)
Payable to banks	952.2 (3)	7.30%	1,096.9	919.4	8.06%

(1) Computed as the sum of the daily aggregate amounts borrowed divided by 365 days.

(2) Computed by dividing interest expense for the year for each "category of borrowing" by the amount computed in Column E.

(3) At December 31, 1991, $758.9 million of borrowings payable to banks were reclassified to long-term debt reflecting the Company's intention to refinance these amounts during the twelve-month period following the balance sheet date through either continued short-term borrowings or utilization of available credit facilities.

(4) Includes applicable fees.

COOPER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE THREE YEARS ENDED DECEMBER 31, 1993

Column A	Column B Charged to Costs and Expenses (millions)		
Item	1993	1992	1991
Maintenance and repairs	$105.0	$108.8	$115.7
Depreciation of plant and equipment	202.0	196.2	175.2
Amortization of intangible assets	100.8	92.9	82.8

Exhibit 23.0

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Cooper Industries, Inc. of our report dated January 24, 1994, included in the 1993 Annual Report to Shareholders of Cooper Industries, Inc.

Our audits also included the financial statement schedules of Cooper Industries, Inc. listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

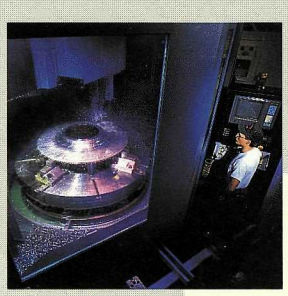
We also consent to the incorporation by reference in the following Registration Statements on Form S-8, Form S-3 or Form S-4 of Cooper Industries, Inc. and in each related Prospectus of our report dated January 24, 1994, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedules included in this Annual Report (Form 10-K) of Cooper Industries, Inc.

Registration Statement No.	Purpose
No. 2-81114	Form S-8 Registration Statement for Cooper Industries, Inc. 1981 Incentive Stock Option Plan
No. 2-71732	Form S-8 Registration Statement for Shares issuable pursuant to Substitute Deferred Compensation Agreements in connection with the acquisition of Crouse-Hinds Company
No. 2-33-14542	Form S-8 Registration Statement for Cooper Industries, Inc. 1985 and 1989 Employee Stock Purchase Plans
No. 2-33-19574	Form S-8 Registration Statement for Cooper Industries, Inc. 1981 Incentive Stock Option Plan and 1986 Stock Option Plan
No. 2-33-29302	Form S-8 Registration Statement for 1989 Director Stock Option Plan
No. 33-2243	Form S-3 Registration Statement for Cooper Industries, Inc. Debt Securities
No. 33-4097	Form S-3 Registration Statement for Cooper Industries, Inc. Debt Securities
No. 33-13695	Form S-3 Registration Statement for Cameron Iron Works, Inc. 7% Convertible Subordinated Debentures due 2012
No. 33-33011	Form S-3 Registration Statement for Cooper Industries, Inc. Debt Securities
No. 33-29301	Form S-4 Registration Statement for 3,000,000 Shares of Cooper Common Stock (Equity Shelf)
No. 33-34734	Form S-8 Registration Statement for Cameron Iron Works USA, Inc. Savings Investment Plan for Hourly Employees
No. 33-37875	Form S-3 Registration Statement for Cooper Industries, Inc. Dividend Reinvestment and Stock Purchase Plan

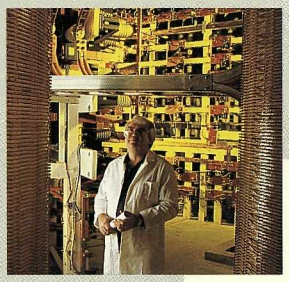
Ernst & Young

Houston, Texas
March 30, 1994

COOPER INDUSTRIES



TOOLS



TECHNOLOGY

TRAINING

1993

ANNUAL

REPORT

Table of Contents

Corporate Profile: Cooper Industries' Major Products and Markets; and 1993 Operating Revenues and Earnings by Business Segment as a Percent of Total 2

Letter to Shareholders: A Discussion of Market Conditions and 1993 Results; Rationalization and Revitalization Program; Acquisitions; Financial Condition; Senior Management Changes; and Short- and Long-Term Outlook 4

Investing in the Three Ts: Essay 8

Operations Review: Market Conditions and Operating Results; Programs Designed to Improve Competitiveness; Divestitures; Acquisitions; Training for Quality; Market Shifts; and Outlook by Business Segment 10

Cooper as a Corporate Citizen: Environmental, Safety and Educational Programs 22

Dividend and Stock Information 24

Financial Section:
Management's Discussion and Financial Review 25
Financial History: 11-Year Review 36
Report of Independent Auditors 38
Consolidated Results of Operations 39
Consolidated Financial Position 40
Consolidated Cash Flows 41
Consolidated Changes in Shareholders' Equity 42
Notes to Consolidated Financial Statements 43

Cooper Industries Operations: Names and Locations of Cooper's Divisions with Top Managers, Ages and Years of Service 63

Officers and Directors: Corporate Affiliations, Ages and Years of Service 64

Shareholder Information: Transfer Agent, Registrar and Dividend Disbursing Agent; Shareholder Assistance Addresses and Telephone Numbers; Investor Relations Contact; Financial Information and Review; Form 10-K; Annual Meeting Date; and Corporate Headquarters Address and Telephone Number 65

On the cover:

These three photos represent Cooper's ongoing investment in tools, training and technology. Captions appear on pages 9, 17 and 19. An essay on the importance of the three Ts to Cooper's future begins on page 8.

Financial Highlights

(in millions where applicable)	1993	1992	% Change
Revenues[1]	**$ 6,273.8**	$ 6,133.9	+2
Income before Income Taxes and Cumulative Effect of Changes in Accounting Principles	**625.4**	580.1	+8
Income before Cumulative Effect of Changes in Accounting Principles	**367.1**	361.3	+2
Net Income (Loss)	**367.1**	(228.7)	+261
Fully Diluted Income (Loss) per Common Share:			
Income before Cumulative Effect of Changes in Accounting Principles	**$ 2.75**	$ 2.71	+1
Net Income (Loss)	**2.75**	(2.48)	+211
Cash Dividends Declared per Common Share[2]	**$ 1.32**	$ 1.24	+6
Shares Used in Computation of Fully Diluted Earnings per Share	**114.2**	113.8	
Number of Employees	**49,500**	52,900	
Number of Record Shareholders (Common and Preferred)	**38,800**	37,800	
Operating Revenues by Industry Segment:			
Electrical Products	**$ 1,565.9**	$ 1,572.1	–
Electrical Power Equipment	**611.6**	618.2	-1
Tools & Hardware	**807.9**	812.0	-1
Automotive Products	**1,670.0**	1,285.4	+30
Petroleum & Industrial Equipment	**1,597.2**	1,831.0	-13
Operating Earnings by Industry Segment:[1][3]			
Electrical Products	**$ 316.0**	$ 295.0	+7
Electrical Power Equipment	**43.0**	58.2	-26
Tools & Hardware	**91.6**	83.4	+10
Automotive Products	**188.9**	139.0	+36
Petroleum & Industrial Equipment	**130.4**	208.8	-38
Total Assets	**$ 7,147.8**	$ 7,575.6	-6
Total Indebtedness	**1,515.9**	2,072.8	-27
Shareholders' Equity	**2,984.6**	2,866.9	+4
Return on Revenues	**5.9 %**	5.9 %[4]	
Return on Average Shareholders' Equity	**12.5 %**	12.7 %[4]	
Total Debt as a Percent of Total Capitalization	**33.7 %**	42.0 %	

(1) Certain 1992 amounts have been reclassified to provide a consistent presentation of nonrecurring income and expense.
(2) On February 16, 1994, the Board of Directors declared a quarterly dividend of $.33 a share (or $1.32 on an annualized basis), which will be paid April 1, 1994, to stockholders of record March 8, 1994.
(3) Before corporate income and expense, interest expense, income taxes and nonrecurring income and expense items. See Management's Discussion and Financial Review for further information.
(4) Based on income before the cumulative effect of changes in accounting principles.

Major Products	Major Markets	Principal Distribution Methods
Electrical Products		
Buss and **Edison** fuses and fuse accessories. **Crouse-Hinds** explosion-proof and nonexplosion-proof fittings, enclosures, industrial lighting, and plugs and receptacles; and **Arrow Hart** wiring devices. Lighting fixtures sold under well-known brand names, including **Crouse-Hinds, Lumark, McGraw-Edison** and **Edison** indoor and outdoor lighting; **Halo** recessed and track lighting; **Metalux** fluorescent lighting; and **Fail-Safe** vandal-resistant lighting.	Secondary electrical power distribution; construction; and electronic signal transmission and control.	Through distributors for use in general construction, plant maintenance, utilities, process and energy applications, shopping centers, parking lots, sports facilities, and data processing and telecommunications systems; through distributors and direct to manufacturers for use in electronic equipment for consumer, industrial, government and military applications; and direct to original equipment manufacturers of appliances, tools, machinery and electronic equipment.
Electrical Power Equipment		
Kyle distribution switchgear. **McGraw-Edison** power and distribution transformers, capacitors, voltage regulators, surge arresters, pole-line hardware and related products. **RTE** power and distribution transformers, transformer terminations and accessories, and other related power system components.	Primary electrical power transmission and distribution.	Direct and through distributors to utilities and industrial end users.
Tools & Hardware		
Apex screwdriver bits, impact sockets and universal joints. Hand tools sold under well-known brand names such as **Campbell** chain and fittings; **Crescent** and **Utica** wrenches; **Diamond** pliers, horseshoes and farrier tools; **Erem** precision cutters and tweezers; **Lufkin** measuring tapes; **Nicholson** files and saws; **Plumb** hammers; **Weller** soldering equipment and torches; **Wiss** snips and scissors; and **Xcelite** screwdrivers. **Dotco, Gardner-Denver** and **Buckeye** power tools. **Kirsch** drapery hardware and custom window coverings.	Industrial production; construction; commercial; and consumer.	Through distributors to general industry, particularly automotive, appliance and aircraft maintenance; through distributors and wholesalers to hardware stores, home centers, lumber yards, department stores and mass merchandisers; and direct to original equipment manufacturers, home centers, specialty stores, department stores, mass merchandisers and hardware outlets.
Automotive Products		
Anco windshield wiper products. **Belden** automotive wire and cable. **Champion** spark plugs and igniters. **Everco** and **Murray** heating and air conditioning parts. **Moog** steering and suspension components. **Precision** universal joints and **General Driveshaft** driveline products. **Wagner** brakes and lighting products.	Automotive repair and production; aviation; and industrial.	Through distributors and wholesalers to aftermarket outlets; direct to retailers, mass merchandisers and original equipment manufacturers.

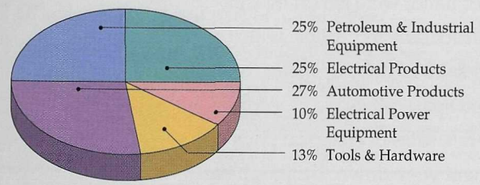
Major Products	Major Markets	Principal Distribution Methods
Petroleum & Industrial Equipment		
Ajax and **Superior** reciprocating engines and compressors; and gas, dual-fuel and diesel engines. **Cameron** forged products, extrusions and powdered metal products.(1) **Cooper** centrifugal air compressors. **Cooper-Bessemer** gas turbines and compressors; integral gas engines and compressors; diesel, gas and dual-fuel engines; and **En-Tronic** controls. **Gardner-Denver** rotary screw and reciprocating industrial air and gas compressors, drilling equipment and pumps; **DuroFlow** and **Sutorbilt** blowers and pumps; and **OPI** pumps.(2) Oilfield equipment for land, platform and subsea applications, including **Cameron, Demco, McEvoy** and **W-K-M** valves and wellhead equipment; **Cameron** blowout preventers and elastomers; and **Cameron, Thornhill Craver** and **Willis** chokes and control systems. **Pennsylvania Process** compressors.	Oil and natural gas exploration, production and transmission; continuous-duty and standby power generation; industrial; aerospace; and government.	Through distributors and direct to onshore and offshore oil, natural gas, and waterwell drilling contractors, field operators, well-servicing companies and pipelines; process industries; municipalities; government agencies; industrial users; cogeneration developers; and general contractors.

(1) Effective January 10, 1994, Cooper entered into a definitive agreement to sell the Cameron Forged Products Division to Wyman-Gordon Company, subject to the approval of Wyman-Gordon shareholders and certain other conditions.

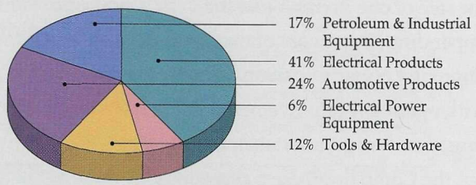
(2) The Company plans to spin off the Gardner-Denver Industrial Machinery Division to Cooper common shareholders during the first quarter of 1994.

Brand names that appear in bold type are registered trademarks of Cooper Industries except Fail-Safe, General Driveshaft, Thornhill Craver, Willis and Pennsylvania Process, which are unregistered trademarks of Cooper. Belden is a registered trademark of Belden Wire & Cable Company, and Gardner-Denver is a registered trademark of Gardner Denver Machinery Inc. Both trademarks are used by Cooper Industries, Inc. under license.

1993 Operating Revenues by Business Segment

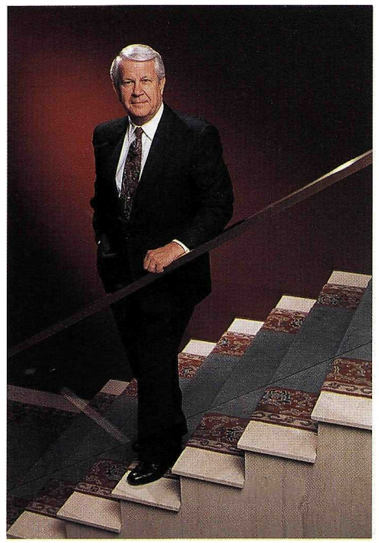


1993 Operating Earnings by Business Segment(1)



(1) Excludes nonrecurring income and expense items.

To Our Shareholders



Robert Cizik, Chairman and Chief Executive Officer.

Cooper's financial performance in 1993 was up only slightly compared with 1992's results. Regretfully, we don't see our bottom line improving over the short term; in fact, we currently expect earnings to decline in 1994 by as much as 25% because of depressed energy markets. We will discuss this outlook in more detail later.

A closer look at what happened in 1993 reveals that it was, in fact, a year of significant achievement for Cooper. Our focus was not simply on improving the current year's earnings, but also on preparing the Company for the future. Strategic actions, such as the sale of one division and the impending divestment of two others, improve Cooper's position. Combined with operation-improvement programs being undertaken throughout the Company, these transactions will leave Cooper better-prepared for the increasingly competitive world marketplace.

Economic conditions held back revenue and earnings gains

The economic recovery was slower in coming and less vigorous than we had hoped. Modest growth in the U.S. economy was sparked by moderately higher industrial production and a rebound in residential construction. As a result, domestic sales of Cooper's electrical products and tools and hardware strengthened. Demand for automotive replacement parts was steady, and sales and earnings for the Automotive Products segment were aided by having the Moog Automotive operations for a full year in 1993. International economic conditions, on the other hand, were generally sluggish, particularly in Europe, which affected sales of Cooper's tools, hardware and spark plugs.

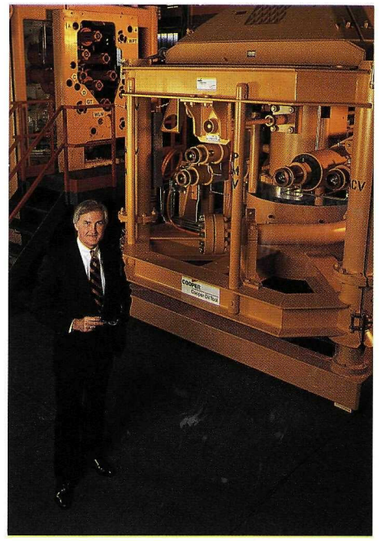
Overall, sales of electrical power equipment were down. Utilities have been carefully rationing their capital spending because of regulatory and environmental concerns. Weak domestic and international energy markets depressed sales of petroleum equipment. During the second half of the year, demand in North America stabilized somewhat, benefiting from healthier natural gas markets. However, activity in our major international markets—the North Sea and the Middle East—fell off.

In spite of weakness in some market segments, overall earnings improved during the second half of the year. Gains in the business segments serving stronger markets—including Electrical Products, Tools & Hardware and Automotive Products—more than offset the impact of declines in demand for oil and gas production and transmission equipment and electrical power transformers. Earnings were aided by lower interest expense and by improved margins in some product lines as a result of productivity-improvement and cost-control programs.

The result was a small increase in earnings to $367.1 million, or $2.75 a share, compared with $361.3 million, or $2.71 a share, in 1992 before the cumulative effects of changes in accounting principles. Revenues rose to $6.3 billion from $6.1 billion the previous year.

Revitalization and realignment are focused on long-term benefit

In October, Cooper's Board of Directors approved several major actions, which are part of a multi-year program to rationalize, realign and revitalize the Company's operations to enable Cooper to compete more effectively in the years ahead. In conceiving and implementing this program, our focus has been on providing long-term benefit to Cooper and its shareholders.



H. John Riley, Jr., President and Chief Operating Officer, at a Cooper Oil Tool facility in Leeds, England.

The 1993 impact of these steps on share earnings was offset by a one-time, pretax gain of $274 million realized from the sale of the Belden Division. The initial public offering of Belden stock was completed at the end of the third quarter, when Belden became an independent company traded on the New York Stock Exchange.

Reinvesting the gain from Belden was in keeping with our practice of using one-time gains to improve the competitive condition of Cooper's ongoing operations. Actions approved by the Board included a number of management programs to improve productivity, including plant consolidations, affecting all five business segments; various asset revaluations; and the tax-free spin-off of the Gardner-Denver Industrial Machinery Division. Longer-term, these actions will lower operating costs and improve Cooper's earnings potential. These are discussed in the Operations Review that follows.

Acquisitions continued at a slower pace

Our long-term strategy to acquire product lines that complement ongoing operations or that diversify the Company into businesses with offsetting economic cycles continues.

Three notable, complementary acquisitions were made in 1993: the Hawker Fusegear Group, which became part of our Bussmann Division; the Triangle Tool Group, which was consolidated into our Cooper Hand Tools Division; and Fail-Safe Lighting Systems, which fills another important niche in Cooper Lighting's broad product line.

Cooper's financial condition remains strong; stock repurchases approved

Cooper remains in strong financial condition. We have excellent cash flow and a strong cash management program in place throughout our operations. Over the years, we have established a record of generating more than enough cash to reduce debt, make acquisitions and also reinvest in operations to raise productivity.

Following major acquisitions, we have consistently succeeded in lowering the ratio of the Company's debt to total capitalization. Cooper's debt-to-total-capitalization ratio currently stands at 34%.

Expressing its confidence in Cooper's financial position, the Board of Directors in February of 1993 raised the annual Common stock dividend rate for the eighth consecutive year, to $1.32 a share. Over the last nine years, dividends have increased 74%.

In October, the Board also approved the spending of up to $300 million on a stock repurchase program. This program will provide shares for existing employee stock purchase, option and incentive plans, for the dividend reinvestment plan, and for future conversions of convertible Preferred stock. This is a short-term, tactical action and does not change our longer-term strategy of using cash to make acquisitions.

Senior management changes and promotions

There were a number of changes in senior management during 1993. Mid-year, Executive Vice President C. Baker Cunningham was named Chairman and CEO of the now-public Belden operation. At about the same time, Senior Vice President Joseph R. Coppola accepted a position as Chairman and CEO of Giddings & Lewis, Inc. Nishan Teshoian, who had been President of the Belden Division, was promoted to Executive Vice President of Cooper. He is responsible for both the Tools & Hardware segment and the Company's manufacturing services function.

In October, Carl J. Plesnicher, Jr. was elected Senior Vice President, Human Resources. Diane K. Schumacher was elevated to Vice President, Administration and Corporate Secretary. Robert W. Teets was promoted to Vice President, Environmental Affairs and Risk Management.

Earnings are expected to decline in 1994, but long-term future is promising

As mentioned earlier, we anticipate a significant decline in earnings for 1994, perhaps by as much as 25%. After taking into account the businesses divested in 1993 and the planned divestitures, the projected drop in share earnings is entirely due to a downturn in our Petroleum & Industrial Equipment segment. The impact of this decline is expected to more than exceed the earnings improvements we expect in our Electrical Products and Tools & Hardware segments. We anticipate steady performance from our Electrical Power Equipment and Automotive Products operations.

The primary cause of the decline in the Petroleum & Industrial Equipment segment's results is the recent, significant drop in oil prices and its impact on worldwide exploration and production projects, which is affecting demand for Cooper's oilfield equipment. By early this year, oil prices had dropped about one-third since March of 1993, with half the decline coming after October. This is being compounded by the impact of delays in several, major, gas compression projects worldwide. As a result, operating earnings in this segment could decline by about 75% in 1994.

Through diversification, we have changed the mix of the businesses we operate and the markets we serve. Nevertheless, Cooper continues to be influenced by the cyclicality of energy-equipment demand. In 1991, these same operations led the Company to record share earnings. Now, they are experiencing a setback. Our energy-equipment businesses are responding to the downturn with facility consolidations and cost adjustments. These are expected to soften the impact of the current downturn and improve our ability to participate profitably in a market turnaround when it occurs.

We remain optimistic about the near-term prospects for our other segments. With modest improvement in the North American economy and no further decline in the European market, our Electrical Products and Tools & Hardware segments should continue to do well. We don't expect significant improvement in the Electrical Power Equipment segment because of sluggish demand and the resulting extremely competitive market conditions. We expect the Automotive Products segment to maintain margins at current levels.

Although 1994 will be a year of lower earnings for the Company, Cooper's fundamental competitive position continues to improve. Over the last two years, we have accelerated management programs that are improving productivity and long-term profitability. We expect to realize significant benefits from these programs in 1995 and beyond. In addition, Cooper will continue to pursue expansion by acquisition to achieve share earnings growth.

We strive to deliver the best value to our customers with high-quality, reliable products backed by effective distribution and professional service. We believe that our continuing investment in tools, training and technology will improve our competitive position and add to the value of your investment in Cooper over the long term.

Sincerely,

Robert Cizik
Chairman and Chief Executive Officer

H. John Riley, Jr.
President and Chief Operating Officer

INVESTING IN THE THREE Ts

Cooper's Chairman and Chief Executive Officer, Robert Cizik, recently completed two years as Vice Chairman and then Chairman of the Board of the National Association of Manufacturers.

As the representative of the NAM's 12,500 member companies, he was an effective advocate for all U.S. manufacturing. He participated in President Clinton's Economic Conference in Little Rock, where he spoke in favor of an investment tax credit to stimulate the economy and increase employment. He testified before the Senate Finance Committee in favor of tax proposals to stimulate economic growth and to advocate fast-track approval of the General Agreement on Tariffs and Trade (GATT). He met with the President and other members of the Administration and with members of Congress to voice the NAM's opposition to the proposed Btu Tax (subsequently withdrawn) and support for the North American Free Trade Agreement (ratified by Congress).

A consistent theme of Mr. Cizik's media interviews and public appearances was the need for the United States to become more productive. He stressed, especially, the need for continued investments in what he called "the three Ts"—tools, training and technology—as a means of achieving greater productivity and maintaining world-class competitiveness.

In emphasizing the importance of having the right tools, he recalled former Secretary of Health, Education and Welfare John Gardner's observation: "The society that scorns excellence in plumbing and tolerates shoddiness in philosophy will have neither good plumbing nor good philosophy (neither its pipes nor its theories will hold water)." Mr. Cizik placed investment in the common tools of production—plants, equipment and machinery—high on his list of priorities.

Of training, he said manufacturers need people with employable skills—people who are literate, who can use a computer, read instructions and solve problems. Although the United States spends more than any other country on public education, more than half of the manufacturers who responded to a recent, nationwide NAM survey reported major worker deficiencies in basic math, reading and problem-solving. Twenty-five percent said they could not upgrade product quality because their workers lacked the skills to utilize new technologies.

By stressing technology, Mr. Cizik called attention to the need for investment in special equipment, programs and systems to enhance productivity and product quality. According to another survey by the NAM, 90% of large manufacturers in the United States use some form of advanced technology. Seventy-five percent use computer-aided production equipment. Two-thirds use computer-aided design.

Throughout the year, Mr. Cizik frequently pointed to examples of Cooper's investments in the three Ts to make the Company more productive and thereby deliver lasting value to customers and shareholders.

Tools

Although Cooper's capital expenditures in any one year are not massive (they are currently about $275 million a year), Mr. Cizik pointed out that they have been carefully planned and consistently made, in keeping with the Company's long-standing policy of maintaining, modernizing and improving its manufacturing facilities.

Recent examples include two new CNC (computer numerically controlled) profile-generating machines that were installed at a Cooper Power Tools facility in Ohio. Placed in a cellular arrangement with four screw machines, they have enabled the operators to reduce standard cycle time to produce a part from an average of 41 seconds to just seven seconds, and to reduce product lead time (from order entry to shipment) from 17 to seven days.

At a Cooper Oil Tool plant in Texas, new equipment to make ball-valve bodies has reduced machine setup time from six hours to less than 30 minutes, and cut production cycle time by 35%, while improving product quality.

Training

Education and training go hand in hand. For many young people who are potential Cooper employees, job training begins in vocational education classes in high school or junior college. Cooper supports vocational-technical schools in its plant communities through its own program of challenge grants, called Project PACE (Partnership to Aid Career Education). Now in its fifth year, Project PACE will provide $300,000 in discretionary spending to vo-tech schools in 25 Cooper communities across the U.S.

Within the Company, Cooper provides a variety of job-related training for manufacturing employees. Last year, this training totaled more than 800,000 hours. Cooper also reimburses employees for the cost of taking college courses related to their employment and sponsors a number of job-specific training programs for staff members and operating managers.

In 1984, the Company established a Manufacturing Training Program to recruit and prepare recent college graduates for careers in manufacturing management. The program provides two years of rotational assignments with hands-on training at the plant level. Other programs subsequently were established in the areas of employee relations and financial management. There are currently 100 trainees in the three programs and 138 graduates at work in various facilities throughout the Company.

At the university level, a Professorship of Business Administration was established in 1991 at the Harvard Business School through the combined gifts of Robert and Jane Cizik and Cooper Industries Foundation. The people associated with this professorship will help manufacturing researchers, teachers and practitioners better understand what it means to work for and achieve manufacturing excellence, and how such an emphasis should influence decision-making throughout an organization.

Through its Matching Gifts Program, the Cooper Industries Foundation also matches employees' gifts to established educational facilities. In 1993, Cooper matched over 700 such gifts.

Technology

Cooper is committed to acquiring new, but proven, technology for its operations. The manufacturing services function at our corporate headquarters exists to help operating managers evaluate, adapt and adopt new technology. Last year, 65% of our capital expenditures went for state-of-the-art equipment and manufacturing systems.

The Company also strives to develop working applications of leading-edge technology. In 1990, with a gift of $500,000, Cooper endowed a program in the College of Engineering and Technology at Ohio University to advance computer integrated manufacturing (CIM). The grant served as the catalyst for a partnership joined by other corporations. The cooperative venture subsequently attracted in-kind gifts valued at more than $2 million.

"A New Industrial Revolution"

Throughout his term as Chairman of the NAM, Mr. Cizik frequently referred to "a new industrial revolution." We are seeing the beginning of it: The restructuring that has been going on in U.S. manufacturing is giving us an edge. Clearly, the United States is reclaiming the right to be called the most cost-efficient producer among major nations. This makes Cooper's continued investment in the three Ts more important than ever.

Representing the latest in machine tool technology, this vertical turning center is used to turn, drill and mill large turbine and compressor parts. Here, specially trained technician Mike Haxton machines an impeller shroud for a compressor.

Several of Cooper's key markets showed improvement

A gradual improvement in the domestic economy had a mixed but generally positive effect on demand for the Company's products during 1993. Cooper's primary markets are the industrial, construction, consumer, electric utility, automotive, and oil and gas markets. Four of these markets—industrial, construction, consumer and automotive—strengthened throughout 1993. The other markets remained weak.

During the past year, the domestic economy was fueled by an upturn in residential construction and slow-but-consistent improvement in industrial production. This had a positive impact on sales for many Cooper product lines. In addition, industrial maintenance and repair projects continued to provide a base demand for all of our operations.

International business was soft in 1993, primarily because of continued recession in the industrial countries of Europe, especially Germany. The important Canadian market was also stagnant for much of the year, only beginning to show a slight recovery later in the year. The Mexican economy, which had been growing in recent years, was more constrained because of concern about the North American Free Trade Agreement.

Sales of electrical products were aided by the construction uptrend

Sales of electrical products, especially lighting fixtures, were buoyed by the continued rebound in residential construction. Residential and commercial remodeling and energy-efficient lighting programs also boosted demand for these products. Fuse sales grew steadily following the slow increase in domestic industrial activity and improved plant capacity utilization. In addition, electronic equipment production was high worldwide, resulting in stronger demand for fuses and related telecommunications products. Orders for hazardous-duty electrical products were somewhat restrained by modest levels of plant and equipment spending in the process industries, such as chemicals and petroleum products.

Electrical power equipment demand was mixed

Orders for Cooper's single-phase transformers and components strengthened somewhat, reflecting the much-delayed recovery of residential construction and low levels of electric utilities' inventories. Continued weakness in nonresidential construction limited domestic sales of three-phase and large power transformers. In addition, utilities have curbed their capital spending in response to regulatory changes and become more price-conscious in their equipment purchases.

Flat tools and hardware sales reflected mixed market conditions

The upturn in the construction markets and a cautious increase in consumer spending aided domestic sales of hand tools and drapery hardware. However, the continued recession in Europe, and the corresponding drop in demand for hand and power tools there, offset much of these positive gains, resulting in flat sales for this segment of Cooper's business. Domestic sales of power tools to the automotive industry were strong, but sales to the aircraft industry were depressed due to cuts in defense spending and a weak commercial aviation market.

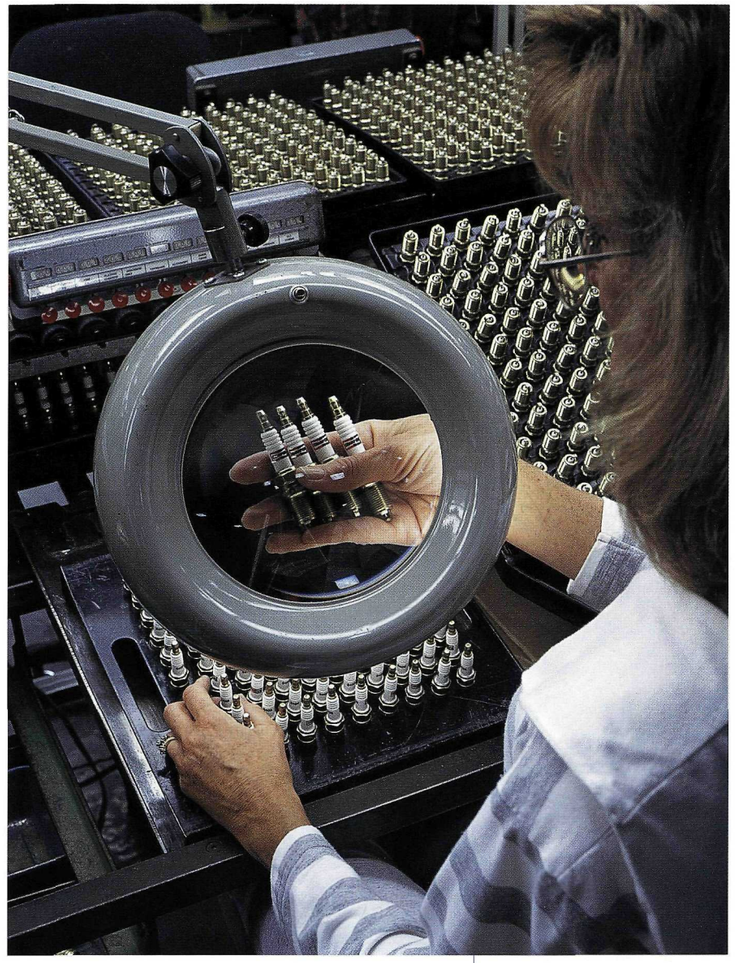
Sales of automotive products maintained a steady pace

Replacement parts demand for Cooper's spark plugs, wiper blades, brakes, lights, steering and suspension products, and temperature control products was relatively steady throughout 1993.

Domestic light vehicle production increased by almost 10% in 1993, stimulating orders from original equipment manufacturers for Cooper's lighting products and wiper blades. European new car sales, on the other hand, declined about 16%, primarily affecting demand for spark plugs.

Petroleum equipment markets continued their decline, despite domestic rebound

A major positive in the domestic oil and gas market was the increase in exploration and development of natural gas reserves. This came after a period when domestic drilling had reached its lowest level in recorded

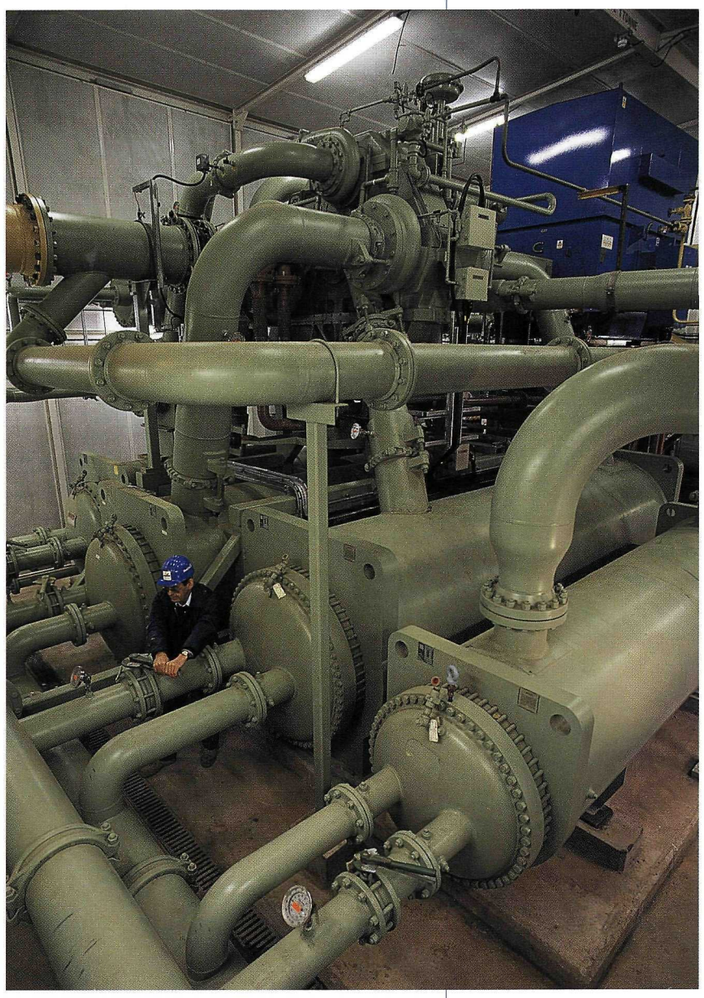


Champion's "Premium Gold" spark plugs feature a smaller-diameter center electrode and a gold palladium tip for superior electrical conductivity, smoother idling and longer life.

history. The growing need for gas, resulting in higher and more stable prices, was the primary driver of this upswing. The Clean Air Act also created opportunities for equipment conversions to Cooper's patented CleanBurn technology. Unfortunately, these improvements could not offset a downturn in the international market.

Several major orders were shipped in 1993, the most significant of which was $80 million worth of compression equipment for government-sponsored oil and gas exploration projects in India. Orders worth $250 million also were booked for equipment to be installed in Canada, the North Sea, Morocco and Malaysia. Nevertheless, additional, major projects that were expected to be released in 1993 were delayed as a result of uncertainty in the world oil markets.

Worldwide, total consumption of oil in 1993 was below 1992 levels, the first year-to-year decline since 1983. The decline in demand, coupled with unchecked production, resulted in a global oversupply. By early 1994, oil prices had fallen about one-third since March of 1993, with half the drop coming after October. Consequently, many exploration and development projects were delayed as the industry began to sense that the price slump was more than temporary. This affected demand for drilling and well completion equipment, turbines, engines and compressors made by Cooper.



This custom-designed compressor for air separation, recently installed at an industrial gas company in England, gets an on-site adjustment by Cooper Turbocompressor serviceman Larry Heaviside.

Operating results reflect competitive conditions, asset revaluations and operating improvement programs

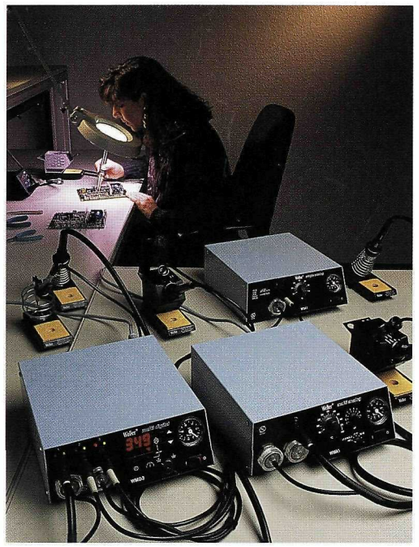
Revenues for continuing businesses in the Electrical Products segment were higher than in 1992, reflecting strength in the industrial and residential construction markets. Reported revenues for the year were unchanged from 1992 levels, however, because of the sale of the Belden Division at the end of the third quarter of 1993 and the loss of its fourth-quarter revenues.

Electrical Power Equipment revenues were flat. Although demand was stronger for distribution transformers for the residential market, it was offset by sluggishness in the nonresidential sector and the very depressed, large power transformer market.

Revenues for the Tools & Hardware segment also were comparable to the previous year, as increased sales to professionals and consumers were offset by a slowdown in the industrial tool business. Sales to the aerospace market and to European automotive customers were especially hard-hit.

Revenues for the Automotive Products segment were steady throughout 1993. The higher reported revenues include the contribution of Moog Automotive for the full year in 1993, compared with only one quarter in 1992.

Revenues of the Petroleum & Industrial Equipment segment declined in 1993 because of depressed markets and the sale of the mining and construction product lines at the



New, Weller high-performance desoldering and surface-mount repair stations, used here by Domenica Testa, address the needs of the changing electronics industry. Each unit has powerful wattage elements for increased efficiency and tools that can be used on both through-hole and surface-mount technology. Made exclusively at the hand tools plant in Germany, this product line is sold worldwide.

At Moog Automotive's Technical Training Center, ASE-certified instructor Alan Osborne, right, explains undercar parts installation to technician Anthony Biffar. Over the last two decades, Moog has trained more than 1.5 million technicians, jobbers and warehouse distributor personnel in steering, suspension, temperature control, driveline and brake systems.

beginning of the year. In addition, revenues of Cameron Forged Products were not included for the fourth quarter, because it was classified as a discontinued operation.

Operating earnings of the Electrical Products segment were up 7%, despite the loss of Belden's earnings in the fourth quarter. Earnings of the Electrical Power Equipment segment were down more than 25% because of generally lower revenue levels and lower sales of higher-margin products. The Tools & Hardware segment reported improvements in operating earnings as a result of plant consolidation and operating efficiency-improvement programs. Operating earnings of the Automotive Products segment benefited from the inclusion of Moog for the full year. The operating earnings of the Petroleum & Industrial Equipment segment reflect the downturn in the oil and gas market discussed earlier. Operating earnings for all five business segments benefited from ongoing cost-improvement programs.

Complementary acquisitions continued in 1993

Cooper's strategy of acquiring businesses to complement existing operations or diversify the Company was developed in the 1960s and continues today. During 1993, Cooper made several complementary acquisitions.

Mid-year, the Hawker Fusegear Group became part of the Bussmann Division. Hawker, which is headquartered in the United Kingdom, manufactures a comprehensive range of electrical fuses, along with related fusegear and connector products. The acquisition strengthened Cooper's position in the European circuit protection market.

In August, the Triangle Tool Group and the Swiss line of Erem tools became part of the Cooper Hand Tools Division. Triangle Tool manufactures and distributes pliers, wrenches, farrier tools and horseshoes under the Utica, Bonney and Diamond brand names. The Erem line consists of high-quality precision pliers, tweezers, cutters and connector tools for the electronics market. All of these products complement Cooper's line of hand tools sold under the CooperTools umbrella.

Also during the third quarter, Cooper purchased Chicago-based Fail-Safe Lighting Systems, a leading manufacturer of lighting fixtures for prisons, operating rooms, clean rooms and high-abuse applications. Fail-Safe adds to the growing Cooper Lighting line of recessed, track, fluorescent, indoor/outdoor and emergency lighting fixtures.

In addition to these complementary acquisitions, Cooper also acquired controlling interest in two businesses in which the Company previously had a minority interest. Anco de Mexico, S.A. de C.V., which makes Anco wiper blades, was previously 40%-owned by Cooper. During 1993, Cooper purchased the 60% of Anco de Mexico that was not previously owned. Likewise, late in the fourth quarter, Cooper acquired the outstanding 58.5% interest in Home Fittings Espana, S.A., headquartered in Vitoria, Spain.

HOFESA manufactures a full line of drapery hardware products and fabricates alternate window treatments, such as venetian and vertical blinds, for sale primarily in Spain, Portugal, Italy, France and England. This business is now part of the Kirsch Division. These investments enable Cooper to have management control of these operations.

Rationalization, revitalization and realignment program designed to improve competitiveness

Since late 1991, Cooper has been involved in a multi-step program designed to revitalize and realign the Company's operations to address the competitive pressures anticipated in the coming decade. This program includes the divestiture of certain noncore product lines, rationalization and consolidation of facilities, and ongoing improvements in operations and manufacturing processes.

Divestitures

A key component of Cooper's revitalization and realignment program is divestment of noncore businesses and re-deployment of the Company's assets into areas of market strength. During 1993, the Company completed the sale of one division and announced plans to divest itself of two others.

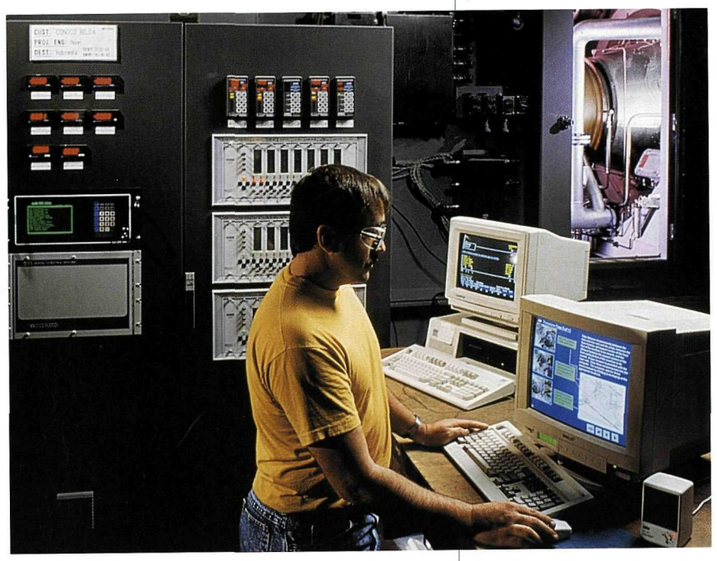
At the end of the third quarter, an initial public offering was made of stock in Belden Inc., formerly the Belden Division of Cooper. Belden, which manufactures electronic wire and cable and electrical wire and cord products, became part of Cooper in 1981 with the acquisition of Crouse-Hinds Company. There was little

The clean room at the South Milwaukee power systems plant ensures the purity of components in these vacuum interrupters, which are installed in Kyle reclosers and switches used by electric utilities to maintain the reliability of power distribution systems. Robert Sobotta, left, and Dale Polster inspect interrupters as they are removed from a vacuum furnace.

synergy between Belden and Cooper's other electrical businesses because of different manufacturing processes and distribution networks. The completion of the initial public offering resulted in a one-time, pretax gain of $274 million, which was offset completely by writedowns and other management actions designed to improve the Company's long-term competitive position.

In September, Cooper announced an agreement to sell the Cameron Forged Products Division to Wyman-Gordon Company. The definitive agreement was signed in January of this year. Cameron Forged Products makes high-quality, specialized forgings for the aerospace, nuclear, oil and gas, and defense industries. It was acquired in 1989 as part of Cameron Iron Works and is not a traditional manufacturing operation like Cooper's other businesses. In addition, there is little replacement parts business, which is an important aspect of Cooper's ongoing operations. Both Cameron Forged Products and Wyman-Gordon have been hurt by defense cutbacks and lower capital investments by the airline industry. The combined company should be able to compete more effectively. Cooper will own a 48% interest in Wyman-Gordon and will have representation on Wyman-Gordon's Board of Directors. The sale is subject to approval by Wyman-Gordon's shareholders and lenders and is expected to be completed during the second quarter.

At the end of the third quarter, the Company announced plans to



Assembler Mark Sheasby demonstrates the use of an interactive, multi-media, shop-floor training program to access information about a Coberra 2000 gas turbine. Visible through the window at upper right is the turbine being prepared for a Conoco platform at the Belida field in the South China Sea.

spin off the Gardner-Denver Industrial Machinery Division to holders of Cooper Common stock in a tax-free transaction. The new company, Gardner Denver Machinery Inc., will be headquartered in Quincy, Illinois. Gardner-Denver Industrial Machinery manufactures air compressors for various industrial applications and equipment and pumps for oil and gas production, well-servicing, drilling and stimulation. It was acquired in 1979 as part of the Gardner-Denver Company. The Industrial Machinery Division that Cooper operates today primarily serves the industrial markets and no longer complements Cooper's other oilfield equipment operations. The spin-off is expected to be completed by the end of the first quarter.

Consolidation of operations

Throughout all five business segments, efforts to improve operations, reduce overhead costs and eliminate excess production capacities continue. The rationalization and integration of manufacturing for several product lines is underway: electrical fittings; electrical transformers; horseshoes and farrier tools; automotive steering and suspension products; and wellheads, valves and compressors. In all, a dozen facilities worldwide were closed in 1993, and several additional consolidation projects are planned for 1994 and 1995.

Warehousing, distribution and customer service operations for several businesses are being upgraded in order to improve customer service and reduce handling and transaction costs. More and more, entire product

Manufacturing trainee Efrain Torres, standing, and employee relations trainee Eric Robinson receive hands-on instruction at a Cooper Lighting facility. Cooper's management training programs in manufacturing and employee relations provide recent college graduates with rotational assignments at plant locations.

After making adjustments to the three-dimensional model on her screen, technician Dulcy Reville sends a code to a new milling machine to produce this tooling. Investment in equipment and training at Crouse-Hinds is substantially reducing tooling costs .

lines can be shipped from one location, enabling customers to place a single order for items manufactured at a variety of locations. During 1993, Cooper Automotive consolidated distribution of spark plugs, wiper blades, and automotive wire and cable into one modern facility. Crouse-Hinds began centralizing warehousing and distribution of its electrical products at an existing Cooper facility in Virginia. Customer service for Kirsch window products is now handled more efficiently from two cost-effective, 800-number telephone centers, eliminating the need for multiple branch offices.

The marketing organizations of the automotive product lines also have been integrated. Sales of Cooper Automotive's spark plug, lighting, wiper blade and automotive wire and cable lines are now handled by a single aftermarket sales organization. European operations also were reorganized to improve customer responsiveness. Recently, Moog Automotive integrated its brake and chassis parts sales forces into one entity. These new organizations are more efficient and provide better customer service.

Operations improvement programs

Lowering product costs is an ongoing process at Cooper. Throughout the Company's operations, new manufacturing technology is being introduced. Capital investment is being made in new equipment, manufacturing cells are being installed, and warehousing and inventory planning and production control systems are being automated and upgraded. Synchronous production techniques are being introduced at various plants. This flexible operating approach reduces cycle times while lowering costs and work-in-process inventories. All of these programs are linked to each division's strategy and long-term operating plan.

Other projects are under way to enable Cooper's operations to maintain their positions as worldwide leaders in their respective markets. For example, the Bussmann Division recently completed the construction of a new, high-power technology center. It is the only facility in the world capable of three-phase performance evaluation of its own and others' advanced circuit protection devices under the most extreme, high-current or short-circuit conditions. The facility is capable of generating up to 300,000 amperes of current at 750 volts under carefully controlled conditions.

As another example, an industrial engineering software package with a group technology feature, enhanced and installed by Cooper Energy Services, allows a production planner to recall parts with like characteristics, reducing planning time and resulting in more-consistent quality.

Cooper Oil Tool Division began a major revamp of its management information system in 1993. Installation of a state-of-the-art product database and business application system is under way to integrate worldwide marketing, engineering, manufacturing, planning and reporting, and human resource systems to

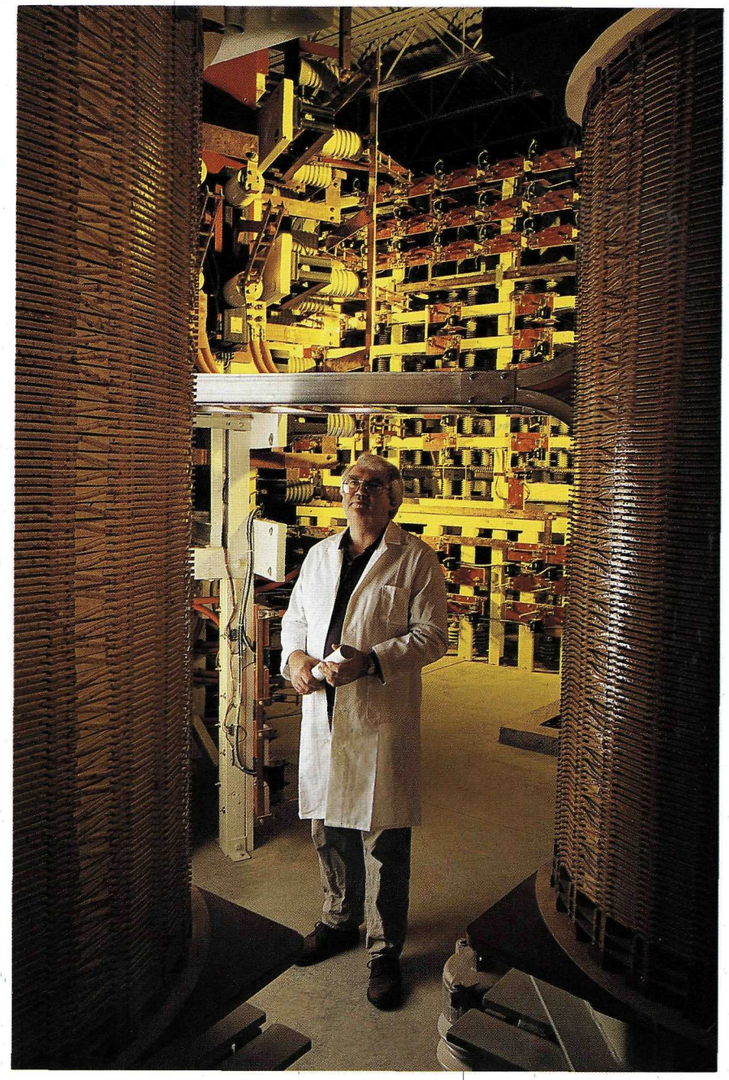
streamline decision-making and improve customer service.

Training for quality and dependability

Producing quality products is a top priority at Cooper. To assure that the Company's products meet demanding customer standards, every division has a training program for continuous quality improvement. In addition, nine more Cooper plants became ISO 9000 (International Standards Organization)-registered in 1993, bringing the total of registered plants to 33. Another 25 facilities expect to be registered in 1994.

Using ISO 9000 as a base, many operations have developed a Total Quality Management process that includes statistical process control, team-building, problem-solving, design for manufacturability, and internal and external customer focus. Within their teams, shop-floor employees assume responsibility for planning, expediting, maintenance and problem-solving. Both productivity and quality improve significantly as a result.

In addition to internal training for quality assurance, many operations have training programs for distributors, customers or other end users. For example, Cooper Lighting has continued its extensive training programs for customers at the "Source," its innovative lighting education center. During 1993, almost 5,000 people from around the world toured the center, which offers seminars for architects, designers, contractors and other customers on such topics as



Capable of generating up to 300,000 amperes of current at 750 volts, Bussmann's new High Power Technology Center is the industry's most advanced facility for evaluating circuit protection devices. The large McGraw-Edison transformers on either side of engineer Tery Evans were custom-designed by Cooper Power Systems.

lighting fundamentals and energy-efficient lighting systems. The Moog Technical Training Center has long been considered one of the best automotive training centers in the industry. Field sales clinics are held weekly to train professional installers.

Markets are shifting and Cooper is responding

The time-tested ways of doing business are rapidly changing, and traditional distribution methods are yielding to radical, new ways of getting products to both old and new customers. For example, "do-it-yourself" home centers have emerged as an alternate distribution channel for several Cooper product lines.

Targeted marketing programs are required to reach different market segments. Through one innovative program, Cooper Lighting encourages retail customers to participate in the Environmental Protection Agency's Green Lights Program and helps them select lighting to improve the appearance of their product showrooms, reduce energy and maintenance costs, and gain public recognition for environmental leadership.

In the drapery hardware and window coverings market, distribution channels are changing, as well, and there is a shift in the kinds of products these "new" customers are ordering. The current fashion is alternate window products, such as blinds, shades and shutters. Kirsch has focused its marketing programs on this growing segment of the market.

In the power tools industry, automation is replacing single-point tool usage, requiring a shift toward automated fastening systems, such as those made by Cooper's Deutsche Gardner-Denver operation in Germany. These products are now being marketed more aggressively in the U.S.

Outlook for business segments

Short-term outlook: good for most operations, bad for energy-related ones

The near-term outlook for Cooper is both good and bad. The immediate future for most of Cooper's operations is relatively bright. The U.S. economy continues to improve, and there is evidence that some international economies may pick up later this year, as well.

The Electrical Products segment will be favorably impacted by continued growth in the domestic economy. Demand for lighting fixtures should be even stronger, benefiting from increased housing starts and conversions to more energy-efficient lighting.

Results of the Electrical Power Equipment segment, on the other hand, are expected to be flat over the short term, reflecting cautious utility spending and a sluggish nonresidential construction market following years of overbuilding.

The Tools & Hardware segment should continue its steady performance, achieving some growth from improving cost structures in all of its operations. The window treatments business is also expected to grow, especially in Europe, following recent acquisitions there.

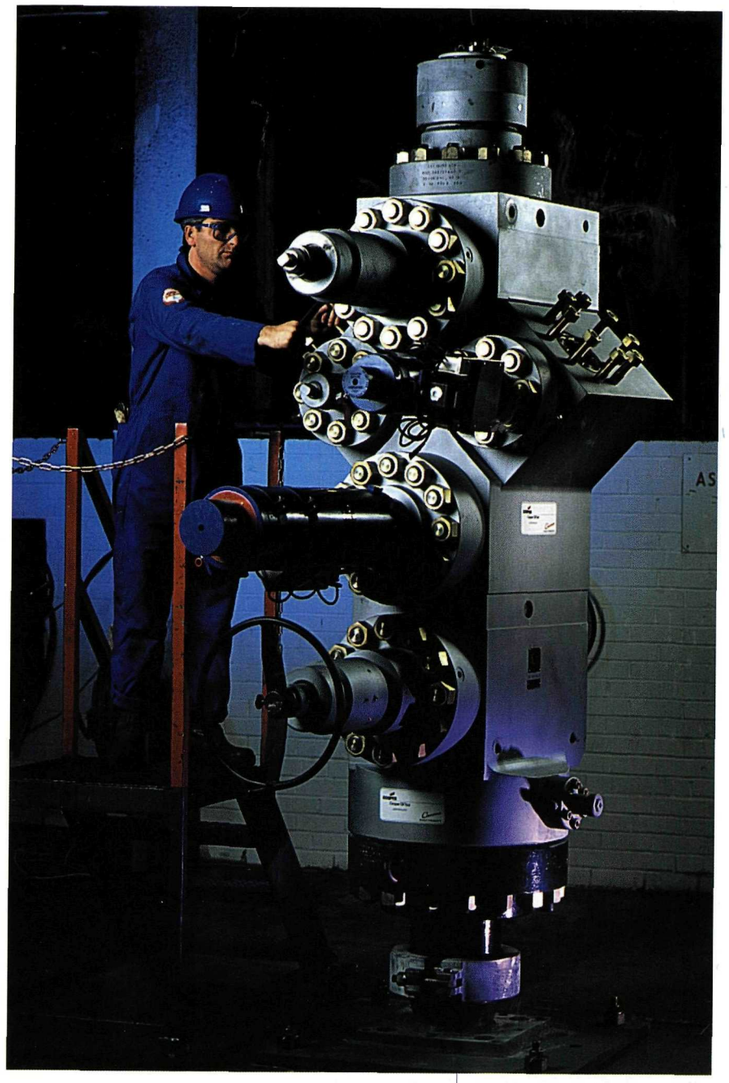
The Automotive Products segment should experience modest growth in unit demand, but price pressures are expected as the market consolidates. A turnaround in European original equipment and aftermarket demand is expected to begin later in 1994.

The Petroleum & Industrial Equipment segment will be down because of the depressed petroleum markets and delays in major gas compression projects worldwide.

Long-term prospects are promising

Over the longer term, the outlook for Cooper's businesses is positive. Sales of electrical product lines should continue to grow, both internally and through acquisitions. The hand and power tool operations also should expand through acquisitions. The window treatments division is moving ahead with its internal development and international growth strategies. The automotive operations will benefit from new marketing programs and will continue to seek complementary product lines. Understandably, the petroleum equipment operations are concentrating on consolidations, cost reductions and product improvements, to be ready to take advantage of any upturn in their markets.

Cooper Industries is preparing for the competitive environment of the '90s and beyond. The Company is adapting to changing trends in the marketplace and is investing in tools, training and technology to assure that we deliver the best value to our customers through top-quality, cost-effective products and superior service.



This 5,000-psi working pressure block valve, manufactured at the Cooper Oil Tool plant in Leeds, England, is headed for a field in the United Arab Emirates, following Kevin Beaumont's inspection. To protect against corrosion from severe service conditions, the valve is "weld-clad" using a nickel-based alloy through a process developed at this plant.

Corporate citizenship at Cooper begins with ethical business practices and human relations programs that treat employees fairly and with respect.

It involves providing jobs with competitive rates of pay, good benefits, safe working conditions and a clean environment. It also means being responsive to the concerns of shareholders, customers and the people living in our plant communities. Corporate citizenship takes many forms. This year, our report focuses on what the Company is doing about environmental, safety and educational concerns.

Cooper Lighting named EPA's "Manufacturing Ally of the Year"

The Environmental Protection Agency has selected the Cooper Lighting Division as its 1994 "Manufacturing Ally of the Year" in connection with the agency's Green Lights program. Green Lights was created by the EPA in 1991 to promote the use of energy-efficient lighting as a conservation measure and for environmental reasons.

The award to Cooper Lighting recognizes the division for providing innovation in lighting technologies and services to customers; for aggressively and effectively promoting the Green Lights program to the public; and for outstanding commitment to the program in its own factories.

The award was presented to Dan Thomson, President of Cooper Lighting Division, by EPA Administrator Carol Browner at ceremonies in Washington on January 19.

1993 was an active year for environmental education, compliance and prevention

1993 was a year in which Cooper broadly expanded its environmental compliance and prevention programs. After completing the appointment and training of environmental coordinators at each division headquarters and U.S. manufacturing plant, Cooper brought its North American operations managers together for a comprehensive, three-day environmental training seminar in 1993. The meeting focused on the importance of properly managing this significant aspect of their responsibilities.

The Company also expanded its ability to perform ongoing environmental audits. There are now 57 environmental coordinators who are qualified to perform environmental operations audits throughout the Company. In 1993, audits were performed at 66 facilities, including five in Mexico and three in Canada, as part of our continuing effort to be environmentally proactive on a worldwide basis.

In the area of prevention, Cooper's operations reached and exceeded the goals of the EPA's 33/50 Program in 1993, a full year-and-a-half ahead of schedule. The voluntary program calls for a 33% reduction in the release of 17 listed chemicals by 1992 and a 50% reduction by 1995. Internally, we have set an even tougher goal of a 75% reduction by 1995.

In addition, 352 of 385 underground storage tanks at plant locations have been removed over the past few years. The number of facilities using chlorinated solvents has been reduced from 40 to six. The number of transformers and capacitors in our facilities using PCBs has dropped to just five from over 5,000 several years ago. Additional work continues in all of these areas.

Lost-time accidents continue their downward trend

In 1993, the Company's divisions again reduced the occurrence of occupational injuries in their U.S. operations, where roughly 75% of our employees work. Continuing a trend begun in 1989, the frequency of lost-time accidents was reduced by 27%, compared with 1992 results. These statistics compare very favorably to national averages, showing a performance 69% better than the Bureau of Labor Statistics' rate for all manufacturing companies. Cooper's focus remains on the elimination of chemical and physical hazards, preventive medical monitoring, ergonomics programs designed to reduce exposure to musculoskeletal injury, and employee communications and training that stress safety awareness and accountability.

Safety programs in foreign countries are being designed to meet internal Company standards and comply with the laws and regulations of each country. For example, we are currently working with several divisions in Mexico to set up pilot safety programs that will serve as models for all of our operations there.

Project PACE enhances academic and vocational skills

The manufacturing industry needs people with employable skills—people with a fundamental education who can be trained to do specific jobs in offices and factories. Cooper is responding to this need by sponsoring a Cooper-developed vocational education program called Project PACE, or Partnership to Aid Career Education. Now in its fifth year, the PACE program is in place at 25 vocational-technical schools in Cooper plant communities. The program provides unrestricted annual grants of $10,000 to participating schools and challenges administrators and teachers to develop innovative programs to improve academic and vocational skills. At the end of the academic year, three top winners are eligible to receive additional "Pacesetter" awards totaling $50,000.

The 1992 winner, a cooperative educational school in Olean, New York, used part of its $25,000 award to install a Total Quality Management program. The program made it possible to restructure the curriculum to improve the overall quality of vocational instruction.

The Mercer County Career Center near Grove City, Pennsylvania, was the 1993 winner for developing a team-teaching approach that brought academic and vocational teachers together to integrate "head and hand" skills. Students spent three weeks producing a product—burglar alarms—and gaining hands-on manufacturing experience each step of the way. The program included visits to local industries to observe modern manufacturing processes and techniques.

Cooper Lighting was named the 1994 "Manufacturing Ally of the Year" by the Environmental Protection Agency, for leadership in the Agency's Green Lights program to promote energy-efficient lighting. Cooper Lighting President Dan Thomson received the award from EPA Administrator Carol Browner at ceremonies in Washington, D.C.

Cooper's environmental coordinators performed more than 60 operations audits during 1993, including this one at the Crouse-Hinds Domex facility in Ixtapalapa, Mexico.

Dividends Annual cash dividends declared during 1993 were $1.32 a share ($.33 a quarter) and during 1992 were $1.24 a share ($.31 a quarter).

On February 16, 1994, the Board of Directors declared a quarterly dividend on Common shares of $.33 a share, which will be paid April 1, 1994, to shareholders of record March 8.

The annual share dividend for the Convertible Exchangeable Preferred stock is $1.60 ($.40 a quarter). The Preferred dividend rate is fixed by the stated terms of the stock.

Stock Information Cooper Industries Common stock (symbol--CBE) and $1.60 Convertible Exchangeable Preferred stock (symbol--CBE p) are listed on the New York and Pacific stock exchanges. Cooper Industries options are listed on the American Stock Exchange.

The high and low quarterly sales prices for the past two years of Cooper shares, as reported by Dow Jones & Company, Inc., are as follows:

		1993 (by quarter)			
		1	2	3	4
Common	High	$54.75	$51.875	$52.875	$54.125
	Low	46.625	45.625	47.25	47.125
$1.60 Convertible Exchangeable Preferred	High	33.875	32.00	32.75	32.25
	Low	29.50	29.625	30.125	28.00

		1992 (by quarter)			
		1	2	3	4
Common	High	$59.375	$58.625	$52.50	$53.25
	Low	53.25	45.50	41.75	45.375
$1.60 Convertible Exchangeable Preferred	High	35.75	35.00	33.125	33.50
	Low	32.125	29.00	27.875	29.50

Overview

During the last three years, the Company has completed a total of 13 acquisitions and 11 divestitures, with one additional divestiture and a spin-off pending. While the net effect of these transactions, combined with an erratic and often slow-growth global economy, has left the Company with essentially unchanged revenues and earnings during this period, Cooper is a much different company than it was in 1990 and better-prepared for the increasingly competitive world marketplace. The acquisitions have been in complementary product lines that enhance known areas of strength, while the dispositions have been of noncore or poor-performing businesses. The discussion that follows, as well as the financial statements and related footnotes, will aid in understanding the Company's results of operations as well as its financial position, cash flows, indebtedness and other key financial information. For further information about Cooper's products, markets, operations and future prospects, please refer to the Letter to Shareholders, the Operations Review, the section entitled "Investing in the Three Ts," and other discussions throughout this report.

Revenues

1993 Revenues Revenues of $6.27 billion in 1993 were up 2% from the $6.13 billion in 1992. Higher revenues in the Automotive Products segment, resulting from the inclusion of a full year's revenues of Moog Automotive, more than offset the decline in Petroleum & Industrial Equipment revenues stemming from the weakness in worldwide petroleum markets and business dispositions.

The Automotive Products segment generated revenues of $1.67 billion in 1993, which accounted for 27% of 1993 operating revenues, compared with $1.29 billion in 1992. This 30% increase was due to the inclusion of 12 months of Moog Automotive revenues in 1993 versus only three months in 1992. Excluding the effects of Moog, revenues were down 1% compared with the preceding year. Sales to domestic original equipment manufacturers improved over 1992 resulting in higher sales of wiper and lighting products during 1993. However, declines in domestic and Canadian sales of brake products and in European sales of spark plugs and wiper products more than offset otherwise steady demand from the automotive aftermarket.

Revenues from the Electrical Products segment were $1.57 billion, comprising 25% of the Company's operating revenues in 1993. Sales were flat compared with 1992 because of the inclusion of only nine months' revenues related to the Belden wire and cable business, which was sold at the end of the third quarter (see Note 2 of the Notes to Consolidated Financial Statements for further information). After excluding the revenues of Belden from both periods, and adjusting for the effects of 1993 acquisitions and a small 1992 divestiture, revenues in the segment improved by 6%. All major product offerings in the segment reported steady revenue gains, led by improved demand for fluorescent, industrial and airport lighting and for electrical circuit protection equipment.

The Tools & Hardware segment, which comprised 13% of 1993 operating revenues, reported revenues of $808 million compared with $812 million in 1992. After excluding the effects of acquisitions made during 1993 and 1992, revenues were down 3%. The revenue decline resulted primarily from the combined effects of weak consumer confidence and severe price competition in window coverings markets, and sluggish European and export demand for power tools. These weaknesses more than offset the modest improvement in domestic hand tool sales caused by strengthening residential construction activity and industrial production.

Revenues from the Electrical Power Equipment segment declined from $618 million in 1992 to $612 million in 1993, and represented 10% of the Company's operating revenues in 1993. Sales of this segment's products continued to be adversely affected by lower capital spending by utility customers and weak

pricing for distribution products. However, demand from utilities for maintenance and efficiency products continued at steady levels, and an increase in neighborhood development activity helped demand for distribution transformers and transformer components.

The Petroleum & Industrial Equipment segment, which represented 25% of the Company's 1993 operating revenues, experienced a 13% decline in revenues to $1.60 billion from the $1.83 billion reported in 1992. Excluding the effects on the comparison attributable to the early 1993 disposition of the mining and construction operations and the inclusion of only nine months' revenues from Cameron Forged Products due to the impending disposition of that business, revenues declined 6% from the preceding year. International shipments for oil and gas production and transmission equipment tapered off throughout the year, with significant declines in the fourth quarter. Domestic exploration and production activity improved slightly as a result of the stronger natural gas market. Shipments of industrial air compressors and blowers improved slightly compared with the prior year as a result of an upturn in industrial demand and economic development activity in Asia and the Pacific Rim.

1992 Revenues Cooper's 1992 revenues of $6.13 billion (excluding nonrecurring income items discussed below) were constant compared with 1991. Improvements in demand in the Electrical Products and Automotive Products segments, along with the acquisition of Moog Automotive, largely offset softness in Canadian and some European markets and a drop in demand in the domestic petroleum equipment market.

Revenues in the Automotive Products segment were $1.29 billion, or 21% of total operating revenues during 1992, an increase of 12%, compared with the $1.15 billion reported in 1991. Excluding the effects of Moog Automotive, which was acquired during the fourth quarter of 1992 (see Note 4 of the Notes to Consolidated Financial Statements), revenues were up 2%. Aftermarket demand, which accounted for the vast majority of this segment's sales, improved moderately in most product areas. Demand from domestic original equipment manufacturers also improved, reflecting increased production of trucks and minivans. These increases were partially offset by weak European markets, primarily affecting spark plug sales.

The Electrical Products segment contributed 26% of the Company's total operating revenues, improving 3% from $1.53 billion in 1991 to $1.57 billion in 1992 (up about 7% after adjusting both periods for recent divestitures). Higher levels of housing construction activity, as well as improved industrial production and maintenance and repair spending, favorably impacted sales of lighting fixtures, fuses and some electrical construction materials. Gains by electronics producers also contributed to increased sales of electronic wire and cable compared with the prior year.

Electrical Power Equipment revenues improved to $618 million, representing 10% of total operating revenues for 1992, from the $599 million reported in 1991. Utility customers continued to spend on maintenance and efficiency improvement projects, however capital spending remained at low levels. In addition, the prior-year results were adversely impacted by a third-quarter work stoppage at the Company's large power transformer plant.

Revenues from the Tools & Hardware segment declined 4% to $812 million, representing 13% of total operating revenues. Adjusted for recent acquisitions, revenues decreased approximately 7% compared with the prior year. Demand for the Company's hand- and air-powered tools fell as durable goods manufacturing activity slowed internationally. The rise in domestic residential construction activity and industrial production was modestly beneficial to the Company's domestic hand tools operations; however, reduced spending on residential redecorating and price competition depressed revenues in this segment's window treatments business.

Revenues from the Petroleum & Industrial Equipment segment, which represented 30% of the Company's total operating revenues in 1992, fell 10% to $1.8 billion from the $2.0 billion reported in 1991. Weakness in domestic demand for petroleum equipment, coupled with the continued softness in aerospace and industrial equipment markets, led to declines in sales of the Company's well completion equipment, aerospace forgings, power engines and air compressors. International demand for oil and gas

production and transmission equipment in the North Sea, Middle East and Southeast Asia provided some offset to the factors noted above.

1991 Revenues Revenues of $6.16 billion for the year ended December 31, 1991, were down 1% from the $6.22 billion reported in 1990. Increased revenues attributable to a continuing recovery in worldwide petroleum markets were more than offset by the effect of a weak domestic economy. Demand for many of the Company's products suffered during the year as the domestic economy declined, particularly in construction and industrial production markets.

The Petroleum & Industrial Equipment segment contributed 33% of the Company's operating revenues in 1991. Revenues rose to $2.0 billion in 1991, representing a 10% increase. Worldwide demand for oil and gas production and transmission equipment increased significantly early in the year as the Persian Gulf war created uncertainties over supply. While international demand remained firm throughout the year, domestic activity decreased after the war due to the deterioration of the natural gas industry, which saw prices fall to their lowest levels in over a decade. International exploration and production activity grew in almost all geographic areas; however, the domestic petroleum market fell off considerably from the first half of the year. A decline in worldwide construction of chemical, paper and other basic industry plants caused demand for the Company's air compressors to subside. The weak condition in the domestic economy also depressed demand for other of the Company's industrial products, such as forgings for commercial aircraft and mining and construction equipment.

Revenues from the Automotive Products segment remained unchanged at $1.15 billion for the year, representing 18% of total operating revenues. Modest declines in demand for spark plugs and brakes were somewhat offset by improved sales of wiper blades and lighting products. Market conditions in the automotive aftermarkets were highly competitive throughout the period as automotive parts distributors struggled to maintain market share in the midst of the recession. Demand for repair and replacement products held up early in the year, but began to reflect the softness in the domestic economy during the latter part of the year.

The Electrical Products segment recorded a 5% decline in revenues during 1991 to $1.5 billion, or 25% of total operating revenues. Sales of lighting fixtures, fuses and some electrical distribution products lagged behind 1990's levels due to the weak domestic construction market. Uncertainty over the prospect of economic recovery affected demand for electrical construction materials; however, spending on repair and maintenance activities was relatively strong throughout the year. Original equipment and installer demand for electronic wire and cable declined.

Revenues of the Tools & Hardware segment fell 7% to $843 million, or 14% of total operating revenues. Sales of hand tools and window treatments suffered domestically as residential construction activity and industrial production fell in response to the soft U.S. economy. International demand for certain of the Company's industrial power tools increased in European markets, providing a partial offset to domestic declines.

An extended work stoppage (settled in October 1991) at the Company's factory that produces large power transformers contributed significantly to the 12% decline in revenues from the Electrical Power Equipment segment. This segment's revenues decreased to $599 million, representing 10% of Cooper's total operating revenues. Weak demand in residential construction resulted in lower sales of distribution transformers, thereby contributing to the decline in segment revenues. Demand for efficiency improvement products (such as distribution switchgear, capacitors and voltage regulators) was steady during the year.

Nonrecurring Items

At the end of the third quarter of 1993, the Company commenced the final phase of a multi-year program designed to revitalize ongoing operations and eliminate noncore businesses. The completion of the public offering of the stock of Belden Inc. provided a $274-million pretax gain. That gain was entirely offset by a number of management actions including the write-down of the Cameron Forged Products operations to reflect the agreed-upon sales price of this business to Wyman-Gordon Company; a write-down of internally developed capitalized software; a reduction in the carrying value of the machinery and equipment and certain other plant and equipment associated with the Company's transformer product line within the Electrical Power Equipment segment; and accruals of $99 million for a number of facility consolidations, shutdowns and rationalizations. The facility projects are planned for all of the Company's segments and involve operations in the United States, Canada and Europe. While the majority of the spending for these projects will occur in 1994 and 1995, some projects will not be completed until 1996.

These actions are in addition to those provided for in the third quarter of 1992, as well as the realignment of the Cameron Iron Works and Champion Spark Plug operations undertaken in connection with those acquisitions. While the Cameron and Champion realignments are largely completed domestically, they are still in the early stages in Europe and other parts of the world. Although these projects involve significant expenditures, the spending is over several years, thus the various projects will not constitute a significant strain on the Company's overall financial resources or create a liquidity problem. Each of the projects was approved only after careful assessment that indicated that each project, when completed, will provide significant gains in productivity, operating efficiencies or other cost savings in the future.

Coincident with the sale of Belden, the Company announced an agreement in principle to sell its Cameron Forged Products Division to Wyman-Gordon Company and its intention to spin off to Cooper's Common shareholders the Company's Gardner-Denver Industrial Machinery operations headquartered in Quincy, Illinois. These actions, along with the sale earlier during 1993 of the Company's Gardner-Denver Mining and Construction operations, completed the divestitures of noncore businesses. Additional information regarding 1993 nonrecurring income and expense items is set forth in Note 2 of the Notes to Consolidated Financial Statements.

The Company's pretax earnings for 1992 include nonrecurring corporate income of $24.6 million and nonrecurring expense of $57 million. The net effect of these nonrecurring items was fully offset by $32.4 million of income tax expense reductions. See Note 2 of the Notes to Consolidated Financial Statements for additional information. The $57 million of nonrecurring expense resulted from establishing accruals with respect to productivity improvement, consolidation and asset disposition programs in all of the Company's segments except Electrical Power Equipment. These programs, which started in 1993, will be largely completed by late 1994 or early 1995 and are expected to result in a favorable earnings payback in the form of reduced costs, increased efficiency and other ancillary benefits.

Also, during the year ended December 31, 1992, the Company elected early adoption of Statement of Financial Accounting Standards (SFAS) No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions), SFAS No. 109 (Accounting for Income Taxes) and SFAS No. 112 (Employers' Accounting for Postemployment Benefits). Applying the new provisions resulted in a one-time charge against first-quarter 1992 net earnings of $590 million, or $5.19 per fully diluted share. In addition, net income was decreased by $22 million, or 19 cents a share, to reflect the 1992 current-year effects of the new standards. See Note 3 of the Notes to Consolidated Financial Statements for further information.

Operating Earnings

1993 Operating Earnings Operating earnings (defined as earnings before consideration of corporate income and expense, interest, taxes and nonrecurring items) declined 2% from $784 million in 1992 to $770 million in 1993. Significant declines in the earnings of the Company's Petroleum & Industrial Equipment and Electrical Power Equipment segments more than offset improvements in the Company's other business segments,

which served stronger markets during 1993. The 1992 segment totals have been revised to exclude 1992's third-quarter nonrecurring income and expense amounts, thereby making them comparable to the 1993 segment totals, which likewise exclude nonrecurring income and expense.

The Automotive Products segment generated operating earnings of $189 million in 1993, compared with $139 million in 1992, with the entire increase being attributable to the inclusion of Moog for a full year in 1993 versus only one quarter in 1992. This segment's earnings represented 24% of the Company's total operating earnings. Absent Moog's revenues and earnings, operating earnings would have declined in line with the small revenues decrease discussed previously. The gross margin percentage (defined as revenues less cost of sales, as a percentage of revenues) improved slightly primarily due to the inclusion of Moog. Selling and administrative expenses as a percentage of revenues were only slightly less favorable than the prior year despite the higher ratio of such costs at the acquired Moog operations as compared to Cooper's existing operations. This reflected management's emphasis on keeping such spending in line with operating levels.

Operating earnings of the Tools & Hardware segment increased 10% to $92 million in 1993 and represented 12% of operating earnings. Excluding the earnings gains from acquisitions, the segment's operating income improved in excess of 4% despite continued sluggishness in Europe and depressed conditions in North American window coverings markets. Profit improvement programs over the past several years and current spending controls provided the basis for the earnings improvement despite the small decline in revenues.

The Electrical Products segment continued to post steady improvements in operating earnings, which grew 7% to $316 million, and comprised 41% of the Company's operating earnings, even with the inclusion of only nine months' earnings from the Belden wire and cable business. Excluding the results of Belden and the effects of acquisitions from both periods, operating earnings increased at almost twice the pace of the sales growth, improving 13% from the previous year. The segment's earnings also benefited from operating efficiencies and cost-containment measures that resulted in an improved gross margin percentage and a lower percentage of selling and administrative expenses per sales dollar.

The Electrical Power Equipment segment experienced a 26% decline in operating earnings to $43 million, representing 6% of operating earnings. The decline was related to lower revenues, aggravated by the decline in demand for higher-margin power products and weak pricing for distribution transformers. Selling and administrative expenses in the segment declined both in absolute dollars and as a percentage of revenues, as management continued to decrease spending to respond to the lower market activity.

Operating earnings for the Petroleum & Industrial Equipment segment declined significantly from the previous year, falling 38% from $209 million in 1992 to $130 million in 1993. This segment's operating earnings represented 17% of 1993 operating earnings. These results would not be significantly different if the divestitures occurring in each year were excluded. The primary reason for the earnings decline was the significant decrease in revenues, caused by continued decline in worldwide production and transmission projects and augmented by the fourth-quarter drop in oil prices. The depressed market conditions and the resulting pricing pressures caused margins to shrink faster than management's ability to adjust short-term operating levels. Although selling and administrative expenses declined significantly in the segment, they were slightly higher than the previous year when measured as a percentage of revenues due to the severity of the revenue decline.

During 1993, the Company recorded $20 million in operating earnings attributable to LIFO inventory liquidations, compared with $16 million in 1992 and $11 million in 1991. The percentage of LIFO income recorded by each segment is set forth in Note 15 of the Notes to Consolidated Financial Statements.

Total Company operating earnings were 12.3% of total revenues in 1993, compared with 12.8% in 1992 and 14.4% in 1991.

1992 Operating Earnings The following table shows the 1992 operating earnings of the Company's segments before and after the effects of the accounting changes discussed above and in Note 3 of the Notes to Consolidated Financial Statements. The discussion that follows focuses on the "Comparative Segment Totals."

1992 Operating Earnings by Segment

(millions)	As Reported in Note 15	Add Back Effects of Accounting Changes	Comparative Segment Totals
Electrical Products	$ 295.0	$ 3.2	$ 298.2
Electrical Power Equipment	58.2	1.9	60.1
Tools & Hardware	83.4	2.2	85.6
Automotive Products	139.0	16.2	155.2
Petroleum & Industrial Equipment	208.8	5.3	214.1
	$ 784.4	$ 28.8	$ 813.2

Operating earnings declined 8% from $884 million in 1991 to $813 million in 1992. Significant declines in the operating earnings of the Petroleum & Industrial Equipment and Tools & Hardware segments more than offset modest improvements in earnings from the Electrical Products, Automotive Products and Electrical Power Equipment segments.

The Electrical Products segment generated operating earnings of $298 million in 1992, 37% of total operating earnings and a 9% improvement over the $273 million in the prior year. The improvement was primarily the result of higher sales volumes generated by the strong demand for lighting fixtures, fuses and electronic wire and cable discussed under "Revenues." Operating efficiencies also resulted in margin improvements and lower selling and administrative expenses per sales dollar, which supplemented the earnings improvement.

The Automotive Products segment represented 19% of Cooper's total operating earnings for 1992, with operating earnings of $155 million, compared with $145 million in the prior year. This 7% increase over 1991 was attributable to the acquisition of Moog Automotive. Excluding the effects of the Moog acquisition, earnings for the year were flat. Lower overhead spending from cost controls throughout this segment was essentially offset by the effect on margins of sluggish spark plug sales.

Earnings from the Electrical Power Equipment segment improved 5%, compared with the strike-affected results of 1991. Operating earnings rose from $57 million to $60 million during 1992, representing 7% of the Company's total operating earnings. Most of the earnings improvement was the result of the increase in revenues from the particularly depressed levels of 1991.

Operating earnings in the Tools & Hardware segment declined from $98 million in 1991 to $86 million in 1992, and represented 11% of total operating earnings. Earnings were impacted primarily by the lower sales volumes. The gross margin on sales improved slightly as a result of operating adjustments made in response to the lower activity.

Earnings from the Petroleum & Industrial Equipment segment decreased significantly from $311 million in 1991 to $214 million in 1992, a 31% decline. The earnings from this segment represented 26% of the Company's total operating earnings for the year. The decline in demand for domestic oil and gas exploration and production equipment due to the general condition of the domestic energy markets, coupled with weak markets for industrial equipment, had a significant, unfavorable impact on the earnings of this segment. Sales declined faster than the Company's ability to adjust selling and administrative expenses in the short term, further contributing to the decline.

1991 Operating Earnings Cooper's operating earnings fell 1% to $884 million during 1991 from $894 million in the prior year. The decline reflected the impact of lower sales of many of the Company's products, somewhat offset by benefits from profit improvement and cost management programs.

In the Petroleum & Industrial Equipment segment, operating earnings improved 29%, climbing to $311 million in 1991 and contributing 35% of the Company's total operating earnings. In addition to increased revenues, earnings were enhanced by a higher gross margin percentage resulting from a high-volume order for compression equipment, as well as benefits from cost-reduction programs and other operating efficiencies. This segment also continued to glean benefits from the integration of the Cameron Iron Works acquisition.

The Electrical Products segment's operating earnings declined 5% to $273 million in 1991, representing 31% of the Company's total operating earnings. The gross margin percentage improved due to controlled spending and profit from 1991 liquidation of LIFO inventory layers, coupled with the effect on the prior year of a restructuring charge at one of the Company's smaller operations. However, these benefits were offset by selling and administrative expenses that did not decrease in proportion to the revenue decline.

Operating earnings from the Automotive Products segment fell short of the prior year's results by 6%, decreasing to $145 million in 1991. This total represented 16% of Cooper's total operating earnings for the year. Intense competition in the automotive aftermarket put pressure on operating margins and resulted in a slightly lower gross margin percentage. Lower selling and administrative expenses as a percentage of revenues, resulting from lower advertising and promotion costs and overall cost containment efforts at the spark plug operations, slightly offset the lower margins. However, higher depreciation and amortization related to 1990 and 1991 capital spending within this segment further reduced operating earnings during the year.

Operations in the Tools & Hardware segment experienced a 23% decline in operating earnings to $98 million in 1991, representing 11% of total operating earnings. Earnings declined more than sales as the effects of the progressive erosion of demand from residential construction and industrial production markets outpaced management actions to reduce manufacturing labor and overhead costs.

The Electrical Power Equipment segment recorded a significant decline in operating earnings from $82 million to $57 million, a decrease of 31%. These earnings represented 7% of Cooper's total operating earnings. The decrease was primarily attributable to lower volumes. Management control over costs helped keep the gross margin percentage in line with the prior year, although price competition resulted in a slight decline. Higher depreciation and amortization on capital improvements made during 1990 also contributed to decreased earnings for the period.

Net Income (Loss)

1993 Net Income The Company's net income of $367 million improved 2% compared with 1992's income before the cumulative effect of changes in accounting principles of $361 million. The increase from 1992 reflected the positive impacts of lower interest expense, higher amounts of income not allocable to a particular segment and lower general corporate expenses, partially offset by lower operating earnings as discussed above.

Consolidated interest expense decreased 14% or $16.5 million primarily as a result of lower interest rates. (See Note 10 of the Notes to Consolidated Financial Statements for further information on the Company's debt structure and the statement of Consolidated Cash Flows for information regarding debt activity.) Other income increased from the prior year due to the inclusion of income from a tax sharing agreement between Cooper and Belden Inc. General corporate expenses declined as a result of management's focus on cost controls during the year. The effective tax rate increased 3.6 percentage points from 1992's rate, which was favorably impacted by the nonrecurring income items.

1992 Net Income (Loss) Cooper's income before the cumulative effect of changes in accounting principles declined 8% to $361 million in 1992 from $393 million in 1991. The decrease reflected the impact of lower operating earnings and the 1992 current-year effect of the new accounting standards adopted during 1992, partially offset by lower interest expense. After considering the $590-million, one-time charge against income for the cumulative effect of changes in accounting principles, the Company experienced a net loss of $229 million, compared with net income of $393 million in 1991.

Consolidated interest expense declined 28% to $116 million for the year. Lower debt levels during most of the year, largely due to strong operating cash flows, combined with lower effective borrowing rates for the decrease. General corporate expense increased $22 million and the effective tax rate declined by 3.5 percentage points, largely due to the nonrecurring income and expense items discussed above.

1991 Net Income Cooper's net income rose 9% to $393 million during 1991, up from $361 million reported during 1990. The increase reflected lower interest expense, lower general corporate expenses and a 1.3-percentage-point reduction in the effective tax rate, the cumulative effect of which offset the 1% decline in operating earnings discussed previously.

Consolidated interest expense declined $53 million to $161 million for the year. Lower effective borrowing rates resulting from soft economic conditions and lower debt levels combined to produce the substantial decrease. General corporate expenses decreased $6 million from the prior year, primarily reflecting lower amounts of certain nonrecurring corporate costs. The effective tax rate declined primarily due to lower foreign taxes as a percentage of foreign earnings. The lower foreign tax rates reflected not only the benefits of statutory rate reductions in certain foreign countries, but also benefits derived from various tax planning strategies implemented over the previous several years.

Fully Diluted Earnings Per Share

Earnings per fully diluted share increased to $2.75 in 1993, up 1% from 1992's income before the cumulative effect of changes in accounting principles. The same factors discussed under "Net Income" and "Operating Earnings" above contributed to the change in fully diluted share earnings, partially offset by higher shares utilized in the calculation. The number of weighted average shares used in the fully diluted earnings per share computation was 114.2 million in 1993 compared with 113.8 million in 1992. In addition to normal annual activity, the increase in shares reflects the issuance of 475,256 shares in September 1993 in connection with the Company's biennial employee stock purchase program as further discussed in Note 14 of the Notes to Consolidated Financial Statements.

Earnings per fully diluted share before the cumulative effect of changes in accounting principles decreased from $3.01 in 1991 to $2.71 in 1992. The cumulative effect of changes in accounting principles during 1992 amounted to $5.19 per fully diluted share, resulting in a net loss for the year of $2.48 per share. The same factors discussed under "Operating Earnings" and "Net Income (Loss)" above led to the decline in share earnings. The assumed conversion of the 7% debentures and the $1.60 Convertible Exchangeable Preferred into Common stock was antidilutive in 1992; therefore, conversion was not assumed in the 1992 computation of share earnings.

Fully diluted share earnings increased from $2.81 in 1990 to $3.01 per fully diluted share for 1991. The diversity of Cooper's markets, combined with cost-reduction and cost-control programs, enabled the Company to minimize the decline in operating earnings during this period of economic slowness. Coupled with lower interest and taxes, these factors allowed the Company to post the 7% increase in share earnings.

The 131.1 million shares utilized in the 1991 computation of fully diluted earnings per share increased in comparison to 1990, because the assumed conversions of the $1.60 Convertible Exchangeable Preferred and the 7% debentures to Common stock had a dilutive effect on the 1991 computation. As a result, the applicable interest expense on the debentures, net of tax, was added back to the net income and dividends on Preferred stock were not deducted, in determining fully diluted earnings per share. (See Note 18 of the Notes to Consolidated Financial Statements for further information.)

Pricing And Volume

In all of Cooper's segments, the nature of many of the products sold is such that an accurate determination of the changes in unit volume of sales is neither practical nor, in some cases, meaningful. Each segment produces a family of products, within which there exist considerable variations in size, configuration and other characteristics.

It is the Company's best judgment that, excluding the year-to-year effects of acquisitions and divestitures, during 1993, unit volume increased in the Electrical Products segment, was relatively unchanged in the Automotive Products segment, and decreased in each of the other segments; during 1992, unit volume increased in the Electrical Products and Automotive Products segments, was relatively unchanged in the Electrical Power Equipment segment, and decreased in the Tools & Hardware and Petroleum & Industrial Equipment segments; and during 1991, unit volume increased in the Petroleum & Industrial Equipment segment, was substantially unchanged in the Automotive Products segment, and decreased in each of the other segments.

During 1993 and 1992, the Company experienced resistance to price increases in selected product offerings in all segments. The Company has been able to control costs during this period such that the resistance to price increases has not significantly impacted profitability in any segments except Electrical Power Equipment and Petroleum & Industrial Equipment (Tools & Hardware and Petroleum & Industrial Equipment in 1992). During 1991, the first full year of the economic decline domestically, the Company began to experience difficulty passing on all cost increases, particularly in the Electrical Power Equipment, Tools & Hardware and Automotive Products segments.

Liquidity And Capital Resources

Working Capital During 1993, "operating working capital" (defined as receivables and inventories less accounts payable and accrued liabilities, excluding the initial effects of acquisitions and divestitures, as well as foreign currency translation, nonrecurring income and expense items and the cumulative effect of accounting changes) increased $3 million. Higher receivables at year-end 1993 more than offset reductions in inventories and increases in accounts payable and accrued liabilities compared with the previous year end. The increase in receivables and the reduction in inventories primarily occurred in the Petroleum & Industrial Equipment segment and was largely due to the timing of several large compressor projects that shipped during the month of December. The increase in accounts payable and accrued liabilities was due to normal operating activities.

During 1992, operating working capital increased by $29 million. This change was comprised of the effects of lower receivables and inventories and lower accounts payable and accrued liabilities. The decrease in receivables and inventories primarily was due to effective working capital management. The lower accounts payable and accrued liabilities resulted primarily from normal operating activity.

During 1991, operating working capital increased $92 million. Slightly higher receivables and lower accounts payable and accrued liabilities were the primary contributors to the increase. Receivables increased in the Petroleum & Industrial Equipment segment, primarily as a result of higher revenues. Other segments reported flat or decreased receivables. Accounts payable and accrued liabilities decreased, primarily due to spending associated with integration and consolidation programs within the acquired Champion and Cameron operations. Inventories declined, partially offsetting the above changes, reflecting lower production levels in response to soft economic conditions.

Excluding the 1993 revenues of Belden, Gardner-Denver Industrial Machinery Division and Cameron Forged Products Division, operating working capital as a percentage of revenues at year-end 1993 was 18.0%. The percentage was 19.8% at year-end 1992 (17.3% after adjusting for the fourth-quarter 1992 acquisition of Moog Automotive) and 19.9% at year-end 1991.

Cash Flows During 1993, cash flows from operating activities were $578 million. These cash flows were augmented by proceeds from the disposition of businesses of $413 million (including approximately $390

million from the sale of Belden), proceeds from sales of fixed assets of $26 million and proceeds from activity under stock option and other plans of $12 million. These cash flows allowed the Company to fund capital expenditures of $275 million, dividends of $203 million and acquisitions of $101 million (see Note 4 of the Notes to Consolidated Financial Statements) and to reduce indebtedness by $453 million.

As discussed under "Nonrecurring Items" above, during the past two years, the Company has accelerated consideration of a number of projects that will involve significant spending over the next several years. The Company does not believe that the resources required for the projects will strain the Company's overall liquidity or capital resources.

In January 1994, the Company announced that it expected earnings for 1994 to decline from 1993 by as much as 25%. Although the earnings decline will result in lower cash flows for 1994, the cash flow reduction is not expected to inhibit the Company's ability to meet its cash requirements or its ability to respond to opportunities that may arise. See "Earnings Outlook" below for further discussion.

During 1992, cash flows from operating activities totaled $653 million. These positive cash flows, along with $39 million of proceeds from business divestitures, $32 million from sales of plant and equipment and $45 million from stock option and other plans, allowed the Company to expend $638 million on acquisitions and $274 million on capital expenditures and to pay $193 million of dividends, while only increasing outstanding indebtedness, exclusive of debt assumed in acquisitions, by $334 million.

During 1991, positive cash flows included $554 million from operating activities, $37 million of proceeds from sales of plant and equipment and from dispositions of businesses held for sale and $36 million from stock option and other plans. These activities provided cash that allowed the Company to fund capital expenditures of $266 million, pay dividends of $180 million and reduce outstanding indebtedness by $158 million. Cash increased $6 million, net of a $2-million translation effect, during the year.

Debt The ratio of debt to total capitalization at December 31, 1993, was 33.7%, compared with 42.0% at year-end 1992 and 34.2% at year-end 1991. The decrease from the previous year was due to debt reductions associated with the sale of Belden and the classification of $75 million of indebtedness allocated to Gardner-Denver Industrial Machinery Division in "Net assets of businesses held for disposition" at December 31, 1993. See Note 2 of the Notes to Consolidated Financial Statements for further information regarding the disposition of Belden and the planned spin-off of Gardner-Denver Industrial Machinery Division.

As of December 31, 1993, the Company had entered into several interest rate swap agreements maturing at various dates through February 22, 1994, that effectively converted $500 million of floating-rate borrowings into fixed-rate borrowings that will have an effective borrowing rate of approximately 3.73%. See Note 10 of the Notes to Consolidated Financial Statements for further information.

Financial Position

The Company's financial position reflects the various factors discussed previously under "Revenues," "Nonrecurring Items," "Operating Earnings" and "Liquidity and Capital Resources."

The decreases in plant and equipment, intangibles and postretirement benefits other than pensions primarily reflect the sale of Belden during 1993 and the transfers of the respective balances related to Gardner-Denver Industrial Machinery and Cameron Forged Products to net assets of businesses held for disposition at December 31, 1993. Other changes in the various components of the Company's financial position were the result of normal operating activities.

Earnings Outlook

During January 1994, the Company announced that share earnings could be down by as much as 25% in 1994 in comparison to 1993. After taking into account the businesses divested in 1993 and the planned divestitures, the projected drop in share earnings is entirely due to a downturn in the Petroleum & Industrial Equipment segment, caused by the significant late-1993 drop in oil prices and the resulting impact on worldwide exploration and production projects, which affect demand for the Company's oilfield equipment. These

effects are being compounded by the impact of delays in several, major, gas compression projects worldwide. The impact of this decline is expected to more than exceed projected earnings improvements in the Electrical Products and Tools & Hardware segments. The Company anticipates steady performance in the Electrical Power Equipment and Automotive Products operations.

Nearly $35 million of the $156 million provided for management projects over the last two years, as well as remaining realignment reserves provided in connection with the Cameron Iron Works acquisition, will result in significant capacity and cost structure modifications within the Petroleum & Industrial Equipment segment over the next several years. These changes are expected to have a softening effect on the 1994 downturn and longer term to improve the Company's ability to participate profitably in a market turnaround when it occurs.

Capital Expenditures And Commitments

Capital projects to reduce product costs, improve product quality, increase manufacturing efficiency and operating flexibility, or expand production capacity resulted in expenditures of $275 million in 1993, compared with $274 million in 1992 and $266 million in 1991. At December 31, 1993, commitments for capital expenditures amounted to $270 million, compared with $288 million and $285 million at year-end 1992 and 1991, respectively.

The commitments for 1994 include approximately $42 million for capacity expansion, $136 million for machinery and equipment modernization and enhancement, $23 million for various computer hardware and software projects, $13 million for environmental projects, and $56 million for other items.

Effect Of Inflation

During each year, inflation has had a relatively minor effect on Cooper's reported results of operations. This is true primarily for three reasons. First, in recent years, the rate of inflation in Cooper's primary markets has been fairly low. Second, Cooper makes extensive use of the LIFO method of accounting for inventories. The LIFO method results in current inventory costs being matched against current sales dollars, such that inflation affects earnings on a current basis. Finally, many of the assets and liabilities included in Cooper's Consolidated Financial Position were recorded in business combinations that were accounted for as purchases. At the time of such acquisitions, the assets and liabilities were adjusted to a fair market value and, therefore, the cumulative long-term effect of inflation is reduced.

FINANCIAL HISTORY

(in millions where applicable)

Operating Results	1993	1992[1]	1991	1990	1989[3]	1988[4]	1987	1986	1985[5]	1984	1983
Revenues	**$6,273.8**	$ 6,133.9	$ 6,162.6	$ 6,222.2	$ 5,129.4	$ 4,258.3	$ 3,585.8	$ 3,433.3	$ 3,067.2	$ 2,029.9	$ 1,850.3
Cost of sales	**4,233.6**	4,139.6	4,129.4	4,187.9	3,451.3	2,904.3	2,430.2	2,302.0	2,071.0	1,357.9	1,250.3
Depreciation and amortization	**302.8**	289.1	258.0	238.5	188.9	154.7	135.4	127.1	105.8	73.6	67.9
Selling and administrative expenses	**1,012.9**	977.1	945.4	953.0	831.9	701.9	622.6	615.9	534.5	368.4	363.1
Interest expense	**99.1**	115.6	161.2	214.2	182.6	111.9	86.1	103.1	97.7	20.6	28.5
Nonrecurring income	**(273.8)**	(24.6)	–	–	–	–	–	–	–	–	–
Nonrecurring expense	**273.8**	57.0	–	–	–	–	–	–	–	–	–
Total costs and expenses	**5,648.4**	5,553.8	5,494.0	5,593.6	4,654.7	3,872.8	3,274.3	3,148.1	2,809.0	1,820.5	1,709.8
Income before income taxes and cumulative effect of changes in accounting principles	**625.4**	580.1	668.6	628.6	474.7	385.5	311.5	285.2	258.2	209.4	140.5
Income taxes	**258.3**	218.8	275.4	267.2	206.9	161.1	137.7	137.5	123.1	102.5	69.3
Income before cumulative effect of changes in accounting principles	**367.1**	361.3	393.2	361.4	267.8	224.4	173.8	147.7	135.1	106.9	71.2
Cumulative effect on prior years of changes in accounting principles	**–**	(590.0)	–	–	–	–	–	–	–	–	–
Net income (loss)	**367.1**	(228.7)	393.2	361.4	267.8	224.4	173.8	147.7	135.1	106.9	71.2
Preferred dividends	**(53.1)**	(52.8)	(50.9)	(50.0)	(4.5)	–	–	–	(16.0)	(16.0)	(16.0)
Net income (loss) applicable to Common stock	**$ 314.0**	$ (281.5)	$ 342.3	$ 311.4	$ 263.3	$ 224.4	$ 173.8	$ 147.7	$ 119.1	$ 90.9	$ 55.2
Income (Loss) per Common Share											
Primary											
Income before cumulative effect of changes in accounting principles	**$ 2.75**	$ 2.71	$ 3.04	$ 2.81	$ 2.51	$ 2.21	$ 1.73	$ 1.52	$ 1.39	$ 1.06	$ .64
Cumulative effect on prior years of changes in accounting principles	**–**	(5.19)	–	–	–	–	–	–	–	–	–
Net income (loss)	**$ 2.75**	$ (2.48)	$ 3.04	$ 2.81	$ 2.51	$ 2.21	$ 1.73	$ 1.52	$ 1.39	$ 1.06	$ .64
Fully diluted											
Income before cumulative effect of changes in accounting principles	**$ 2.75**	$ 2.71	$ 3.01	$ 2.81	$ 2.49	$ 2.20	$ 1.73	$ 1.51	$ 1.38	$ 1.06	$ .64
Cumulative effect on prior years of changes in accounting principles	**–**	(5.19)	–	–	–	–	–	–	–	–	–
Net income (loss)	**$ 2.75**	$ (2.48)	$ 3.01	$ 2.81	$ 2.49	$ 2.20	$ 1.73	$ 1.51	$ 1.38	$ 1.06	$ .64
Cash Dividends per Common Share	**$ 1.32**	$ 1.24	$ 1.16	$ 1.08	$ 1.00	$ .90	$ .84	$ .80	$ .76	$ .76	$ .76
Average Common Shares Outstanding											
Primary	**114.2**	113.8	112.5	110.8	105.1	101.7	100.2	97.2	85.4	85.4	85.8
Fully diluted	**114.2**	113.8	131.1	110.9	105.9	101.9	100.5	97.5	86.1	85.8	86.3
Other Data											
Working capital	**$ 879.3**	$ 1,187.2	$ 1,197.8	$ 1,041.3	$ 1,017.5	$ 800.1	$ 706.8	$ 698.7	$ 826.3	$ 573.9	$ 600.0
Long-term debt	**1,254.3**	1,815.7	1,479.2	1,684.4	1,828.6	1,170.3	884.4	863.6	1,158.3	156.8	175.0
Total indebtedness	**1,515.9**	2,072.8	1,761.2	1,972.8	2,085.4	1,299.9	980.3	951.6	1,283.7	177.5	243.1
Capital expenditures	**275.1**	273.5	266.3	273.6	190.6	128.2	100.9	109.5	115.8	68.5	86.2
Net plant and equipment	**1,483.4**	1,685.6	1,614.0	1,568.0	1,647.9	1,115.2	1,016.6	937.7	973.2	685.5	683.3
Total assets	**7,147.8**	7,575.6	7,148.6	7,167.5	6,745.0	4,384.0	3,800.4	3,400.0	3,635.9	1,953.7	1,949.4
Shareholders' equity	**2,984.6**	2,866.9	3,394.9	3,065.7	2,696.6	1,771.7	1,592.9	1,419.9	1,318.0	1,240.1	1,250.6
Book value per Common share	**19.54**	18.66	23.60	21.45	18.21	17.47	15.90	14.66	13.56	12.56	12.44
Year-end price/earnings ratio	**17.9**	17.5[2]	19.0	14.6	16.1	12.3	16.0	13.7	15.1	13.3	26.9
Return on revenues	**5.9%**	5.9%[2]	6.4%	5.8%	5.2%	5.3%	4.8%	4.3%	4.4%	5.3%	3.8%
Return on average shareholders' equity	**12.5%**	12.7%	12.2%	12.5%	13.5%	13.3%	11.5%	10.8%	10.6%	8.6%	5.7%
Total debt as a percent of total capitalization	**33.7%**	42.0%	34.2%	39.2%	43.6%	42.3%	38.1%	40.1%	49.3%	12.5%	16.3%
Number of employees	**49,500**	52,900	53,900	57,500	58,100	46,300	43,200	40,200	46,000	30,000	30,000
Number of record shareholders (Common and Preferred)	**38,800**	37,800	39,500	34,500	35,900	32,600	50,900	28,100	29,900	30,900	33,100

(1) During 1992, Cooper acquired Moog Automotive Group, Inc. in a transaction that was accounted for as a purchase. In addition, certain amounts have been reclassified to provide a consistent presentation.

(2) Based on income before the cumulative effect of changes in accounting principles.

During 1989, Cooper acquired Champion Spark Plug Company and Cameron Iron Works, Inc. in transactions that were accounted for as purchases.
During 1988, Cooper acquired RTE, Beswick and Imo Delaval's Enterprise Engine parts and repair business in transactions that were accounted for as purchases.
During 1985, Cooper acquired McGraw-Edison Company in a transaction that was accounted for as a purchase.

The Board of Directors and Shareholders
Cooper Industries, Inc.

We have audited the accompanying statements of consolidated financial position of Cooper Industries, Inc. as of December 31, 1993 and 1992, and the related statements of consolidated results of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper Industries, Inc. at December 31, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 3 of the Notes to Consolidated Financial Statements, in 1992 the Company changed its methods of accounting for postretirement benefits other than pensions, income taxes and postemployment benefits.

Ernst + Young

Houston, Texas
January 24, 1994

(in millions except per-share data)

	Year Ended December 31,		
	1993	1992[1]	1991
Revenues	**$6,273.8**	$ 6,133.9	$ 6,162.6
Costs and Expenses			
Cost of sales	**4,233.6**	4,139.6	4,129.4
Depreciation and amortization	**302.8**	289.1	258.0
Selling and administrative expenses	**1,012.9**	977.1	945.4
Interest expense	**99.1**	115.6	161.2
Nonrecurring income	**(273.8)**	(24.6)	–
Nonrecurring expense	**273.8**	57.0	–
	5,648.4	5,553.8	5,494.0
Income before income taxes and cumulative effect of changes in accounting principles	**625.4**	580.1	668.6
Income taxes	**258.3**	218.8	275.4
Income before cumulative effect of changes in accounting principles	**367.1**	361.3	393.2
Cumulative effect on prior years of changes in accounting principles	**–**	(590.0)	–
Net Income (Loss)	**$ 367.1**	$ (228.7)	$ 393.2
Income (Loss) Per Common Share			
Primary–			
Income before cumulative effect of changes in accounting principles	**$ 2.75**	$ 2.71	$ 3.04
Cumulative effect on prior years of changes in accounting principles	**–**	(5.19)	–
Net Income (Loss)	**$ 2.75**	$ (2.48)	$ 3.04
Fully diluted–			
Income before cumulative effect of changes in accounting principles	**$ 2.75**	$ 2.71	$ 3.01
Cumulative effect on prior years of changes in accounting principles	**–**	(5.19)	–
Net Income (Loss)	**$ 2.75**	$ (2.48)	$ 3.01
Cash Dividends Per Common Share	**$ 1.32**	$ 1.24	$ 1.16

(1) Certain amounts have been reclassified to provide a consistent presentation of nonrecurring income and expense.

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Financial Position

(in millions except share data)

	December 31, 1993	December 31, 1992
Current Assets		
Cash and cash equivalents	**$ 13.0**	$ 17.8
Receivables	**1,105.2**	1,086.1
Inventories	**1,247.2**	1,481.8
Other	**216.4**	251.4
	2,581.8	2,837.1
Current Liabilities		
Short-term debt	**99.7**	200.2
Accounts payable and accrued liabilities	**1,323.6**	1,347.4
Accrued income taxes	**117.3**	45.4
Current maturities of long-term debt	**161.9**	56.9
	1,702.5	1,649.9
Working Capital	**879.3**	1,187.2
Net assets of businesses held for disposition	**225.0**	–
Plant and equipment, at cost less accumulated depreciation	**1,483.4**	1,685.6
Intangibles, less accumulated amortization	**2,589.5**	2,810.4
Deferred income taxes, investments and other assets	**268.1**	242.5
Total Assets Less Current Liabilities	**5,445.3**	5,925.7
Long-term debt	**1,254.3**	1,815.7
Postretirement benefits other than pensions	**743.1**	875.3
Other long-term liabilities	**463.3**	367.8
Net Assets	**$2,984.6**	$ 2,866.9
Shareholders' Equity		
$1.60 Convertible Exchangeable Preferred stock, $1.00 par value; 33,376,420 shares authorized (liquidating value at December 31, 1993-$753.2 million)	**$ 33.2**	$ 33.1
Common stock, $5.00 par value; 250,000,000 shares authorized	**571.3**	567.0
Capital in excess of par value	**1,122.1**	1,086.2
Retained earnings	**1,526.5**	1,359.1
Unearned employee stock ownership plan compensation	**(125.2)**	(149.7)
Minimum pension liability	**(73.6)**	(7.7)
Translation component	**(65.8)**	(21.1)
Common stock held in treasury, at cost	**(3.9)**	–
	$2,984.6	$ 2,866.9

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Cash Flows

(in millions)

	Year Ended December 31, 1993	1992[1]	1991
Cash flows from operating activities:			
Net income (loss)	**$ 367.1**	$ (228.7)	$ 393.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	**202.0**	196.2	175.2
Amortization	**100.8**	92.9	82.8
Deferred income taxes	**(7.7)**	109.4	49.5
Postretirement benefits other than pensions	**(8.0)**	29.2	–
Nonrecurring income, net of tax	**(164.3)**	(37.0)	–
Nonrecurring expense, net of tax	**164.3**	37.0	–
Cumulative effect of changes in accounting principles	**–**	590.0	–
Changes in assets and liabilities:[2]			
Receivables	**(114.2)**	79.9	(12.9)
Inventories	**68.5**	114.5	25.8
Accounts payable and accrued liabilities	**43.1**	(222.9)	(104.6)
Accrued income taxes	**(50.9)**	21.4	(8.1)
Other assets and liabilities, net	**(23.2)**	(129.3)	(46.6)
Net cash provided by operating activities	**577.5**	652.6	554.3
Cash flows from investing activities:			
Cash paid for acquired businesses	**(100.9)**	(637.7)	(15.0)
Capital expenditures	**(275.1)**	(273.5)	(266.3)
Proceeds from sales of plant and equipment	**25.5**	31.6	22.4
Proceeds from disposition of businesses	**412.5**	38.9	15.0
Other	**(.9)**	1.5	(0.8)
Net cash provided by (used for) investing activities	**61.1**	(839.2)	(244.7)
Cash flows from financing activities:			
Additions to debt	**257.7**	749.2	341.7
Reductions of debt	**(710.7)**	(415.2)	(499.6)
Dividends	**(203.4)**	(193.3)	(179.9)
Activity under stock option and other plans	**12.3**	44.7	36.3
Net cash provided by (used for) financing activities	**(644.1)**	185.4	(301.5)
Effect of translation on cash and cash equivalents	**.7**	(.4)	(2.2)
Increase (decrease) in cash and cash equivalents	**(4.8)**	(1.6)	5.9
Cash and cash equivalents, beginning of year	**17.8**	19.4	13.5
Cash and cash equivalents, end of year	**$ 13.0**	$ 17.8	$ 19.4

(1) Certain amounts have been reclassified to provide a consistent presentation of nonrecurring items.
(2) Net of the effects of acquisitions, divestitures, translation, nonrecurring items and the cumulative effect of changes in accounting principles.

The Notes to Consolidated Financial Statements are an integral part of these statements. See Note 17 for information on noncash investing and financing activities.

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

(in millions)	$1.60 Convertible Exchangeable Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Employee Stock Ownership Plan Compensation	Minimum Pension Liability	Translation Component	Common Stock Held in Treasury
Balance December 31, 1990	$ 31.4	$ 548.5	$ 933.1	$ 1,561.4	$ (149.9)	$ –	$ 141.2	$ –
Net income				393.2				
Cash dividends:								
Preferred stock–$1.60				(50.9)				
Common stock				(129.0)				
Dividend reinvestment program		.2	1.5					
Shares issued for:								
Conversions of debentures	1.5		33.1					
Exercise of stock options		3.5	11.6					
Employee stock purchase plan		6.1	28.7					
Employee stock ownership plan:								
Principal payments by ESOP					27.7			
Excess of cash contributions over expense					(.2)			
Sale of additional shares		2.7	24.1		(26.8)			
Tax effect of:								
Disqualifying stock dispositions			3.1					
Dividends paid to the ESOP				2.8				
Translation loss							(3.6)	
Other			(.1)					
Balance December 31, 1991	32.9	561.0	1,035.1	1,777.5	(149.2)	–	137.6	–
Net loss				(228.7)				
Cash dividends:								
Preferred Stock–$1.60				(52.8)				
Common stock				(140.5)				
Dividend reinvestment program		.3	2.4					
Shares issued for:								
Conversions of debentures	.2		3.7					
Exercise of stock options		2.3	9.3					
Executive restricted stock incentive plan		.9	6.2					
Employee stock ownership plan:								
Principal payments by ESOP					26.1			
Excess of cash contributions over expense					(.4)			
Sale of additional shares		2.3	23.9		(26.2)			
Tax effect of:								
Disqualifying stock dispositions			3.4					
Dividends paid to the ESOP				3.6				
Translation loss							(158.7)	
Adjustment for minimum pension liability						(7.7)		
Other		.2	2.2					
Balance December 31, 1992	33.1	567.0	1,086.2	1,359.1	(149.7)	(7.7)	(21.1)	–
Net income				**367.1**				
Cash dividends:								
Preferred Stock–$1.60				**(53.1)**				
Common stock				**(150.3)**				
Dividend reinvestment program		.3	2.2					
Acquisition of treasury stock, at cost								**(4.5)**
Shares issued for:								
Conversions of debentures	.1		2.8					
Exercise of stock options		1.6	7.1					.6
Employee stock purchase plan		2.4	21.2					
Employee stock ownership plan:								
Principal payments by ESOP					27.2			
Excess of cash contributions over expense					(2.7)			
Tax effect of:								
Disqualifying stock dispositions			2.3					
Dividends paid to the ESOP				3.7				
Translation loss							(44.7)	
Adjustment for minimum pension liability						(65.9)		
Other			.3					
Balance December 31, 1993	$ 33.2	$ 571.3	$ 1,122.1	$ 1,526.5	$ (125.2)	$ (73.6)	$ (65.8)	$ (3.9)

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries, except for certain insignificant subsidiaries, the investments in which are recorded under the cost method because of restrictions upon the transfer of earnings and other economic uncertainties. Investments of 50% or less in affiliated companies are accounted for on the equity method, unless significant economic or political considerations indicate that the cost method is appropriate.

Inventories Inventories are carried at cost or, if lower, net realizable value. On the basis of current costs, 73% of inventories in 1993 and 72% in 1992 are carried on the last-in, first-out (LIFO) method. The remaining inventories are carried on the first-in, first-out (FIFO) method.

Plant and Equipment Depreciation is provided over the estimated useful lives of the related assets using primarily the straight-line method. This method is applied to group asset accounts which in general have the following lives: buildings—10 to 40 years; machinery and equipment—3 to 18 years; and tooling, dies, patterns, etc.—5 to 10 years. Prior to the fourth quarter of 1992, no provision was made for depreciation of tooling, dies, patterns and similar assets related to general operations, as replacement of these items was charged to expense. The depreciable life for the majority of the Company's machinery and equipment was changed from 10 to 12 years effective July 1, 1993.

Intangibles Intangibles consist primarily of goodwill related to purchase acquisitions which, with minor exceptions, is being amortized over 40 years from their respective acquisition dates.

Income Taxes Beginning with the year 1992, the Company determined tax expense and other deferred tax information in compliance with Statement of Financial Accounting Standards (SFAS) No. 109 (Accounting for Income Taxes). Prior years have not been restated and accordingly reflect the procedures required by APB Opinion No. 11-Accounting for Income Taxes, as amended. Income tax expense includes U.S. and foreign income taxes, including U.S. Federal taxes on undistributed earnings of foreign subsidiaries to the extent such earnings are planned to be remitted.

Postretirement Benefits Other Than Pensions Beginning with the year 1992, the Company determined the accounting effect of postretirement benefits other than pensions (primarily retiree medical costs) in accordance with the provisions of SFAS No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions). Such benefits in years prior to 1992 were accounted for primarily on a pay-as-you-go basis, except for the portion of such costs accrued in connection with the Company's 1989 acquisitions.

Postemployment Benefits Beginning with the year 1992, the Company accounted for the benefits payable to employees when they leave the Company other than by reason of retirement in accordance with the provisions of SFAS No. 112 (Employers' Accounting for Postemployment Benefits). Except for an actuarial determination of the termination benefits payable to domestic salaried employees, the Company's accounting in years prior to 1992 was the same as that required by SFAS No. 112.

Environmental Remediation and Compliance Environmental remediation costs are accrued, except to the extent costs can be capitalized, based on estimates of known environmental remediation exposures. Environmental compliance costs include maintenance and operating costs with respect to pollution control facilities, cost of ongoing monitoring programs and similar costs. Such costs are expensed as incurred. Capitalized environmental costs are depreciated generally utilizing a 15-year life.

Interest Rate Swap Agreements The Company uses interest rate swaps to manage its interest rate risk. The interest rate differential to be received or paid is recognized over the lives of the interest rate swaps as an adjustment to interest expense.

Other For purposes of the statement of Consolidated Cash Flows, the Company considers all investments purchased with original maturities of three months or less to be cash equivalents.

NOTE 2: NONRECURRING ITEMS

On October 6, 1993, the Company closed an initial public offering of 90.4% of the stock of Belden Inc., formerly the Company's Belden Division. This sale, which was recorded in the third quarter, generated net-of-tax cash proceeds of approximately $267 million and a $273.8-million pretax ($164.3 million net of tax) gain or $1.44 per fully diluted share. In addition, depending upon the future profitability of Belden and other factors, the Company will receive over a 15-year period additional benefits from a tax sharing agreement between the Company and Belden Inc. The proceeds from the tax sharing agreement will be recorded in income when they are earned. The Company's remaining 9.6% interest in Belden Inc., the sale of which is prohibited during the first six months and restricted (other than when registered as permitted by agreements with Belden) during the first two years following the public offering, has been accounted for as a marketable equity security with an initial investment value of $12.4 million and a December 31, 1993 market value of $46.6 million. Belden, which was included in the Electrical Products segment, had revenues of $281 million and pretax profits of approximately $38 million for the nine-month period ended September 30, 1993.

The gain from the Belden sale was fully offset by a loss recorded with respect to the anticipated sale of the Cameron Forged Products Division and by the effects of a series of management actions designed to enhance the Company's future profitability. These actions included $99 million of accruals with respect to a series of productivity improvement and consolidation programs; a $65-million reduction in the depreciable value of the machinery and equipment and certain other plant and equipment related to the production of transformers, a large product line within the Company's Electrical Power Equipment segment; and a $56-million reduction in the carrying value of the Company's internally developed capitalized software. In addition, the Company increased the depreciable life on all existing and future additions of machinery and equipment from 10 to 12 years effective July 1, 1993.

On January 10, 1994, the Company entered into a definitive agreement for the sale of its Cameron Forged Products Division to Wyman-Gordon Company in exchange for approximately 16.5 million newly issued shares of Wyman-Gordon Company's common stock and $5 million in cash and notes. In anticipation of this sale, which had been agreed to in principle in mid-September, the Company reclassified the net assets of Cameron Forged Products Division to a long-term asset under the caption "Net assets of businesses held for disposition" and charged pretax earnings approximately $54 million for a write-down of the carrying value of those assets. Although Cooper will own approximately 48% of Wyman-Gordon Company, this investment is not intended to be maintained for a long period. Consequently, while the sale of the Wyman-Gordon Company shares is restricted, Cooper will have certain registration rights with respect to the stock in addition to its rights pursuant to Rule 144 of the Securities Act. In addition, Cooper will have only limited representation on Wyman-Gordon Company's Board of Directors and will be required, except in certain circumstances, to vote its shares in accordance with the position recommended by Wyman-Gordon Company's Board of Directors or proportionately with the vote of the other shareholders. As a result, when consummated, the Wyman-Gordon Company stock will be accounted for as a marketable equity security. At December 31, 1993, the market value of the common stock that Cooper will receive was $76.3 million, based on the year-end closing price of the Wyman-Gordon Company common stock. For the nine months ended September 30, 1993, Cameron Forged Products Division, which was included in the Company's Petroleum & Industrial Equipment segment, had revenues of $114 million and a small pretax loss. The results for the fourth quarter, which were consistent with those for the nine-month period, have not been included in the Company's consolidated results. The Company anticipates that this transaction, which is subject to Wyman-Gordon Company shareholder approval, will be consummated in early 1994.

In mid-October 1993, the Company announced its intention to spin off to the Company's Common shareholders its Gardner-Denver Industrial Machinery Division headquartered in Quincy, Illinois. The Company formed a new corporation called Gardner Denver Machinery Inc. and then transferred the assets and liabilities of the division into this entity. The stock of the newly formed corporation will be distributed on the basis of one share of common stock, par value $.01 per share, for every 25 shares of Cooper Common

stock owned as of a yet-to-be determined record date. Pursuant to the income tax and accounting rules pertaining to this transaction, the Company will not have a gain or loss with respect to the transaction and the stock received by the Company's shareholders will not be taxable until sold. At December 31, 1993, the net assets of the business, including approximately $75 million of indebtedness, amounted to approximately $150 million, which amount has been included in a long-term asset caption titled "Net assets of businesses held for disposition" pending completion of the distribution. For the year ended December 31, 1993, the Gardner-Denver Industrial Machinery Division, after deducting allocated interest expense, had a small pretax profit on revenues of $156 million. The Company anticipates that the distribution will be made during the first quarter of 1994.

The Company's net results for 1992 included approximately $22 million, net of tax, of nonrecurring corporate income, as well as a one-time, $15-million income tax expense reduction. In anticipation of a continuing slow-growth global economy, the Company accelerated consideration of a number of productivity improvement, consolidation and asset disposition programs. The Company decided to implement several such programs that were contemplated for later in the 1990s, resulting in a provision of $37 million, net of tax, which offset the favorable effects of these gains.

The 1992 nonrecurring income items included recognition of income with respect to investments made during the 1982 downturn in the petroleum sector. These investments were made under unusually favorable circumstances, which ultimately allowed disposition at a profit. Although portions of this profit were recognized previously, a significant amount was deferred pending the resolution of various uncertainties that were resolved during 1992. Additionally, the Company received an interest refund from the U.S. government with respect to the settlement of a pending income tax matter. The one-time income tax expense reduction resulted from a reassessment of the amount of tax accruals that need to be retained in order to fully provide for the additional U.S. tax that would be payable when the earnings of the Company's foreign subsidiaries are remitted.

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES

During the fourth quarter of 1992, the Company elected to adopt effective for all of 1992 and future years the accounting provisions of SFAS No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions), SFAS No. 109 (Accounting for Income Taxes) and SFAS No. 112 (Employers' Accounting for Postemployment Benefits). Earnings for 1992 included the cumulative effect ($590 million, net of tax, or $5.19 per fully diluted share) as of January 1, 1992, necessary to adjust the Company's net assets for compliance with the new standards. The results of operations for 1993 have also been determined in accordance with the new standards. Each of these changes is discussed in greater detail below.

SFAS No. 106-Employers' Accounting for Postretirement Benefits Other Than Pensions This standard, which was required to be adopted by the Company no later than January 1, 1993, provides that the Company follow an accrual method of accounting for the benefits other than pensions (primarily medical costs) provided to employees after retirement. The results of operations for 1992 included a charge of $669.1 million pretax ($408.2 million, net of tax, or $3.59 per fully diluted share) for the immediate recognition of the net transition obligation with respect to benefits earned by active and retired employees prior to January 1, 1992. Additionally, postretirement costs were recorded based on an actuarially determined accrual method as opposed to the Company's previous pay-as-you-go method of accounting for such costs. The effect was to decrease 1992's full-year net earnings by $17.8 million, or $.15 per fully diluted share. The remaining disclosure information required by SFAS No. 106 is set forth in Note 13.

SFAS No. 109-Accounting for Income Taxes This standard, which also was required to be adopted by the Company no later than January 1, 1993, requires a liability, as opposed to a deferred, method of accounting for income taxes. The results of operations for 1992 included a net tax charge of $166.2 million ($1.47 per fully diluted share) in order to provide a net deferred tax credit with respect to the aggregate of the differences between the book and tax basis of the Company's assets and liabilities. The direction and magnitude of this

adjustment resulted from the large, fair market value adjustments recorded for book purposes, but not for tax purposes, with respect to certain acquisitions, including Gardner-Denver, McGraw-Edison and, more recently, Champion Spark Plug and Cameron Iron Works. Additionally, income tax expense and certain other adjustments for 1992 were determined in accordance with the provisions of the new standard. The effect was to decrease 1992 pretax income by $2.8 million while increasing tax expense by $1.2 million, for a combined reduction of $.04 per fully diluted share. The remaining disclosure information required by SFAS No. 109 is set forth in Note 9.

SFAS No. 112-Employers' Accounting for Postemployment Benefits This standard, which was not required to be adopted by the Company until January 1, 1994, provides that the Company follow an accrual method of accounting for the benefits payable to employees when they leave the Company other than by reason of retirement. Because most of these benefits were already accounted for by the Company on an accrual method, this new standard had a relatively small cumulative effect—$25.6 million ($15.6 million, net of tax, or $.13 per fully diluted share)—and a negligible effect on 1992's earnings.

NOTE 4: ACQUISITIONS AND DIVESTITURES

In addition to the transactions described in Note 2, the Company completed five small product-line acquisitions and four divestitures in 1993. The acquisitions, which had an aggregate cost of $110.2 million including $6.7 million of assumed indebtedness, have been accounted for as purchases, with the resulting revenues and earnings included in the Company's Consolidated Results of Operations since the respective acquisition dates. A total of $53.6 million of goodwill was recorded on a preliminary basis with respect to the five acquisitions. Two of the acquisitions were in the Electrical Products segment, two were in the Tools & Hardware segment and one was in the Automotive Products segment.

During 1993, the Company completed the previously announced divestiture of its Gardner-Denver Mining and Construction operations (formerly included in the Petroleum & Industrial Equipment segment). The Company also sold two businesses that were being carried as businesses held for sale and a small business that was previously included in the Petroleum & Industrial Equipment segment. Including $30 million of notes and other amounts receivable in the future, proceeds from these four divestitures totaled $53.5 million and resulted in the recognition of a $5.6 million after-tax gain.

During 1992, the Company completed one large acquisition, four small product-line acquisitions and two divestitures. Effective October 1, 1992, the Company acquired Moog Automotive Group, Inc. from IFINT S.A. The total cost of the acquisition, including $233.8 million of indebtedness that was largely repaid at the acquisition date, was $612.4 million. Moog Automotive is a leading manufacturer of steering, suspension, driveline and temperature control parts for the automotive and light truck aftermarket. The Moog acquisition, along with the four smaller acquisitions, which had an aggregate cost of $42.0 million, have been accounted for as purchases and the results of the acquisitions are included in the Company's Consolidated Results of Operations since the respective acquisition dates. The four smaller acquisitions were all in the Tools & Hardware segment. A total of $414.8 million of goodwill, including 1993 revisions, has been recorded with respect to the five acquisitions.

During 1992, the Company sold its Distribution Equipment Division and one other small operation, the results of which were previously reported in the Electrical Products segment. Proceeds from these divestitures totaled $38.9 million and resulted in the recognition of a $5.8 million after-tax gain.

The Company completed three relatively small acquisitions and four divestitures in 1991. Neither the acquisitions nor the divestitures were material to the Company's Consolidated Financial Position or Results of Operations. The acquisitions, which had an aggregate cost of $17.8 million, were accounted for as purchases, with the resulting revenues and earnings included in the Company's Consolidated Results of Operations since the respective acquisition dates. The cost of the acquisitions, as finally determined, exceeded the fair market value of the assets acquired and liabilities assumed by $5.1 million.

NOTE 5: COMMON AND PREFERRED STOCK

Common Stock At December 31, 1993, 250,000,000 shares of Common stock were authorized. Of this total, 114,254,133 shares were issued and 114,179,700 were outstanding at December 31, 1993 (113,400,841 and 112,201,774 were issued and outstanding at December 31, 1992 and 1991, respectively). During the year ended December 31, 1993, a total of 86,500 shares were purchased as treasury stock at an average price of $52.82 per share. In addition, 35,363,582 shares were reserved for the Dividend Reinvestment Plan, conversions of Preferred stock, grants and exercises of stock options, subscriptions under the Employee Stock Purchase Plan and other plans, and shares to be issued in connection with future acquisitions.

Under a Shareholder Rights Plan adopted by the Board of Directors in 1987, share purchase Rights were declared as a dividend at the rate of one Right for each share of Common stock. Each Right has an exercise price of $87.50, entitles the holder to buy securities, including in certain circumstances Common stock, having a value of twice the exercise price, and becomes exercisable only in certain circumstances constituting a potential change of control on a basis considered inadequate by the Board of Directors. The Rights expire February 27, 1997, and, at the Company's option, may be redeemed prior to expiration for $.005 per Right.

Under the terms of a Dividend Reinvestment Plan that became effective in 1991, any holder of Common stock or $1.60 Convertible Exchangeable Preferred stock may elect to have cash dividends and/or up to $24,000 per year in cash payments invested in Common stock without incurring any brokerage commissions or service charges.

Preferred Stock The Company is authorized to issue 1,340,750 shares of Preferred stock with no par value (No Par Preferred), 10,000,000 shares of $2.00 par value Preferred stock and 36,197,499 shares of $1.00 par value Preferred stock. At December 31, 1993, no shares of the No Par Preferred or $2.00 par value Preferred stock were issued or outstanding.

At December 31, 1993, 33,376,420 shares of $1.00 par value Preferred stock have been designated as Convertible Exchangeable Preferred having a $1.60 dividend rate. Of this total, 33,182,654 shares were outstanding at December 31, 1993 (33,054,184 and 32,888,343 at December 31,1992 and 1991, respectively). Each share of Convertible Exchangeable Preferred is convertible into .55 share of Common stock and has a liquidating preference of $22.70. Each Convertible Exchangeable Preferred share may be redeemed at the option of the Company at any time after January 1, 1995, at prices declining from $23.50 in 1995 to $22.70 in 2000 and thereafter. The Preferred stock may be exchanged, at the option of the Company, on any quarterly dividend payment date after January 1, 1995, for $22.70 principal amount of 7.05% convertible debentures maturing on January 1, 2015.

The holders of the $1.60 Preferred stock are entitled to a one-tenth vote per share upon all matters presented to the shareholders and generally vote as a single class along with the Common shareholders, except in matters affecting control of the Company or the rights of the Convertible Exchangeable Preferred shareholders, where they vote as a separate class.

Under a Shareholder Rights Plan adopted by the Board of Directors in 1989, the same share purchase Rights referred to above were declared as a dividend at the rate of .55 Rights for each share of $1.60 Preferred stock.

At December 31, 1993, 189,360 shares of $1.60 Convertible Exchangeable Preferred were reserved for the conversions of the 7% convertible subordinated debentures and for issuance of fractional shares from exchange of Cameron Iron Works common stock.

NOTE 6: INVENTORIES

(millions)	December 31, 1993	1992
Raw materials	**$ 323.7**	$ 364.5
Work-in-process	**353.0**	431.6
Finished goods	**725.4**	889.9
Perishable tooling and supplies	**57.0**	66.9
	1,459.1	1,752.9
Excess of current standard costs over LIFO costs	**(185.9)**	(235.5)
Progress payments	**(12.0)**	(23.7)
Allowance for obsolete and slow-moving inventory	**(11.6)**	(11.9)
Other	**(2.4)**	–
Net inventories	**$1,247.2**	$1,481.8

During each year, reductions in inventory quantities resulted in liquidations of LIFO inventory layers carried at lower costs prevailing in prior years as compared with the cost of that year's purchases. The effect was to increase income before the cumulative effect of changes in accounting principles by $12.3 million ($.11 per fully diluted share) in 1993, $10.8 million ($.09 per fully diluted share) in 1992 and $6.8 million ($.05 per fully diluted share) in 1991.

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(millions)	December 31, 1993	1992[1]
Trade accounts and accruals	**$ 673.1**	$ 718.0
Salaries, wages and related fringe benefits	**154.8**	178.0
Product and environmental liability accruals	**121.2**	111.8
Contributions payable under employee benefit plans	**66.7**	63.7
Estimated costs of facility relocation, restructuring and other nonrecurring items	**176.9**	138.6
Other (individual items less than 5% of total current liabilities)	**130.9**	137.3
	$ 1,323.6	$1,347.4

(1) Certain amounts have been reclassified to provide a consistent presentation.

At December 31, 1993, Cooper had accruals of $36.5 million ($39.4 million at December 31, 1992) with respect to potential product liability claims and $84.7 million ($72.4 million at December 31, 1992) with respect to potential environmental liabilities based on the Company's current estimate of the most likely amount of losses that it believes will be incurred.

Of the $36.5 million of product liability accruals, $20.1 million relate to known claims with respect to continuing operations, $9.1 million relate to known claims for operations that are no longer a part of Cooper and $7.3 million relate to a minimum estimate of claims that have been incurred but not yet reported. While Cooper is generally self-insured with respect to product liability claims, the Company had insurance coverage for individual 1993 claims beyond $1 million for oilfield equipment and $3 million for other products. Insurance levels have varied from year to year as the Company has grown. The recorded product liability accruals are net of amounts covered under insurance policies.

Of the $84.7 million of environmental liability accruals, $33.6 million relate to sites owned by Cooper and $51.1 million relate to sites either previously owned by Cooper but where Cooper has retained the environmental liability, or third-party sites where Cooper was a contributor. Third-party sites usually involve multiple contributors where Cooper's liability will be determined based on an estimate of Cooper's proportionate

responsibility for the total cleanup. The amount actually accrued for such sites is based on these estimates as well as an assessment of the financial capacity of the other potentially responsible parties. Environmental liabilities are not generally subject to insurance recovery and, therefore, the amount by which the accrual has been reduced for insurance coverage is small. In addition, the Company has capitalized a total of $23.3 million with respect to environmental matters with an undepreciated net book value of $20.6 million at December 31, 1993 ($18.0 million at December 31, 1992).

It has been the Company's consistent practice to include the entire accrual for these liabilities as a current liability although only approximately 10-20% of the balance will be spent on an annual basis. The annual effect on earnings for product liability is essentially equal to the amounts disbursed. In the case of environmental liability, the annual expense is considerably smaller than the disbursements, since the vast majority of the Company's environmental liability has been recorded in connection with acquired companies. The change in the accrual balance from year to year reflects not only this normal expensing and funding but also the effect of acquisitions and divestitures.

In establishing its accruals for both product liability and environmental liability, the Company has not utilized any form of discounting. While both product liability and environmental liability accruals involve estimates that can have wide ranges of potential liability, Cooper has taken a proactive approach and has managed the costs in both of these areas over the years such that the actual liabilities, absent law changes, have generally been lower than the estimates. Cooper does not believe that the nature of its products, its production processes, or the materials or other factors involved in the manufacturing process, subject the Company to unusual risks or exposures for product or environmental liability. Cooper's greatest exposure to inaccuracy in its estimates is with respect to the constantly changing definitions of what constitutes an environmental liability or an acceptable level of cleanup.

See "Environmental Remediation and Compliance" under Note 1 for additional information.

NOTE 8: PLANT AND EQUIPMENT AND INTANGIBLES

(millions)	December 31, 1993	1992
Plant and equipment:		
Land and land improvements	**$ 123.2**	$ 127.3
Buildings	**676.6**	737.4
Machinery and equipment	**1,338.0**	1,518.8
Tooling, dies, patterns, etc.	**119.1**	135.2
All other	**265.7**	285.7
Construction in progress	**94.8**	97.3
	2,617.4	2,901.7
Accumulated depreciation	**(1,134.0)**	(1,216.1)
	$ 1,483.4	$ 1,685.6
Intangibles:		
Goodwill	**$ 2,945.3**	$ 3,102.2
Assets related to pension plans	**8.8**	6.9
Other	**98.1**	140.9
	3,052.2	3,250.0
Accumulated amortization	**(462.7)**	(439.6)
	$ 2,589.5	$ 2,810.4

NOTE 9: INCOME TAXES

(millions except percentages)	Year Ended December 31, 1993	1992	1991
Income before income taxes and cumulative effect of changes in accounting principles:			
U.S. operations	**$ 544.7**	$ 431.0	$ 496.5
Foreign operations	**80.7**	149.1	172.1
Income before income taxes and cumulative effect of changes in accounting principles	**$ 625.4**	$ 580.1	$ 668.6

Income taxes:	Liability Method 1993	1992	Deferred Method 1991
Currently payable:			
U.S. Federal	**$ 191.6**	$ 60.9	$ 118.5
U.S. state and local	**45.1**	19.9	32.8
Foreign	**23.2**	36.6	74.6
	259.9 (1)	117.4	225.9
Deferred:			
U.S. Federal	**(11.3)**	76.5	52.0
U.S. state and local	**(5.6)**	14.5	–
Foreign	**9.2**	18.4	(2.5)
	(7.7)	109.4	49.5
Other:			
Tax benefit of foreign exchange transaction losses credited to translation component of equity	**6.2**	–	–
Effect of change in U.S. Federal tax rate on recorded deferred tax balances	**(4.7)**	–	–
U.S. Federal adjustment of foreign unremitted earnings accrual	**–**	(15.0)	–
ESOP dividends and disqualifying stock dispositions:			
U.S. Federal	**3.6**	6.3	–
U.S. state and local	**1.0**	.7	–
	6.1	(8.0)	–
Income tax expense	**$ 258.3**	$ 218.8	$ 275.4
Items giving rise to deferred income taxes:			
Employee medical program funding	**$ (2.8)**	$ 13.5	$ 11.4
Employee stock ownership plan	**1.0**	3.5	18.0
Excess of tax over book depreciation	**9.9**	5.0	11.4
Postretirement benefits other than pensions	**4.0**	(7.7)	–
Reserves and accruals	**(35.5)**	74.3	–
Utilization of net operating loss carryforwards	**7.4**	10.4	–
Other	**8.3**	10.4	8.7
Deferred income taxes	**$ (7.7)**	$ 109.4	$ 49.5
Effective tax rate reconciliation:			
U.S. Federal statutory rate	**35.0 %**	34.0 %	34.0%
State and local income taxes	**3.7**	3.6	3.0
Foreign statutory rate differential	**(.6)**	(.3)	.6
Nondeductible goodwill	**5.0**	4.8	3.8
Effect of change in U.S. tax rate on recorded deferred tax balances	**(.8)**	–	–
Nontaxable investment income	**–**	(1.2)	–
Unremitted earnings accrual adjustment	**–**	(2.6)	–
All other (individually less than 5% of the expected tax provision)	**(1.0)**	(.6)	(.2)
Indicated effective tax rate	**41.3 %**	37.7 %	41.2%
Total income taxes paid	**$ 157.3**	$ 112.4	$ 121.0

(1) Includes $122 million with respect to the sale of Belden. See Note 2 for further information.

(millions)	December 31, 1993	1992
Components of deferred tax balances:		
Deferred tax liabilities:		
Plant and equipment and intangibles	**$ (201.3)**	$ (239.7)
LIFO inventory	**(108.2)**	(134.7)
Employee medical program funding	**(22.3)**	(23.4)
Employee stock ownership plan	**(24.6)**	(23.0)
Other	**(79.4)**	(93.6)
Total deferred tax liabilities	**(435.8)**	(514.4)
Deferred tax assets:		
Postretirement benefits other than pensions	**297.2**	341.4
Reserves and accruals	**263.8**	250.4
Net operating loss carryforwards	**16.1**	25.0
Other	**88.4**	67.9
Total deferred tax assets	**665.5**	684.7
Valuation allowances	**(16.3)**	(17.3)
Net deferred tax assets	**$ 213.4**	$ 153.0

Income tax expense and the information shown above for 1993 and 1992 have been determined in accordance with the provisions of SFAS No. 109 (Accounting for Income Taxes) which basically provides for a "liability" approach to taxes. Income taxes for 1991 have not been restated and are accordingly reflected above based on a "deferred" approach to taxes. The major difference between the two approaches as reflected in the information above is that items that were previously accounted for on a "net-of-tax" basis (primarily acquisition-date reserves and accruals of acquired businesses and fair market value adjustments of inventories and fixed assets) are now considered to be "temporary differences" that give rise to larger deferred tax amounts in the provision disclosure.

The adoption of SFAS No. 109 has not changed the actual amount of income tax that the Company pays nor, except for the $1.2 million for the year 1992 described in Note 3, has it changed the Company's income tax expense.

Net of valuation allowances, the Company has recorded $3.3 million of domestic net operating loss carryforwards at December 31, 1993, with the earliest expiration date being 2000. The Company reduced U.S. Federal taxes actually payable and goodwill by $16 million in 1991 for utilization of tax loss carryforwards related to the Cameron acquisition. At the end of 1992, the Cameron tax loss carryforwards were fully utilized.

The U.S. Federal portion of the above provision includes U.S. tax expected to be payable on the foreign portion of the Company's income before income taxes when such earnings are remitted. During the third quarter of 1992, the Company completed its assessment of the effects of various legal entity restructurings, capital investment alterations and other actions that have been taken over the last three to five years as part of efforts to optimize the Company's foreign tax structure. The effect of the Company's assessment was a $15-million reduction in the Company's income tax accrual with respect to the unremitted earnings of its foreign subsidiaries. The Company's remaining accrual is sufficient to cover the additional U.S. tax estimated to be payable on the earnings that the Company anticipates will be remitted. Through December 31, 1993, this amounted to essentially all unremitted earnings of the Company's foreign subsidiaries.

NOTE 10: LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

(millions)	December 31, 1993	December 31, 1992
3.43%* commercial paper and bank loans maturing at various dates through February 9, 1994	**$ 750.0**	$ 1,200.0
5.99% Pounds Sterling bank loans maturing at various dates through February 18, 1994	**70.7**	–
7.84%-7.98% first series medium-term notes, due through 1995	**41.9**	65.9
7.70%-7.99% second series medium-term notes, due through 1998	**197.9**	197.9
3.44% floating-rate loan, due 1996	**50.0**	50.0
7.875% notes, due 1997**	**100.0**	100.0
10.7% notes payable, due through 1998	**16.9**	20.8
3.14%* floating-rate ESOP notes, due through 1999	**90.7**	117.6
7% convertible subordinated debentures, due 2012	**4.2**	7.2
Capitalized lease obligations	**31.3**	41.3
Other	**62.6**	71.9
	1,416.2	1,872.6
Current maturities**	**(161.9)**	(56.9)
Long-term portion	**$ 1,254.3**	$ 1,815.7

*Weighted average interest rates at December 31, 1993. (In 1992, 3.73% for commercial paper and bank loans and 3.49% for the ESOP notes.)
**The Company issued a call notice for this borrowing and subsequently refinanced it with commercial paper in January 1994. Accordingly, the principal balance of $100 million is included in current maturities at December 31, 1993.

The Company has U.S. committed credit facilities totaling $1.25 billion that expire in 1997, U.S. committed credit facilities totaling $510 million that expire in 1994, Pounds Sterling credit facilities totaling 25 million Pounds Sterling that expire in 1996 and 30-million Pounds Sterling credit facilities expiring in 1994. At December 31, 1993, the Company had an effective "shelf" registration statement, which may be used to issue up to $302 million of indebtedness from time to time.

At December 31, 1993, $1.04 billion of the total $1.76-billion U.S. committed credit facilities was available after considering commercial paper backup, and 7.2 million Pounds Sterling of the 55-million Pounds Sterling credit facilities was available. At December 31, 1992, Cooper had $648 million of its $1.91-billion credit facilities available, after considering commercial paper backup, and 1.0 million of its 40-million Pounds Sterling credit facilities was available. The agreements for the credit facilities require that Cooper maintain certain financial ratios, including a prescribed limit on debt as a percentage of total capitalization.

Interest rates on the Company's commercial paper and bank loans were generally at 2.7% below the U.S. prime rate during 1993 (2.6% during 1992). Total interest paid during 1993, 1992 and 1991 was $104 million, $128 million and $157 million, respectively.

At December 31, 1993, $821 million of commercial paper and bank loans ($1.2 billion in 1992) was reclassified to long-term debt, reflecting the Company's intention to refinance this amount during the twelve-month period following the balance sheet date through either continued short-term borrowing or utilization of available credit facilities.

The 7% convertible subordinated debentures were assumed by Cooper in 1989 in connection with the Cameron acquisition. The debentures are convertible into Cooper $1.60 Convertible Exchangeable Preferred stock at the rate of one share of Preferred stock for every $23.00 face amount of debentures. The floating-rate ESOP notes are indebtedness of Cooper's ESOP. Because payment of the ESOP notes is guaranteed by Cooper, the ESOP notes are reported with Cooper's indebtedness. (See Note 11 for further information regarding the ESOP.)

The Company entered into interest rate swaps, which became effective in early 1993 and mature at various dates through February 22, 1994, that converted $500 million of its floating-rate borrowings into fixed-rate borrowings for a one-year period. Under the terms of these swaps, the Company's effective borrowing rate for this $500 million during the one-year period will be approximately 3.73%.

Based on the most restrictive provision contained in the Company's loan agreements, retained earnings of approximately $791 million were unrestricted as to the payment of dividends at December 31, 1993.

Maturities of long-term debt (exclusive of commercial paper and bank loans) for the five years subsequent to December 31, 1993, are $161.9 million, $21.6 million, $153.3 million, $101.0 million and $78.4 million, respectively.

The future net minimum lease payments under capital leases and obligations under operating leases are not significant.

NOTE 11: COOPER SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLANS

All full-time domestic employees, except for certain bargaining unit employees, are eligible to participate in the Cooper Savings Plan. Under the terms of the Plan, employee savings deferrals are partially matched with Company contributions of Common stock consisting of either an allocation of shares in the Company's employee stock ownership plan (ESOP) or new shares issued to the ESOP.

At December 31, 1993, the ESOP had 2.9 million shares available for future matching contributions, including 460,000 shares sold to the ESOP in 1992 for $26.2 million in cash. The 1992 sales were funded by loans between the ESOP and Cooper, which for accounting purposes are treated as eliminated intercompany loans.

At December 31, 1993, the Company had $90.7 million ($117.6 million at December 31, 1992) of ESOP third-party indebtedness and $36.2 million ($36.5 million at December 31, 1992) of ESOP intercompany indebtedness. An offsetting debit of $125.2 million ($149.7 million at December 31, 1992), considering a cumulative $1.7-million ($4.4-million at December 31, 1992) difference between the expense recognized and the cash contributed to the ESOP, is recorded in shareholders' equity under the caption "Unearned Employee Stock Ownership Plan Compensation."

During 1993, expense under the Cooper Savings Plan amounted to $21.5 million ($22.0 million and $25.9 million in 1992 and 1991, respectively), which was funded through the ESOP.

Expense with respect to the ESOP includes the recognition of interest expense based on the interest payable by the ESOP. Aggregate matching expense of the ESOP for 1993 amounted to $18.5 million ($18.4 million and $17.2 million in 1992 and 1991, respectively), interest expense amounted to $3.0 million ($3.6 million and $8.7 million in 1992 and 1991, respectively), and dividends paid and accrued with respect to the ESOP shares amounted to $9.4 million ($9.1 million and $8.3 million in 1992 and 1991, respectively).

NOTE 12: PENSION PLANS

The Company and its subsidiaries have numerous pension plans covering substantially all domestic employees and pension and similar arrangements in accordance with local custom covering employees at foreign locations. Aggregate pension expense amounted to $58.8 million in 1993, $51.1 million in 1992 and $47.7 million in 1991. The amount of expense with respect to the Company's various defined benefit pension plans is set forth in the table below. For the three years ended December 31, 1993, expense with respect to domestic and foreign defined contribution plans (primarily related to various groups of hourly employees) amounted to $31.5 million, $27.0 million and $25.1 million, respectively. Also included in pension expense are gains and losses on curtailments and settlements and other matters. The year-to-year increases in pension expense result from incremental expense related to acquired companies, lower amounts of pension income with respect to overfunded plans and changes in plan assumptions.

Components of Defined Benefit Plan Pension Expense

(millions)	*Year Ended December 31,* **1993**	1992	1991
Service cost–benefits earned during the year	**$ 35.9**	$ 37.7	$ 38.9
Interest cost on projected benefit obligation	**85.4**	90.6	90.8
Actual return on assets	**(81.9)**	(71.5)	(141.3)
Net amortization and deferral	**(12.6)**	(35.2)	35.7
Net pension cost	**$ 26.8**	$ 21.6	$ 24.1

Funded Status of Defined Benefit Plans

(millions)	Plans With Assets in Excess of Accumulated Benefits — *December 31,* **1993**	1992	Plans With Accumulated Benefits in Excess of Assets — *December 31,* **1993**	1992
Actuarial present value of:				
Vested benefit obligation	**$ (677.3)**	$ (694.0)	**$ (415.9)**	$ (293.4)
Accumulated benefit obligation	**$ (705.4)**	$ (724.8)	**$ (451.8)**	$ (327.8)
Projected benefit obligation	**$ (738.2)**	$ (781.3)	**$ (464.1)**	$ (340.0)
Plan assets at fair value	**782.8**	882.9	**333.2**	272.0
Projected benefit obligation (in excess of) less than plan assets	**44.6**	101.6	**(130.9)**	(68.0)
Unrecognized net (gain) loss	**25.5**	(11.1)	**76.5**	9.9
Unrecognized net (asset) obligation from adoption date	**(20.8)**	(20.5)	**9.3**	9.0
Unrecognized prior service cost	**.5**	(7.8)	**1.9**	1.7
Adjustment required to recognize minimum liability	**–**	–	**(82.4)**	(14.6)
Pension asset (liability) at end of year	**$ 49.8**	$ 62.2	**$ (125.6)**	$ (62.0)

Computational Assumptions

	Net Pension Cost **1993**	1992	1991	Projected Benefit Obligation **1993**	1992
Discount rate:					
Domestic	**8½ %**	9 %	9 %	**7 %**	8½-9 %
International	**7½-9**	7½-9	8-10⅝	**6-7¾**	7½-9
Rate of increase in compensation levels:					
Domestic	**5½**	6	6	**5**	5½
International	**4-6**	4-6	4½-7	**4-5½**	4-6
Expected long-term rate of return on assets:					
Domestic	**9**	9½	9½	**–**	–
International	**7½-10**	7½-10	8-11	**–**	–
Benefit basis:					
Salaried plans-earnings during career.					
Hourly plans-dollar units, multiplied by years of service.					
Funding policy: 5 to 30 years.					

The $82.4-million ($14.6-million for 1992) minimum liability for pension plans with accumulated benefits in excess of assets has been recorded in the Company's Consolidated Financial Position as a long-term liability with an $8.8-million offsetting intangible asset ($6.9-million in 1992) and a $73.6-million reduction in shareholders' equity ($7.7-million in 1992). The assets of the various domestic and foreign plans are maintained in various trusts and consist primarily of equity and fixed-income securities.

The Company partially or completely settled or curtailed four defined benefit plans for hourly employees during 1993 (three during 1992 and eight during 1991). The settlements and curtailments resulted in a net loss of $.5 million (a net loss of $2.5 million in 1992 and a net gain of $.8 million in 1991) and reversion to the Company of surplus assets totaling $.9 million during 1992 and $1.4 million during 1991. In 1992, six Canadian defined benefit plans were converted to defined contribution plans and the surplus assets relating to the plans are being used to reduce required future Company contributions.

NOTE 13: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

As described in Note 3, the Company adopted the provisions of SFAS No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions) beginning in 1992. The benefits provided under the Company's various plans, all of which are unfunded, include retiree medical care, dental care, prescriptions and life insurance with medical care accounting for over 90% of the total. While the Company has numerous plans, primarily resulting from the Company's extensive acquisition activity, the vast majority of the annual expense is related to employees who are already retired. In fact, as a result of actions taken by the Company starting in 1989, virtually no active salaried employees continue to earn retiree medical benefits and the number of active hourly employees earning such benefits has been greatly diminished. Additionally, the Company continues to amend its various plans to provide for appropriate levels of cost sharing and other cost-control measures.

The table below reflects expense determined in accordance with the new standard, as well as certain other required disclosure data.

		Items Not Yet Recorded in Financial Statements		Amounts Per Financial Statements	
(millions except percentages)	Accumulated Postretirement Benefit Obligation (APBO)	Prior Service Cost	Actuarial Net Gain	Liability for Postretirement Benefits Other Than Pensions	Net Annual Expense
Balance-December 31, 1991	$ (141.7)	$ –	$ –	$ (141.7)	$ –
Adoption of SFAS No. 106	(669.1)			(669.1)	
Acquisition of Moog Automotive	(44.7)			(44.7)	
Plan activity:					
Service cost	(4.4)				4.4
Interest cost	(56.0)				56.0
Benefit payments	39.0			39.0	
Plan amendments	.6	(.6)			
Amortization of prior service cost		.1			(.1)
Curtailment gain (one plan)	1.5				(1.5)
Net annual expense				(58.8)	$ 58.8
Balance-December 31, 1992	(874.8)	(.5)	–	(875.3)	
Plan activity:					
Service cost	**(2.2)**				$ 2.2
Interest cost	**(49.7)**				49.7
Benefit payments	**39.2**			39.2	
Plan amendments	**39.7**	(39.7)			
Actuarial net gain	**46.3**		(46.3)		
Amortization of prior service cost		4.0			(4.0)
Curtailment gains (six plans)	**16.7**				(16.7)
Business dispositions	**32.1**	8.1	(11.0)	29.2	
Moog curtailments affecting goodwill	**17.8**			17.8	
Net annual expense				(31.2)	$ 31.2
Balance-December 31, 1993	**(734.9)**	**(28.1)**	**(57.3)**	**(820.3)**	
Reclassifications to "Net assets of businesses held for disposition"	**57.7**	**4.9**	**14.6**	**77.2**	
Adjusted balances	**$(677.2)**	**$(23.2)**	**$ (42.7)**	**$(743.1)**	

	December 31, 1993	December 31, 1992
Amount of APBO related to:		
Retired employees	**$ (676.2)**	$ (711.2)
Employees eligible to retire	**(27.2)**	(66.7)
Other employees	**(31.5)**	(96.9)
Actuarial assumptions:		
Discount rate	**7.58 %**	7.64 %
Ensuing year to 2002–health-care cost trend rate	**17% ratable to 5.5 %**	20% ratable to 5.5 %
Effect of 1% change in health-care cost trend rate:		
Increase year-end APBO	**9 %**	9 %
Increase expense	**10 %**	10 %

NOTE 14: STOCK OPTIONS AND EMPLOYEE STOCK PURCHASE PLAN

	Common Stock	
	Shares	Range of Option Prices
Stock options outstanding at January 1, 1993	2,207,998	$ 13.625-56.50
Options granted to employees	1,624,200	50.13-52.81
Options granted to nonemployee directors in lieu of retainer	4,000	24.00
Options exercised	(446,097)	26.815-46.31
Options cancelled	(226,867)	26.815-56.50
Stock options outstanding at December 31, 1993	3,163,234	$ 13.625-56.50

Options to purchase Common stock are granted to employees under the Cooper stock option plans at not less than 100% of the market value of the Company's stock at the date of grant. The options expire five years from the date of grant and generally become exercisable ratably over a three-year period commencing one year from the date of grant. At December 31, 1993, options under the various plans for 1,020,994 Common shares were exercisable at $13.625 to $56.50 and 1,103,855 (2,506,889 at December 31, 1992) Common shares were reserved for future grants. Options for 583,807 Common shares at $13.625 to $46.31 per share and 891,768 Common shares at $23.72 to $37.75 per share were exercised during the years ended December 31, 1992 and 1991, respectively.

Under a director stock option plan, each year a nonemployee director may elect to receive, in lieu of the annual retainer fee, a nonqualified stock option covering 2,000 shares of Common stock. The exercise price is determined by a formula based on the fair market value of the stock and the director's annual retainer. All relevant share amounts with respect to this plan are included in the table and other information set forth above.

Employee Stock Purchase Plan Participants in the Employee Stock Purchase Plan receive an option to purchase Common stock at a price that is the lesser of 90% of the market value on the offering date or 100% of the market value on the purchase date. On September 9, 1991, 1,232,317 shares were sold to 13,190 employees at $28.24 per share. On September 9, 1993, 475,256 shares were sold to 8,028 employees at $49.56 per share. At December 31, 1993, subscriptions for 1,030,830 shares of Common stock were outstanding at $45.56 per share or, if lower, the average market price on September 9, 1995, which is the purchase date. At December 31, 1993, an aggregate of 2,841,209 shares of Common stock were reserved for future offerings.

NOTE 15: INDUSTRY SEGMENTS, DOMESTIC AND INTERNATIONAL OPERATIONS

	Revenues			Operating Earnings			Identifiable Assets		
	Year Ended December 31,			*Year Ended December 31,*			*December 31,*		
(millions)	**1993**	1992[1]	1991	**1993**	1992[1]	1991	**1993**	1992	1991
Electrical Products	**$ 1,565.9**	$ 1,572.1	$1,526.2	**$ 316.0**	$ 295.0	$ 273.4	**$ 1,178.9**	$1,267.0	$1,265.8
Electrical Power Equipment	**611.6**	618.2	598.7	**43.0**	58.2	57.0	**560.4**	653.0	661.5
Tools & Hardware	**807.9**	812.0	842.6	**91.6**	83.4	98.2	**757.4**	708.8	683.7
Automotive Products	**1,670.0**	1,285.4	1,148.3	**188.9**	139.0	145.2	**2,208.8**	2,245.5	1,648.9
Petroleum & Industrial Equipment	**1,597.2**	1,831.0	2,039.5	**130.4**	208.8	310.6	**1,687.5**	2,167.8	2,423.5
	6,252.6	6,118.7	6,155.3	**769.9**	784.4	884.4	**6,393.0**	7,042.1	6,683.4
Businesses held for divestiture							**256.0**	102.6	117.1
Other	**21.2**	15.2	7.3	**21.2**	15.2	7.3			
Consolidated revenues	**$ 6,273.8**	$ 6,133.9	$6,162.6						
Nonrecurring income[2]				**273.8**	24.6	–			
Nonrecurring expense[2]				**(273.8)**	(57.0)	–			
Interest expense				**(99.1)**	(115.6)	(161.2)			
General corporate				**(66.6)**	(71.5)	(61.9)	**468.9**	416.9	336.9
Consolidated income before income taxes[3]				**$ 625.4**	$ 580.1	$ 668.6			
Investment in unconsolidated subsidiaries							**29.9**	14.0	11.2
Consolidated assets							**$ 7,147.8**	$7,575.6	$7,148.6

(1) Certain amounts have been reclassified to provide a consistent presentation of nonrecurring items.
(2) See the separate table for segment detail of nonrecurring items.
(3) Before the cumulative effect of changes in accounting principles in 1992.

Industry Segments The Company's operations are organized into five segments.

The Electrical Products segment manufactures and markets electrical and electronic distribution and circuit protection products for use in residential, commercial and industrial construction, maintenance and repair. This segment also manufactured and marketed wire and cable for electronic signal transmission through September 30, 1993.

The Electrical Power Equipment segment produces and markets products for use by utilities and industries for primary power distribution and control.

The Tools & Hardware segment produces and markets tools and hardware items for use in residential, commercial and industrial construction, maintenance and repair, and for general industrial and consumer use.

The Automotive Products segment primarily manufactures and distributes spark plugs, wiper blades, lamps and other products for use by the automotive aftermarket and in automobile assemblies. In addition, this segment manufactures and distributes suspension, steering, temperature control, driveline and brake system components for the automotive aftermarket.

The Petroleum & Industrial Equipment segment primarily manufactures, markets and services machinery and equipment used in oil and natural gas exploration, drilling, production, transmission, storage and processing, as well as equipment and repair parts used in compression markets. In addition, operations in this segment produced forgings for a variety of specialized applications through September 30, 1993.

Intersegment sales and related receivables for each of the years shown were immaterial.

	Revenues			Operating Earnings			Identifiable Assets		
	Year Ended December 31,			*Year Ended December 31,*			*December 31,*		
(millions)	**1993**	1992[1]	1991	**1993**	1992[1]	1991	**1993**	1992	1991
Domestic	**$5,121.4**	$ 4,831.1	$4,840.5	**$ 667.9**	$ 591.8	$ 690.4	**$ 4,758.5**	$ 5,334.1	$ 4,757.0
International:									
Europe	**829.5**	960.7	960.6	**55.2**	118.5	129.9	**1,250.2**	1,308.8	1,524.5
Canada	**330.1**	374.2	355.4	**(2.2)**	12.8	20.5	**160.4**	187.3	240.0
Other	**327.0**	312.2	306.0	**53.6**	63.0	55.4	**457.9**	421.9	413.7
Sub-total International	**1,486.6**	1,647.1	1,622.0	**106.6**	194.3	205.8	**1,868.5**	1,918.0	2,178.2
Eliminations:									
Transfers to International	**(293.3)**	(264.3)	(255.7)				**(77.2)**	(94.6)	(106.2)
Transfers to Domestic	**(62.1)**	(95.2)	(51.5)				**(138.5)**	(96.8)	(121.3)
Other	**(4.6)**	(1.7)	(11.8)				**(18.3)**	(18.6)	(24.3)
	6,252.6	6,118.7	6,155.3	**769.9**	784.4	884.4	**6,393.0**	7,042.1	6,683.4
Businesses held for divestiture							**256.0**	102.6	117.1
Other	**21.2**	15.2	7.3	**21.2**	15.2	7.3			
Consolidated revenues	**$6,273.8**	$ 6,133.9	$6,162.6						
Nonrecurring income				**273.8**	24.6	–			
Nonrecurring expense				**(273.8)**	(57.0)	–			
Interest expense				**(99.1)**	(115.6)	(161.2)			
General corporate				**(66.6)**	(71.5)	(61.9)	**468.9**	416.9	336.9
Consolidated income before income taxes[2]				**$ 625.4**	$ 580.1	$ 668.6			
Investment in unconsolidated subsidiaries							**29.9**	14.0	11.2
Consolidated assets							**$ 7,147.8**	$ 7,575.6	$ 7,148.6

(1) Certain amounts have been reclassified to provide for a consistent presentation of nonrecurring items.
(2) Before the cumulative effect of changes in accounting principles in 1992.

Domestic and International Operations Transfers between domestic and international operations, principally inventory transfers, are charged to the receiving organization at prices sufficient to recover manufacturing costs and provide a reasonable return. Export sales to unaffiliated customers included in domestic sales were $604.4 million in 1993, $540.7 million in 1992 and $579.1 million in 1991. Of total export sales, approximately 56% (43% in 1992 and 48% in 1991) were to Asia, Africa, Australia and the Middle East, 18% (25% in 1992 and 20% in 1991) were to Canada and Europe, and 26% (32% in 1992 and 1991) were to Latin America.

Translation losses related to Brazil were $4.3 million in 1993 ($.04 per fully diluted share) and $5.5 million in 1992 ($.05 per fully diluted share), while losses related to Mexico and Brazil were $4.8 million in 1991 ($.04 per fully diluted share). Other translation and transaction gains and losses included in each year's Consolidated Results of Operations were not significant.

NOTE 15: INDUSTRY SEGMENTS, DOMESTIC AND INTERNATIONAL OPERATIONS (CONTINUED)

	Percentage of Segment Inventory Valued at LIFO			Percentage of Total LIFO Liquidation Income		
	December 31,			*Year Ended December 31,*		
	1993	1992	1991	**1993**	1992	1991
Electrical Products	**83 %**	83 %	81 %	**24 %**	18 %	53 %
Electrical Power Equipment	**92**	91	91	**5**	3	5
Tools & Hardware	**62**	69	67	**6**	17	32
Automotive Products	**74**	66	57	**(3)**	(4)	(6)
Petroleum & Industrial Equipment	**66**	69	72	**68**	66	16

	Depreciation			Amortization		
	Year Ended December 31,			*Year Ended December 31,*		
(millions)	**1993**	1992	1991	**1993**	1992	1991
Electrical Products	**$ 38.6**	$ 41.4	$ 39.7	**$ 20.4**	$ 19.6	$ 18.5
Electrical Power Equipment	**19.9**	26.3	21.1	**9.1**	9.4	8.0
Tools & Hardware	**29.4**	30.5	28.6	**6.7**	6.0	4.7
Automotive Products	**50.4**	42.0	33.3	**32.3**	24.9	21.0
Petroleum & Industrial Equipment	**60.3**	52.9	49.5	**29.7**	30.4	28.2
Corporate	**3.4**	3.1	3.0	**2.6**	2.6	2.4
	$202.0	$ 196.2	$ 175.2	**$100.8**	$ 92.9	$ 82.8

	Capital Expenditures			Translation Component Increase (Decrease)			Nonrecurring (Income)/Expense		
	Year Ended December 31,			*Year Ended December 31,*			*Year Ended December 31,*		
(millions)	**1993**	1992	1991	**1993**	1992	1991	**1993**	1992	1991
Electrical Products	**$ 60.1**	$ 44.2	$ 42.4	**$ (1.4)**	$ (6.3)	$ 1.6	**$ 34.1**	$ 9.8	$ –
Electrical Power Equipment	**17.9**	19.5	31.2	**(.9)**	(1.0)	1.1	**76.2**	–	–
Tools & Hardware	**29.4**	34.5	37.7	**(9.2)**	(15.3)	(.7)	**16.5**	20.9	–
Automotive Products	**72.3**	63.7	67.0	**(12.3)**	(41.7)	(2.7)	**26.5**	7.4	–
Petroleum & Industrial Equipment	**92.0**	104.9	81.5	**(20.9)**	(94.4)	(2.9)	**119.5**	6.9	–
Corporate	**3.4**	6.7	6.5	–	–	–	**(272.8)**	(12.6)	–
	$ 275.1	$ 273.5	$ 266.3	**$ (44.7)**	$(158.7)	$ (3.6)	**$ –**	$ 32.4[1]	$ –

(1) Offset by nonrecurring income of $32.4 million, which is reflected as a reduction of 1992 income tax expense.

NOTE 16: OFF-BALANCE-SHEET RISK, CONCENTRATIONS OF CREDIT RISK AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Off-Balance-Sheet Risk The Company enters into forward exchange contracts to hedge certain foreign currency transactions for periods consistent with the terms of the underlying transactions. The Company does not engage in speculation, nor does the Company typically hedge nontransaction-related balance sheet exposure. While the forward contracts affect the Company's results of operations, they do so only in connection with the underlying transactions. As a result, they do not subject the Company to risk from exchange rate movements, because gains and losses on these contracts offset losses and gains on the transactions being hedged. At December 31, 1993, the Company had $137 million of foreign exchange contracts outstanding, 99% of which were in European, Canadian and Japanese currencies. At December 31, 1992, comparable amounts were $84 million and 97%. The forward exchange contracts generally have maturities that do not exceed six months. The Company's other off-balance-sheet risks are not material.

Concentrations of Credit Risk Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets into which the Company's products are sold, as well as their dispersion across many different geographic areas. As a result, at December 31, 1993, the Company does not consider itself to have any significant concentrations of credit risk.

Fair Value of Financial Instruments The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables, debt instruments and foreign currency forward contracts. The book values of cash and cash equivalents, trade receivables and trade payables are considered to be representative of their respective fair values. The Company had approximately $1.5 billion of debt instruments at December 31, 1993, for which the fair value (based primarily on discounted cash flows) exceeded the book value by approximately 1%. Based on year-end exchange rates and the various maturity dates of the foreign currency forward contracts, the Company estimates the aggregate contract value to be representative of the fair value of these items at December 31, 1993.

NOTE 17: SUMMARY OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Year Ended December 31,		
(millions)	**1993**	1992	1991
Increase (decrease) in net assets:			
Employee stock ownership plan (ESOP):			
Principal payments and difference between Company expense and cash contributions	**$ 24.5**	$ 25.7	$ 27.5
Unearned ESOP compensation	**–**	(26.2)	(26.8)
Common stock issued for:			
Employee stock ownership plan	**–**	26.2	26.8
Executive restricted stock incentive plan	**–**	7.1	–
Acquired companies	**.3**	2.4	–
Employee stock purchase plan	**23.6**	–	34.8
$1.60 Preferred stock issued for conversions of debentures	**2.9**	3.9	34.6

The above information supplements the disclosures required by SFAS No. 95 (Statement of Cash Flows).

NOTE 18: NET INCOME (LOSS) PER COMMON SHARE

	Primary			Fully Diluted		
	Year Ended December 31,			*Year Ended December 31,*		
($ in millions, shares in thousands)	**1993**	1992	1991	**1993**	1992	1991[1]
Income before cumulative effect of changes in accounting principles	**$ 367.1**	$ 361.3	$ 393.2	**$ 367.1**	$ 361.3	$ 393.2
Dividends applicable to $1.60 Convertible Exchangeable Preferred stock	**(53.1)**	(52.8)	(50.9)	**(53.1)**	(52.8)	–
Interest applicable to 7% debentures, net of tax	**–**	–	–	**–**	–	1.6
Income applicable to Common stock before cumulative effect of changes in accounting principles	**314.0**	308.5	342.3	**314.0**	308.5	394.8
Cumulative effect on prior years of changes in accounting principles	**–**	(590.0)	–	**–**	(590.0)	–
Net income (loss)	**$ 314.0**	$ (281.5)	$ 342.3	**$ 314.0**	$ (281.5)	$ 394.8
Average Common shares and Common share equivalents	**114,201**	113,830	112,499	**114,201**	113,830	112,700
Shares issuable on conversion of Convertible Exchangeable Preferred stock	**–**	–	–	**–**	–	17,263
Shares issuable on conversion of 7% debentures	**–**	–	–	**–**	–	1,089
	114,201	113,830	112,499	**114,201**	113,830	131,052

(1) Since the assumed conversion of the Convertible Exchangeable Preferred stock and the 7% debentures to Common was dilutive, the applicable interest expense on the debentures, net of tax, was added back to net income and the Preferred dividends were not deducted, in the computation of fully diluted earnings per share for 1991.

NOTE 19: UNAUDITED QUARTERLY OPERATING RESULTS

(millions except per-share data)	1993 (by quarter)			
	1	2	3[1]	4[2]
Revenues	$ 1,471.2	$ 1,611.7	$ 1,592.4	$1,598.5
Gross margin	466.3	533.5	506.6	533.8
Net income	63.1	102.9	98.9	102.2
Net income applicable to Common stock	49.8	89.7	85.6	88.9
Net income per Common share:				
Primary	$ .44	$ .79	$ .75	$ .78
Fully diluted	.44	.78 [3]	.75 [3]	.77 [3]

	1992 (by quarter)			
	1	2	3[1]	4[2]
Revenues	$ 1,507.9	$ 1,529.6	$ 1,460.3	$ 1,636.1
Gross margin	462.2	508.9	483.4	539.8
Income before cumulative effect of changes in accounting principles	66.0	109.1	89.9	96.3
Cumulative effect on prior years of changes in accounting principles	(590.0)	–	–	–
Net income (loss)	(524.0)	109.1	89.9	96.3
Net income (loss) applicable to Common stock	(537.2)	95.9	76.7	83.1
Income (Loss) per Common share:				
Primary				
Net income before cumulative effect of changes in accounting principles	$ .46	$ .84	$ .67	$ .73
Cumulative effect on prior years of changes in accounting principles	(5.19)	–	–	–
Net income (loss)	$ (4.73)	$ .84	$ .67	$ .73
Fully diluted				
Net income before cumulative effect of changes in accounting principles	$ .46	$ .82 [3]	$ .67	$ .73 [3]
Cumulative effect on prior years of changes in accounting principles	(5.19)	–	–	–
Net income (loss)	$ (4.73)	$ .82 [3]	$ .67	$ .73 [3]

(1) Includes nonrecurring income and expense items as further described in Management's Discussion and Financial Review.
(2) Includes $8.1 million ($.06 per fully diluted share) in 1993 and $8.3 million ($.06 per fully diluted share) in 1992 related to LIFO inventory liquidations.
(3) The computation of fully diluted earnings per share for the quarter assumes the conversion of the 7% debentures and the $1.60 Preferred stock to Common stock. As a result, interest on the debentures, net of tax, is added back to net income and Preferred dividends are not deducted in the computation.

COOPER INDUSTRIES OPERATIONS

Electrical Products

Bussmann Division
St. Louis, Missouri
John M. Monter, President
Age 46, 17 years of service

Cooper Lighting Division
Elk Grove Village, Illinois
Dan T. Thomson, President
Age 63, 37 years of service

Crouse-Hinds Division
Syracuse, New York
William M. Tuck, President
Age 58, 35 years of service

Electrical Power Equipment

Cooper Power Systems Division
Pittsburgh, Pennyslvania
William D. Brewer, President
Age 57, 17 years of service

Tools & Hardware

Cooper Hand Tools Division
Raleigh, North Carolina
Albert F. Young, Jr., Vice President and General Manager
Age 48, 16 years of service

Cooper Power Tools Division
Lexington, South Carolina
A. Peter Held, Vice President and General Manager
Age 50, 17 years of service

Kirsch Division
Sturgis, Michigan
S. Duane Southerland, President
Age 45, 19 years of service

Automotive Products

Cooper Automotive
St. Louis, Missouri
Jerry H. Godwin, President
Age 47, 23 years of service

Moog Automotive
St. Louis, Missouri
Larry W. McCurdy, President
Age 58, 8 years of service

Petroleum & Industrial Equipment

Cameron Forged Products Division[1]
Houston, Texas
Kenneth L. Hardcastle, President
Age 59, 33 years of service

Cooper Energy Services
Mount Vernon, Ohio
Kenneth W. Stevenson, President
Age 64, 40 years of service

Cooper Oil Tool Division
Houston, Texas
Norman D. Shahan, President
Age 59, 22 years of service

Cooper Turbocompressor Division
Buffalo, New York
E. Frederick Minter, President
Age 59, 36 years of service

Gardner-Denver Industrial Machinery Division[2]
Quincy, Illinois
Ross J. Centanni, President
Age 48, 14 years of service

Ages and years of service are as of the date of the 1994 annual shareholders' meeting.

(1) Effective January 10, 1994, the Company entered into a definitive agreement to sell the Cameron Forged Products Division to Wyman-Gordon Company, subject to the approval of Wyman-Gordon's shareholders and certain other conditions.

(2) The Company plans to spin off the Gardner-Denver Industrial Machinery Division to Cooper common shareholders during the first quarter of 1994.

Corporate Officers

Robert Cizik
Chairman and Chief Executive Officer
Age 63, 32 years of service

Alan E. Riedel
Vice Chairman
Age 63, 34 years of service

H. John Riley, Jr.
President and Chief Operating Officer
Age 53, 31 years of service (Crouse-Hinds and Cooper)

Dewain K. Cross
Senior Vice President, Finance
Age 56, 27 years of service

Ralph E. Jackson, Jr.
Executive Vice President, Operations
Age 52, 17 years of service (McGraw-Edison and Cooper)

Carl J. Plesnicher, Jr.
Senior Vice President, Human Resources
Age 56, 26 years of service

Michael J. Sebastian
Executive Vice President, Operations
Age 63, 15 years of service (Gardner-Denver and Cooper)

Nishan Teshoian
Executive Vice President, Operations
Age 52, 16 years of service (Gardner-Denver and Cooper)

Thomas W. Campbell
Vice President, Public Affairs
Age 63, 12 years of service

James A. Chokey
Vice President and General Counsel
Age 50, 2 years of service

Walter F. DuPont
Vice President, Information Services
Age 61, 19 years of service

Alan J. Hill
Vice President and Treasurer
Age 49, 16 years of service (Gardner-Denver and Cooper)

D. Bradley McWilliams
Vice President, Taxes and Real Estate
Age 52, 22 years of service

Diane K. Schumacher
Vice President, Administration and Corporate Secretary
Age 40, 14 years of service (Belden and Cooper)

Donald R. Sheley, Jr.
Vice President and Controller
Age 51, 13 years of service

Robert W. Teets
Vice President, Environmental Affairs and Risk Management
Age 43, 16 years of service

David A. White, Jr.
Vice President, Corporate Planning and Development
Age 52, 22 years of service

Directors

Warren L. Batts
Chairman and Chief Executive Officer, Premark International, Inc. (food containers, commercial food equipment, housewares and decorative laminates)
Age 61, 7 years of service

Robert Cizik
Chairman and Chief Executive Officer, Cooper Industries, Inc.
Age 63, 23 years of service as a Director

Clifford J. Grum
Chairman and Chief Executive Officer, Temple-Inland Inc. (container and container-board, pulp and paperboard, building products and financial services)
Age 59, 12 years of service

Harold S. Hook
Chairman and Chief Executive Officer, American General Corporation (insurance)
Age 62, 8 years of service

Constantine S. Nicandros
President and Chief Executive Officer, Conoco Inc. (petroleum products) and Vice Chairman, E. I. du Pont de Nemours and Company (chemicals, specialty products and energy)
Age 60, 4 years of service

Frank A. Olson
Chairman, Chief Executive and Chief Operating Officer, The Hertz Corporation (rental cars and trucks)
Age 61, 5 years of service

John D. Ong
Chairman and Chief Executive Officer, The BFGoodrich Company (chemicals and aerospace products)
Age 60, 19 years of service

Alan E. Riedel
Vice Chairman, Cooper Industries, Inc.
Age 63, 13 years of service as a Director

H. John Riley, Jr.
President and Chief Operating Officer, Cooper Industries, Inc.
Age 53, 1 year of service as a Director

Sir Ralph H. Robins
Chairman, Rolls-Royce plc (aerospace engines and industrial power equipment)
Age 61, 3 years of service

A. Thomas Young
President and Chief Operating Officer, Martin Marietta Corporation (aerospace, electronic and defense products and services)
Age 56, 3 years of service

Committees

Audit

Warren L. Batts, Chairman
Clifford J. Grum
Constantine S. Nicandros
Sir Ralph H. Robins
A. Thomas Young

Executive

Robert Cizik, Chairman
Clifford J. Grum
Harold S. Hook
Constantine S. Nicandros
Alan E. Riedel

Finance

Clifford J. Grum, Chairman
Harold S. Hook
Frank A. Olson
Sir Ralph H. Robins
A. Thomas Young

Management Development and Compensation

John D. Ong, Chairman
Warren L. Batts
Harold S. Hook
Constantine S. Nicandros
Frank A. Olson

Nominations and Corporate Governance

John D. Ong, Chairman
Warren L. Batts
Clifford J. Grum

Ages and years of service are as of the date of the 1994 annual shareholders' meeting.

Transfer Agent, Registrar and Dividend Disbursing Agent

First Chicago Trust Company of New York

General correspondence about your shares and correspondence related to the Dividend Reinvestment Plan should be addressed to:

First Chicago Trust Company of New York
P. O. Box 2500
Jersey City, New Jersey 07303-2500

Dividend Reinvestment Plan optional cash payments should be addressed to:

First Chicago Trust Company of New York
P. O. Box 13531
Newark, New Jersey 07188-0001

Requests to transfer Cooper shares should be addressed to:

First Chicago Trust Company of New York
P. O. Box 2506
Jersey City, New Jersey 07303-2506

Telephone inquiries can be made to the Telephone Response Center at (201) 324-0498, Monday through Friday, 8 a.m. to 6 p.m., Eastern Time.

Additional Shareholder Assistance

For additional assistance regarding your shareholdings, write to:

Corporate Secretary Department
Cooper Industries, Inc.
P. O. Box 4446
Houston, Texas 77210-4446
Telephone: (713) 739-5673

Investor Relations Contact

Richard J. Bajenski
Director, Investor Relations
Cooper Industries, Inc.
P.O. Box 4446
Houston, Texas 77210-4446
Telephone: (713) 739-5610

This report is printed on recycled paper.

Financial Information Line

For a recorded message about Cooper's recent financial performance, call the following number: (713) 739-5500.

Financial Review

A copy of Cooper Industries' Financial Review may be obtained by writing to the Investor Relations Department at the address listed previously, or by calling (713) 739-5658.

Form 10-K

A copy of the annual report to the Securities and Exchange Commission on Form 10-K may be obtained by writing to:

Public Affairs Department
Cooper Industries, Inc.
P. O. Box 4446
Houston, Texas 77210-4446
Telephone: (713) 739-5458

Annual Meeting

The annual meeting of shareholders will be held at 11 a.m., Tuesday, April 26, 1994, in the Austin Room of the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas. A meeting notice and proxy materials are being mailed to all shareholders of record as of March 8, 1994.

Corporate Headquarters

Cooper Industries, Inc.
1001 Fannin, Suite 4000
P.O. Box 4446
Houston, Texas 77210-4446
Telephone: (713) 739-5400

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1988 Commission file number 1-4136-1

CHAMPION SPARK PLUG COMPANY
(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	34-4203131 (I.R.S. Employer Identification No.)
One SeaGate, Suite 2000, Toledo, Ohio (Address of principal executive offices)	43604 (Zip Code)

419-247-1600
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $.30 Per Share	New York Stock Exchange and Pacific Stock Exchange
Debentures, 5-7/8% due September 15, 1992	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock, no par value, of the Registrant	New York Stock Exchange and Pacific Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No ____.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 17, 1989, was $474,940,833.

The number of common shares, $.30 par value, outstanding as of February 17, 1989, was 33,709,876.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes.

DOCUMENT	PART OF FORM 10-K INTO WHICH INCORPORATED
Annual report to shareholders for year ended December 31, 1988 (pages 15 through 33 only)	Parts I, II and IV
Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 Thereunder, dated February 23, 1989, filed as Annex A to the Company's Schedule 14D-9, dated February 23, 1989	Part III

PART I

Item 1. Business

(A) General Development of Business

On February 21, 1989, the Company entered into a Plan and Agreement of Merger with Cooper Industries, Inc. and Spark Plug Acquisition Company (the "Purchaser") pursuant to which the Company will become a wholly-owned subsidiary of Cooper. Pursuant to such agreement, the Purchaser has commenced a tender offer to acquire all of the outstanding shares of common stock of the Company at $21.00 cash per share. In the event that the Purchaser acquires at least a majority of the Company's outstanding shares, the Purchaser would acquire any remaining shares of the Company through a merger at the same price per share. Concurrently, the Company terminated a Plan and Agreement of Merger, dated as of January 25, 1989, with Dana Corporation (the "Dana Agreement"), whereupon the Company paid Dana Corporation a termination fee of $15 million.

On December 11, 1987, the Board of Directors adopted a Stock Purchase Rights Plan and declared a dividend of one Preferred Stock Purchase Right for each outstanding share of the Company's common stock. The Plan is designed to protect the Company's stockholders from takeover attempts that would deny them the full value of their investment. Under certain conditions, each right may be exercised to purchase one-hundredth of a share of a new Series A Junior Participating Preferred Stock for $30. The rights will be exercisable only if a person or group acquires 20 percent or more of the Company's Stock. The rights expire on January 4, 1998, and may be redeemed by the Company at a price of $.05 per right at any time until fifteen days after announcement that a person or group has acquired at least 20 percent of the Company's common stock, and in certain circumstances thereafter. The Rights Agreement has been amended in connection with the proposed merger discussed above. Such amendments are filed as Exhibit No. 4.2 to this 10-K as set forth on page 12 herein.

In November, 1987, the Company entered into an agreement with Eagle Industries, Inc. to sell substantially all of the domestic assets of The DeVilbiss Company Division and the stock ownership in the DeVilbiss subsidiaries. The purchaser assumed substantially all domestic liabilities of DeVilbiss and paid cash of $108.5 million. The closing of the transaction took place as of March 1, 1988. This transaction is more fully discussed under the caption "Discontinued Operations" on page 24 in the Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, which is incorporated herein by reference. Information included in this Form 10-K excludes these discontinued operations, except as otherwise noted.

(B) Financial Information About Industry Segments

Industry segment information for each of the last three fiscal years is discussed under the caption "Business Segment and Geographic Area Information" on pages 30 and 31 of the Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, and is incorporated herein by reference.

(C) Narrative Description of Business

(a) Products.

Spark Plugs. Champion Spark Plug Company, including its domestic and international subsidiaries, (the "Company") is a leading manufacturer of spark plugs, jet igniters and similar ignition devices. The Company manufactures and sells several hundred different types of spark plugs for engines used in land, sea and air transportation, farming, industrial and construction machinery, and products for the home. It produces spark plugs for practically every automobile engine manufactured in the world.

The Company sells spark plugs to a large number of distributors and mass marketers. The distributors, which include a number of major oil companies, resell to jobbers. Both distributors and jobbers resell to fleet operators, dealers and service stations. The Company also sells spark plugs to automobile and other manufacturers for installation as original equipment and for resale as replacements. Furthermore, the Company sells directly to various governmental agencies.

Wiper Products. The Company, through The Anderson Company of Indiana, is a leading United States manufacturer of wiper blades, arms and refills. The subsidiary also sells windshield washer pumps, hose and tubing, windshield washer solvent and hand cleanser. The Company, through its subsidiaries in Italy and Belgium, also manufactures automotive windshield wiper blades, arms and refills and steering locks for the European market.

Other Automotive and Aircraft Products. Through Morenci Engineered Rubber Products division, the Company manufactures air ducts, emission harnesses, fuel hose and tubing, fuel seals, vacuum harnesses and distributor shields. The Company, through Sharon Manufacturing Company, manufactures fabricated engine components and fuel rails. Through Livingston Industries, Inc., the Company manufactures jet engine exciters, ignition leads and shielded ignition components. Additionally, the Company manufactures aviation spark plugs and igniters at its Liberty, South Carolina, facility.

The Company sells automotive spark plug wires, battery cables, filters (oil, fuel and air), fuel injection cleaning systems and chemical additives and sprays in the United States. The chemical products sold have primarily automotive service applications, but can be used for other general purposes. The Company also sells many of these new products in international markets, including Europe, Asia and Latin America. Additionally, the Company purchased an Italian filter manufacturer for the purpose of manufacturing filters for the European market.

The distribution channels for other automotive and aircraft products are principally the same as for spark plugs.

The Company has a technical/marketing agreement with GNB, Inc., under which GNB manufactures and markets Champion brand batteries in the United States. In the future, the Company will continue to license its name, very selectively, in areas that complement the Company's own expanding product line. In 1988, the Company signed an agreement with Standard Motor Products covering ignition products. These Champion brand products will be commercially available in mid-1989.

Champion Tool Company was formed in the third quarter of 1988. This subsidiary will begin to sell high-quality tools and equipment to professional mechanics through a network of mobile distributors late in 1989.

Item 1. Business, continued

(C) Narrative Description of Business, continued

(a) Products, continued

Cold Drawn Steel. Through Baron Drawn Steel Corporation and Baron Drawn Steel Corporation of Michigan, the Company is engaged in the production of cold drawn steel bars and wire, a relatively minor portion of which is for its own use. Baron purchases hot rolled steel bars and coils from steel mills and, by drawing the stock through dies, reduces the size of the steel to the desired cross section.

Baron salesmen sell directly to independent users primarily within the marketing areas of Ohio, Michigan, Indiana, Illinois, Kentucky and Tennessee.

(b) Research and Development Expenditures.

The Company's research and development effort is focused on introducing new products and improving existing products and manufacturing processes. This effort has led to improved design of spark plugs, igniters and other ignition devices, wiper arms and blades, fuel rails and fabricated intake manifolds.

There have been no customer-sponsored research activities relating to the development of new products, services or techniques or customer-sponsored improvement of existing products, services or techniques during the fiscal years ended December 31, 1988, 1987 and 1986.

During 1988, the Company spent approximately $9.6 million on research and development activities as compared to $9.8 million in both 1987 and 1986.

(c) Raw Materials.

The principal raw materials used in the fabrication of the Company's products are steel, iron, nickel, aluminum, aluminum oxide, zinc, copper, rubber and chemicals. Although, in certain instances, the Company chooses to have only one regular source of supply, adequate alternate sources are available for all important raw materials.

(d) Patents, Trademarks, Licenses, Franchises and Concessions Held.

The Company owns numerous patents and patent applications. In addition, the Company has acquired licenses from owners of patents to apply patented processes to its operations. The Company believes, however, that the expiration of such patents and the termination of such licenses would not have a material adverse effect on the operations of the Company.

(e) Seasonal.

The Company's major lines of business are not considered seasonal.

(f) Working Capital.

The Company's working capital requirements do not vary significantly during the year.

(C) Narrative Description of Business, continued

(g) Largest Customers.

There is no single customer or group of a few customers which contributed a significant portion of the Company's revenues.

(h) Backlog of Orders.

The dollar amount of the Company's backlog of orders, believed to be firm as of December 31, 1988 and 1987, approximated $52 million and $54 million, respectively. The 1988 backlog is expected to be filled within the current year.

(i) Government Contracts.

Contracts with U.S. and foreign governments do not account for a material portion of the Company's business.

(j) Competitive Conditions.

The worldwide spark plug business is highly competitive. The Company is a leader in this portion of the automotive parts industry and competes principally with the AC Division of General Motors, the Motorcraft Division of Ford Motor Company, Robert Bosch, NGK Spark Plug Company, Nippondenso and the Autolite Division of Allied Automotive.

The Company is also a leading domestic manufacturer of wiper arms and blades. Its position in the European wiper product business has become increasingly significant.

In all other product lines, the Company does not have a significant position nationally or internationally in their respective markets.

In nearly all of the product lines in which the Company competes, principal competitive factors are price, service, engineering ability and marketing expertise. In addition to meeting competition on price and service, the Company believes its reputation for producing high quality products, backed by extensive technical skills in marketing and engineering, enables it to compete successfully.

(k) Environmental Matters.

Compliance with federal, state and local controls on emissions is not expected to have a material effect on capital expenditures, earnings or the competitive position of the Company.

(l) Persons Employed.

As of December 31, 1988 approximately 8,300 persons were employed by the Company in its domestic and foreign operations.

Item 1. Business, continued

(D) Financial Information about Foreign and Domestic Operations

The information relating to foreign and domestic operations for each of the last three years is discussed under the caption "Business Segment and Geographic Area Information" on pages 30 and 31 in the Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, and is incorporated herein by reference.

Item 2. Properties

The Company's corporate offices are located in Toledo, Ohio. Worldwide operations consist of 27 principal manufacturing plants, research laboratories and warehouses containing approximately 5,480,000 square feet. Primary domestic properties are located in Ohio, Indiana, Michigan, Iowa, South Carolina and California. International manufacturing operations, in addition to spark plug licensing arrangements, exist in 15 countries. Substantially all properties are owned by the Company. The Company recently occupied a new 500,000 square foot leased warehouse distribution center in Indianapolis, Indiana. This warehouse will replace the seven current distribution points located around the United States. The lease agreement which was entered into in 1988, is filed as Exhibit No. 10.10 to this 10-K as set forth on page 14 herein.

Listed below, by geographic location and operating segment, is the approximate floor space (in thousands of square feet) of the Company's major facilities.

	Location		
	United States	Europe and Africa	Americas and Far East
Automotive Components Facilities:			
Spark Plugs	980	680	630
Insulators	640	210	200
Warehouses	880	20	-
Other Automotive Products	710	260	-
Cold Drawn Steel	270	-	-

The Company has made several production capacity adjustments in recent years. These adjustments are discussed under the caption "Restructuring Costs" on page 24 in the Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, which is incorporated herein by reference. The Company believes its facilities are suitable and adequate for current and anticipated production requirements. The present manufacturing plants are modern, well maintained, suitably equipped and in good operating condition.

Item 3. Legal Proceedings

Information as to the Registrant's legal proceedings is discussed under the caption "Litigation" on page 28 in the Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, and is incorporated herein by reference. Information relating to legal proceedings which have arisen as a result of the Dana Agreement is set forth in Item 8 of the Company's Schedule 14D-9, dated February 23, 1989, and is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders through the solicitation of proxies, or otherwise, during the fourth quarter of 1988.

PART II

Items 5 through 8.

The information required in Part II (Items 5 through 8) is contained on pages 15 to 33 and under the caption "Listed" on page 34 in the Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, and is incorporated herein by reference.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements with the independent accountants on matters of accounting principles or financial statement disclosure required to be reported under this item.

PART III

Item 10. Directors and Executive Officers of the Registrant

(A) Identification of Directors

Information concerning identification of directors is set forth under the caption "The Board of Directors of the Company" on pages A-3 through A-6 in the Registrant's Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 Thereunder, dated February 23, 1989, filed as Annex A to the Company's Schedule 14D-9, dated February 23, 1989, and is incorporated herein by reference.

(B) Identification of Executive Officers

The names, ages and positions of all of the executive officers of the Company are listed beginning on page 7 along with their business experience during the past five years. Officers are elected annually by the Board of Directors. There are no arrangements or understandings between any officer and any other person pursuant to which the officer was selected.

Item 10. Directors and Executive Officers of the Registrant, continued

(B) Identification of Executive Officers, continued

NAME AND POSITION OF EXECUTIVE OFFICER	AGE	BUSINESS EXPERIENCE DURING PAST FIVE YEARS
O. Lee Henry President and Chief Executive Officer	51	Mr. Henry joined the Company on June 1, 1986, as President and as a Director. On October 21, 1986, he was elected Chief Executive Officer. From 1983 to May, 1986, Mr. Henry was President and Chief Operating Officer of RTE Corporation. Prior to that he was President of Bendix Automotive, Europe.
Thomas G. Kress Vice President and Chief Financial Officer	57	Mr. Kress was elected Vice President and Chief Financial Officer on April 27, 1987. Mr. Kress joined the Company in June, 1986, as Vice President and General Manager of the Industrial/Commercial Division of The DeVilbiss Company Division. Before joining the Company, he was Vice President-Finance, Treasurer and Chief Financial Officer of Sheller-Globe Corporation. He joined Sheller-Globe in 1962. Over time he held the positions of Vice President-Treasurer, Vice President Management Information & Telecommunication Systems and Corporate Controller with that corporation.
Richard C. Lappin Vice President of Champion Spark Plug Company and President-North American Automotive Products Operations	44	Mr. Lappin joined the Company as Vice President of Champion Spark Plug Company and President-North American Automotive Products Operations on February 1, 1988. Before joining the Company, and from April, 1986, Mr. Lappin was Group Vice President of Electronics and Corporate Vice President, Mergers and Acquisitions of RTE Corporation. Prior to that he held executive positions with Northrup Industries, Hoover Universal and Chrysler Corporation.
Edward F. Palisin Vice President of Champion Spark Plug Company and President-Aviation Products Group	51	Mr. Palisin was elected Vice President of Champion Spark Plug Company and President-Aviation Products Group on April 27, 1988. From October 21, 1986, to that date, he held the position of Vice President and General Manager-Aviation Products Group. Prior to joining the Company on September 1, 1986, Mr. Palisin was President of Eagle Fleet Products from January, 1984, through August, 1986. Prior to that he was Vice President of the Bishman Company from January, 1981, through December, 1983.

Item 10. Directors and Executive Officers of the Registrant, continued

(B) Identification of Executive Officers, continued

NAME AND POSITION OF EXECUTIVE OFFICER	AGE	BUSINESS EXPERIENCE DURING PAST FIVE YEARS
Daniel J. Savarese Vice President of Champion Spark Plug Company and President-International Operations	51	Mr. Savarese was appointed Vice President of Champion Spark Plug Company and President-International Operations on January 1, 1988. He joined the Company on July 1, 1985, as Vice President-International Operations. Prior to that, he was an executive with United Technologies.
Daniel L. Tribble Vice President-Corporate Engineering	44	Mr. Tribble was elected Vice President-Corporate Engineering on December 9, 1988. From December 1, 1985, to that date, he was Director of Research and Engineering. Prior to that, he was Senior Product Development Engineer, from October 1, 1982, through November, 1985.
John A. Garwood Secretary	45	Mr. Garwood was elected Secretary on August 9, 1983. From December, 1971, to that date, he was Assistant Secretary.
Paul E. Boehk Controller	57	Mr. Boehk was elected Controller on August 1, 1982. From 1972, to that date, he held the position of Assistant Controller.
John G. Zimmerman Treasurer	48	Mr. Zimmerman was elected Treasurer on July 1, 1983. Prior to that date, he was an executive with Questor Corporation.

Item 10. Directors and Executive Officers of the Registrant, continued

(C) Identification of Certain Significant Employees

NAME AND POSITION OF SIGNIFICANT EMPLOYEE	AGE	BUSINESS EXPERIENCE DURING PAST FIVE YEARS
Richard L. Black President - Anco Rubber Products Group	41	Mr. Black was appointed President of Anco Rubber Products Group on July 22, 1988. From August 13, 1987, to that date, he held the the position of Vice President-Technical Staff and General Manager, Fuel Systems Group. From May 1, 1984, to August 13, 1987, he held the position of Vice President-Research and Development. From January 1, 1983, to May 1, 1984 he was Director of International Manufacturing Operations. Prior to 1983, he was Senior Project Engineer.
Peter R. Gasiorski President of Baron Drawn Steel Corporation	40	Mr. Gasiorski was elected President of Baron Drawn Steel Corporation on December 11, 1986. He was Vice President and General Manager from September, 1985, to that date. Prior to that, Mr. Gasiorski held positions of Director of Technical Services & Wire Operations and Chief Metallurgist.
F. D. Snyder Vice President and General Manager of Champion Spark Plug Company of Canada, Limited	52	Mr. Snyder was elected to the position of Vice President and General Manager of Champion Spark Plug Company of Canada, Limited, on October 31, 1988. From January 1, 1987, to that date, he was General Manager of Champion Spark Plug Company of Canada, Limited. Prior to that, and for more than five years, he was Director-Industrial Relations for Champion Spark Plug Company.

Item 10. Directors and Executive Officers of the Registrant, continued

(D) Family Relationships

Information concerning family relationships is disclosed under "The Board of Directors of the Company" on pages A-3 through A-6 in the Registrant's Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 Thereunder, dated February 23, 1989, filed as Annex A to the Company's Schedule 14D-9 dated February 23, 1989, and is incorporated herein by reference.

(E) Involvement in Certain Legal Proceedings

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any director, executive officer or significant employee during the past five years.

Item 11. Executive Compensation

Information regarding executive compensation and compensation of directors for the fiscal year ended December 31, 1988, is contained on pages A-10 through A-14 in the Registrant's Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 Thereunder, dated February 23, 1989, filed as Annex A to the Company's Schedule 14D-9 dated February 23, 1989, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Disclosures required by this Item are contained under the caption "Security Ownership of Certain Beneficial Owners and Management" on pages A-15 through A-18 in the Registrant's Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 Thereunder, dated February 23, 1989, filed as Annex A to the Company's Schedule 14D-9 dated February 23, 1989, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Not applicable.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(A) (1)

The following consolidated financial statements, supplemental data, and Independent Auditors' Report included on pages 15 through 33 in the Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, are incorporated by reference in Item 8:

Consolidated Statements of Earnings
Years ended December 31, 1988, 1987 and 1986

Consolidated Balance Sheets
December 31, 1988 and 1987

Consolidated Statements of Cash Flows
Years ended December 31, 1988, 1987 and 1986

Consolidated Statements of Stockholders' Equity
Years ended December 31, 1988, 1987 and 1986

Independent Auditors' Report

Notes to Financial Statements

Quarterly Data

(2)

The financial statement schedules for years ended December 31, 1988, 1987, and 1986 listed below are filed as part of this report:

Schedule No.	Description	Page
Schedule V	Property, plant and equipment	18-20
Schedule VI	Accumulated depreciation and amortization of property, plant and equipment	21-23
Schedule VIII	Valuation and qualifying accounts	24
Schedule IX	Short-term borrowings	25
Schedule X	Supplementary income statement information	26

Amounts included in these Schedules have been restated to exclude discontinued operations. All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(A) (2) (continued)

No disclosures are required on condensed financial information of the Parent Company and there are no significant restrictions on transfer of funds from subsidiaries to the Parent Company.

(3)

The exhibits listed below are filed as part of this report:

Securities Exchange Act of 1934 Exhibit Number	Description
Exhibit No. 3.1	Certificate of Incorporation, as amended, contained in previously filed documents and incorporated herein by reference.
Exhibit No. 3.2	By-Laws of Champion Spark Plug Company, as amended.
Exhibit No. 4.1	Rights Agreement between Champion Spark Plug Company and The Toledo Trust Company, dated as of January 4, 1988, filed on January 4, 1988, as Exhibit 2.1 to the Company's Form 8 and incorporated herein by reference.
Exhibit No. 4.2	Amendment No. 1 to the Rights Agreement, dated as of January 25, 1989, and Amendment No. 2 to the Rights Agreement, dated as of February 21, 1989, filed as Exhibit 5 to the Company's Schedule 14D-9, dated February 23, 1989, and incorporated herein by reference.
Exhibit No. 4.3	Plan and Agreement of Merger, by and among Cooper Industries, Inc., Champion Spark Plug Company and Spark Plug Acquisition Company, dated as of February 21, 1989, filed as Exhibit (c) (2) to the Company's Schedule 14D-1 dated February 23, 1989, and incorporated herein by reference.
Exhibit No. 10.1	Amended and Restated Champion Spark Plug Company 1986 Key Executive Stock Option Plan, dated September, 1988, and Amendment to Amended and Restated Champion Spark Plug Company 1986 Key Executive Stock Option Plan, dated February 21, 1989, filed as Exhibit 2 to the Company's Schedule 14D-9, dated February 23, 1989, and incorporated herein by reference.
Exhibit No. 10.2	Employment Agreement between Champion Spark Plug Company and O. Lee Henry, dated April 30, 1986, filed as Exhibit 10.2 to the Company's 1986 Form 10-K and incorporated herein by reference.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

(A) (3) (continued)

Securities Exchange Act of 1934 Exhibit Number	Description
Exhibit No. 10.3	Employment Agreement between Champion Spark Plug Company and Daniel J. Savarese, dated March 11, 1986, and Richard L. Black, and Edward F. Palisin, dated February 3, 1987, filed as Exhibit 10.3 to the Company's 1986 Form 10-K and incorporated herein by reference.
Exhibit No. 10.4	Deferred Compensation Agreement with Robert J. Brotje, Jr., dated March 3, 1986, filed as Exhibit 10.4 to the Company's 1986 Form 10-K and incorporated herein by reference.
Exhibit No. 10.5	Employment Agreement between Champion Spark Plug Company and Thomas G. Kress, dated April 15, 1987, filed as Exhibit 10.5 to the Company's 1987 Form 10-K and incorporated herein by reference.
Exhibit No. 10.6	Employment Agreement between Champion Spark Plug Company and Richard C. Lappin, dated April 27, 1988.
Exhibit No. 10.7	Employment Agreement between Champion Spark Plug Company and Peter R. Gasiorski, dated April 27, 1988.
Exhibit No. 10.8	Amendment No. 1 to Employment Agreements, dated as of December 14, 1988, by and between Champion Spark Plug Company and Richard C. Lappin, Daniel J. Savarese and Thomas G. Kress, filed as Exhibit 1 to the Company's Schedule 14D-9, dated February 23, 1989, and incorporated herein by reference.
Exhibit No. 10.9	Plan and Agreement of Merger, by and among Dana Corporation, Champion Spark Plug Company and DC Acquisition Corp., dated as of January 25, 1989, filed as Exhibit (b) (1) to the Company's Schedule 14D-1, dated January 27, 1989, and incorporated herein by reference.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

(A) (3) (continued)

Securities Exchange Act of 1934 Exhibit Number	Description
Exhibit No. 10.10	Lease Agreement for Indianapolis, Indiana, warehouse, dated May 20, 1988.
Exhibit No. 13	Annual Report to Shareholders of Champion Spark Plug Company for the fiscal year ended December 31, 1988, with the Independent Auditors' Report thereon. The Annual Report is not to be deemed "filed" as part of this report, except for those portions incorporated by reference in Parts I, II, and IV of this report.
Exhibit No. 22	Subsidiaries of the Registrant.
Exhibit No. 28.1	Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 Thereunder, dated February 23, 1989, filed as Annex A to the Company's Schedule 14D-9, dated February 23, 1989.
Exhibit No. 28.2	Item 8, Additional Information to be Furnished-Litigation, of the Company's Schedule 14D-9, dated February 23, 1989.

(B) No reports on Form 8-K were filed for the three months ended December 31, 1988.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHAMPION SPARK PLUG COMPANY

March 8, 1989
Date

By: s/O. Lee Henry
O. Lee Henry
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

s/Robert A. Stranahan, Jr. Robert A. Stranahan, Jr.	Chairman of the Board and Director	March 15, 1989 Date
s/Thomas G. Kress Thomas G. Kress	Vice President and Chief Financial Officer	March 8, 1989 Date
s/Paul E. Boehk Paul E. Boehk	Controller	March 8, 1989 Date
s/George W. Haigh George W. Haigh	Director	March 9, 1989 Date
s/Robert J. Kirk Robert J. Kirk	Director	March 9, 1989 Date
s/George C. Roche George C. Roche	Director	March 10, 1989 Date
s/Duane Stranahan, Jr. Duane Stranahan, Jr.	Director	March 13, 1989 Date

Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
Edison Plaza
Toledo, OH 43604

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Champion Spark Plug Company:

Under date of February 7, 1989, we reported on the consolidated balance sheets of Champion Spark Plug Company and subsidiaries as of December 31, 1988 and 1987, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1988, as contained in the 1988 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1988. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in Item 14(A)(2) of Form 10-K. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presently fairly, in all material respects, the information set forth therein.

PEAT MARWICK MAIN & CO.

February 7, 1989

Member Firm of

KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
Edison Plaza
Toledo, OH 43604

ACCOUNTANTS' CONSENT

The Board of Directors
Champion Spark Plug Company:

We consent to the incorporation by reference in the Registration Statement (No. 33-16024) on Form S-8 of Champion Spark Plug Company of our report dated February 7, 1989, relating to the consolidated balance sheets of Champion Spark Plug Company and subsidiaries as of December 31, 1988 and 1987 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1988 which report appears in the December 31, 1988 Annual Report on Form 10-K of Champion Spark Plug Company. We also consent to the incorporation by reference in such Registration Statement of our report, dated February 7, 1989, relating to the related financial statement schedules which report appears in such Form 10-K.

PEAT MARWICK MAIN & CO.

March 17, 1989

Member Firm of
Klynveld Peat Marwick Goerdeler

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule V - Property, Plant and Equipment
Year ended December 31, 1988
(In millions)

Classification	Balance at Beginning of Period	Additions at Cost	Deductions/(Additions) Retirements	Deductions/(Additions) Exchange Rate Changes (A)	Balance at End of Period
Land	$ 4.6	$ -	$ -	$ -	$ 4.6
Land Improvements	2.5	.3	.2	-	2.6
Buildings	94.5	5.4	3.1	2.2	94.6
Machinery and Equipment	263.9	26.9 (B)	10.0	7.3	273.5
	365.5	32.6	13.3	9.5	375.3
Construction in Progress	18.6	4.2 (C)	-	.8	22.0
	$384.1	$36.8	$13.3	$10.3	$397.3

Notes:

(A) Impact of the change in currency exchange rates during the year.
(B) Net of investment grants received from the Belgian, British and Irish governments.
(C) Net change - increase/(decrease) - in construction in progress during the year.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule V - Property, Plant and Equipment
Year ended December 31, 1987
(In millions)

Classification	Balance at Beginning of Period	Additions at Cost	Deductions/(Additions) Retirements	Deductions/(Additions) Exchange Rate Changes (A)	Balance at End of Period
Land	$ 4.6	$ -	$ .3	$ (.3)	$ 4.6
Land Improvements	2.8	.1	.4	-	2.5
Buildings	91.7	2.0	4.7	(5.5)	94.5
Machinery and Equipment	233.3	25.2 (B)	9.9	(15.3)	263.9
	332.4	27.3	15.3	(21.1)	365.5
Construction in Progress	14.0	4.1 (C)	-	(.5)	18.6
	$346.4	$31.4	$15.3	$(21.6)	$384.1

Notes:
(A) Impact of the change in currency exchange rates during the year.
(B) Net of $1.2 million of investment grants received from the Belgian and Irish governments.
(C) Net change - increase/(decrease) - in construction in progress during the year.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule V - Property, Plant and Equipment
Year ended December 31, 1986
(In millions)

Classification	Balance at Beginning of Period	Additions at Cost	Deductions/(Additions) Retirements	Deductions/(Additions) Exchange Rate Changes (A)	Other - Add/(Deduct)	Balance at End of Period
Land	$ 4.1	$ -	$ -	$ (.1)	$ .3 (D) .1 (E)	$ 4.6
Land Improvements	2.8	-	-	-	-	2.8
Buildings	82.4	4.1	-	(3.5)	.2 (B) 1.6 (D) (.1)(E)	91.7
Machinery and Equipment	210.0	17.6	7.1	(8.9)	4.0 (D) (.1)(F)	233.3
	299.3	21.7	7.1	(12.5)	6.0	332.4
Construction in Progress	6.5	7.1 (C)	-	(.4)	-	14.0
	$305.8	$28.8	$7.1	$(12.9)	$6.0	$346.4

Notes:
(A) Impact of the change in currency exchange rates during the year.
(B) Adjustment to investment grant received from the Belgian government.
(C) Net change - increase/(decrease) - in construction in progress during the year.
(D) Assets added as a result of company acquisitions.
(E) Reclassifications.
(F) Investment grant received from the Irish government.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule VI - Accumulated Depreciation and Amortization of Property, Plant and Equipment
Year ended December 31, 1988
(In millions)

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expense (A)	Deductions/(Additions) Retirements	Deductions/(Additions) Exchange Rate Changes (B)	Other Additions	Balance at End of Period
Land	$ -	$ -	$ -	$ -	$ -	$ -
Land Improvements	1.5	.1	.1	-	-	1.5
Buildings	42.3	3.1	2.5	.7	-	42.2
Machinery and Equipment	163.2	16.9	7.3	5.2	.5 (C)	168.1
	$207.0	$20.1	$9.9	$5.9	$.5	$211.8

Notes:
(A) Annual provisions for depreciation and amortization have been computed principally in accordance with the following range of rates: land improvements 5% to 10%, buildings 2% to 7% and machinery and equipment 5% to 20%.
(B) Impact of the change in currency exchange rates during the year.
(C) Write-down of excess machinery and equipment.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule VI - Accumulated Depreciation and Amortization of Property, Plant and Equipment
Year ended December 31, 1987
(In millions)

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses (A)	Deductions/(Additions) Retirements	Deductions/(Additions) Exchange Rate Changes (B)	Other Additions	Balance at End of Period
Land	$ -	$ -	$ -	$ -	$ -	$ -
Land Improvements	1.7	.1	.3	-	-	1.5
Buildings	39.1	3.1	1.8	(1.9)	-	42.3
Machinery and Equipment	141.6	17.4	9.3	(11.4)	2.1 (C)	163.2
	$182.4	$20.6	$11.4	$(13.3)	$2.1	$207.0

Notes:
(A) Annual provisions for depreciation and amortization have been computed principally in accordance with the following range of rates: land improvements 5% to 10%, buildings 2% to 7% and machinery and equipment 5% to 20%.
(B) Impact of the change in currency exchange rates during the year.
(C) Write-down of excess machinery and equipment.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule VI - Accumulated Depreciation and Amortization of Property, Plant and Equipment
Year ended December 31, 1986
(In millions)

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses (A)	Deductions/(Additions) Retirements	Deductions/(Additions) Exchange Rate Changes (B)	Other Additions	Balance at End of Period
Land	$ -	$ -	$ -	$ -	$ -	$ -
Land Improvements	1.6	.1	-	-	-	1.7
Buildings	35.0	3.0	.1	(1.1)	.1 (C)	39.1
Machinery and Equipment	119.8	16.1	4.0	(7.1)	2.6 (D)	141.6
	$156.4	$19.2	$4.1	$(8.2)	$2.7	$182.4

Notes:
(A) Annual provisions for depreciation and amortization have been computed principally in accordance with the following range of rates: land improvements 5% to 10%, buildings 2% to 7% and machinery and equipment 5% to 20%.
(B) Impact of the change in currency exchange rates during the year.
(C) Adjustment to investment grant received from the Belgian government.
(D) Write-down of excess machinery and equipment.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule VIII - Valuation and Qualifying Accounts
Years ended December 31,
(In millions)

	Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Exchange Rate Changes (Deductions)/ Additions (C)	Balance at End of Period
1988:	Amounts deducted on balance sheet from the assets to which they apply:					
	Allowance for doubtful accounts	$7.7	$2.3	$1.3 (A)	$(.3)	$8.4
	Allowance for cash discounts	.1	.2	.3 (B)	-	-
		$7.8	$2.5	$1.6	$(.3)	$8.4
1987:	Amounts deducted on balance sheet from the assets to which they apply:					
	Allowance for doubtful accounts	$5.2	$2.8	$1.0 (A)	$ .7	$7.7
	Allowance for cash discounts	.1	.5	.5 (B)	-	.1
		$5.3	$3.3	$1.5	$ .7	$7.8
1986:	Amounts deducted on balance sheet from the assets to which they apply:					
	Allowance for doubtful accounts	$3.9	$3.5	$2.3 (A)	$ .1	$5.2
	Allowance for cash discounts	.1	.7	.7 (B)	-	.1
		$4.0	$4.2	$3.0	$ .1	$5.3

Notes:
(A) Accounts written off, less recoveries.
(B) Cash discounts allowed.
(C) Impact of the change in currency exchange rates during the year.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule IX - Short-term Borrowings
Years ended December 31,
(In millions, except percentages)

	Category of Aggregate Short-term Borrowing (A)	Balance at End of Period	Weighted Average Interest Rate	Maximum Outstanding at Any Month End	Average Amount Outstanding During Period (B)	Weighted Average Interest Rate During Period (C)
1988:	Banks	$27.3	14.5%	$51.7	$29.8	12.5%
	Commercial Paper	-	-	13.4	1.1	6.7%
1987:	Banks	32.1	13.6%	43.6	30.6	14.6%
	Commercial Paper	17.4	8.2%	31.2	15.1	7.1%
1986:	Banks	42.2	15.0%	47.0	39.3	15.8%
	Commercial Paper	17.5	8.0%	18.2	8.7	7.0%

Notes:

(A) Short-term borrowings outstanding at December 31, 1988, consisted of bank debt at foreign locations. At December 31, 1987 and 1986, short-term borrowings consisted of bank debt at domestic and foreign locations and commercial paper in the United States.

(B) The average amount outstanding during the period was computed by dividing the total borrowings outstanding at the end of the months by twelve.

(C) The weighted average interest rate during the period was computed by averaging the weighted average interest rates at the end of each month.

CHAMPION SPARK PLUG COMPANY AND SUBSIDIARIES

Schedule X - Supplementary Income Statement Information
Years ended December 31,
(In millions)

	Charged to costs and expenses		
	1988	1987	1986
Maintenance and repairs	$ 24.3	$ 26.4	$ 22.9
Taxes, other than payroll and income taxes			
Real and personal property	5.0	5.0	4.1
Franchise and other	5.9	5.6	4.4
Advertising costs	50.4	50.0	36.7

Exhibit No. 22

Subsidiaries Of The Registrant

All of the Company's wholly-owned and majority-owned subsidiaries (there are no parents of the Company) are consolidated in the financial statements, except for small subsidiaries which are carried at cost or accounted for under the equity method. Following is a list of the Company's subsidiaries, as of December 31, 1988, and the percentage of voting securities owned:

	State or country of incorporation	Percentage of securities owned
Anco Products, Ltd.	Canada	100 %
The Anderson Company of Indiana	Delaware	100 %
Arman Motor Products, Ltd.*	England	100 %
Baron Drawn Steel Corporation	Ohio	100 %
Baron Drawn Steel Corporation of Michigan	Michigan	100 %
Bougie Champion, S.A.	France	100 %
Bujias Champion de Mexico, S.A. de C.V.	Mexico	91 %
Bujias Champion de Venezuela, C.A.	Venezuela	100 %
CSP Industries B.V.	Holland	100 %
Champion Fuel Systems, Ltd.	Delaware	100 %
Champion Iberica S.A.	Spain	100 %
Champion Interamericana, Ltd.	Delaware	100 %
Champion Service & Trading Pte. Ltd.	Singapore	100 %
Champion Spark Plug Co. (Aust.) Pty. Limited	Australia	100 %
Champion Spark Plug Co. (Japan) Ltd.	Japan	100 %
Champion Spark Plug Co. of South Africa (Pty.) Ltd.	South Africa	100 %
Champion Spark Plug Company of Canada, Limited	Canada	100 %
Champion Spark Plug Europe S.A.	Belgium	100 %
Champion Spark Plug (Far East) Pte. Limited	Singapore	100 %
Champion Spark Plug International Sales Corp.	Delaware	100 %
Champion Spark Plug Italiana, S.p.A.	Italy	100 %
Champion Spark Plug Korea Ltd.*	Korea	50 %
Champion Spark Plug New Zealand	New Zealand	100 %
Champion Spark Plug Taiwan, Inc.	Taiwan	100 %
Champion Sparking Plug Company (Ireland) Limited	Ireland	100 %
Champion Sparking Plug Company, Limited	England	100 %
Champion Tool Company	Delaware	100 %
Champion World Air, Inc.	Delaware	100 %
Champion Zundkerzen Deutschland G.m.b.H.	West Germany	100 %
Hellertown Manufacturing Company	Delaware	100 %
I-AM Company Private, Limited	Singapore	100 %
Iowa Industries, Inc.	Delaware	100 %
Jordan Products, Inc.	Ohio	100 %
KC Champion, Ltd.*	Korea	50 %
Livingston Industries, Inc.	California	100 %
Marcus Engineering (Wirral) Company, Ltd.	England	100 %
Modi Champion Limited*	India	40 %
P B Marketing, Inc.	Delaware	100 %
Sharon Manufacturing Company	Michigan	100 %
Sunset Properties, Inc.*	Ohio	100 %
Velas Champion do Brasil, Ltda.	Brazil	100 %

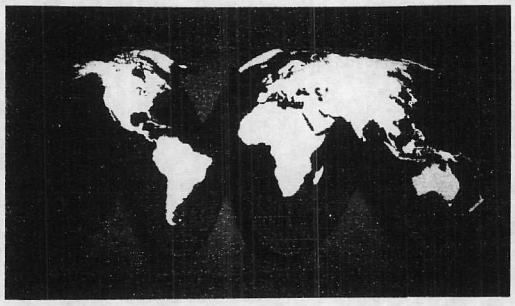
*Not consolidated - see discussion above

CHAMPION®

CHAMPION SPARK PLUG COMPANY
1988 ANNUAL REPORT

A company is like a world-class car. Once you've designed, gathered and assembled the proper parts in the right way — value is created.

Management's objective is to enhance Champion's world class position. This report updates our shareholders on the progress toward that goal.



Cover Photo

Champion spark plugs are original equipment in the Ferrari Testarosa and many other of the world's great cars.

Contents

Financial Highlights 1
Report to Stockholders 2
The New Champion 4
New Products, New Licenses 5
New Tool Business 8
Global Marketing 10
Capital Investment and R&D 12
Aviation 14
Management's Discussion and Analysis 15
Financial Statements 17
Independent Auditors' Report . . . 22
Notes to Financial Statements . . . 23
Five-Year Financial Summary 32
Quarterly Data 33
Stockholder Information 34
Directors and Corporate Officers . . 35

CHAMPION SPARK PLUG COMPANY

Corporate Offices
One Seagate
Toledo, Ohio 43604

SPARK PLUG PRODUCTION

Assembly:

Toledo, Ohio
Burlington, Iowa
Upton, England
Naas, Ireland
Windsor, Ontario, Canada
Peronnes-lez-Binche, Belgium
Aubange, Belgium
Valencia, Venezuela
Mexico D.F., Mexico
Alexandria, N.S.W., Australia
Auckland, New Zealand
Hsinchu, Taiwan
New Delhi, India
Seoul, Korea

Ceramics:

Detroit, Michigan
Cambridge, Ohio
Upton, England
Valencia, Venezuela
Mexico D.F., Mexico

Spark Plug Licensees:

Nairobi, Kenya
Selangor Darul Ehsan, Malaysia
Jakarta, Indonesia

ANCO PRODUCTS GROUP

Anco/Champion Wiper Production:

Michigan City, Indiana
New Carlisle, Ohio
Tlalnepantla, Mexico

Morenci Engineered Rubber Products:

Morenci, Michigan
Kendallville, Indiana

SHARON MANUFACTURING

Lambertville, Michigan
Ligonier, Indiana

BARON DRAWN STEEL

Toledo, Ohio
Canton, Michigan

AVIATION PRODUCTS GROUP

Toledo, Ohio
Redding, California
Liberty, South Carolina

Warehouses, sales and administrative offices are located in principal cities throughout the world.

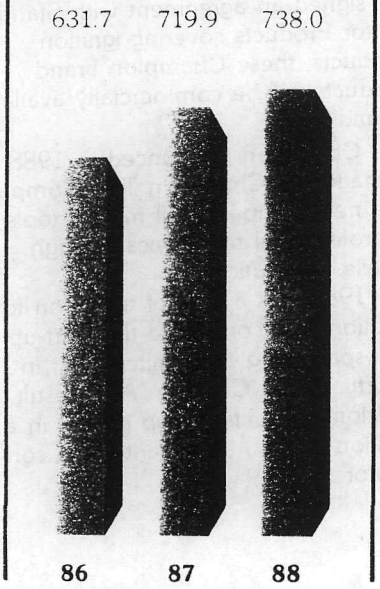
EQUAL OPPORTUNITY: The Champion Spark Plug Company steadfastly abides by the spirit and practice of equal opportunity in the hiring, promoting, training and compensating of qualified individuals regardless of their race, creed, color, age, sex, physical condition or national origin.

Financial Highlights

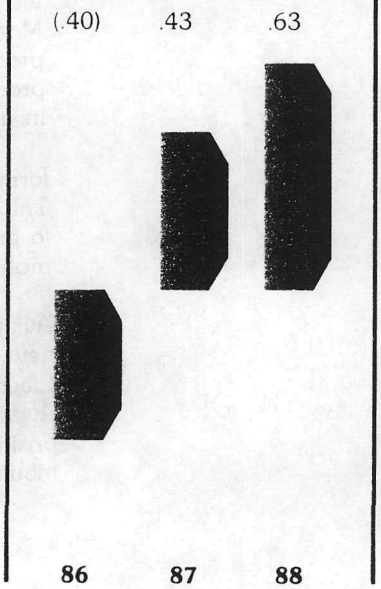
CHAMPION

(In millions, except per share) Years ended December 31.	1986	1987	1988
Net sales — continuing operations	$ 631.7	$ 719.9	$ 738.0
Earnings (loss)			
Continuing operations	(15.2)	16.3	22.1
Discontinued operations:			
Earnings (loss) from operations	(2.0)	7.4	—
Gain (loss) on disposal	—	(4.6)	1.5
	(2.0)	2.8	1.5
Net earnings (loss)	(17.2)	19.1	23.6
Earnings (loss) per share			
Continuing operations	(.40)	.43	.63
Discontinued operations:			
Earnings (loss) from operations	(.05)	.19	—
Gain (loss) on disposal	—	(.12)	.04
	(.05)	.07	.04
Net earnings (loss)	(.45)	.50	.67
Total assets	587.1	653.0	575.6

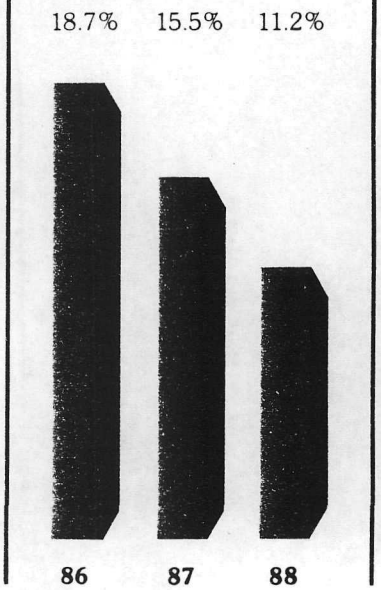
NET SALES FROM CONTINUING OPERATIONS
(dollars in millions)



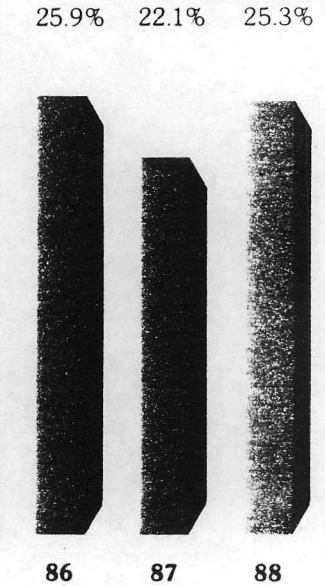
EARNINGS PER SHARE FROM CONTINUING OPERATIONS
(cents per share)



DEBT AS A PERCENT OF TOTAL CAPITALIZATION
(Continuing Operations)



AVERAGE WORKING CAPITAL AS A PERCENT OF SALES
(Continuing Operations)



In 1988, Champion marked steady progress in its plan to expand market presence and improve operating results, worldwide.

Report to our stockholders

During 1988, the commitment and dedication of Champion people resulted in continued progress by your Company. Sales were up modestly during the year; however, earnings from continuing operations were up significantly from $.43 per share to $.63 per share. These results are reviewed in detail in the financial section of this report.

The fundamental worldwide strategies for Champion, in the automotive sector, have been to:

- Improve efficiency in the core spark plug business
- Increase market share in Champion brand automotive aftermarket products introduced in early 1987, and
- Expand the use of the Champion brand through licensing and new businesses.

On balance, the spark plug market is flat worldwide; declining in the United States, stable in Europe, and growing in less developed markets. However, our improved worldwide technology and manufacturing facilities will keep Champion the world leader in this industry.

In Europe and the United States, we concentrated on plant rationalization and automation to reduce costs. We completed the start-up of new spark plug assembly plants in India and Korea. During 1988, we purchased all the shares of minority partners in both Australia and New Zealand, resulting in our ability to rationalize the two companies into one business with two plants.

In the fourth quarter of 1988, we introduced premium spark plugs in both Europe and the United States. The market acceptance of this superior performance, premium priced family of plugs, marketed through traditional channels, has been very encouraging.

Champion began a worldwide program of new Champion brand automotive aftermarket product introduction in the first half of 1987. The product lines range from filters, wire and cable, and chemicals in the United States, ignition products in Mexico, to windshield wipers in Australia. In 1988, we achieved worldwide sales of these additional Champion brand products of $30 million.

In late 1987, Champion entered into a technical/brand name license with GNB, Inc. for automotive batteries. During 1988, GNB sales in this category increased 275% with the familiar Champion "bow tie" trademark. In 1988, we signed an agreement with Standard Motor Products covering ignition products; these Champion brand products will be commercially available in mid-1989.

Champion announced in 1988 the formation of Champion Tool Company. The new company will market tools to professional mechanics through mobile distribution.

1988 was a year of transition for Aviation. We completed the start-up of a new spark plug and igniter plant in Liberty, South Carolina. As a result, the Aviation Products Group is now in a position to be a significant profit contributor in 1989.

Baron had an outstanding year in 1988. Pricing during the year was favorable and the recently acquired additional plant achieved full production, serving new customers.

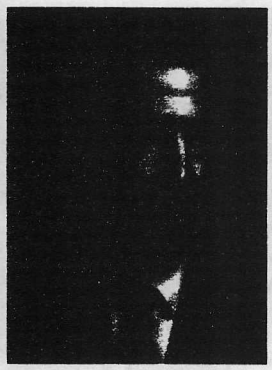
During 1988, we formed the Anco Products Group, combining Anco, Morenci and Jordan Rubber. The Anco brand continues to be the U. S. market leader. New wiper product lines and additional OEM penetration indicate a very bright future for the Anco group.

Looking ahead, your management is convinced of the correctness of the Company's marketing strategies and optimistic about the future. Champion continues its course to create value for its stockholders.

O. Lee Henry
President and
Chief Executive Officer

Robert A. Stranahan, Jr.
Chairman of the Board

O. Lee Henry



Robert A. Stranahan, Jr.

Important Stockholder Information

As of press time, Champion has entered into a definitive merger agreement under which Cooper Industries, Inc. of Houston Texas is to acquire Champion for $21 per share in an all-cash transaction.

Immediately prior to the agreement with Cooper, Champion terminated its merger agreement with Dana Corporation which had provided for Dana's acquisition of Champion Spark Plug Company at $17.50 per share in cash and Dana common stock.

The new Champion is diversified and worldwide.

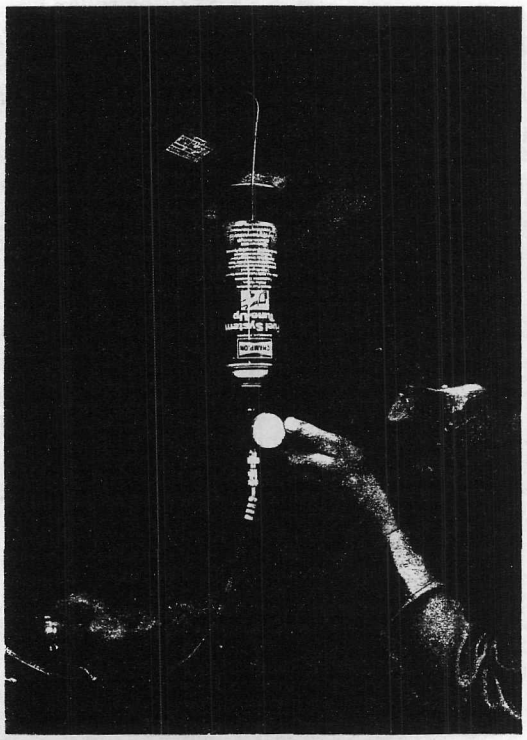
Strategies are succeeding.

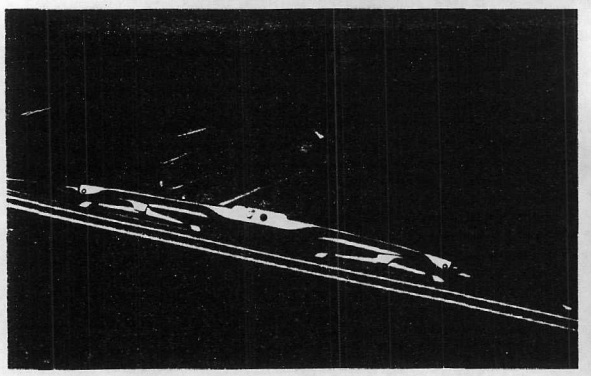
Champion has been responding to the challenge of a shrinking automotive spark plug market in North America. Beginning in 1986, the Company has pursued a three-part marketing strategy to protect its core business and stimulate growth.

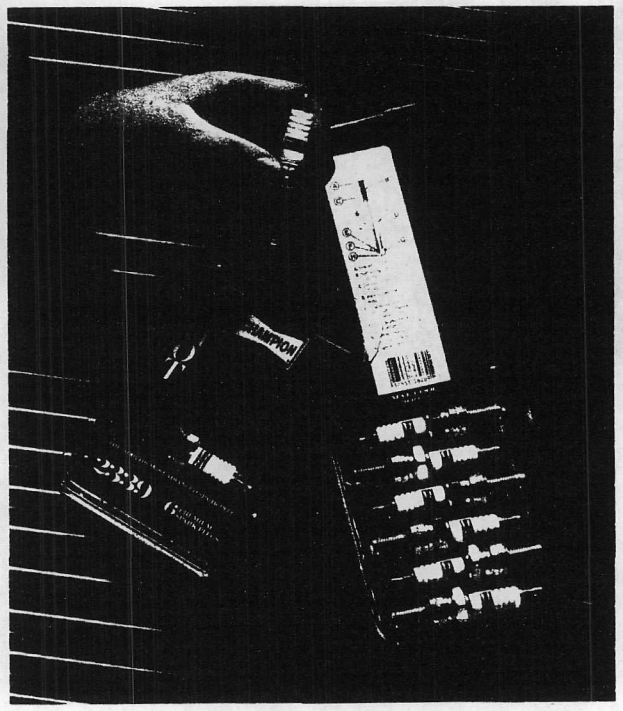
The first target was to reduce cost and maintain market share in a declining market.

The second aim was to expand international presence.

The third goal was to expand the automotive product and business base, taking advantage of the Company's highly recognized name and logo. There are now hundreds of Champion brand products used under the hood, on the windshield and in the gas tank . . . available around the globe. Today, Champion means far more than spark plugs.







■ (Top) Champion unveiled an innovative fuel injection cleaning system in late 1988 for automotive professionals. Demonstrations of noticeable improvement after use have already convinced Sears, Union Oil, Xpert Tune and others to buy it for use in their service outlets. ■ (Above) Anco™ has introduced a highly advanced windshield wiper blade, aerodynamically designed for the more streamlined shapes of today's automobiles and the higher speed limits now allowed around the country. ■ (Right) Champion's new High Output Technology® premium spark plug is targeted for the performance-minded driver. Many unique features make H.O.T. the world's most advanced spark plug, backed by a lifetime guarantee.

New products and licenses are a continuing focus for Champion.

Product rollouts are proceeding.

ost of Champion's new products introduced during the last two years have been under the Company's full control from concept through marketing. Introduction of filter, wire and cable, and chemical products has been a major, ongoing effort with a worldwide timetable through 1989. More kinds of chemical products, new generations of spark plugs and high tech wiper blades have also been added.

Champion also expanded the product line through selective technical/brand name licenses, signing an agreement in 1987 with GNB, Inc. to make and sell Champion brand batteries. U.S. sales of batteries in 1988 were up 275% over the previous year. An agreement between the parties to cover international markets is expected to be reached in 1989.

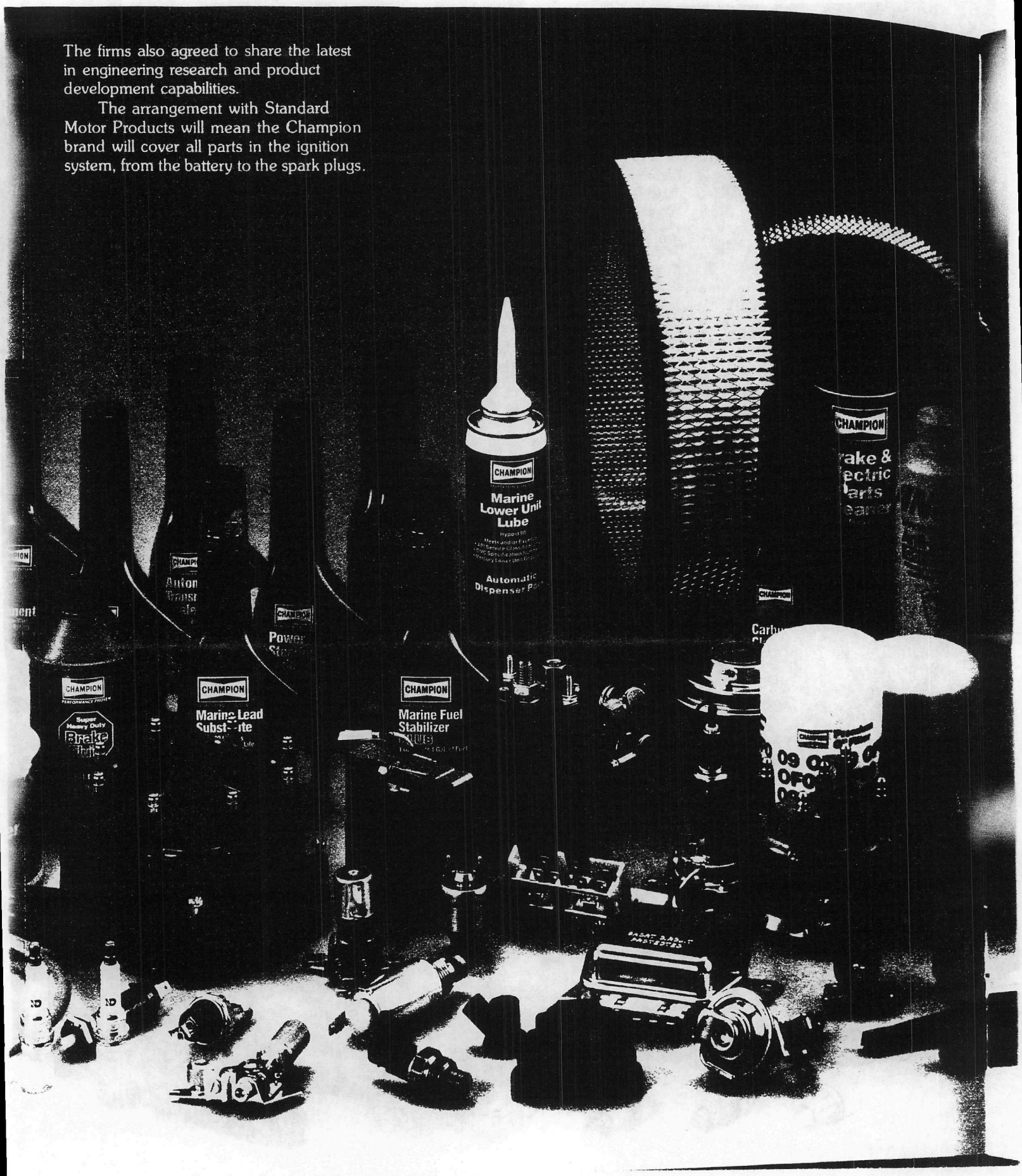
New license is with Standard Motor Products.

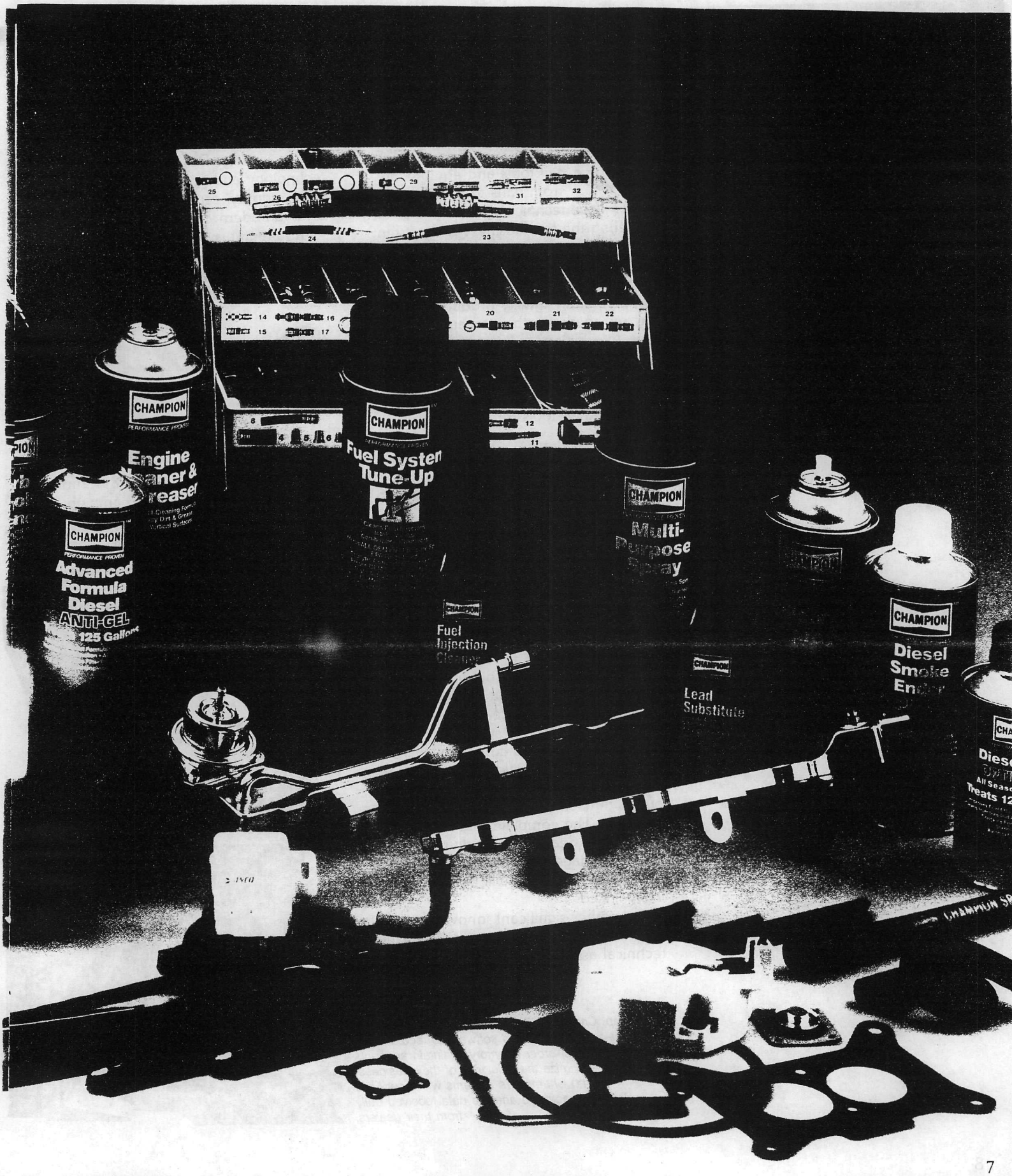
n 1988, Champion entered into a joint agreement with Standard Motor Products, Inc., the leading U.S. manufacturer of ignition components in the aftermarket, to sell Champion brand automotive ignition, fuel and emission system products. There will be over 3,000 total types and sizes of items in categories that presently have no major brand name recognized by consumers.

The firm
in engin
develop
Th
Motor F
brand w
system.

The firms also agreed to share the latest in engineering research and product development capabilities.

The arrangement with Standard Motor Products will mean the Champion brand will cover all parts in the ignition system, from the battery to the spark plugs.




CHAMPION
Engine
Advanced
Formula
Diesel
ANTI-GEL
CHAMPION
Fuel System
Tune-Up
CHAMPION
Multi-
Purpose
Spray
Fuel
Injection
Lead
Substitute
CHAMPION
Diesel
Smoke

Champion Tool Company is formed to share in $1+ billion market.

The mobile tool business is growing.

Champion Tool Company was established as a wholly-owned subsidiary in 1988 to sell tools and equipment from vans to professional automotive technicians and specialists. Entering the tool business is consistent with Champion's previously stated strategies. The Company can take advantage of a well-established brand name and reputation for quality products in a growth market with international potential. In addition, mobile distribution is not competitive with Champion's traditional distribution and current customer base. Professional mechanics currently buy 85% of their tools through mobile distribution.

Growth of the firms in the mobile tool distribution industry has been outstanding. Continued market growth is expected, with a projected need for 1.2 million additional mechanics by 1995, as increasingly sophisticated cars require more complex service.

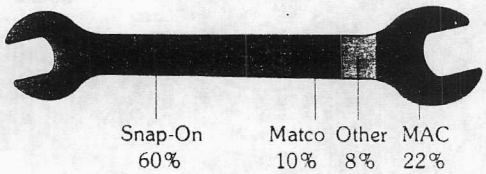
Champion Tool will have marketable differences.

Champion Tool vans will have a high tech exterior appearance and the most advanced systems inside. Onboard computers will automate transactions, inventory maintenance and related paperwork, eliminating much of this time-consuming burden for the operator. The complete organizational network — dealer, distribution center, district manager, and Champion Tool headquarters staff — will be electronically linked.

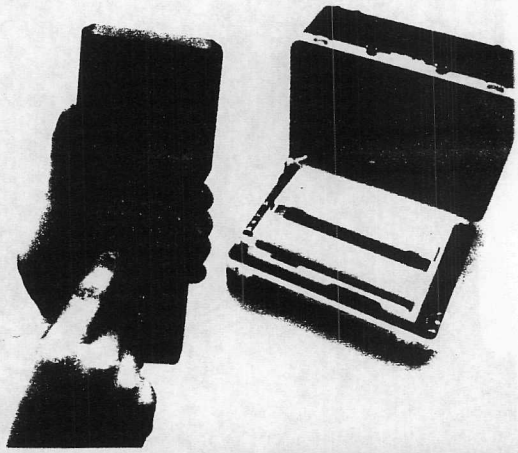
Another significant innovation will be a 24-hour toll free service line making technical assistance available to customers. Field training seminars will also be held to help position Champion Tool as the most user-friendly and responsive firm.

Tools and equipment offered under the Champion brand will be of the highest quality. Development of new technology and product will be an ongoing priority, especially in the areas of ultramodern diagnostic and measurement apparatus.

Approximate Market Shares Prior to Champion Entry



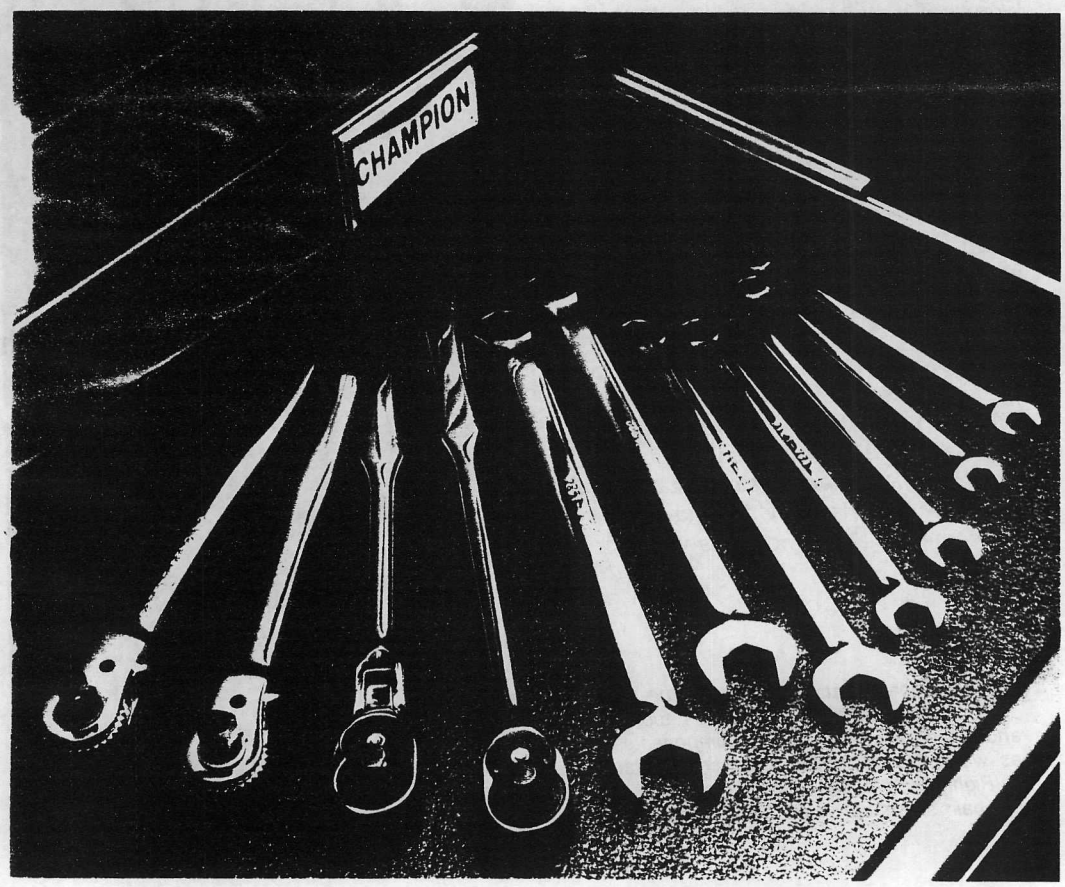
Plans call for entering the first local markets in the fall of 1989. Further expansion will be flexible. Champion Tool will establish pockets of strength,



■ (Top) Champion Tool distributors will use state-of-the-art hardware and software to record sales transactions, order inventory, maintain accounts and maximize the efficiency of their business.
■ (Right) Champion's systems will allow Field Sales Managers to analyze data received daily from their dealers.

and then proceed market by market as dealers and field managers are recruited. The response from qualified and experienced people interested in obtaining a Champion franchise has been excellent.

By the end of 1989, the Company will have invested $10 million in Champion Tool Company. O. Lee Henry, President and CEO of Champion Spark Plug Company, affirmed support for the new business with this statement. "We're not just doing a test market or trying to see if it works. We're not experimenting. We're totally committed to the mobile tool market."



■ *(Top Left) Champion Tool Company will be selling a variety of sophisticated state-of-the-art diagnostic test equipment. These units are designed to withstand the automotive garage environment while providing the technician with reliable easy-to-understand information.*
■ *(Top Right) Tool storage units have been custom designed and manufactured to Champion Tool's specifications. They will feature a variety of new innovations such as advanced roller slides, digital locking mechanisms and expanded capacity.* ■ *(Left) Champion Tool's products will be top line, equal or superior to the best quality available in mobile distribution today.*

There is growth and structural change in global marketing.

Anco Products Group is formed.

The Anco Products Group has been established within Champion's North American Automotive Products Operations. This new unit combines manufacturing and marketing for the Anco product line with Morenci Engineered Rubber Products and Jordan Rubber Company.

Anco makes windshield wiper system products and was Champion's first major diversification in the automotive field when acquired in 1978. Jordan supplies rubber components to Anco. Morenci manufactures a line of molded and extruded rubber components for automotive fuel and air systems, including such items as fuel lines, air ducts, seals and vibration isolators. Morenci has very high quality ratings from U.S. auto manufacturers; among them is the Q1 from Ford Motor Company. It also enjoys quality and delivery ratings from General Motors and Chrysler as a preferred supplier.

The reorganization will enable the Group to better apply its advanced rubber technology to product opportunities and to focus related R&D activities. Under the Anco umbrella, the other firms will gain increased name recognition and more marketing support.

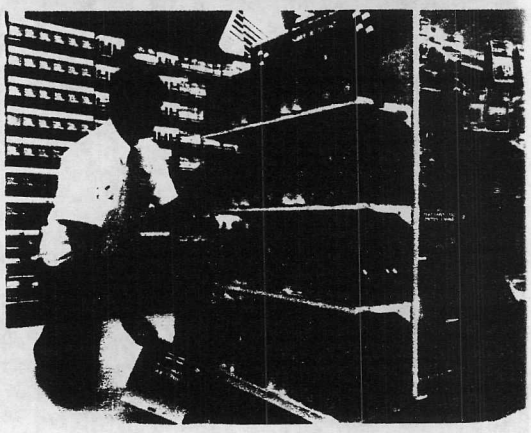
Due to successful sales programs in the second half of 1987, Sears and Kmart selected Anco as their exclusive winter blade line for 1989. By the end of 1988, both experienced a sales increase over 1987 of more than 25% for that product category. Anco's all-season blade line also outsells the low priced brand at Sears 3 to 1. Other Anco products have increased sales in both retail chains.

1988 was a record sales year overall for Anco. Anco is the U.S. leader in replacement blades and refills with roughly 40% of the market. Blade sales in Europe under the Champion brand also grew strongly in 1988.

Anco is now working with Delco Products in a technical cooperation and support partnership to develop wiper systems for automobile manufacturers.

In November of 1988, Champion announced a joint agreement with Nippondenso Co., Ltd. of Japan to assemble their spark plugs in the United States for the domestic market. Production will begin during the first quarter of 1989. About 140 plug variations will be produced in total volume up to 20 million plugs annually.

Champion's Mexico City operation has begun to market ignition parts for Mexico. The plant was honored by Ford in 1988 with their highest award for the quality of its products.



■ *(Top) Representative products in the new Anco Group include chemicals; hoses, tubing, ducts and other fuel and air system components; as well as wiper blades, refills, arms and related parts.*
■ *(Right) Western Auto is one of the many well-known chain stores carrying Champion's car care line.*

Champion is introducing the distribution center of the future.

By June of 1989, Champion will occupy a new, 500,000 sq. ft. warehouse distribution center in Indianapolis, Indiana to replace the seven current distribution points located around the United States. It will also handle shipments for Champion Tool Company.

There will be significant cost savings for Champion, reduced inventory requirements, as well as faster and more accurate order fulfillment for customers nationwide. Orders will be shipped within 24 hours with over 99% fill rate. The warehouse will be highly automated and include a computerized inventory and order tracking system.

The Champion North American sales force was restructured in 1988 from a centralized to a regionalized organization, consisting of 13 districts covering the United States. The change was made to bring the sales force closer in touch with its customers and to better develop and implement sales promotions at the local level. In a concurrent move, Champion selected McCann Erickson as its new advertising agency. The agency has branch offices throughout the country and experience in conducting localized support programs for large firms.

■ *(Left) Champion continues to sponsor important racing events such as the 1988 Belgian Grand Prix which was televised in 52 countries around the world.*

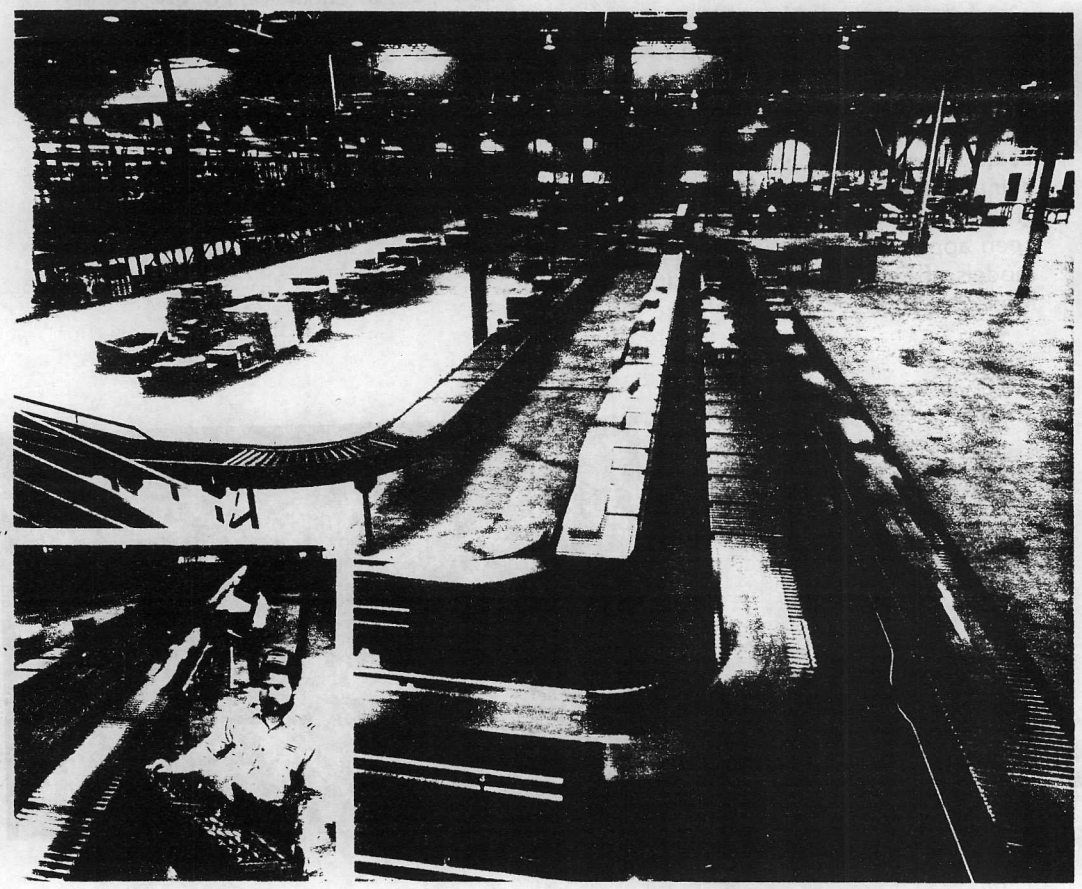
International operations expand.

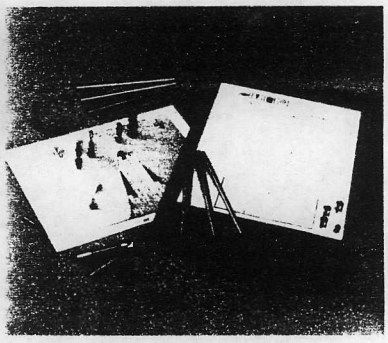
The overseas sales force is structured by country rather than by region. 1989 plans call for a technical specialist to be assigned to each major OEM to develop products and projects and enhance customer service.

The spark plug joint ventures in India and South Korea began production in 1988. The Korean plant was profitable by year end, despite being in a start-up mode. The plant in India produced just over one million plugs its first year with a target of four million units for 1989.

Champion has also entered into a joint venture with Elastomer, a Sydney, Australia-based company that manufactures ignition leads connecting the plug to the distributor. Leads will be supplied to Australasia, and other Asian and European markets.

International sales of spark plugs reached record levels in 1988 and recently introduced products accounted for 10% of total sales.





■ *(Above) By implementing quality measures such as statistical process control, Baron has been certified to produce parts for General Motors, without GM inspection.* ■ *(Left) A sophisticated, computer-controlled material handling system will assure rapid, precise order fulfillment from Champion's new national distribution center in Indianapolis.*

Capital investment and research continue to keep Champion on the leading edge.

Plug production capabilities are improved.

Capital equipment and R & D expenditures are cornerstones to future growth. Champion's total capital investments in 1988 were $36.8 million. In the same year, Champion invested $9.6 million in R&D.

Expansion of the spark plug plant in Venezuela was completed in the summer of 1988 at a cost of about $3.5 million. It has increased production capacity from 12 million to 18 million plugs to serve the growing South American market. A new Champion spark plug licensee is scheduled to begin operation in the spring of 1989 in Argentina.

Champion has increased its equity position from two-thirds to total ownership in our Australian and New Zealand spark plug plants. Operations have also been rationalized so that high volume plugs are made in Australia and low volume types in New Zealand.

Champion is also increasing its equity in Bujias Champion de Mexico, S.A. de C.V. from 75% to 100%.

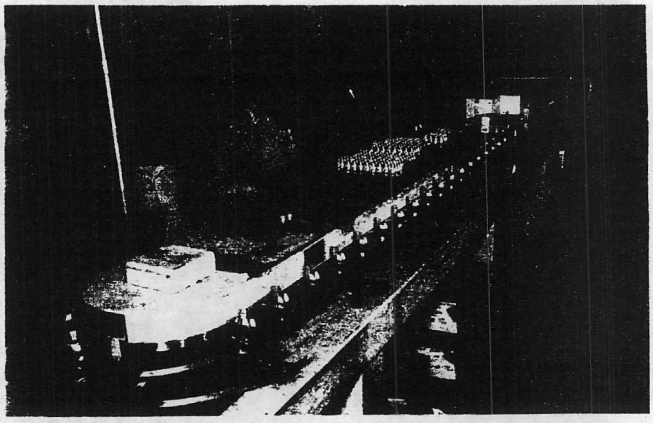
Champion introduced in the last quarter a premium, double copper spark plug for the European market. Nearly three million of these plugs were shipped in 1988. Over seven million more have been ordered. Production levels are being increased sharply to handle the growing demand. The new plug has been approved as original equipment on models of Fiat, Maserati, Renault, and Mercedes Benz.

Champion is in the second year of a worldwide program to raise quality and lower costs in its spark plug manufacturing operations. The heart of this effort involves purchases of Dedicated Assembly Systems (DAS) for plug assembly and Automatic Sagger Loaders (ASL) for plug ceramic production.

Through 1988, six DAS machines have been installed and eight more are scheduled for 1989. The total DAS investment will be about $13 million. The over $8 million investment in 50 ASLs has been nearly completed. The final 11 machines are scheduled to be installed in England in 1989-90.

In addition, Champion is purchasing state-of-the-art CNC equipment for more efficiency and accuracy in metal component fabrication. The CNC lathes can reduce product change-overs from 40 hours to 30 minutes.

Champion's achievements in improved spark plug quality have been recognized by carmakers around the world. Of the nine auto manufacturers in Japan, eight purchase Champion spark plugs for original equipment and install them in engines they produce in Japan. Chrysler honored Champion with an award for quality in 1988, and Jaguar presented its Pursuit of Excellence award to the Company for the third consecutive year.



■ *(Right) The Mexico City plant now markets ignition parts and has won a quality award from Ford.*

Investments are made in other areas.

Anco is enlarging its engineering and research team as well as investing in automation and new equipment. Approximately $4.9 million had been approved for capital purchases in 1988 with an additional $4.5 million planned for 1989.

Champion has become a significant factor in the European filter market with the purchase of Farom in Genoa, Italy. Farom makes a top quality product and has an excellent technological reputation. It supplies nine automobile manufacturers including General Motors, Ford, Renault, and Peugeot.

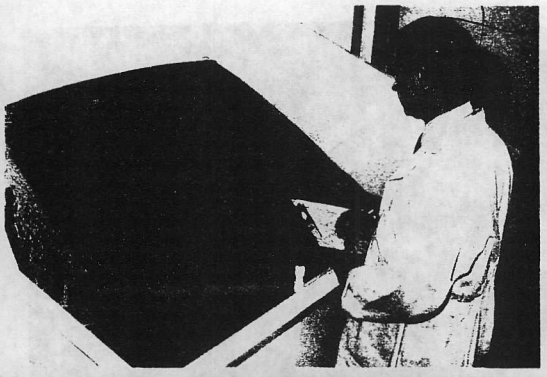
International Operations capital programs to enhance quality and expand capacity will total $35 million over a three-year plan begun in 1987.

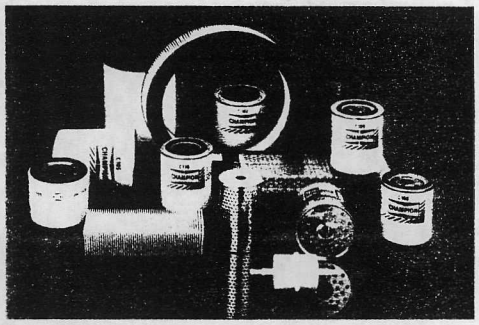
The capital equipment upgrading program for Baron Drawn Steel's Toledo facility and its purchase of a cold drawn bar plant in Canton, Michigan have resulted in increased 1988 profitability and full capacity production. Champion now accounts for only 10% or less of Baron's business.

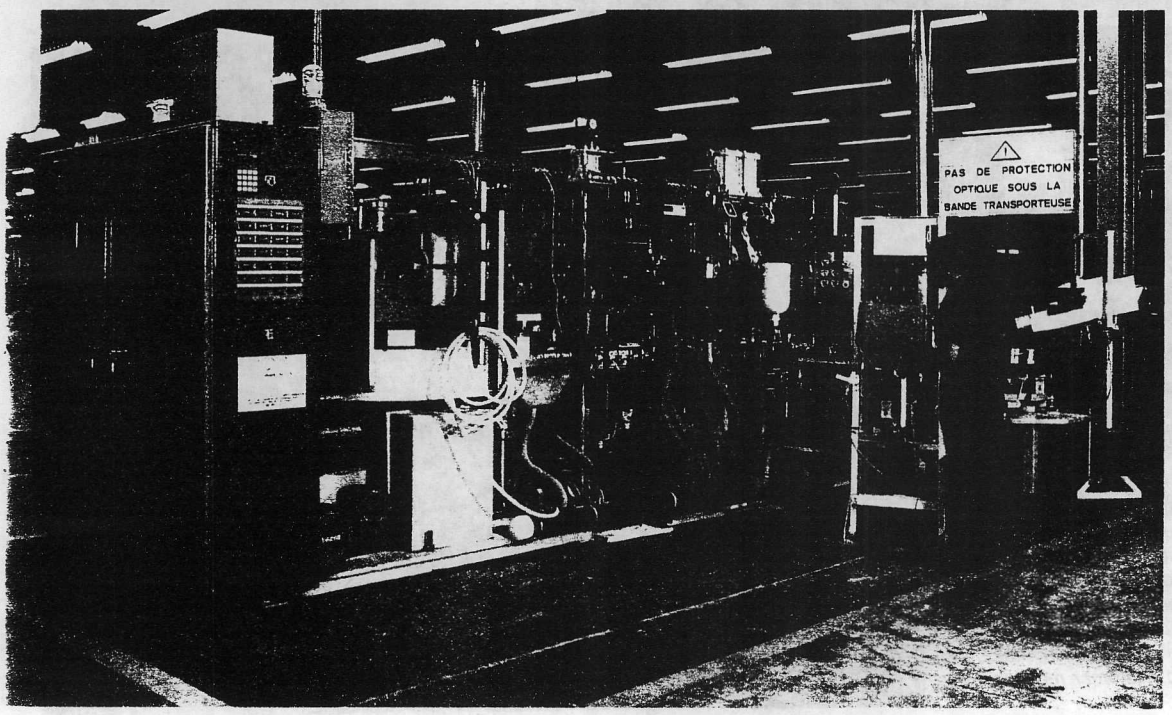
Sharon Manufacturing signed a five-year, $100 million contract with Ford to supply its exclusive, low profile fuel rail. The fuel rails are stamped at the Lambertville, Michigan plant, then shipped to the new Ligonier, Indiana facility for final assembly. Production began in mid-1988.

The Ligonier plant is described as one of the best assembly and test facilities for fuel rails in North America. It has state-of-the-art quality control systems to meet Ford's stringent standards, approaching a NASA-like clean room environment. Sharon and Ford shared the $3 million investment.

Sharon has an ongoing development process with all the major U.S. car manufacturers which includes such products as fuel rails and fuel rail regulators.







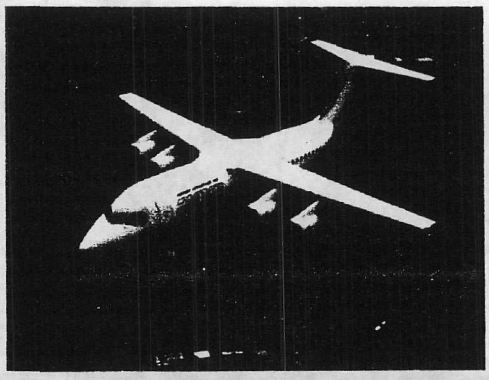
■ (Top Right) By purchasing a respected Italian filter manufacturer, Champion has become an important source of those products in the European market. ■ (Top Center) Wipe quality tests are conducted under a variety of environmental, temperature and wind velocity conditions. ■ (Top Left) Sharon's state-of-the-art facility in Ligonier, Indiana assembles fuel rails for Ford. ■ (Bottom Left) Dedicated Assembly System (DAS) for spark plugs at the Peronnes-lez-Binche plant in Belgium is one of 14 that will be installed worldwide by the end of 1989.

Investments by the Aviation Products Group are opening new markets.

The Liberty plant provides aviation customers state-of-the-art quality and production.

Champion has been synonymous with aviation since the era of the Wright brothers. The Company holds a dominant market position worldwide in piston engine plugs, turbine engine igniters and oil filters for civilian and military aircraft.

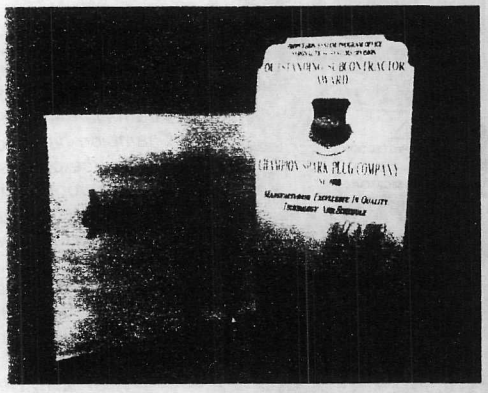
A focus for 1988 has been bringing the Liberty, South Carolina plant on-stream. Purchased in 1987, this plant was outfitted to meet the manufacturing and quality standards required by the Group's sophisticated customer base. Quality is built in, not inspected in. The facility is set up for complete production documentation and validation by job lot, using statistical process control techniques as required and applicable. Just-in-time scheduling for original equipment manufacturers and commercial transport customers can now be accommodated.

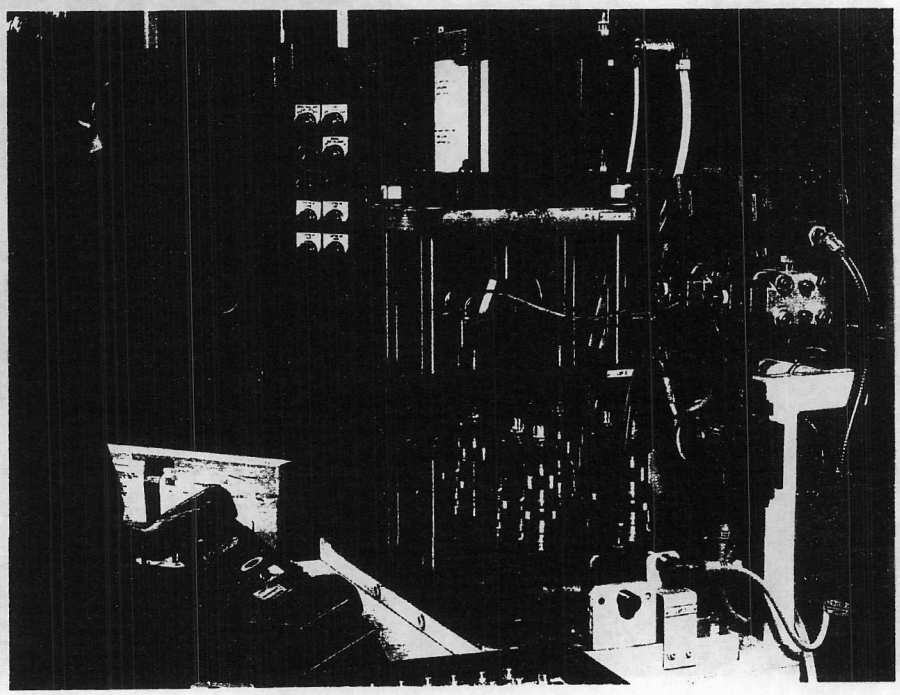


The new plant also provides Champion's customers an alternative manufacturing capability. Distribution has been centralized at the South Carolina facility. A separate computer system has also been developed and installed this past year, linking Aviation Group operations.

Two other important prior investments have shown positive results in 1988. The Livingston Industries acquisition in 1986 positioned Champion as a turbine ignition systems supplier. This began with leads and exciters for auxiliary propulsion units (small jet engines). Production has been widened to include higher energy products for primary power engines — increasing the market potential for components and systems.

The Aviation Products Group office in Brussels, opened in 1987 to strengthen sales ties with Europe, has helped market share increase with overseas OEMs, airlines and distributors. Projects are active with a number of engine manufacturers including Fiat, Rolls Royce, Turbomeca and Porsche. Champion increased its air transport markets with major European carriers, including Air France, Alitalia, Lufthansa, Swissair, S.A.S., and Finnair during 1988.





■ (Above) The U.S. Defense Department named Champion one of its Top Ten Suppliers for the cruise missile program in 1988. Champion makes the missile's engine igniters. ■ (Top) The BAE 146 commuter jet with ultra-quiet engines is one example of the growing market that Champion has opened with complete ignition systems. ■ (Right) The quality production systems in the Liberty plant assure that aviation spark plugs and igniters meet the world's toughest manufacturing standards and customer requirements.

Management's Discussion and Analysis of Results of Operations and Financial Position

CHAMPION SPARK PLUG COMPANY

Consolidated Results of Operations

For 1988, Champion earned $23.6 million, $.67 per share, compared with $19.1 million, $.50 per share, in 1987. Earnings from continuing operations were $22.1 million, $.63 per share, and $16.3 million, $.43 per share, for 1988 and 1987, respectively. Sales from continuing operations increased to $738.0 million from $719.9 million for 1987.

The year 1988 was one of major accomplishments for Champion. In the first quarter, the Company announced its new premium spark plug which incorporates new design for improved performance. During the second quarter, Champion purchased the remaining interests of its subsidiaries in Australia and New Zealand. Both subsidiaries are now wholly owned, allowing management to respond to the increasingly competitive Australasian market. Champion Tool Company was formed in the third quarter. This subsidiary will begin to sell high-quality tools and equipment to professional mechanics through a network of mobile distributors late in 1989. Finally, in the fourth quarter, the Company purchased an Italian filter manufacturer, thus becoming a significant factor in the European filter market. Additionally, the Company's new premium spark plug was introduced in both the United States and Europe.

Sales of North American Automotive Products Operations were down from 1987 levels. The shortfall resulted, primarily, from a decline in spark plug unit sales. Earnings in North America were also down in 1988, due primarily to lower overhead absorption associated with reductions in inventory, costs of consolidating the Company's finished goods warehouse facilities and start-up costs at the Company's Liberty, South Carolina, and Ligonier, Indiana, plants. The decline in earnings was partially offset by increased wiper product sales. Sales of other automotive products more than doubled in 1988 over 1987 levels. Other factors favorably affecting 1988 results included reduced operating and marketing expenses.

International Automotive Products Operations' results exceeded last year. All product lines produced increased revenue, although spark plug unit sales were down fractionally. Wiper product sales showed significant improvement.

Introduction of new products continued in international regions during 1988. Management remains convinced that these new products will play a significant role in the Company's long-term growth. The spark plug joint ventures in India and South Korea began to take hold in 1988. The Korean plant was profitable by year end, despite being in the start-up mode. The plant in India produced just over one million plugs in its first year of full production.

Obtaining 100% ownership in Australia and New Zealand, as mentioned earlier, permits production rationalization which will lower manufacturing costs in both countries and reduce inventories. Strategically, this was a very important move in the Australasian area.

Reduced restructuring costs played an important role in the improved international results. In 1988, these operations had pretax restructuring costs of $1.0 million, compared to $5.2 million in 1987. Costs in both years related to the continued reorganization of the Company's automotive product manufacturing operations. International's results for 1988 also reflected the favorable impact of tax benefits in foreign locations.

For the second successive year, sales by Baron Drawn Steel Corporation reached record levels. These sales were attributable to an increase in tonnage and higher prices and directly resulted in increased earnings.

Results from continuing operations for 1988 included pretax charges for restructuring of $4.9 million. For 1987, these costs were $11.6 million. Additional discussion of these items can be found on page 24 under Restructuring Costs. The Company provided $1.5 million of deferred federal income taxes in 1987 related to undistributed earnings of foreign subsidiaries no longer considered permanently invested. No provision was necessary in 1988.

The sale of the DeVilbiss Division was completed in 1988. As a result, in the fourth quarter of 1988, the Company recorded a gain from discontinued operations of $1.5 million, net of income tax of $3.9 million. This gain was an adjustment to the estimated loss on sale in 1987 and was due, primarily, to higher than estimated earnings of DeVilbiss in 1988 before the close of the transaction as of March 1, 1988, and favorable foreign exchange translations. The sale is more fully discussed under Discontinued Operations on page 24.

The 1988 U.S. inflation rate increased over the 1987 rate. That, coupled with the inflationary pressures the Company has in some of its foreign locations, has partially offset the Company's efforts to reduce operating costs and improve margins.

Comparing 1987 to 1986, Champion's earnings increased to $19.1 million, compared to a 1986 loss of $17.2 million. During 1987, Champion's new products were introduced. Productivity improvements and reduced costs through restructuring contributed to better results. Also, 1987 results were favorably impacted by a change in accounting for domestic pension expense in compliance with Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions. This change increased 1987 earnings from continuing operations $2.2 million and discontinued operations $.7 million. Total 1987 earnings of $.50 per share consisted of $.62 per share from operations, including the DeVilbiss Division, offset by a $.12 per share loss on the disposal of that Division. Earnings from continuing operations, which exclude DeVilbiss' earnings, were $16.3 million in 1987, compared to a loss of $15.2 million in 1986. Sales from continuing operations of $719.9 million increased 14% from $631.7 million in 1986.

North American Automotive Products Operations had an increase in spark plug unit sales in 1987. This was encouraging since the market has been decreasing and has intense competition. It is difficult for the Company to pass

on costs and, in fact, price and advertising concessions have been necessary to preserve and increase market share. A ten-week strike at the North American spark plug plants negatively impacted 1986 results.

New products were introduced in the North American market early in 1987. These products included automotive spark plug wires, battery cables, filters (oil, fuel and air) and automotive chemicals. Unit sales of wiper products were up from 1986. Earnings from wiper operations declined, however, primarily as a result of underabsorption of overhead due to a reduction of inventories.

International Automotive Products Operations increased sales and earnings from 1986. Increased unit volumes and a weakening U.S. dollar were the primary factors contributing to the increase. Earnings were also favorably impacted by European manufacturing efficiencies and lower interest costs as a result of reduced borrowings. During the third quarter of 1987, the Company expanded its sale of new products into Europe.

In 1987, sales by Baron Drawn Steel Corporation reached record levels. Despite the increase in sales, earnings declined slightly from 1986, primarily because of severe pricing pressures in the industry.

In November, 1987, the Company agreed to sell its DeVilbiss Division to Eagle Industries, Inc. The effect of the sale and DeVilbiss' 1987 earnings are reported as earnings from discontinued operations. The loss from the sale included the recognition of previously unrecognized currency translation losses relating to DeVilbiss and approximately $3.3 million for the estimated earnings of DeVilbiss from November 1, 1987, to the closing date. The Company had a loss from DeVilbiss' operations of $2.0 million in 1986.

In the fourth quarter of 1987, the Company recorded pretax restructuring costs of $11.6 million. These costs consisted of $3.0 million for closing a data center and $8.6 million related to reorganization of worldwide automotive product manufacturing. In 1986, the Company recorded pretax restructuring costs of $9.5 million. This included a third quarter expense of $4.5 million and a fourth quarter expense of $1.9 million related to worldwide automotive product workforce reductions and $2.6 million for the write-off of excess machinery and equipment. The gain on sale of property, plant and equipment in 1987 related primarily to the sale of an aircraft in the second quarter.

The Company provided $1.5 million and $7.8 million of deferred federal income taxes in 1987 and 1986, respectively, related to undistributed earnings of foreign subsidiaries no longer considered permanently invested. In 1986, $1.6 million was applicable to discontinued operations.

Consolidated Financial Position

Champion's working capital was $205.5 million and $259.6 million at December 31, 1988 and 1987, respectively. The 1987 amount included all DeVilbiss net assets as current at December 31, 1987. During 1988, proceeds from the sale of DeVilbiss were invested, which increased interest income; were used to reduce short-term borrowings, which reduced interest expense; and were used to purchase treasury stock. In 1988, 4.0 million shares were purchased at a cost of $47.8 million. During 1987, the Company purchased .9 million shares at a cost of $9.0 million. The Company has maintained its ratio of current assets to current liabilities at 2.2 and 2.3 at December 31, 1988 and 1987, respectively.

Decreased inventories occurred primarily in the U.S. Accrued expenses for advertising and promotion were down from 1987 due to the elimination of various advertising programs and decreased cooperative advertising in North America. Decreased restructuring expenses in 1988, in addition to payments of amounts previously accrued, resulted in lower accruals for restructuring at the end of 1988. The Company's long-term debt decreased during 1988. Because of the Company's 1988 purchase of minority interests in Australia, New Zealand and Mexico, the Company's liability to minority interests decreased from December 31, 1987.

Commitments for capital expenditures, primarily for machinery and equipment, amounted to $12.5 million at December 31, 1988. Management expects to finance these commitments primarily from operations.

Adequate sources of external funds are available to the Company. These sources are discussed under Financing on page 25.

In December, 1987, Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes, was issued. The Company has not adopted this statement for 1988. This statement is more fully discussed under Taxation on page 26. In 1989, the Company will implement Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, for certain foreign pension plans. Also, in 1989, the Company will give balance sheet recognition to any underfunded pension plans. A more detailed discussion of the Company's retirement plans can be found on page 28 under Retirement Plans.

On February 21, 1989, the Company entered into a merger agreement with Cooper Industries, Inc. Under terms of the agreement, Cooper will acquire the Company in an all-cash transaction at a price of $21 per share. This transaction is discussed more fully under Subsequent Events on page 30.

Consolidated Statements of Earnings

CHAMPION SPARK PLUG COMPANY

(In millions, except per share) Years ended December 31.	1988	1987	1986
Net sales	$ 738.0	$ 719.9	$ 631.7
Costs and expenses:			
Cost of goods sold	506.6	485.4	460.9
Selling, administrative and general expenses	189.6	187.2	166.0
Restructuring costs	4.9	11.6	9.5
	701.1	684.2	636.4
Operating earnings (loss)	36.9	35.7	(4.7)
Other deductions (income):			
Interest expense	6.9	8.8	11.1
Amortization of intangible assets	.9	1.1	1.0
Interest income	(4.0)	(1.6)	(1.4)
Net loss (gain) due to foreign currency fluctuations	(.1)	.1	(2.7)
Gain on sale of property, plant and equipment	(1.0)	(4.1)	(.3)
Sundry, net	1.5	(.9)	(.9)
	4.2	3.4	6.8
Earnings (loss) from continuing operations before income taxes and minority interests	32.7	32.3	(11.5)
State and local income taxes	1.3	.6	.2
Federal and foreign income taxes	8.1	14.3	2.7
Minority interests	1.2	1.1	.8
Earnings (loss) from continuing operations	22.1	16.3	(15.2)
Discontinued operations:			
Earnings (loss) from operations, net of income tax expense of $6.5 and $3.9 in 1987 and 1986	—	7.4	(2.0)
Gain (loss) on disposal, net of income tax expense (benefit) of $3.9 and ($1.4) in 1988 and 1987	1.5	(4.6)	—
Earnings (loss) from discontinued operations	1.5	2.8	(2.0)
Net earnings (loss)	$ 23.6	$ 19.1	$ (17.2)
Earnings (loss) per share:			
Continuing operations	$ .63	$ .43	$ (.40)
Discontinued operations:			
Earnings (loss) from operations	—	.19	(.05)
Gain (loss) on disposal	.04	(.12)	—
	.04	.07	(.05)
Net earnings (loss)	$ .67	$ .50	$ (.45)

The notes on pages 23 through 31 are an integral part of the financial statements.

Consolidated Balance Sheets

CHAMPION SPARK PLUG COMPANY

(In millions) *December 31,*	**1988**	**1987**
Assets		
Current assets:		
Cash and cash equivalents	$ 22.8	$ 15.8
Accounts and notes receivable, less allowances of $8.4 and $7.8	149.8	143.0
Refundable federal and foreign income taxes	10.8	3.5
Net assets of discontinued operations	—	91.7
Inventories	170.8	189.9
Prepaid expenses, including deferred federal and foreign income taxes of $10.8 and $6.6	21.6	18.6
Total current assets	375.8	462.5
Property, plant and equipment, at cost:		
Land and land improvements	7.2	7.1
Buildings	94.6	94.5
Machinery and equipment	273.5	263.9
Construction in progress	22.0	18.6
	397.3	384.1
Less accumulated depreciation and amortization	211.8	207.0
Net property, plant and equipment	185.5	177.1
Intangible assets, net	5.7	5.2
Other assets	8.6	8.2
	$ 575.6	$ 653.0

The notes on pages 23 through 31 are an integral part of the financial statements.

CHAMPION

(In millions, except shares) December 31.	1988	1987
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 30.3	$ 53.8
Accounts payable	52.6	60.7
Accrued expenses:		
Salaries and wages	15.4	16.2
Employee benefits	11.8	11.6
Restructuring costs	10.4	12.6
Advertising and promotion	10.2	14.0
Taxes, other than federal and foreign income taxes	8.9	8.8
Other	10.9	11.6
Federal and foreign income taxes	19.8	13.6
Total current liabilities	170.3	202.9
Long-term debt	13.9	17.5
Deferred federal and foreign income taxes	27.9	28.9
Other liabilities	12.0	9.9
Minority interests	1.6	6.4
Stockholders' equity:		
Preferred stock, without par value, authorized and unissued 5,000,000 shares	—	—
Common stock, $.30 par value per share, authorized 80,000,000 shares; issued 38,557,652 and 38,413,505 shares	11.6	11.5
Capital in excess of par value	20.8	19.6
Retained earnings	401.8	385.2
Cumulative translation adjustments	(27.5)	(19.9)
	406.7	396.4
Less 4,870,600 and 860,300 common shares in treasury, at cost	56.8	9.0
Total stockholders' equity	349.9	387.4
	$ 575.6	$ 653.0

Consolidated Statements of Cash Flows

CHAMPION SPARK PLUG COMPANY

(In millions) *Years ended December 31.*	**1988**	**1987**	**1986**
Cash flows from operating activities:			
Earnings (loss) from continuing operations	$ 22.1	$ 16.3	$ (15.2)
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment and intangible assets	21.0	21.7	20.2
Deferred federal and foreign income taxes	(.6)	1.2	(.9)
Write-off of excess machinery and equipment	.5	2.1	2.6
Gain on sale of property, plant and equipment	(1.0)	(4.1)	(.3)
Cash provided by (used for):			
Accounts and notes receivable	(11.7)	(14.4)	9.2
Refundable federal and foreign income taxes	(7.4)	6.8	(3.0)
Inventories	13.5	(1.9)	24.7
Prepaid expenses	.1	(4.1)	11.3
Accounts payable and accrued expenses	(6.4)	17.9	12.7
Federal and foreign income taxes	1.8	1.4	7.0
Other liabilities	1.3	2.1	(.2)
Other items, net	1.2	2.6	2.0
Net cash provided by operating activities	34.4	47.6	70.1
Cash flows from investment activities:			
Additions to property, plant and equipment	(36.8)	(31.4)	(28.8)
Proceeds from sale of property, plant and equipment	3.1	8.0	2.7
Purchase of minority interests in majority-owned subsidiaries	(6.2)	—	—
Companies acquired	—	(2.1)	(4.0)
Proceeds from sale of discontinued operations	108.5	—	—
Amounts relating to discontinued operations	(17.6)	(.7)	3.1
Stock repurchase program	(47.8)	(9.0)	—
Net cash provided by (used in) investment activities	3.2	(35.2)	(27.0)
Cash flows from financing activities:			
Changes in short-term borrowings	(19.7)	(14.1)	(11.2)
Additions to long-term debt	—	2.1	—
Reductions of long-term debt	(3.7)	(1.0)	(9.6)
Proceeds from exercise of stock options	1.3	.2	—
Dividends paid	(7.0)	(1.9)	(7.7)
Net cash used by financing activities	(29.1)	(14.7)	(28.5)
Effect of exchange rate changes on cash and cash equivalents	(1.5)	(1.6)	(3.0)
Net increase (decrease) in cash and cash equivalents	7.0	(3.9)	11.6
Cash and cash equivalents at beginning of year	15.8	19.7	8.1
Cash and cash equivalents at end of year	$ 22.8	$ 15.8	$ 19.7

The notes on pages 23 through 31 are an integral part of the financial statements.

Consolidated Statements of Stockholders' Equity

CHAMPION SPARK PLUG COMPANY

(In millions, except per share) *Years ended December 31, 1986, 1987 and 1988*	Common Stock $.30 Par Value	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock	Total
Balance at January 1, 1986	$ 11.5	$ 19.4	$ 392.9	$ (55.1)	$ —	$ 368.7
Net loss			(17.2)			(17.2)
Net change in cumulative translation adjustments				8.0		8.0
Dividends paid — $.20 per share			(7.7)			(7.7)
Balance at December 31, 1986	11.5	19.4	368.0	(47.1)	—	351.8
Net earnings			19.1			19.1
Net change in cumulative translation adjustments				20.4		20.4
Dividends paid — $.05 per share			(1.9)			(1.9)
Proceeds from exercise of stock options		.2				.2
Transferred to earnings (loss) from discontinued operations				6.8		6.8
Stock repurchase program					(9.0)	(9.0)
Balance at December 31, 1987	11.5	19.6	385.2	(19.9)	(9.0)	387.4
Net earnings			23.6			23.6
Net change in cumulative translation adjustments				(7.6)		(7.6)
Dividends paid — $.20 per share			(7.0)			(7.0)
Proceeds from exercise of stock options	.1	1.2				1.3
Stock repurchase program					(47.8)	(47.8)
Balance at December 31, 1988	$ 11.6	$ 20.8	$ 401.8	$ (27.5)	$ (56.8)	$ 349.9

The notes on pages 23 through 31 are an integral part of the financial statements.

Management's Responsibility for Financial Statements and Independent Auditors' Report

CHAMPION SPARK PLUG COMPANY

Management's Responsibility for Financial Statements

The management of the Company is responsible for the consolidated financial statements and the related financial data contained in this report. These statements were prepared in accordance with generally accepted accounting principles and, by necessity, include some amounts determined using management's best judgment and estimates.

The Company maintains accounting and other control systems which management believes provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. Underlying this concept of reasonable assurance is the premise that the cost of control should not exceed the benefits derived.

O. Lee Henry
President and
Chief Executive Officer

Thomas G. Kress
Vice President and
Chief Financial Officer

Independent Auditors' Report

The Board of Directors
Champion Spark Plug Company:

We have audited the accompanying consolidated balance sheets of Champion Spark Plug Company and subsidiaries as of December 31, 1988 and 1987, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1988. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Champion Spark Plug Company and subsidiaries at December 31, 1988 and 1987, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1988, in conformity with generally accepted accounting principles.

As discussed in the notes to financial statements, the Company changed its method of accounting for domestic pension expense in 1987.

PEAT MARWICK MAIN & CO.

Toledo, Ohio
February 7, 1989, except for Subsequent
Events, which is as of February 21, 1989

Summary of Significant Accounting Policies

Champion Spark Plug Company's accounting policies conform to United States generally accepted accounting principles.

Principles of Consolidation

The Company's wholly-owned and majority-owned subsidiaries are consolidated in the financial statements, except for several small affiliates carried at cost. Investments which are 20 to 50 percent owned are accounted for on the equity method. All material intercompany items are eliminated in consolidation.

Translation of Financial Statements of Companies Outside the United States

The financial statements of companies outside the United States are translated into United States dollars in accordance with Financial Accounting Standards Board Statement No. 52, Foreign Currency Translation. Under Statement No. 52, most foreign assets and liabilities are translated using rates of exchange as of the balance sheet date. The impact of rate changes on translated values of such assets and liabilities is reflected in stockholders' equity. Certain assets and liabilities of a subsidiary located in a highly inflationary economy are translated using historical rates of exchange with the impact of rate changes being reflected in net earnings.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Inventory Valuation

Inventories are stated at cost, not in excess of market value. The Company uses the last-in, first-out (LIFO) method of determining costs for all significant United States and certain foreign inventories. Other inventories are valued using either the first-in, first-out (FIFO) or average cost methods.

Depreciation Methods

Depreciation is computed for financial reporting purposes principally on the straight-line method over the estimated useful lives of individual assets. Accelerated methods of depreciation are used for income tax reporting purposes with the related income tax benefits being deferred in the accounts.

Intangible Assets

Intangible assets are amortized on a straight-line basis over varying periods of not more than 40 years.

Income Taxes

Deferred federal and foreign income taxes are provided for those items of income and expense which are recognized in different periods for financial reporting purposes than for income tax reporting purposes. In addition, deferred federal income taxes are provided for undistributed earnings of subsidiaries which are not considered to be permanently invested. Foreign and investment tax credits are accounted for as a reduction of the provision for federal and foreign income taxes in the year in which the credits arise.

Research and Product Development Costs

Research and product development costs related to both present and future products are expensed as incurred.

Earnings Per Share

Earnings or loss per share are based on the weighted average number of shares outstanding during each year, considering additional shares contingently issuable under stock option plans as common stock equivalents.

Statement of Cash Flows

The Company implemented Financial Accounting Standards Board Statement No. 95, Statement of Cash Flows, in 1988. The consolidated statement of cash flows replaces the consolidated statement of changes in financial position presented in prior years. Information for 1987 and 1986 has been restated to conform to the new presentation.

Discontinued Operations

Amounts included in the Notes to Financial Statements exclude discontinued operations, except as otherwise noted.

Discontinued Operations

In November, 1987, the Company entered into an agreement with Eagle Industries, Inc. to sell substantially all of the domestic assets of The DeVilbiss Company Division and the stock ownership in the DeVilbiss subsidiaries. The purchaser assumed substantially all domestic liabilities of DeVilbiss and paid cash of $108.5 million. The closing of the transaction took place as of March 1, 1988.

The transaction has been recorded as a disposal of a segment of business. The estimated loss from the sale of $4.6 million, net of $1.4 million related income tax benefit, was recorded as of October 31, 1987. This loss included the recognition of previously unrecognized translation losses and approximately $3.3 million for the estimated earnings of DeVilbiss from November 1, 1987, to the closing date. During the fourth quarter of 1988, the Company recorded a gain from discontinued operations of $1.5 million, net of income tax expense of $3.9 million, upon settlement. This gain represents an adjustment to the estimated loss on sale provided in 1987 and was due primarily to higher than estimated operating earnings of DeVilbiss in 1988 before the close of the transaction and favorable DeVilbiss-related foreign exchange translations.

The net assets of discontinued operations reported in the December 31, 1987, consolidated balance sheet consisted of the following:

(In millions)	1987
Net current assets:	
Current assets	$ 126.6
Current liabilities	(58.8)
Net property, plant and equipment	32.5
Other assets	6.6
Noncurrent liabilities	(5.2)
	101.7
Intercompany receivable from Champion	(10.0)
	$ 91.7

Operating results of discontinued operations have been reported separately in the consolidated statements of earnings. Net sales of discontinued operations were $46.6 million for the first two months of 1988 and $275.7 million and $252.1 million in 1987 and 1986, respectively.

Restructuring Costs

The continued reorganization of the Company's worldwide automotive product manufacturing operations resulted in restructuring costs of $4.9 million for 1988, of which $.8 million, $1.0 million, $.3 million and $2.8 million was recorded in the first, second, third and fourth quarters, respectively.

The Company incurred $8.6 million of costs for similar activities during the fourth quarter of 1987, in addition to recording a $3.0 million provision for the closing of a domestic off-site data center.

Restructuring costs recorded in 1986 totaled $9.5 million. Included in this charge was a third quarter expense of $4.5 million and a fourth quarter expense of $1.9 million relating to worldwide automotive product work force reductions and a $2.6 million third quarter write-off of excess machinery and equipment.

Inventories

Inventories, valued at the lower of cost or market, are summarized as follows:

(In millions)	1988	1987
LIFO basis	$ 80.8	$ 94.3
FIFO or average cost basis	90.0	95.6
	$ 170.8	$ 189.9

LIFO inventories were $38.3 million and $30.9 million less than estimated current costs at December 31, 1988 and 1987, respectively. During 1988, 1987 and 1986, certain inventory reductions resulted in liquidations of LIFO inventory quantities. The effect of the reductions was not significant.

In 1986, the Company refined its classification of certain costs used in the valuation of domestic inventories. Such reclassifications resulted in a more uniform approach to the valuation of inventories by all domestic operations. The effect of these classification changes was to increase 1986 cost of goods sold by approximately $4.9 million.

Property, Plant and Equipment

During 1988, 1987 and 1986, the Company spent $36.8 million, $31.4 million and $28.8 million, respectively, for expansion, modernization and replacement of property, plant and equipment.

Certain leased assets, principally in Belgium and Mexico, are capitalized and included in the consolidated balance sheets as follows:

(In millions)	1988	1987
Buildings	$ 7.6	$ 8.6
Machinery and equipment	11.0	12.2
	18.6	20.8
Less accumulated amortization	11.1	10.8
Net	$ 7.5	$ 10.0

Provisions for depreciation and amortization, including amortization of capitalized leases, totaled $20.1 million in 1988, $20.6 million in 1987 and $19.2 million in 1986.

Operating Leases and Commitments

The Company and its subsidiaries lease certain manufacturing, warehousing and office facilities, and equipment under various arrangements. Rental expenses on operating leases totaled $10.8 million in 1988, $8.5 million in 1987 and $8.5 million in 1986.

Future minimum lease payments under non-cancelable operating leases in the years 1989 through 1993 are $5.0 million, $4.6 million, $3.9 million, $2.3 million and $2.2 million, respectively. The aggregate amount payable after 1993 is $11.4 million.

In 1987, the Company entered into a seven-year agreement with a third party to provide data processing services. The agreement requires annual payments, which will approximate $6.6 million in 1989, subject to specified adjustments. Termination of the agreement prior to expiration could require a penalty payment by the Company.

Financing

Short-term borrowings outstanding at December 31, 1988, consisted of bank debt at foreign locations. At December 31, 1987, short-term borrowings consisted of bank debt at domestic and foreign locations and commercial paper in the United States. The Company has available short-term credit facilities and a revolving credit agreement totaling $164.9 million, of which $137.6 million was unused at December 31, 1988. There are no borrowing arrangements which require the maintenance of any significant compensating balances.

Long-term debt was comprised of the following:

(In millions)	1988	1987
5⅞% debentures due September 15, 1992	$ 6.0	$ 7.4
Industrial revenue bond	4.7	4.8
Capital lease obligations	5.7	7.5
Other	.5	2.1
	16.9	21.8
Less maturities in 1989 and 1988	3.0	4.3
	$ 13.9	$ 17.5

Total maturities of long-term debt during the years 1990 through 1993 are $2.4 million, $2.2 million, $2.6 million and $1.1 million, respectively.

The debentures are redeemable, in whole or in part, at face value under certain conditions at the option of the Company. The Company purchased $1.4 million of debentures in 1988 and $.9 million in 1987. Acquired debentures totaling $.1 million at December 31, 1987, none at December 31, 1988, were available to satisfy future sinking fund obligations and have been shown as a reduction of the amount outstanding. The indenture requires payments to a sinking fund in an amount sufficient to retire $1.5 million principal amount of debentures each year.

The industrial revenue bond had an interest rate of 6.8% at December 31, 1988, with annual payments required through 1999. The capital lease obligations, principally for foreign manufacturing facilities and equipment, expire through 1996, and include imputed interest rates reflective of local financing costs. Other long-term debt includes various mortgages, primarily at foreign locations, with an average interest rate of 11.2% at December 31, 1988, and maturity dates through 1993.

The Company maintains a $38.0 million revolving credit agreement with several banks to assure availability of funds and to support commercial paper borrowings. The agreement is effective through June 1, 1991. There were no borrowings against this agreement at December 31, 1988 and 1987. Under terms of the agreement, $68.4 million of retained earnings was available for distribution to stockholders at December 31, 1988. Additionally, certain working capital and debt limits must be maintained.

Total interest paid during 1988, 1987 and 1986, amounted to $7.2 million, $9.2 million and $10.3 million, respectively.

Taxation

Following is a summary of the amounts recorded for federal and foreign income taxes for both continuing and discontinued operations:

(In millions)	1988	1987	1986
Earnings (loss) before federal and foreign income taxes and minority interests:			
Continuing operations:			
Domestic	$ (2.2)	$ (.5)	$ (31.1)
Foreign	33.6	32.2	19.4
	31.4	31.7	(11.7)
Discontinued operations	5.4	7.9	1.9
	$ 36.8	$ 39.6	$ (9.8)
Income tax expense (benefit):			
Continuing operations:			
Current:			
Federal	$ .4	$ 3.9	$ (2.9)
Foreign	8.3	9.2	6.5
Deferred:			
Federal	1.2	(.6)	(2.9)
Foreign	(1.8)	1.8	2.0
	8.1	14.3	2.7
Discontinued operations	3.9	5.1	3.9
	$ 12.0	$ 19.4	$ 6.6

Federal and foreign income tax expense differs from the expected income tax expense (benefit) for those years computed by applying the United States statutory rate of 34% in 1988, 40% in 1987 and 46% in 1986, as follows:

(In millions)	1988	1987	1986
Tax expense (benefit) at United States statutory rate	$ 12.5	$ 15.8	$ (4.5)
Increase (decrease) in tax resulting from:			
Investment and other tax credits	(.6)	(.7)	(1.1)
Tax provided on undistributed earnings of foreign subsidiaries	—	1.5	7.8
Differences between United States and foreign tax rates	(1.6)	(2.2)	(2.5)
Foreign currency rate fluctuations on inventories sold	.1	2.0	1.1
Net loss from foreign currency translation	—	.7	.9
Net losses of foreign subsidiaries without recognition of tax benefit	.7	.2	2.1
Foreign dividends paid	(.9)	1.5	(.3)
Portion of (gain) loss on disposal of discontinued operations with no tax effect	(.4)	1.0	—
Additional tax provided for discontinued operations	2.5	—	—
Partial settlement of prior years' tax examinations	(1.1)	—	1.0
Miscellaneous items, net	.8	(.4)	2.1
Federal and foreign income tax expense	$ 12.0	$ 19.4	$ 6.6

The Company provided $1.5 million of deferred federal income taxes in 1987 and $7.8 million in 1986, including $1.6 million applicable to discontinued

operations, relating to undistributed earnings of foreign subsidiaries no longer considered permanently invested. No provision for such taxes was necessary in 1988. The Company's share of the unremitted earnings of its foreign subsidiaries included in continuing operations, for which no United States income tax has been provided, totaled $89.0 million at December 31, 1988. Of this amount, $7.0 million was unavailable for distribution because of various local statutory restrictions. The Company considers the balance of unremitted earnings permanently invested and unavailable for distribution.

At December 31, 1988, the Company had foreign tax credit carryforwards of approximately $1.2 million for federal income tax purposes which expire in 1991 and 1992. Such carryforwards have been recognized for financial reporting purposes and reflected as a reduction of deferred federal income taxes payable.

Deferred federal and foreign income taxes have been provided for significant timing differences in the recognition of certain income and expense for financial and tax reporting purposes. The principal timing differences relate to depreciation, installment sales, restructuring costs, pre-funding of employee medical benefits, workers' compensation, a portion of undistributed earnings of certain foreign subsidiaries and foreign tax credit carryforwards. Other timing differences relate to inventory valuations, accounts receivable valuations, deferred compensation, foreign exchange gains and recognition of net operating loss tax benefits of certain foreign subsidiaries.

Cash payments for income taxes during 1988, 1987 and 1986, amounted to $14.5 million, $11.6 million and $5.1 million, respectively.

In December, 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes. This statement was amended in December, 1988, to reflect a deferral of the mandatory adoption date. Statement No. 96 must now be adopted for the year ending December 31, 1990, but may be adopted before that time.

Under the asset and liability method, required by Statement No. 96, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in earnings in the period that includes the enactment date.

The Company has elected not to adopt Statement No. 96 for the year ended December 31, 1988. Had the Company adopted Statement No. 96 for the year ended December 31, 1988, it is estimated that the effect on earnings from continuing operations would have been immaterial.

Stockholders' Equity

Stock Options

During 1986, the Company adopted the Key Executive Stock Option Plan under which option awards are permitted. The Plan authorizes the granting of qualified stock options for the purchase of one million common shares and non-qualified stock options for the purchase of a like number of shares. Options are granted at a price equal to the fair market value of the stock at date of grant. Each option is for a term of not more than five years and is not exercisable within the first year after being granted, unless there is a change in control. Thereafter, options may be exercised in part or in full.

A summary of stock option activity under the Plan is as follows:

	1988		1987	
	Average Price	Shares	Average Price	Shares
Options outstanding at beginning of year	$ 9.59	490,866	$ 9.52	483,988
Granted	12.00	577,333	10.13	40,000
Exercised	9.01	(144,147)	9.39	(17,122)
Lapsed or terminated	9.00	(30,000)	9.00	(16,000)
Options outstanding at end of year	$ 11.26	894,052	$ 9.59	490,866

At December 31, 1988, 316,719 of the outstanding options were exercisable.

Stock Purchase Rights Plan

In December, 1987, the Board of Directors approved the adoption of a Stock Purchase Rights Plan and declared a dividend of one Preferred Stock Purchase Right for each outstanding share of the Company's common stock. The Plan is designed to protect the Company's stockholders from takeover attempts that would deny them the full value of their investment.

Under certain conditions, each right may be exercised to purchase one-hundredth of a share of a new Series A Junior Participating Preferred Stock for $30. The rights will be exercisable only if a person or group acquires 20 percent or more of the Company's stock. The rights expire on January 4, 1998, and may be redeemed by the Company at a price of $.05 per right at any time until fifteen days after announcement that a person or group has acquired at least 20 percent of the Company's common stock, and in certain circumstances thereafter.

Treasury Stock

The Board of Directors has authorized the purchase of up to seven million shares of the Company's common stock from time to time in the open market and in privately negotiated transactions. Under this authorization, the Company bought 4,010,300 shares in 1988, at an average price of $11.92 per share, and 860,300 shares in 1987, at an average price of $10.50 per share.

Shareholders of Record

The approximate number of shareholders of the Company's common stock was 7,500 at December 31, 1988.

Other Financial Information

Results for the years presented include the following charges (credits):

(In millions)	1988	1987	1986
Research and product development costs	$ 9.6	$ 9.8	$ 9.8
Provision for doubtful accounts	2.3	2.8	3.5
Net loss (gain) due to foreign currency fluctuations:			
Financial statement translations	—	(1.0)	1.7
Transactions	(.1)	1.1	(4.4)

Litigation

The Company is party to various legal proceedings. Although the ultimate disposition of these proceedings is not presently determinable, adverse decisions in any or all such proceedings would not have a material effect upon the financial condition of the Company.

Retirement Plans

The Company sponsors a number of noncontributory defined benefit pension plans covering substantially all employees in the United States. Benefits provided to salaried employees are based on years of service and average compensation, generally during the last five years of employment. For hourly employees, benefits are based on years of credited service and monthly benefit rates, as stated in the union contract. The Company's funding policy is to contribute amounts between the minimum and maximum amounts that can be deducted for federal income tax purposes.

Effective January 1, 1987, the Company changed its method of accounting for domestic pension expense as required by Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions. Concurrent with the adoption of Statement No. 87, certain actuarial assumptions were modified. The effect of these changes on continuing operations was to reduce 1987 pension expense by $3.6 million and increase earnings by $2.2 million, $.06 per share. The effect of these changes on discontinued operations was to reduce 1987 pension expense by $1.1 million and increase earnings by $.7 million, $.02 per share.

In January, 1988, the Company and the U.A.W. negotiated several improvements in the pension plan. As a result of these changes, 1988 net pension expense increased by $1.2 million. This increase was partially offset by a decrease in pension expense of $.8 million due to gains from experience during 1988 and changes in the assumptions used to value obligations for employees on leave or layoff. At December 31, 1988, unamortized costs of the improvements to the U.A.W. pension plan attributable to prior service had a present value of $5.8 million. This amount will be amortized over the average service life of the qualified employees.

Domestic continuing operations recognized pension expense of $11.1 million in 1988, $11.8 million in 1987 and $17.0 million in 1986. A summary of the components of domestic pension expense under Statement No. 87 for 1988 and 1987 follows:

(In millions)	1988	1987
Service cost - benefits earned during the period	$ 5.2	$ 5.8
Interest cost on projected benefit obligation	20.6	21.3
Actual return on plan assets	(33.3)	(10.9)
Net amortization and deferral	18.6	(4.4)
	$ 11.1	$ 11.8

The funded status of the plans and a reconciliation to the amounts recognized in the consolidated balance sheets at December 31, 1988 and 1987, follows:

(In millions)	1988 Pension Plans For Which Assets Exceed Accumulated Benefits	1988 Pension Plans For Which Accumulated Benefits Exceed Assets	1987 Pension Plans For Which Assets Exceed Accumulated Benefits	1987 Pension Plans For Which Accumulated Benefits Exceed Assets
Actuarial present value of projected benefit obligation:				
Accumulated benefit obligation:				
Vested	$ (68.0)	$ (154.4)	$ (74.9)	$ (151.1)
Nonvested	(8.0)	(26.0)	(5.5)	(28.4)
Total accumulated benefit obligation	(76.0)	(180.4)	(80.4)	(179.5)
Effect of assumed increase in compensation levels	(11.9)	—	(14.9)	—
Total projected benefit obligation	(87.9)	(180.4)	(95.3)	(179.5)
Plan assets at estimated fair market value	101.8	164.6	93.0	150.9
Projected benefit obligation less than (in excess of) plan assets	13.9	(15.8)	(2.3)	(28.6)
Unrecognized net transition obligation	2.5	21.6	2.7	23.3
Unrecognized net (gain) loss	(14.2)	(15.3)	1.5	4.2
Unrecognized prior service cost	—	5.8	—	—
Prepaid (accrued) pension cost included in other assets (liabilities)	$ 2.2	$ (3.7)	$ 1.9	$ (1.1)

The discount rate was 8% and the expected long-term rate of return on plan assets was 7% for both 1988 and 1987. The rate of increase in future compensation levels used to determine the actuarial present value of the projected benefit obligation was 6% for 1988 and 1987 for plans for which benefits are based on salaries. Plan assets are invested in a diversified portfolio that primarily consists of equity, debt and government securities.

Most foreign subsidiaries have separate retirement plans which are integrated with the benefits established by the laws of the various countries. The cost of foreign defined benefit plans amounted to $2.6 million, $2.5 million and $2.6 million in 1988, 1987 and 1986, respectively.

The Company also sponsors certain domestic and foreign defined contribution plans. The Company's cost for these plans is generally based on a percentage of the participant's earnings. The cost of these plans was $2.0 million, $1.9 million and $1.6 million, for 1988, 1987 and 1986, respectively.

Beginning in 1989, the Company will be required to adopt the provisions of Statement No. 87 for certain foreign plans. Also, in 1989, the Company will be required to give balance sheet recognition to any underfunded plans.

Most Company retirees in the United States and Canada are eligible for certain health care and life insurance benefits. Such benefits are generally provided through insurance companies whose premiums are based on the benefits paid during the year. The Company recognizes the cost of providing such benefits by expensing the annual insurance premiums which were $6.5 million, $5.8 million and $5.3 million in 1988, 1987 and 1986, respectively.

Under various foreign severance indemnity plans, the Company is liable for certain employee termination benefits. The liability for current contributions is reflected in other liabilities in the consolidated balance sheets.

Subsequent Events

On February 21, 1989, the Company entered in a Plan and Agreement of Merger with Cooper Industries, Inc. and Spark Plug Acquisition Company pursuant to which the Company will become a wholly-owned subsidiary of Cooper. The outstanding shares of common stock of the Company will be acquired by Cooper at $21.00 cash per share. Concurrently, the Company terminated a Plan and Agreement of Merger with Dana Corporation, whereupon the Company paid Dana Corporation a termination fee of $15 million.

Business Segment and Geographic Area Information

The Company produces and sells products principally in two business segments — automotive components and cold drawn steel. The automotive components segment includes spark plugs and other ignition devices, windshield wiper arms and blades, fuel systems and other automotive products for use in all types of transportation equipment and many other applications. The cold drawn steel segment includes the conversion of hot rolled steel into high grade cold finished bars and cold heading wire used to fabricate products such as small parts for the automotive industry, hydraulic fittings, nuts, bolts and fasteners.

Total sales by business segment include sales to customers and intersegment sales. Intersegment and interarea transfers are accounted for principally on the basis of cost plus a nominal markup. Other deductions, state and local income taxes and federal and foreign income taxes are not added or deducted in computing operating earnings or loss. General corporate expenses are insignificant and are included in United States operating costs.

Identifiable assets are those used in the operations of each business segment or geographic area.

Depreciation and amortization and capital expenditures for business segments were as follows:

(In millions)	1988	1987	1986
Depreciation and amortization:			
Automotive components	$ 20.3	$ 21.1	$ 19.9
Cold drawn steel	.7	.6	.3
Capital expenditures:			
Automotive components	36.2	29.3	26.3
Cold drawn steel	.6	2.1	2.5

Operating earnings of the automotive components and cold drawn steel business segments were increased in 1987 by $3.5 million and $.1 million, respectively, as a result of the Company's change in method of accounting for domestic pension expense. This change increased operating earnings in the United States geographic area by $3.6 million.

Restructuring costs reduced operating earnings of the automotive components business segment by $4.9 million, $11.6 million and $9.5 million in 1988, 1987 and 1986, respectively. Geographic area operating earnings were reduced by restructuring costs as follows:

(In millions)	1988	1987	1986
United States	$ 3.9	$ 6.4	$ 8.0
Europe and Africa	.7	5.2	1.5
Americas and Far East	.3	—	—
	$ 4.9	$11.6	$ 9.5

CHAMPION

(In millions)	Net Sales 1988	Net Sales 1987	Net Sales 1986	Operating Earnings (Loss) 1988	Operating Earnings (Loss) 1987	Operating Earnings (Loss) 1986	Identifiable Assets at Year End 1988	Identifiable Assets at Year End 1987	Identifiable Assets at Year End 1986
Business Segments									
Automotive components	$677.0	$667.3	$588.7	$ 31.2	$ 32.6	$ (8.4)	$537.7	$522.9	$477.8
Cold drawn steel	69.3	60.1	49.5	5.7	3.0	3.7	37.7	38.1	30.2
Adjustments and eliminations	(8.3)	(7.5)	(6.5)	—	.1	—	(.2)	(.2)	(.2)
	$738.0	$719.9	$631.7	36.9	35.7	(4.7)			
Other deductions, net				4.2	3.4	6.8			
State and local income taxes				1.3	.6	.2			
Earnings (loss) before federal and foreign income taxes and minority interests				$ 31.4	$ 31.7	$ (11.7)			
Corporate assets							.4	.5	.5
Net assets of discontinued operations							—	91.7	78.8
							$575.6	$653.0	$587.1

Geographic Areas

United States	$471.0	$466.4	$413.8	$ —	$ (.4)	$(30.0)	$325.3	$322.0	$302.9
Europe and Africa	204.8	204.8	179.5	23.8	24.5	19.7	176.8	177.2	150.9
Americas and Far East	100.5	83.8	70.5	13.8	10.7	6.2	74.1	62.1	55.0
Adjustments and eliminations	(38.3)	(35.1)	(32.1)	(.7)	.9	(.6)	(1.0)	(.5)	(1.0)
	$738.0	$719.9	$631.7	36.9	35.7	(4.7)			
Other deductions, net				4.2	3.4	6.8			
State and local income taxes				1.3	.6	.2			
Earnings (loss) before federal and foreign income taxes and minority interests				$ 31.4	$ 31.7	$ (11.7)			
Corporate assets							.4	.5	.5
Net assets of discontinued operations							—	91.7	78.8
							$575.6	$653.0	$587.1

Five-Year Financial Summary

CHAMPION SPARK PLUG COMPANY

(In millions, except per share)	1988	1987	1986	1985	1984
Net sales - continuing operations	$ 738.0	$ 719.9	$ 631.7	$ 583.1	$ 587.1
Earnings (loss)					
Continuing operations	22.1	16.3*	(15.2)	9.9	20.7
Discontinued operations	1.5†	2.8*†	(2.0)	5.3	6.6
Net earnings (loss)	23.6	19.1	(17.2)	15.2	27.3
Earnings (loss) per share					
Continuing operations	.63	.43*	(.40)	.26	54
Discontinued operations	.04†	.07*†	(.05)	.14	.17
Net earnings (loss)	.67	.50	(.45)	.40	.71
Dividends per share	.20	.05	.20	.40	.40
Working capital	205.5	259.6	200.6	231.7	232.2
Net property, plant and equipment - continuing operations	185.5	177.1	164.0	149.4	138.8
Total assets	575.6	653.0	587.1	586.9	538.0
Long-term debt - continuing operations	13.9	17.5	18.4	24.9	21.3
Stockholders' equity	349.9	387.4	351.8	368.7	359.4
Net book value per common share outstanding at year end	10.39	10.32	9.16	9.60	9.36
Year-end stock price	13⅜	11½	10⅞	9⅝	8¼
Return on equity	6.74	4.93	—	4.12	7.60
Weighted average number of common shares outstanding during the year	35.1	38.4	38.4	38.4	38.4
Actual number of employees at year end					
Continuing operations	8,300	9,200	9,500	9,850	9,600
Discontinued operations	—	2,700	2,900	3,000	3,000

** In 1987, the Company changed its method of accounting for domestic pension expense. This change increased 1987 earnings from continuing operations by $2.2 million, $.06 per share, and increased 1987 earnings from discontinued operations by $.7 million, $.02 per share.*

† Earnings of discontinued operations in 1987 of $2.8 million, $.07 per share, are comprised of earnings from operations of $7.4 million, $.19 per share, and a fourth quarter provision for loss on disposal of $4.6 million, $.12 per share. In 1988, the previously provided loss was adjusted to reflect the final sale of The DeVilbiss Company Division and resulted in a gain of $1.5 million, $.04 per share.

Quarterly Data

CHAMPION SPARK PLUG COMPANY

(Unaudited, in millions, except per share)	Quarter Ended				Year Ended
1988	**March 31**	**June 30**	**September 30**	**December 31**	**December 31**
Continuing operations					
Net sales	$ 205.1	$ 182.3	$ 166.7	$ 183.9	$ 738.0
Gross profit	66.2	55.9	50.7	58.6	231.4
Earnings	7.3	4.8	2.4	7.6	22.1
Discontinued operations					
Earnings	—	—	—	1.5	1.5
Net earnings	7.3	4.8	2.4	9.1	23.6
Per share					
Earnings					
Continuing operations	.20	.14	.07	.22	.63
Discontinued operations	—	—	—	.04	.04
Net earnings	.20	.14	.07	.26	.67
Dividends	.05	.05	.05	.05	.20
Stock price range	12⅝-10⅝	13-11½	13⅝-11⅜	14⅞-12⅜	14⅞-10⅝

	Quarter Ended				Year Ended
1987	**March 31**	**June 30**	**September 30**	**December 31**	**December 31**
Continuing operations					
Net sales	$ 195.9	$ 181.8	$ 157.9	$ 184.3	$ 719.9
Gross profit	67.2	57.9	47.7	61.7	234.5
Earnings	5.4	5.7	1.8	3.4	16.3
Discontinued operations					
Earnings (loss)	1.6	1.9	2.9	(3.6)	2.8
Net earnings (loss)	7.0	7.6	4.7	(.2)	19.1
Per share					
Earnings (loss)					
Continuing operations	.14	.15	.05	.09	.43
Discontinued operations	.04	.05	.07	(.09)	.07
Net earnings	.18	.20	.12	—	.50
Dividends	—	—	—	.05	.05
Stock price range	13¾-10⅞	16⅛-11⅝	16⅜-12⅜	14⅞-7⅞	16⅜-7⅞

See Management's Discussion and Analysis of Results of Operations and Financial Position and Notes to Financial Statements for comments on matters affecting quarterly results.

Stockholder Information

CHAMPION SPARK PLUG COMPANY

Registrar and Transfer Agent

Trustcorp Bank, Ohio, P.O. Box 10099, Toledo, Ohio 43699

General Counsel

Marshall & Melhorn, Toledo, Ohio

Auditors

Peat Marwick Main & Co., Toledo, Ohio

Listed

New York Stock Exchange (Symbol: CHM); Pacific Stock Exchange (Symbol: CH)

Dividend Reinvestment Service

For information, write to:

John A. Garwood
Secretary
Champion Spark Plug Company
One Seagate
Toledo, Ohio 43604

Annual Meeting

The Annual Stockholders' Meeting will be held on April 27, 1989. A formal notice of the meeting, together with a proxy statement and a form of proxy, will be mailed to each stockholder approximately four weeks prior to the meeting. Proxies will be requested by management.

10-K Availability

A copy of the Company's most recent Form 10-K annual report, as filed with the Securities and Exchange Commission, will be available to interested stockholders after April 1, 1989, without charge. Written requests should be directed to:

John A. Garwood
Secretary
Champion Spark Plug Company
One Seagate
Toledo, Ohio 43604

Directors and Corporate Officers

Champion Spark Plug Company

Board of Directors

Robert A. Stranahan, Jr.
Chairman of the Board

Robert J. Brotje, Jr.
Retired President and Chief Executive Officer
Champion Spark Plug Company

George W. Haigh
Chairman, President
and Chief Executive Officer
Trustcorp, Inc.

O. Lee Henry
President and Chief Executive Officer

Robert J. Kirk
Retired Senior Partner
Arthur Young

Don T. McKone
Chairman of the Board
TRINOVA Corporation

George C. Roche III
President
Hillsdale College

Duane Stranahan, Jr.
Personal and Family Investments

Stephen Stranahan
Personal Investments
(Until 1/25/89)

Committees

Executive Committee

Duane Stranahan, Jr. Chairman
Robert J. Brotje, Jr.
O. Lee Henry
Robert A. Stranahan, Jr.

Audit Committee

Robert J. Kirk, Chairman
George W. Haigh
Duane Stranahan, Jr.

Compensation Committee

Robert J. Kirk, Chairman
George W. Haigh
Duane Stranahan, Jr.

Nominating Committee

Robert A. Stranahan, Jr. Chairman
Robert J. Brotje, Jr.
Robert J. Kirk
Don T. McKone

Officers

O. Lee Henry
President and Chief Executive Officer

Thomas G. Kress
Vice President and Chief Financial Officer

Richard C. Lappin
Vice President
Champion Spark Plug Company and
President - North American Automotive
Products Operations

Edward F. Palisin
Vice President
Champion Spark Plug Company and
President - Aviation Products Group

Daniel J. Savarese
Vice President
Champion Spark Plug Company and
President - International Operations

Daniel L. Tribble
Vice President - Corporate Engineering

John A. Garwood
Secretary

John G. Zimmerman
Treasurer

Paul E. Boehk
Controller

CHAMPION

Champion Spark Plug Company
One Seagate
Toledo, Ohio 43604

PRINTED IN U.S.A.

1970
ANNUAL REPORT

CHAMPION SPARK PLUG COMPANY

Corporate Executive Offices
900 Upton Avenue
Toledo, Ohio 43601

Transfer Agents
Morgan Guaranty Trust Company
of New York, New York, New York

First National Bank of Toledo
Toledo, Ohio

Registrars
First National City Bank
New York, New York

The Toledo Trust Company
Toledo, Ohio

General Counsel
Marshall, Melhorn, Bloch & Belt
Toledo, Ohio

Auditors
Peat, Marwick, Mitchell & Co.
Toledo, Ohio

Listed
New York Stock Exchange

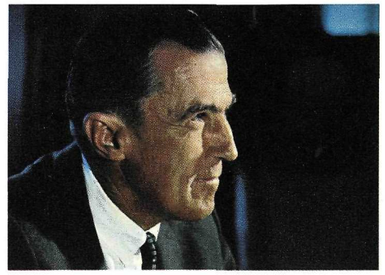
CHAMPION

FINANCIAL HIGHLIGHTS

	1970	1969
Net Sales	**$290,169,145**	$277,195,876
Earnings Before Federal and Foreign Taxes on Income	**58,229,657**	57,570,966
Federal and Foreign Taxes on Income	**28,428,000**	30,142,000
Taxes Per Common Share	**2.28**	2.46
Net Earnings	**29,801,657**	27,428,966
Net Earnings Per Common Share	**2.39**	2.24
Dividends Paid Per Common Share	**1.20**	1.20
Property, Plant and Equipment at Depreciated Book Value	**96,723,977**	85,427,735*
Total Assets	**$239,433,063**	$220,786,474*
Total Number of Shares Outstanding	**12,463,664**	12,237,427

*Restated to reflect the merger of The DeVilbiss Company—January 1, 1970.

ANNUAL MEETING
The Annual Stockholders' Meeting will be held on April 20, 1971. A formal notice of the meeting, together with a proxy statement and a form of proxy, is being mailed to each stockholder approximately 30 days prior to the meeting. Proxies will be requested by the management.



REPORT TO OUR STOCKHOLDERS

We are delighted to present this 1970 Annual Report to our stockholders. Despite a sagging economy during this past year, Champion is able to report both record sales and earnings. Our efforts resulted in modest gains in the domestic spark plug market and substantial progress in international markets where we have rapidly expanded our activities over the past few years.

Automobile sales around the world continue to grow and along with increased sales of other units incorporating the internal combustion engine represent a vast market for spark plugs. In addition, we see increased concern by the public over air pollution which resulted in the recent legislation to control emissions from the internal combustion engine. Automobile companies already have made real progress with pollution controls and are committed to further refinements which far overshadow the development of substitute power sources. Improved car maintenance is an important factor in controlling these emissions and Champion is pioneering in this area through its Cleaner Air Clinics which will be held all over the United States. This program supported by exciting advertising and merchandising programs calling attention to the Champion tune-up will be given mass circulation through newspapers and other major publications. These activities all tend to stimulate sales and make us extremely optimistic about the future.

We continue to place a great deal of emphasis on engineering and research in order to develop improved spark plugs for existing engines and new spark plugs for the many new engines which are introduced each year.

During 1970 we completed new manufacturing plants in Toledo, Ohio and in Windsor, Canada and also completed significant plant expansion programs in Iowa and Belgium. The new ceramic plant being built in England is expected to be completed in the latter part of 1971. Plans are now complete for construction of new ceramic plants in Mexico and Venezuela. All of these expansion programs are carefully planned in anticipation of future growth in world markets.

Recognizing the abnormally high settlement cost of labor contracts, we are going to concentrate even greater effort on efficiency through new and improved production methods.

DeVilbiss is still adversely affected by the economic slowdown and the reduction in capital expenditures by its customers. However, we have been streamlining our production facilities and strengthening our management so that we shall be in a position to be more competitive. As the economy picks up, we expect to see some real progress.

Similarly, at Magnaflux we continue to be affected by the economic situation, but as manufacturers begin to move ahead they will need nondestructive testing equipment and services more than ever because of the much greater emphasis now being placed on quality control.

Baron Drawn Steel had another successful year. Sales and earnings reached approximately the same levels as in 1969 despite the poor year experienced by the steel industry. We look forward to continued progress.

We sincerely hope that you, our stockholders, are pleased with the performance of your Company, and we assure you that we are looking forward to another interesting and successful year in 1971.

To our many customers, stockholders and employees who have continued to place their confidence in our Company, I wish to express my thanks and appreciation.

R. S. Strauss Jr.

President and Chairman of the Board

SPARK PLUG OPERATIONS

Marketing

Sales of Champion spark plugs throughout the world reached new highs in 1970, a continuing tribute to Champion's unexcelled quality as well as to the growth of the market itself.

Champion's marketing always has emphasized the importance of the car owner maintaining his automobile to assure safe, trouble-free performance. In addition to these acknowledged benefits, everyone today is being made aware of the extreme importance of proper maintenance to protect and preserve the air we breathe.

Even though car manufacturers are building all of the known effective means of reducing pollutants into their automobiles, the low levels now attainable can only be achieved and maintained if car owners have their vehicles serviced at regular intervals. Studies show that at least three of every five United States motorists are contributing to the nation's air pollution problem by neglecting preventive maintenance.

While tune-up continues to be a major sales theme, 1971 advertising is highlighting Champion's long-time acceptance as the top quality spark plug providing superior performance in all makes and types of engines.

Spark plugs are used in an ever-widening variety of equipment including such comparatively new applications as snow throwers, all-terrain vehicles (ATV's), snowmobiles and lawn vacuums.

Typical advertisement from Champion's current television and magazine series stressing the number of people who have switched to Champion spark plugs from the competitive brands that may have come as original equipment in their cars.

SPARK PLUG APPLICATIONS

Champion manufactures spark plugs specifically for use in engines of all-terrain vehicles, airplanes, automobiles, boats, busses, compressors, construction machinery, farm machinery, garden sprayers, gasoline locomotives, generators, go-carts, golf carts, helicopters, industrial machines, light plants, military vehicles, mini-bikes, motorcycles, motorscooters, paint sprayers, power hoists, power mowers, power saws, pumps, scooters, snow blowers, snowmobiles, tractors, trucks plus more than fifty other applications.

Illuminated high-rise displays installed on Champion wholesalers' sites near heavy transient traffic flow. An average of 125,000 vehicles pass this one every twenty-four hours.

Research, Engineering and Technical Services

Since 1952 Champion's Automotive Technical Services Department, through its service schools and clinics, has demonstrated modern ignition diagnostic methods to hundreds of thousands of automotive service technicians throughout the United States.

Early in 1971 Champion introduced the Cleaner Air Clinics as the latest effort of this continuing program. Utilizing devices which actually measure unburned hydrocarbons and carbon monoxide, Cleaner Air Clinics are being presented throughout the United States with a fleet of 14 mobile training vans.

Proper tune-up at recommended intervals pays for itself in easier starting, more power and better gas mileage. Moreover, tune-up and periodic spark plug replacement are essential in reducing automotive air pollution. This message is being dramatized to the 50,000 automotive servicemen expected to participate in the clinics during 1971.

With the emphasis on reduction of air pollution, the internal combustion engine is going through a period of greatly accelerated research and development. Fuels, lubricants, engine designs and component parts are all being changed in an effort to reduce harmful emissions from the spark ignition gasoline engine. Champion spark plugs are being produced for all the new 1971 cars which are designed to use lower octane low-lead or leadless gasoline.

Meanwhile, work is continuing, both in Champion's laboratories and those of original equipment customers, to provide products which will reduce to a minimum the harmful exhaust emissions from motor vehicles.

Pilot posting of billboard produced by Champion and offered free to local marketer sponsors. Similar cleaner-air publicity materials are available for local use in newspapers, on radio, and on television.

One of fourteen Cleaner Air Clinic laboratory vans operated by Champion's Automotive Technical Services Department. The vans house such equipment as a dynamometer-equipped engine, projector, and audio system.

Cleaner Air Clinic attendees see for themselves the need for engine service as pollutants "read high" on this exhaust emission testing equipment.

Racing

Further evidence of the dependability of Champion spark plugs is their ability to stand up to the grueling demands of racing. Again in 1970 Champions sparked a host of winners including the winners of the Daytona "500", Darlington "500", Sebring 12-Hour, APBA "Gold Cup", NASCAR Stock Car Championship, USAC Stock Car Championship, SCCA Continental Championship and the AMA (Motorcycles) Championship.

Manufacturing

To satisfy the growing world-wide spark plug market, Champion continues to expand its spark plug manufacturing capabilities. The new Fort Industry Industrial Park spark plug manufacturing plant in Toledo, Ohio commenced operations in August of 1970 and on a one shift basis was in full operation by December.

The new Canadian plant is in full operation and the additions made to the plants located in Burlington, Iowa and Belgium are also operational.

The building portion of the new ceramic insulator manufacturing plant being constructed at Upton, England near Liverpool, is expected to be completed in 1971 with equipment installation scheduled to begin in October. Plans to construct plants to manufacture spark plug ceramic insulators (the white, ribbed part of a spark plug) in Mexico and Venezuela are now complete. Ground has been broken in Venezuela and construction is scheduled to go forward in 1971 in both Mexico and Venezuela.

Employment

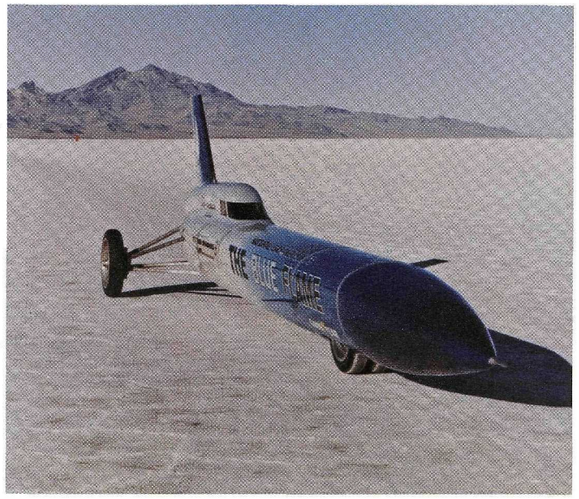
Champion Spark Plug Company, its subsidiaries and The DeVilbiss Company Division together with its subsidiaries, employed approximately 11,000 people at the year's end.

Labor Relations

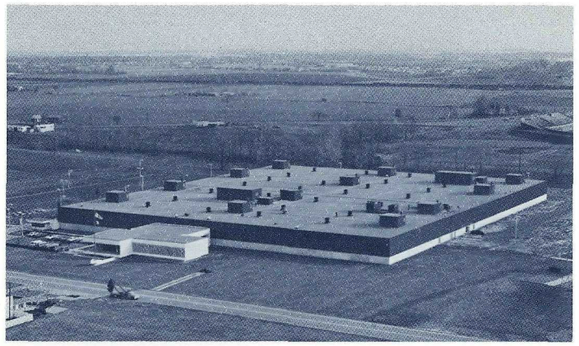
A three-year contract with the UAW was signed in February of 1971 covering production employees in Champion spark plug plants located in the United States and Canada. This new contract runs to February 1, 1974.

Employees of the Toledo Spray Equipment Division of The DeVilbiss Company Division who are members of the UAW went on strike on February 19, 1971. Negotiations are being continued but the settlement date is uncertain.

Baron Drawn Steel Corporation's employees who are members of the UAW struck Baron on January 9, 1971. While negotiations continue, the date of settlement is not certain.



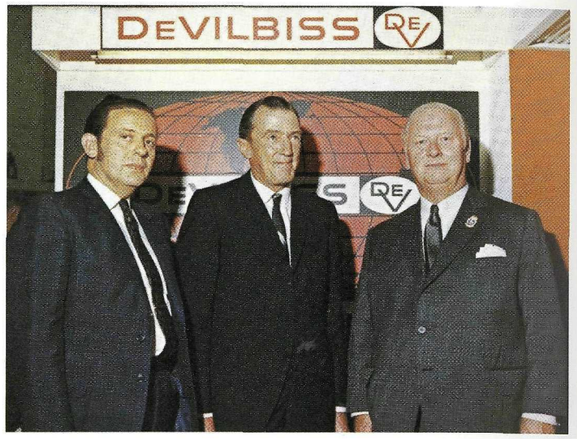
Two Champion automotive spark plugs fired the liquid natural gas-fired Blue Flame rocket car to the new world's land speed record of 622.407 mph.



Aerial view of the 250,000 square-foot Fort Industry Industrial Park spark plug manufacturing plant in Toledo, Ohio.

Twenty-five all-terrain vehicles (ATV's) were put through their paces on the banks of Lake Michigan. Champion's reputation as "The Spark Plug Specialist" is enhanced by the precise spark plug recommendations it is able to make from the knowledge gained through such testing.

INTERNATIONAL

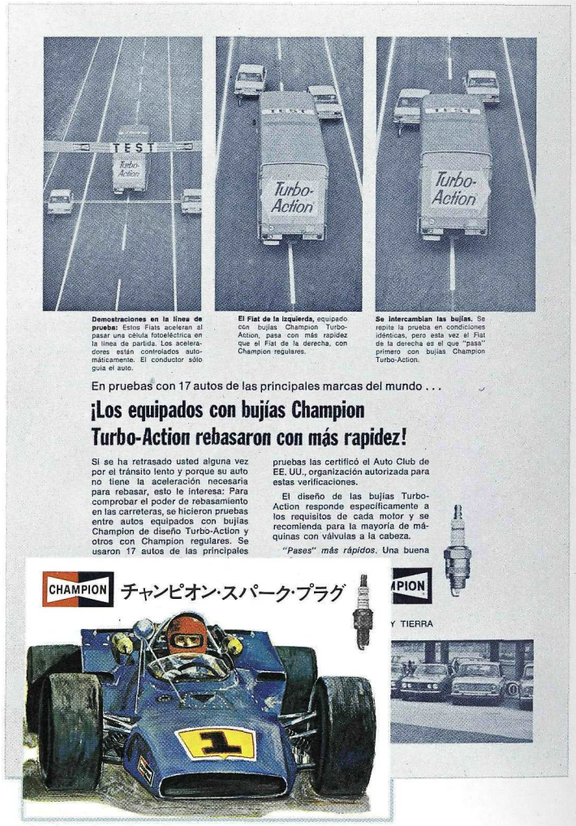


The DeVilbiss Company, Ltd., booth at the 1970 London Motor Show. (l. to r.) T. S. Monkcom, Managing Director of DeVilbiss Company, Ltd.; R. A. Stranahan, Jr., President and Chairman of the Board of Champion Spark Plug Company; H. G. Starley, Managing Director of Champion Sparking Plug Co., Ltd.

During the past ten years the growth in sales of Champion spark plugs in international markets has been rapid. In response to this growth Champion has built six new spark plug manufacturing plants outside of the United States during this period. In addition, Champion is presently constructing a new plant in England to manufacture ceramic insulators and has two other insulator manufacturing plants planned for Mexico and Venezuela. As a result the contribution to earnings from international spark plug operations continues to increase.

Champion's world-wide operations not only include spark plug operations but through The DeVilbiss Company Division and Magnaflux Corporation extend to the paint spray, medical products, and nondestructive testing markets. These operations are also experiencing substantial growth.

The locations of Champion's various subsidiaries and divisions are shown on the chart on page 19 of this report.

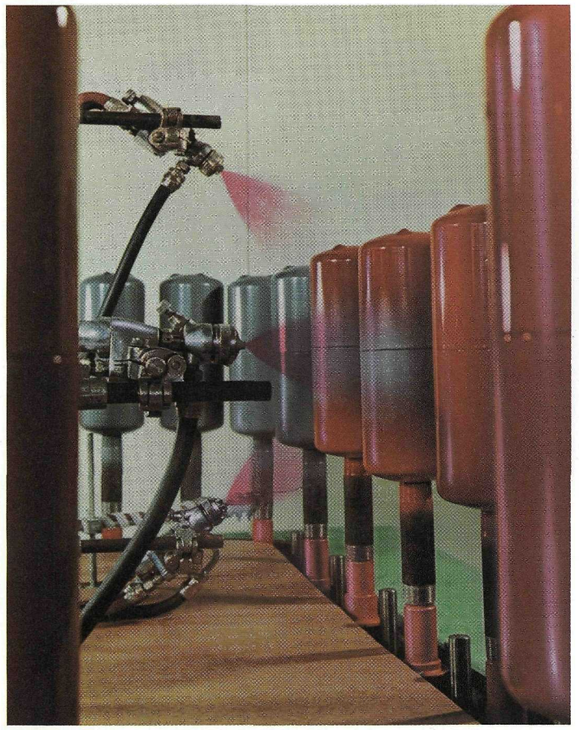


The fact that the Champion name and trademark are recognized internationally is in no small measure creditable to the long-term advertising program selling the product in many languages to many countries.

Left to right, D. T. O'Connor, President of Magnaflux Corp.; J. I. Baron, President of Baron Drawn Steel Corp.; R. A. Stranahan, Jr., President and Chairman of the Board of Champion Spark Plug Company; H. M. Kidd, President of The DeVilbiss Company Division, at Champion's year-end management meeting.

THE DEVILBISS COMPANY

Division of Champion Spark Plug Company



Custom-tailored spray systems are offered through DeVilbiss' customer laboratory. To determine the equipment best suited to meet a manufacturer's product finish specifications and manufacturing requirements, the lab simulates the customer's present methods, using their product and coating material.

The DeVilbiss Company Division ("DeVilbiss") consolidated sales and earnings decreased in 1970 as the result of the slowing of the general economy. Although DeVilbiss' international operations showed a substantial improvement in both sales and earnings in 1970, this improvement was not sufficient to offset this division's decline in sales and earnings in the United States.

During 1970 DeVilbiss made a concerted effort to improve its overall operations in order to be in a position to achieve improved sales and increased profits when the economy regains its momentum. Improvements included new machinery, rearrangement of production facilities, reduction in operating cost, redirection of engineering toward greater emphasis on new products and the strengthening of its management at all levels.

In December of 1970 an agreement was reached with Otto Durr, K. G., Stuttgart, Germany, manufacturers of electrocoating equipment, granting Durr an option to purchase the assets of DeVilbiss' Metal Fabricators Division, located at Belleville, Michigan, which manufactures custom spray finishing systems. During the period prior to the exercise or expiration of the option, Durr, through its wholly-owned United States subsidiary, Otto Durr, Inc., is participating in the management of the DeVilbiss Metal Fabricators Division's business. The option period expires on July 1, 1971. If the sale to Durr is concluded, DeVilbiss will continue to manufacture standard spray booths and other sheet metal products at Toledo.

On February 2, 1970 George W. Haigh, formerly Vice President-International of DeVilbiss, was elected Vice President-Operations of DeVilbiss. In his new position Mr. Haigh is responsible for coordinating manufacturing, research and engineering, administrative services, purchasing, as well as the international operations of DeVilbiss.

With the economy of the United States showing signs of recovery, it is expected that the sales of capital goods will improve in 1971. DeVilbiss hopes to participate in this improvement as the year progresses.

MAGNAFLUX CORPORATION

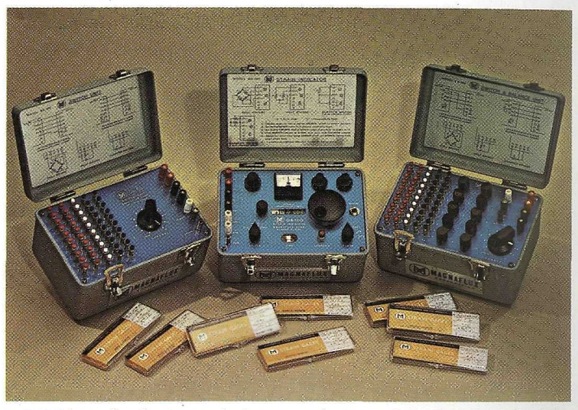
The general weakness of the capital goods market adversely affected both sales and earnings of Magnaflux Corporation. However, if the anticipated upturn in capital goods spending is realized, Magnaflux's sales and earnings may be expected to show improvement.

In October of 1970 Magnaflux announced its entry into the foil strain gage market. For 30 years stresscoat brittle coatings used in stress analysis have been manufactured by Magnaflux, and with this broad experience in experimental stress analysis and nondestructive testing, development of new stress analysis products was a natural extension of research, engineering, and production capabilities already existing at Magnaflux. While the Company sees opportunity for growth in the strain gage market, it probably will be some time before the contribution to sales and earnings from this source will be significant.

The Magnaflux Testing Laboratories' nondestructive testing service dollar volume remained at about the same level as attained in 1969, but increased in areas such as tests on nuclear power plant construction, heavy welded structures and high pressure steam piping. Recently Magnaflux was granted the principal contract to test the welds in what will be the world's tallest building, the 110 story Sears Tower to be built in Chicago.

The material testing service capability of Magnaflux was enlarged with the introduction in 1970 of a new MTL lab on wheels. The first assignment for this new mobile lab is the Donald C. Cook nuclear power plant now under construction near St. Joseph, Michigan.

The total needs for nondestructive testing are currently increasing in many industries. One major factor is the consumer movements' growing emphasis on reliability of manufactured products.

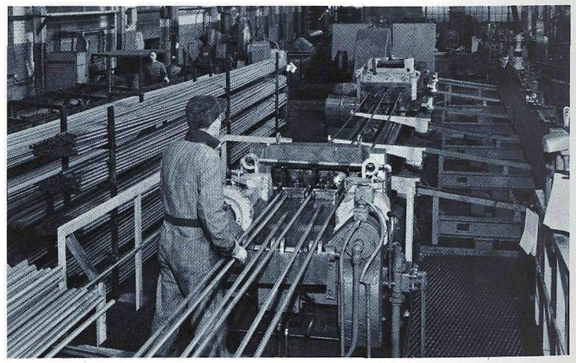


In 1970 Magnaflux began marketing over ninety configurations of foil strain gages, one of only four such manufacturers in the Western World. These gages and associated instruments, shown above, and the several Stresscoat brittle coatings supplied by Magnaflux are used in experimental stress analysis to improve mechanical and structural designs, and to study or verify the loadings in service.

BARON DRAWN STEEL CORPORATION

Even though sales were slightly lower, Baron Drawn Steel Corporation's earnings in 1970 were about equal to 1969. This was accomplished in what has been a disappointing year for the steel industry and despite a crippling truck strike early in 1970 involving commercial carriers and later the automotive strike which affected major customers of Baron.

The outlook for continued growth of this majority-owned subsidiary remains strong.



Starting with hot-rolled coils and cut length bars, this fully-automated bench draws the material into rounds, hexes, and flats.

FINANCIAL REVIEW

Sales

Consolidated net sales for the year 1970 totaled $290,169,145, an increase of $12,973,269 over 1969 sales of $277,195,876.

Net Earnings

Consolidated net earnings for the year ended December 31, 1970 totaled $29,801,657, an increase of $2,372,691 over the consolidated net earnings of $27,428,966 for the year ended December 31, 1969. These higher earnings were achieved despite the previously mentioned unfavorable situations which confronted the Company in 1970.

Taxation

Current year's federal and foreign income taxes totaled $28,428,000 or $2.28 per share compared to $30,142,000 or $2.46 per share in 1969. This decrease in federal and foreign income taxes was due primarily to the reduction of the U.S. income tax surcharge from 10% in 1969 to an average of 2½% in 1970.

After taking into account the related reduction in federal income taxes, net corporate payroll taxes amounted to $.17 per share and net state and local taxes amounted to $.23 per share. Both corporate payroll taxes and state and local taxes were up 24% over 1969. The increased payroll and state and local taxes were due to several factors, the primary ones being greater taxes based on larger payrolls and increases in rates of taxes.

The total of these taxes amounted to $2.68 per share.

Dividends

The regular quarterly dividend of $.30 per share was paid on March 12, June 12, September 11 and December 22, 1970. The Directors declared a dividend of $.30 per share payable March 12, 1971 to stockholders of record February 18, 1971.

Working Capital and Long-Term Debt

At the end of 1970 working capital had increased to $83,990,-224 from $77,156,800 at the beginning of the year. Moreover, modest U.S. lines of credit to provide flexibility in 1970 were maintained on the basis of the Company's normal U.S. working bank balances, but they were not utilized. Such lines continue to be available in 1971.

When the year commenced it also was expected that bank borrowing would be used during the year for international operations. Such borrowing in 1970 was used primarily to finance expansions in Belgium and Canada. The effect was to increase long-term debt by $809,140 during the year. Because of the United States Government's annual restrictions on reinvested foreign earnings and direct foreign investment, additional borrowing for foreign purposes will occur in 1971 as the expansions underway in England, Mexico and Venezuela go forward. No change occurred in 1970 in the $29,000,000 outstanding debentures.

Property, Plant and Equipment

Expenditures made during 1970 to further increase production capacity and to improve existing manufacturing facilities, on a consolidated basis, totaled $19,900,000. The principal projects were the Fort Industry spark plug plant completed in 1970, the insulator manufacturing plant under construction in England, the new plant in Windsor, Ontario, the expansion of the Detroit insulator plant, the spark plug plant additions in Belgium and Burlington, Iowa and the addition to The DeVilbiss Co., Ltd. plant in Bournemouth, England.

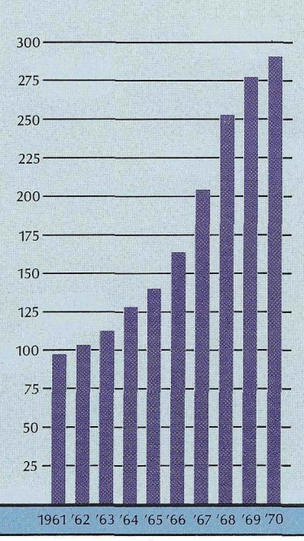
In 1970 depreciation and amortization in the amount of $7,306,070 was charged to income compared to the $5,470,348 in 1969.

The investment credit for 1970 was $153,000. It has been reflected in the Statement of Earnings on a "flow-through" basis by reducing the current year's provision for federal income taxes.

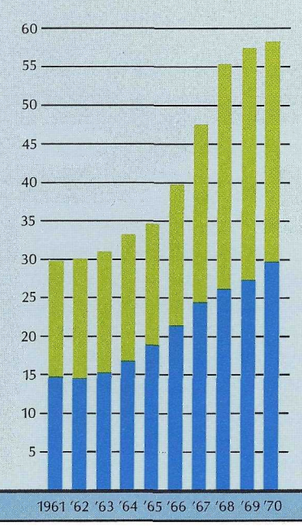
Shares and Stockholders

At the close of 1970 there were 12,463,664 shares outstanding in the hands of 16,768 stockholders.

Net Sales
(Millions of Dollars)

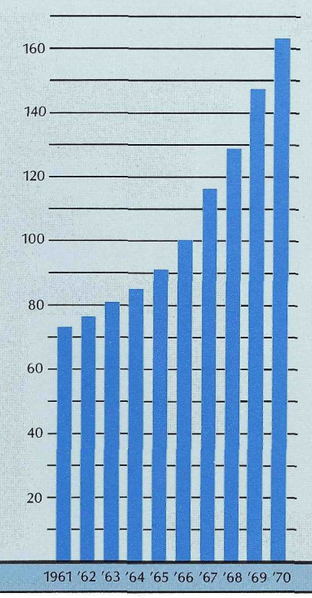


Earnings and Taxes on Earnings
(Millions of Dollars)

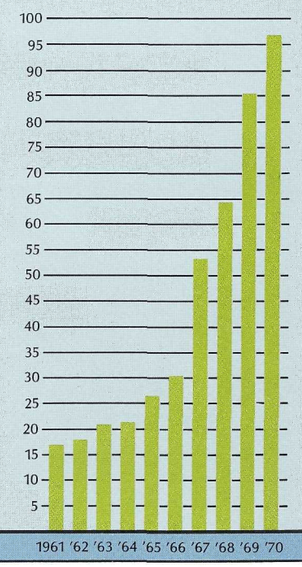


TAXES ON EARNINGS
NET EARNINGS

Common Stockholders' Equity
(Millions of Dollars)



Property, Plant and Equipment–Net
(Millions of Dollars)



CHAMPION SPARK PLUG COMPANY

December 31, 1970 with comparative figures at January 1, 1970

Assets

	December 31, 1970	January 1, 1970
Current assets:		
Cash	**$ 7,952,827**	$ 10,072,385
U. S. Government and other short-term securities, at cost (which approximates market)	**13,170,049**	11,734,447
Accounts receivable, less allowances of $626,088 in 1970 (1969—$420,060)	**34,666,375**	32,450,346
Inventories, principally at average cost, not in excess of replacement market	**65,941,228**	59,474,762
Prepaid expenses	**1,526,242**	1,202,968
Total current assets	**123,256,721**	114,934,908
Investments and other assets (note 3)	**9,995,610**	10,680,900
Property, plant and equipment, at cost (notes 2 and 4):		
Land and land improvements	**5,286,419**	4,841,437
Buildings	**50,493,863**	40,732,209
Machinery and equipment	**73,832,316**	65,434,883
Construction in progress	**5,213,251**	8,101,212
	134,825,849	119,109,741
Less accumulated depreciation and amortization	**38,101,872**	33,682,006
Net property, plant and equipment	**96,723,977**	85,427,735
Intangible assets, at amortized cost (note 2)	**9,456,755**	9,742,931
	$239,433,063	$220,786,474

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	December 31, 1970	January 1, 1970
Current liabilities:		
Notes payable—banks	**$ 2,853,972**	$ 710,057
Current portion of long-term debt	**595,430**	76,872
Accounts payable	**12,077,216**	13,662,199
Salaries and wages, pensions and other accrued expenses	**12,944,344**	12,648,770
Federal and foreign income taxes	**10,795,535**	10,680,210
Total current liabilities	**39,266,497**	37,778,108
Non-current portion of long-term debt:		
5⅞% debentures due September 15, 1992 (net of $1,000,000 reacquired) (note 5)	**29,000,000**	29,000,000
Other	**2,405,813**	1,596,673
Total non-current portion of long-term debt	**31,405,813**	30,596,673
Deferred Federal income taxes (note 4)	**2,607,943**	1,939,034
Minority interests in subsidiary companies	**3,052,583**	2,602,718
Stockholders' equity (notes 2, 5 and 7):		
Common stock of 83⅓¢ par value per share. Authorized 20,000,000 shares; issued 12,463,664 and 12,446,142 shares	**10,386,387**	10,371,785
Capital in excess of par value	**10,511,221**	10,146,423
Retained earnings	**142,202,619**	127,351,733
Total stockholders' equity	**163,100,227**	147,869,941
Commitments and contingent liabilities (notes 3 and 8)		
	$239,433,063	$220,786,474

CHAMPION SPARK PLUG COMPANY

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

Year ended December 31, 1970 with comparative figures for 1969

	1970	1969
Net sales	**$290,169,145**	$277,195,876
Costs and expenses:		
Cost of goods sold	**156,770,690**	148,546,522
Selling, administrative and general expenses	**73,523,284**	68,186,492
	230,293,974	216,733,014
Operating profit	**59,875,171**	60,462,862
Other income:		
Interest and dividends	**1,493,503**	1,800,754
Sundry	**945,945**	268,379
	2,439,448	2,069,133
	62,314,619	62,531,995
Other deductions:		
Minority interests in net earnings of subsidiaries	**672,156**	1,214,043
Interest expense	**2,202,603**	2,263,974
Provision for decline in valuation of investments (note 3)	**1,000,000**	—
Amortization of goodwill and excess cost (note 2)	**203,464**	1,018,747
Sundry	**6,739**	464,265
	4,084,962	4,961,029
Earnings before Federal and foreign income taxes	**58,229,657**	57,570,966
Provision for Federal and foreign income taxes	**28,428,000**	30,142,000
Net earnings (per share: 1970—$2.39; 1969—$2.24)	**29,801,657**	27,428,966
Retained earnings at beginning of year	**127,351,733**	114,604,883
	157,153,390	142,033,849
Deduct cash dividends ($1.20 per share)	**14,950,771**	14,682,116
Retained earnings at end of year	**$142,202,619**	$127,351,733

See accompanying notes to consolidated financial statements.

CHAMPION SPARK PLUG COMPANY

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1970 with comparative figures for 1969

	1970	1969
Funds provided:		
Net earnings for the year	**$29,801,657**	$27,428,966
Add charges against earnings not requiring expenditures of funds:		
Minority interests in net earnings of subsidiaries	**672,156**	1,214,043
Depreciation and amortization of fixed and intangible assets	**7,608,343**	6,591,047
Provision for decline in valuation of investments	**1,000,000**	—
Increase (decrease) in deferred Federal income taxes	**668,909**	(119,810)
Funds derived from operations	**39,751,065**	35,114,246
Net increase in other long-term debt	**809,140**	1,353,790
	40,560,205	36,468,036
Funds used:		
Cash dividends	**14,950,771**	14,682,116
Additions to property, plant and equipment, less disposals	**18,602,312**	17,443,216
Purchase of the Company's 5⅞% debentures due September 15, 1992	—	1,000,000
Investment in Orrtronics, Inc.	—	2,000,000
Other items, net	**173,698**	1,209,712
	33,726,781	36,335,044
Increase in working capital	**$ 6,833,424**	$ 132,992

See accompanying notes to consolidated financial statements.

CHAMPION SPARK PLUG COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 The accompanying consolidated financial statements include the Company and its subsidiaries, except for a Brazilian subsidiary which is carried at cost less a valuation reserve. All significant intercompany items have been eliminated in the consolidation.

The combined net earnings of foreign subsidiaries included in consolidated earnings, net of minority interests, amounted to $7,874,000 in 1970 and $6,241,000 in 1969. The combined net assets of foreign subsidiaries included in the consolidated balance sheet amounted to $33,679,000 at December 31, 1970 and $30,388,000 at December 31, 1969. All transactions with consolidated foreign subsidiaries have been converted to appropriate U.S. dollar equivalents.

2 On January 1, 1970, The DeVilbiss Company was merged into Champion Spark Plug Company. The merger was effected by the conversion of outstanding shares of DeVilbiss common stock (excluding shares held by Champion) into shares of Champion common stock on a one-for-one basis, with DeVilbiss thereafter operated as a Division of Champion. Prior to the merger, Champion had acquired 85.6% of the outstanding DeVilbiss common shares for cash.

The merger was treated as a purchase for accounting purposes. The comparative figures as of January 1, 1970 presented in the consolidated balance sheet reflect the accounting for the merger (as described in the 1969 report, except for minor adjustments), including the allocation of $9,943,158 of the excess cost arising from the DeVilbiss acquisition to property, plant and equipment and patents. The remaining excess cost (goodwill) is being amortized on a forty-year basis, and the unamortized balance of $7,935,078 at December 31, 1970 is included in "intangible assets". Had such accounting been reflected since July 1, 1967 (the date of Champion's initial purchase of DeVilbiss shares) net earnings for subsequent periods would not have changed significantly since increased depreciation and amortization of property and patents would have been approximately offset by a reduction in amortization of excess cost.

A very small group of DeVilbiss shareholders dissented from the merger and did not exchange their shares of DeVilbiss common stock. In 1970, settlement was made with these shareholders by paying them $25 per share for their approximately 13,000 shares.

3 "Investments and other assets" include investments in preferred stocks and other securities of various companies, including the Company's investment in approximately 38% of the outstanding stock of Faraday, Inc. These investments, which are carried at their cost of $10,210,000 less valuation reserves of $3,570,000 (including $1,000,000 provided in 1970), had aggregate market or underlying book values of approximately $4,573,000 at December 31, 1970. In addition, a loan of Faraday in the amount of $650,000 has been guaranteed by the Company.

4 Depreciation is based on the estimated useful lives of the individual properties and is computed primarily on the straight-line method. Depreciation charges included in the accompanying financial statements amounted to $7,306,070 in 1970 and $5,470,348 in 1969. Deferred Federal income taxes result from the use of accelerated methods in the computation of depreciation for Federal income tax reporting purposes, and the related income tax benefits have been deferred in the accounts.

5 The indenture pertaining to the Company's 5-7/8% debentures provides for a sinking fund requiring annual payments beginning in 1973 in an amount sufficient to retire $1,500,000 principal amount of debentures each year. The debentures are redeemable in whole or in part, under certain conditions, at the option of the Company at a premium of 4.56% to September 15, 1971, such premium diminishing annually thereafter.

The indenture restricts the amount of retained earnings available for the distribution of cash dividends. At December 31, 1970 the unrestricted portion of consolidated retained earnings amounted to approximately $82,000,000.

6 The Company has pension plans in effect covering substantially all of its employees. The aggregate pension cost of all plans, including amortization of prior service cost, amounted to $6,865,000 for 1970 and $6,410,000 for 1969. Prior service costs of certain hourly plans, funded in accordance with union agreements, approximate the cost of funding over a 40-year period; similar costs of the salaried plans and other hourly plans are being amortized over thirty years or lesser periods. The Company's policy is to fund pension cost accrued. The most recent actuarial valuations indicate that the actuarially computed value of vested benefits exceeds the total of the pension fund by approximately $24,000,000.

7 At December 31, 1970 the following stock options (issued at market value) were outstanding:

Date of grant	Number of shares	Option Price
April 19, 1966	28,362	$ 21.00
November 28, 1967	9,486	25.125
July 30, 1968	4,878	26.625
May 15, 1970	31,840	21.00

The options are exercisable on a cumulative basis over a period of five years starting one year from date of grant at which time one-fourth of the options may be exercised. During the year options for 14,860 shares, 2,376 shares and 286 shares at option prices of $21.00, $25.125 and $26.625 respectively, were exercised and options for 1,867 shares were cancelled. The excess of the option price over the par value of the shares issued ($364,798) has been credited to "capital in excess of par value". At December 31, 1970, 205 shares were available for the granting of additional stock options.

8 Commitments outstanding for capital expenditures amounted to approximately $11,000,000 at December 31, 1970.

On February 25, 1971, the United States District Court in Chicago, Illinois entered a judgment against the Company awarding Ransburg Electro-Coating Corp. an accounting for damages for patent infringement and unfair competition with regard to certain electrostatic spraying equipment and enjoined the Company from further acts of the same nature. The Company has commenced an appeal from such judgment and has executed a bond in the amount of $1,000,000 staying the effect of such judgment and securing the payment of any damages that may ultimately be awarded in such action. The amount of liability, if any, that may be incurred by the Company in said action cannot be determined at this time.

ACCOUNTANTS' REPORT

The Board of Directors
Champion Spark Plug Company:

We have examined the consolidated balance sheet of Champion Spark Plug Company and subsidiaries as of December 31, 1970 and the related statement of consolidated earnings and retained earnings and the statement of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of Champion Spark Plug Company and subsidiaries at December 31, 1970 and the results of their operations and source and use of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toledo, Ohio
March 3, 1971

PEAT, MARWICK, MITCHELL & CO.

TEN YEAR REVIEW

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Operating (in thousands except per share figures)										
Net Sales	**$290,169**	$277,196	$253,174	$204,681	$163,567	$139,511	$128,617	$112,073	$102,805	$ 97,372
Earnings before Federal and Foreign Taxes on Income	**58,230**	57,571	55,412	47,616	39,898	34,864	33,133	31,066	30,035	29,900
Federal and Foreign Taxes on Income	**28,428**	30,142	29,226	23,064	18,489	15,903	16,299	15,924	15,502	15,071
Net Earnings	**29,802**	27,429	26,186	24,552	21,409	18,961	16,834	15,142	14,533	14,829
Earnings per Common Share	**2.39**	2.24	2.14	2.01	1.79	1.58	1.40	1.26	1.21	1.23
Cash Dividends per Common Share	**1.20**	1.20	1.175	1.10	1.10	1.05	.975	.90	.90	.90
Earnings reinvested in the Business	**$ 14,851**	$ 12,747	$ 11,832	$ 11,303	$ 8,226	$ 6,377	$ 5,143	$ 4,335	$ 3,710	$ 3,922
Financial (in thousands except share figures)										
Working Capital	**$ 83,990**	$ 77,157*	$ 76,184	$ 82,826	$ 63,823	$ 57,939	$ 60,684	$ 57,901	$ 57,829	$ 55,775
Property, Plant and Equipment at Depreciated Book Value	**96,724**	85,428*	64,429	53,541	30,413	26,650	21,448	20,885	17,927	17,015
Total Assets	**239,433**	220,786*	207,000	202,494	130,500	119,217	112,247	103,688	96,720	90,984
Long-term Debt	**31,406**	30,597	30,243	35,469	–	–	–	–	–	–
Stockholders' Equity	**$163,100**	$147,870*	$128,835	$116,590	$100,082	$ 91,627	$ 85,577	$ 80,911	$ 76,638	$ 73,383
Number of Common Shares Outstanding	**12,463,664**	12,237,427	12,221,740	12,202,510	11,985,200	11,971,458	11,982,004	12,003,826	12,005,512	12,072,120

* Restated to reflect the merger of the DeVilbiss Company – January, 1970.

The year 1961 does not include majority-owned subsidiaries.

DIRECTORS AND CORPORATE OFFICERS

Board of Directors

Robert A. Stranahan, Jr.
Chairman
Howard B. Speyer
Duane Stranahan
Robert W. Vogel
William A. Belt
Donald M. Dresser
Rene C. McPherson
Henry M. Kidd

Executive Committee

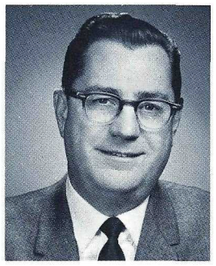
Robert W. Vogel — *Chairman*
Robert A. Stranahan, Jr.
Duane Stranahan

Officers

Robert A. Stranahan, Jr.	*President and Chairman of the Board*
Duane Stranahan	*Vice President*
Robert W. Vogel	*Vice President and Treasurer*
Richard E. Surface	*Vice President and Director of Organizational Planning*
Harry F. Davis	*Vice President-Sales*
Keith Wilson	*Vice President-Director of International Operations*
Kermit C. Schoettley	*Vice President-General Manager Spark Plug Manufacturing Operations*
Richard C. Teasel	*Vice President-Research and Engineering*
Richard D. Kudner	*Vice President-Advertising and Merchandising*
James S. Owens	*Vice President-General Manager, Ceramic Manufacturing Operations*
Toby A. Hill	*Secretary*
Robert J. Brotje, Jr.	*Controller*
Richard H. Crook, Jr.	*Assistant Secretary*
Charles G. Yeager	*Assistant Treasurer*

Executive Changes

James S. Owens

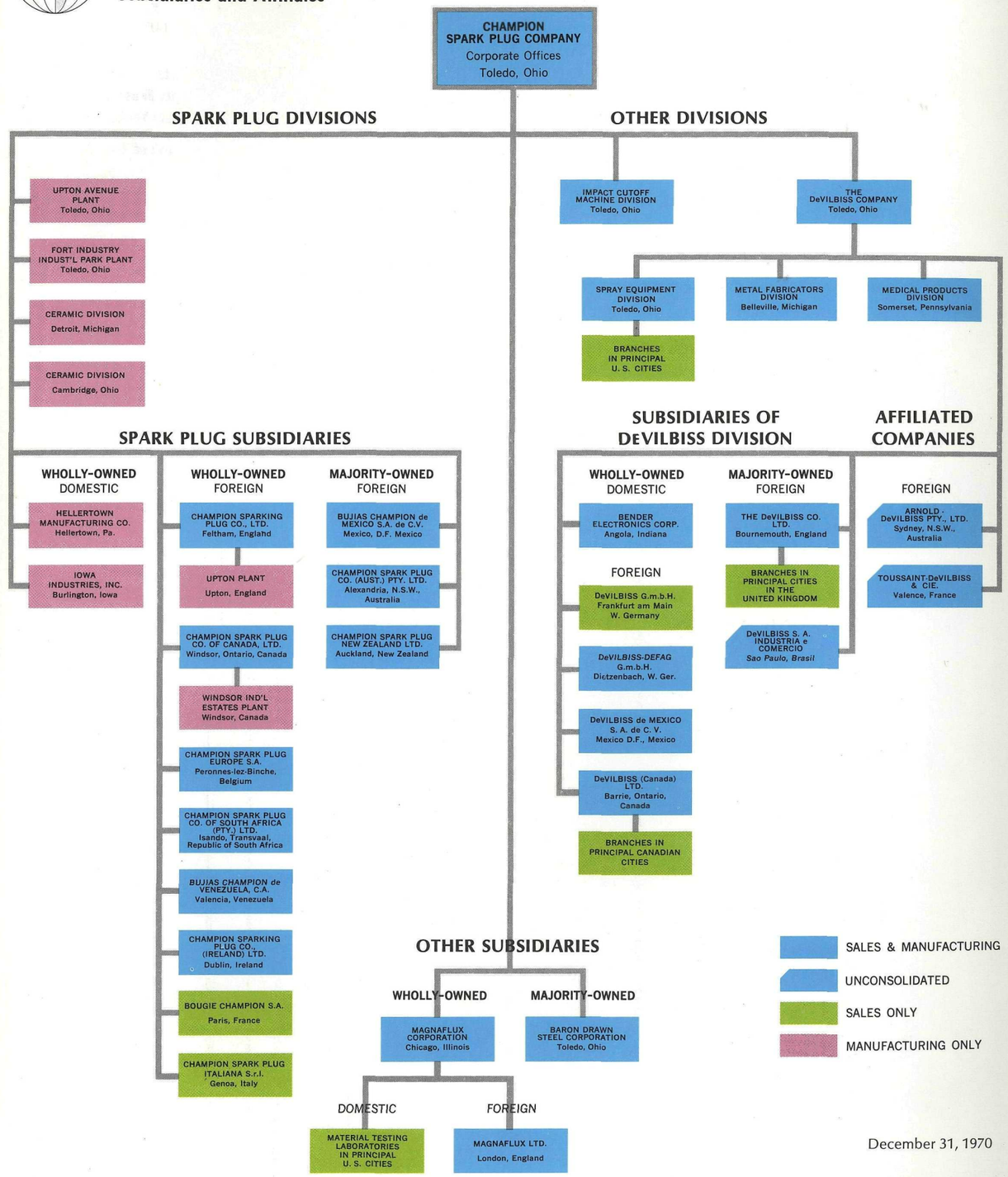

Charles A. Schwalbe

George M. Galster

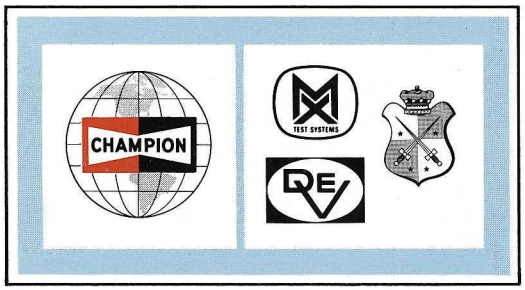
Mr. Owens was elected Vice President-General Manager, Ceramic Manufacturing Operations on January 28, 1971. He joined Champion's ceramic division in 1951 and became General Manager of that division in 1954. Well-known and respected in ceramic circles, he was president of the American Ceramic Society during 1967-68. Mr. Galster was named Director of International Sales of Champion's spark plug operations on January 7, 1971. Associated with Champion since 1947, he is known throughout Champion's domestic and international operations through activities related to his former position of Director of Automotive Technical Services. Mr. Schwalbe was appointed Sales Manager of Champion's domestic spark plug operations on June 5, 1970. Active in the automotive industry most of his life, he joined Champion in 1945 and progressed through a number of sales positions most recently having been assistant sales manager.

CHAMPION SPARK PLUG COMPANY

Subsidiaries and Affiliates



December 31, 1970



CHAMPION SPARK PLUG COMPANY / TOLEDO, OHIO

1958 ANNUAL REPORT

CHAMPION SPARK PLUG COMPANY

CHAMPION®

BOARD OF DIRECTORS

Robert A. Stranahan, Sr., *Chairman*
Frank D. Stranahan, *Co-Chairman*
Robert A. Stranahan, Jr.
Duane Stranahan
James F. Lewis, Jr.
Howard B. Speyer

EXECUTIVE COMMITTEE

Howard B. Speyer, *Chairman*
James F. Lewis, Jr.
Duane Stranahan

OFFICERS

Robert A. Stranahan, Sr.	*Chairman of the Board*
Frank D. Stranahan	*Co-Chairman of the Board*
Robert A. Stranahan, Jr.	*President*
Duane Stranahan	*Vice President*
James F. Lewis, Jr.	*Vice President*
Howard B. Speyer	*Vice President & Treasurer*
Robert K. Christie	*Vice President—Engineering and Research*
Orlan C. Leighty	*Vice President—Sales*
Brace H. Sibley	*Vice President—Manufacturing*
Toby A. Hill	*Secretary*
Robert W. Vogel	*Controller & Asst. Treasurer*

TRANSFER AGENTS

Guaranty Trust Company of New York
140 Broadway
New York 15, New York

The National Bank of Toledo
Madison & Huron Streets
Toledo 4, Ohio

REGISTRARS

The First National City Bank of New York
Two Wall Street
New York 15, New York

The Toledo Trust Company
Madison & Summit Streets
Toledo 3, Ohio

GENERAL COUNSEL

Marshall, Melhorn, Bloch & Belt; Toledo, Ohio

AUDITORS

Peat, Marwick, Mitchell & Co., Cleveland, Ohio

CORPORATE EXECUTIVE OFFICES

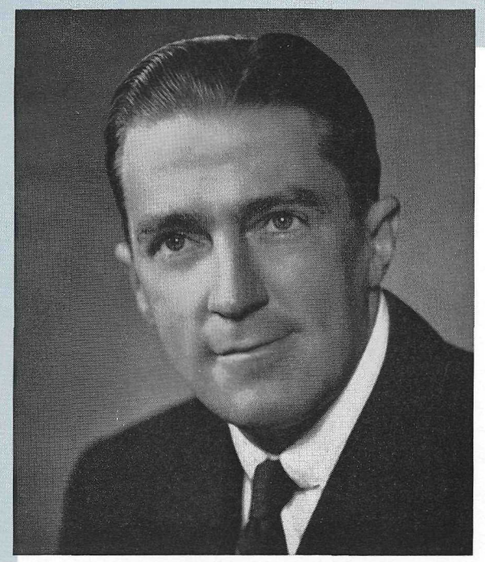
900 Upton Avenue, Toledo 1, Ohio

The Company's "Common Stock $1 ⅔ par value" is listed on the New York Stock Exchange.

CHAMPION®

FINANCIAL HIGHLIGHTS

	1958	1957
Net Sales	$94,293,000	$89,283,062
Earnings Before Federal and Foreign Taxes on Income	31,946,801	28,127,175
Federal and Foreign Taxes on Income	16,395,000	14,344,076
Taxes Per $1 ⅔ Par Value Share	2.70	2.38
Net Earnings	15,551,801	13,783,099
Net Earnings Per $1⅔ Par Value Share	2.56	2.28
Dividends Paid Per $1 ⅔ Par Value Share	1.16⅔	1.16⅔
Total Number of Shares Outstanding (Reflecting 6 for 1 split August 20, 1958)	6,064,860	6,035,400
Property, Plant and Equipment at Depreciated Book Value	$14,776,258	$14,908,063
Total Assets	77,375,679	68,101,053



R. A. STRANAHAN, JR., President

TO THE STOCKHOLDERS

In making an analysis of our 1958 program, and in looking ahead through 1959, it must be remembered that the spark plug market is influenced to a substantial degree by the same factors which influence the entire automotive parts industry. Despite the reduction of sales in some segments of this industry and a general slowing down in the American economy, Champion had a very successful year in 1958. We had some loss of sales through the domestic vehicle manufacturers because of their inventory reduction program, but offset these losses with substantial sales through other distribution outlets.

The net results of our world-wide efforts present a very sound and satisfactory financial picture, as indicated by comparative statements on the following pages of this report. In addition to the financial progress made in 1958, we have made many improvements to further strengthen our organization and our relationship with our customers.

Of considerable interest should be the completion of our modern research and engineering facilities illustrated on the opposite page, which gives Champion additional modern tools and equipment to design and test product for the future. These facilities are operated by well trained and qualified engineers, whose responsibility is to keep continuously alert to new ideas in the industry so as to be prepared for the development of future products to meet these requirements.

We had a year of substantial and continuous improvements in methods and plant equipment which reflects an alert policy of cost reduction throughout our operations. Our advertising program for 1958 had the best acceptance of any program in our history. In addition, we had a most active merchandising and sales-promotion program which did much to influence sales. We have continued to expand and improve our Service Department to better serve our customers, and insure them of satisfactory use of our product. We have continued to expand our public relations program through greater use of the facilities available to us.

We believe strongly in unity throughout our organization, and continue to make progress in this direction. We try to emphasize and put into practice a cooperative effort, showing our people what can be accomplished with a spirit of harmony throughout the organization.

Our program for 1959 will be to further strengthen every single phase of our company operation. There is a progressive highway building program in our country which will encourage more automobile driving, and we have a constantly increasing population, with a resulting increase in car registration. In addition, there is increased use of trucks, tractors, farm equipment, power boats, outboard motors, lawn mowers, and many other internal combustion engines. All of these factors, added to the many varied driving conditions and extreme engine operations, offer a challenge to the spark plug manufacturers and a continually increasing market for Champion.

Very truly yours,

CHAMPION SPARK PLUG COMPANY

R. A. Stranahan Jr

President

Research and Engineering Building completed in 1958 at Toledo, Ohio

GROWTH OF CHAMPION

Champion Spark Plug Company was originally incorporated in 1910, operating forty-eight years as a privately owned company. Founders of the business were Robert A. Stranahan, Sr. and his brother, Frank D. Stranahan, now Chairman and Co-Chairman respectively of the Board of Directors.

Past growth of the Company and its subsidiaries has been financed through re-investment of a considerable portion of the Company's earnings. Champion Spark Plug Company of Canada, Limited, incorporated in 1917, was the first foreign subsidiary organized. This was followed by Champion Sparking Plug Company, Limited, of England, incorporated in 1922. Manufacturing commenced in England in 1937.

The French company was organized in 1923, the Irish and Australian companies in 1953, and the Mexican company in 1958.

Two U. S. manufacturing subsidiaries, Hellertown Manufacturing Company and Iowa Industries, Inc., were incorporated in 1950 and 1955 respectively.

Illustrations of the Company's plants appear on the last page of this report, and those of its subsidiaries appear on the inside of the back cover.

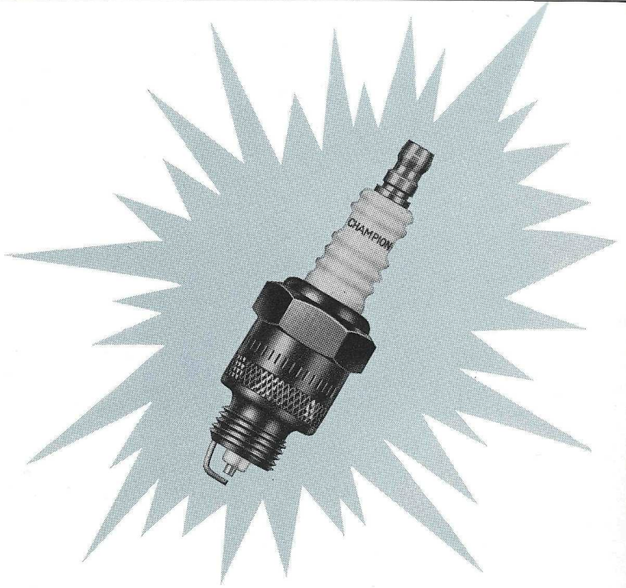
On March 13, 1959, the Board declared a first quarter dividend of $.37½ per share on the Company's outstanding stock, payable April 14, 1959 to stockholders of record March 26, 1959.

The Company will hold its annual meeting of stockholders on April 20, 1959. A formal notice of the meeting, together with a proxy statement and a form of proxy, is being mailed to each stockholder approximately 30 days prior to the meeting. Proxies will be requested by the management.

DEPENDABLE

CHAMPION

SPARK PLUGS ®



THE PUBLIC PARTICIPATES IN OWNERSHIP

The first public offering of 13.6% of the Company's common stock was made September 10, 1958 by certain stockholders. This amounted to 827,400 of the 6,064,860 outstanding shares. The Company did not receive any of the proceeds of the sale. As a result of the very wide distribution of the stock sold to the general public there were almost 7,000 stockholders at the end of 1958.

The Company intends to continue the payment of quarterly dividends in amounts at the discretion of the Board of Directors. It is planned, when dividends are declared, to mail quarterly dividend checks in April, July, October, and December.

ABOUT CHAMPION SPARK PLUGS

While spark plugs are not used exclusively in internal combustion engines, this use is by far the most significant. Each cylinder of every such spark ignition engine must have a spark plug in order to function. The characteristics of a motor, the uses to which it is put, and the operating conditions in which it functions determine the spark plug type necessary for optimum performance. Champion spark plugs are produced in a wide variety of types, designs, materials, and sizes to provide a line which the Company believes to be the broadest available from any single manufacturer.

Champion spark plugs are used in land, sea, and air transportation; farming; construction; industry; and the home.

Spark plugs are used in transportation in passenger cars, motorcycles, military vehicles, buses, and trucks; inboard and outboard marine engines; airplanes, helicopters, and blimps. Spark plugs are used on the farm in tractors and constantly increasing numbers and kinds of mechanized agricultural machinery and equipment. Spark plugs are used in construction and industry in all kinds of earth-moving and road-building equipment as well as lift trucks, pumps, compressors, oil field drilling equipment, and conveyors. Spark plugs are used in the home in such labor saving machines as power lawn mowers, washing machines, snow movers, garden sprayers, and the like.

The Company produces a complete line of aviation spark plugs for the reciprocating engines used by domestic and foreign commercial airlines and in military and private aircraft. For the new jet aircraft, it also produces a wide variety and substantial percentage of the specially designed igniters required to initiate and maintain combustion in jet engines.

Publicity currently is being given to automotive gas turbine engines. The Company believes that this development will find limited appropriate applications in much the same manner as the diesel engine has found its place, and that no significant effect on spark plug markets is in view.

As new uses for internal combustion engines develop, the Company's product keeps pace.

CHAMPION SERVES THE FREE WORLD

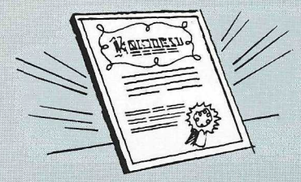
Champion Spark Plug Company's four wholly-owned foreign subsidiaries are located in Canada, England, France, and Ireland. A majority-owned subsidiary is in Australia. The Company has recently established a Mexican subsidiary, through which manufacturing operations commenced early in August, 1958.

Champion Spark Plug Company of Canada, Limited, the first to produce spark plugs in the Dominion, always has been the Dominion's largest supplier of plugs. The factory and general offices are located in Windsor, Ontario. Operations in the Canadian factory substantially parallel, on a smaller scale, those of the parent Company at Toledo. Because of uniform manufacturing operations and rigid quality control techniques, the Canadian products are identical with their American counterparts except for the "Made in Canada" identification.

Champion Sparking Plug Company, Limited, located at Feltham, England, adjacent to the London Airport, for 15 years sold spark plugs made from parts imported from the Windsor and Toledo plants. In 1937 the English plant commenced manufacturing operations parallel to those of the Toledo plant, and since that time facilities have been expanded steadily to the point where the English company supplies a substantial proportion of the English market.

The Australian and Irish subsidiaries involve similar, but smaller, enterprises. The French subsidiary serves only as a sales distribution outlet for the Company's products in France.

In addition to serving the countries in which they are located, Champion Spark Plug Company, Champion Spark Plug Company of Canada, Limited, and Champion Sparking Plug Company, Limited sell Champion spark plugs through about 400 foreign distributors in all parts of the free world.



Duncan & Company, Ltd., Champion distributors in Adelaide, South Australia, won first place in the Automotive Parts and Equipment Section of the International Display Contest sponsored by "Display World" Magazine. Over 4,000 entries were submitted from all over the world. Duncan and Company also won a second place award for another display.

RESEARCH AND ENGINEERING MEANS BETTER SPARK PLUGS

To win and hold its position of leadership in the industry, Champion Spark Plug Company has from the start constantly improved its product through substantial investments in research and engineering.

This emphasis on research and engineering has earned for the Company, not only leadership within the spark plug industry, but wide recognition outside the industry. For example, so excellent has been its work in ceramics that the Company has successfully carried out special assignments requested by such important outside organizations as the National Bureau of Standards, National Advisory Committee for Aeronautics, and the U.S. Atomic Energy Commission. Certain Champion-developed processes have been licensed to others in the ceramic industry.

CHAMPION DEPENDABILITY AND SUPERIORITY

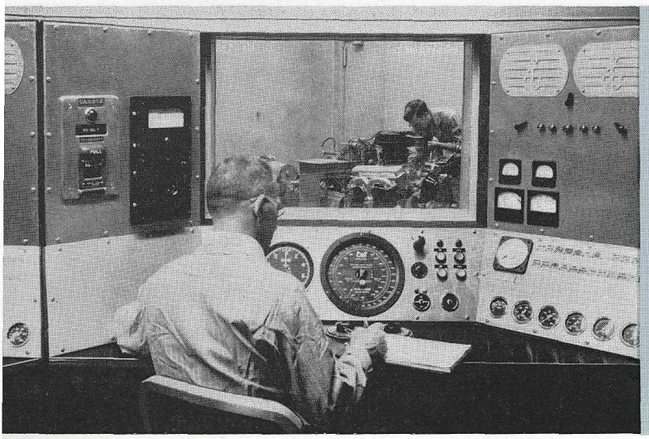
In 1958, Champion-equipped racing cars won the Memorial Day Indianapolis "500"; the Monza, Italy, "500"; every race in the National Championship Circuit sponsored by the United States Automobile Club (USAC); and all major races of the National Association of Stock Car Automobile Racing (NASCAR).

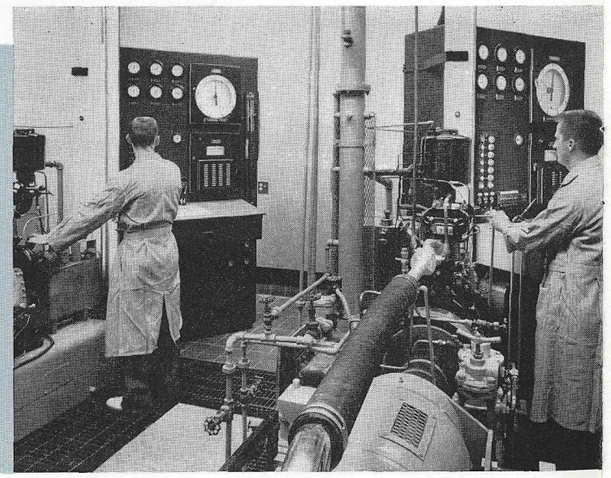
Similarly, in 1958 Champion-equipped boats won the Unlimited National Championship, the Gold Cup, seventeen of the nineteen American Power Boating Association (APBA) Outboard and Stock Outboard National Championships, five of seven limited Inboard National Championships, and nine of twelve unlimited Inboard Cup Races.

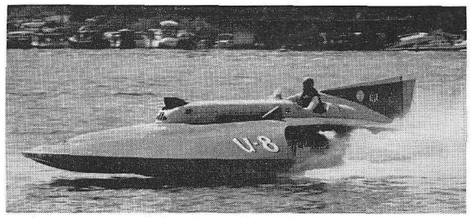
Champion spark plugs are the preferred choice of over 90% of the world's airlines. Every year, for a number of years, Champion has sponsored an aviation ignition conference attended from all over the world by representatives of airlines, aircraft engine manufacturers, ignition parts manufacturers, and government military agencies. The aviation industry considers these conferences a major contribution to aircraft safety and economy.

BELOW LEFT One of the control panels for the six automotive engine test cells. The operator observes the engine through a window and listens by means of a two-way amplifier speaker system.

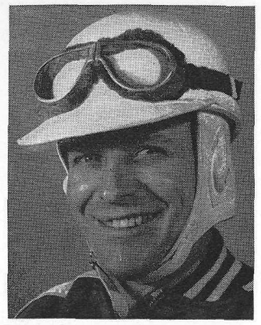
BELOW RIGHT Laboratory testing of aviation spark plugs is done in these two 17.6 cubic inch rating engines. These specially designed test engines can be precisely controlled and adjusted to produce specific powers higher than the most severe aviation engine operating conditions.







Hawaii Kai streaks across the finish line to win the 1958 Gold Cup Races at Seattle. This was the sixth straight title for this boat which holds the world's record for propeller driven craft.



Tony Bettenhausen, 1958 National Champion race driver, is a member of Champion Spark Plug Company's Highway Safety Program team.

CHAMPION PROMOTES HIGHWAY SAFETY

Since 1955, the Champion Highway Safety Program, presented by seven veteran race drivers of the Indianapolis Motor Speedway, has been delivered in all states to nearly two thousand high school audiences and one thousand businessmen's clubs. It is estimated that more than two million teen-agers and some half million adults have seen the program.

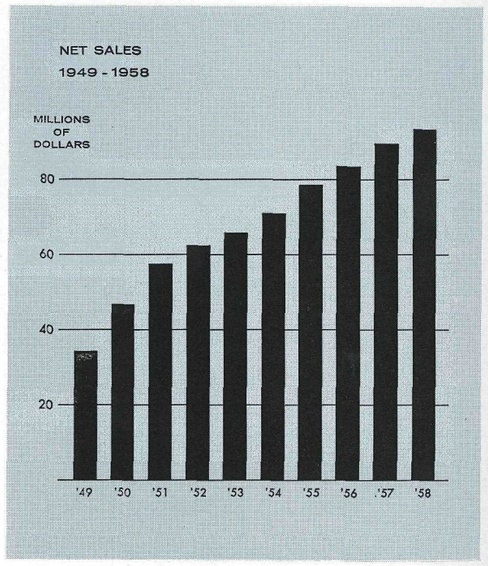
These drivers have appeared at U. S. military bases before several hundred thousand servicemen and, at government request, have conducted the program at overseas bases in Europe and Africa.

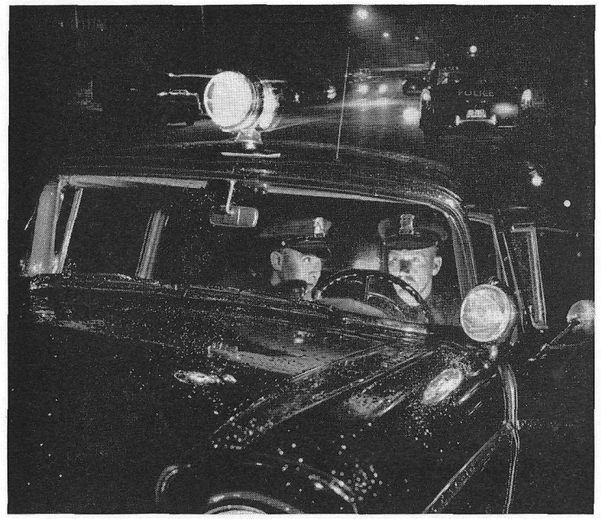
While presented at Champion expense, it is sponsored in small communities by Champion distributors and in metropolitan areas by large daily newspapers. Approximately forty metropolitan newspapers have been sponsors.

1958 SALES PRESENT GRATIFYING PICTURE

Champion's 1958 consolidated net sales of $94,293,000 were gratifying when compared with net sales in 1957 of $89,283,062 and when viewed in the light of general business conditions. The Company and its subsidiaries continued aggressively to promote the sale of Champion spark plugs through distributors, oil companies, and motor manufacturers, who, in turn, resell to jobbers, fleet operators, and dealers.

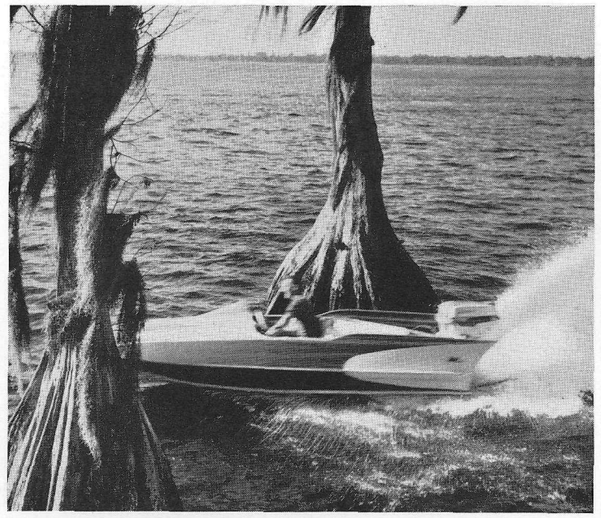
By mid-1958, car, bus, and truck registrations in the U. S. reached a new high in excess of 62,000,000. Rapidly growing supplemental markets are outboard marine and other off-the-highway applications, such as power mowers and power packages for multiple home uses. Numbers of vehicles in use in foreign countries throughout the world also continue to show substantial increases.



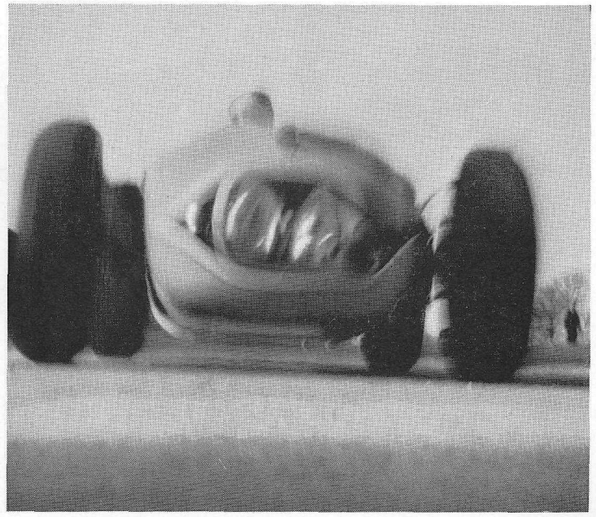


Police cars—nearly *twice* as many U. S. police cars today are powered by Champions as by any other spark plug.

Car makers – over *twice* as many car makers (including Rolls-Royce) specify Champions—36 different makes in all!



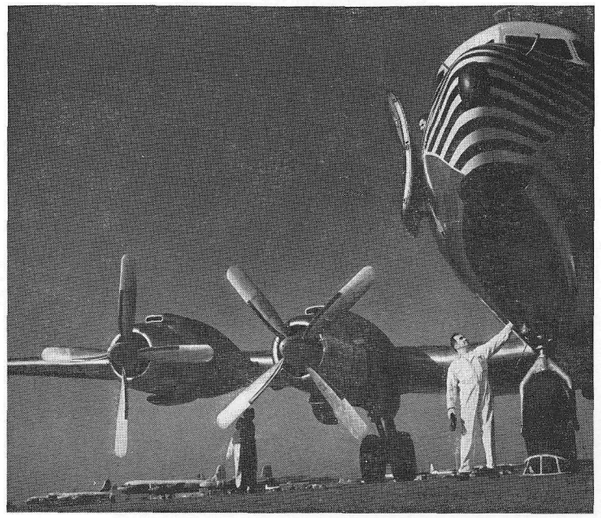
Outboard engines – *all* major U. S. makers of outboard engines use Champions for easier starts, top performance.



Racing cars—8 of the last 9 Indianapolis winners . . . 9 of 10 *stock* car winners over the past 5 years, used Champions.

This is a reprint of Champion Ad No. 9599A which appeared in Life, Saturday Evening Post, Look, Readers' Digest, Mechanix Illustrated, Popular Mechanics, and Popular Science magazines having a combined circulation of 38,753,855.

Q. Why is it that wherever performance is vital – on land, sea or in the air – the experts choose Champion spark plugs?



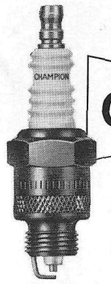
Airlines—*all* of the world's major airlines use Champions for the safe, dependable performance the airlines *must* have!

Trucks—eight out of ten truck manufacturers in the U. S. A. specify Champions for *full power*, regardless of load or road.

Fire engines—*all* the major fire engine makers use Champion spark plugs for sure starts and *complete* dependability.

Farm tractors – every major U. S. tractor maker uses Champions for the dependable pulling power farmers need.

A. The experts know from experience that you can always depend on Champions. To get top performance from your car, put in a new set of Champions every 10,000 miles!



CHAMPION

—engineered for every car built by Ford, General Motors, Chrysler, American Motors, Studebaker-Packard and every major foreign maker.

DEPENDABLE

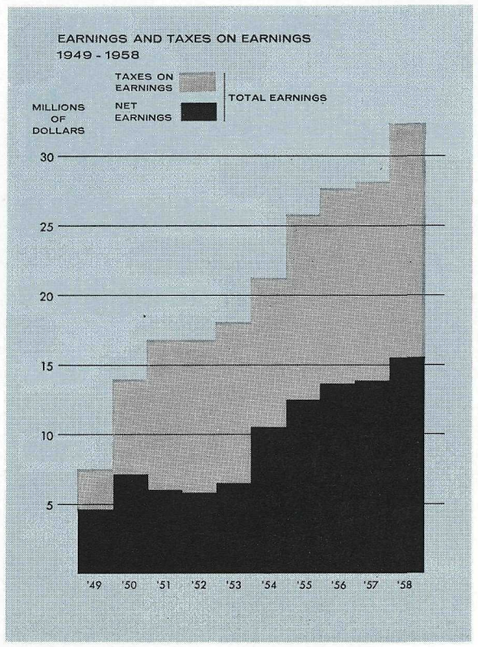
CHAMPION

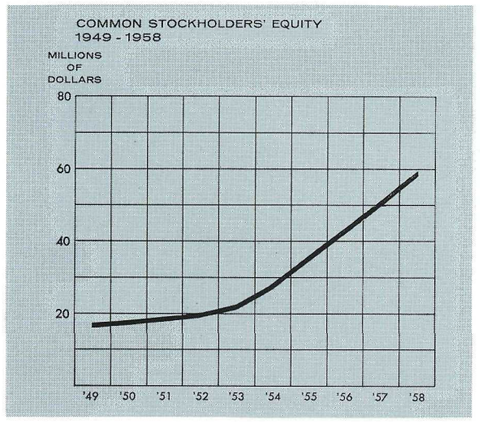
SPARK PLUGS

EARNINGS AND DIVIDENDS

	1958	1957
Earnings before taxes	$31,946,801	$28,127,175
Net earnings	15,551,801	13,783,099
Earned per common share	$2.56	$2.28

Dividends on common stock amounted to $1.16⅔ per share, which is the same as those paid in 1957. 1958 becomes the 40th consecutive year during which dividends were paid.





COMMENTS ON FINANCIAL POLICY AND POSITION

The Company's common stock is the only class authorized. Regular quarterly dividends are paid on the outstanding shares.

The sound financial position of Champion Spark Plug Company is evident from the cash resources shown in the statements in this report. General fund cash of $4,919,113, together with investments of $30,101,056, principally in short-term public housing notes guaranteed by the Federal government, provide, in addition to current needs, a reserve fund for capital replacements, Federal income taxes, and other requirements.

THE EMPLOYMENT PICTURE IN BRIEF

Employment remained steady for the major part of the year.

The Company and its domestic and Canadian subsidiaries provide a broad program of employee benefits including group life, retirement income plan, hospitalization, surgical, and sickness and accident insurance.

As of September 1, 1958 agreements between Company and Union in effect at the various plants became open for negotiations on proposals for amendments concerning wages, fringe benefits, and general contract matters. At the year-end, each of these agreements remains in effect, and negotiations are being conducted with respect to proposals made by the local managements and the local unions.

CHAMPION

Statement of Consolidated Earnings

Year ended December 31, 1958 with comparative figures for 1957

	1958	1957
NET SALES	$94,293,000	$89,283,062
COSTS AND EXPENSES:		
Cost of goods sold	41,702,288	41,913,985
Selling, administrative and general expenses	21,372,162	19,719,232
	63,074,450	61,633,217
OPERATING PROFIT	31,218,550	27,649,845
OTHER INCOME, NET:		
Interest earned	577,715	370,953
Technical assistance fees and dividend from non-consolidated subsidiaries	151,911	125,425
Sundry	274,525	159,132
	1,004,151	655,510
Less other deductions	275,900	178,180
	728,251	477,330
Earnings before provision for Federal and foreign income taxes	31,946,801	28,127,175
PROVISION FOR INCOME TAXES:		
Federal	14,220,000	12,342,325
Foreign	2,175,000	2,001,751
	16,395,000	14,344,076
NET EARNINGS	$15,551,801	$13,783,099

See accompanying notes to financial statements.

CHAMPION

Consolidated Balance Sheet, December 31, 1958

with comparative figures for 1957

ASSETS

	1958	1957
Current Assets:		
Cash	$ 4,919,113	$ 7,518,521
Marketable securities, principally short-term Public Housing Authority Notes, at cost (which approximates market)	30,101,056	23,401,231
Accounts receivable, after allowances of $238,903 and $167,512 for cash discounts and possible losses in collection	9,934,827	6,585,999
Inventories—at average cost, not in excess of replacement market	16,391,082	15,086,822
Prepaid expenses	270,236	283,029
Total Current Assets	61,616,314	52,875,602
Other Assets:		
Investment in and advances to non-consolidated foreign subsidiaries (note 1)	784,499	192,078
Sundry	198,608	125,310
	983,107	317,388
Property, Plant and Equipment, at Cost:		
Land and land improvements	561,544	555,828
Buildings	7,140,090	6,041,166
Machinery and equipment	17,398,104	16,635,856
Construction in progress	230,039	904,857
	25,329,777	24,137,707
Less allowance for depreciation and amortization	10,553,519	9,229,644
	14,776,258	14,908,063
	$77,375,679	$68,101,053

See accompanying notes to financial statements.

LIABILITIES

	1958	1957
Current Liabilities:		
Accounts payable	$ 3,959,463	$ 3,383,959
Salaries and wages, pensions and other accrued expenses	3,099,397	3,261,950
Federal and foreign income taxes, estimated	11,877,193	11,688,049
Total Current Liabilities	18,936,053	18,333,958
Stockholders' Equity:		
Common stock, par value $1⅔ and $10 per share (note 3)	10,108,100	10,059,000
Capital in excess of par value of common stock	1,517,417	1,370,117
Retained earnings	46,814,109	38,337,978
	58,439,626	49,767,095
	$77,375,679	$68,101,053

CHAMPION

Statement of Consolidated Retained Earnings

Year ended December 31, 1958 with comparative figures for 1957

	1958	1957
Amount at Beginning of Year	$38,337,978	$31,596,179
Net Earnings for Year	15,551,801	13,783,099
	53,889,779	45,379,278
Deduct Cash Dividends — $1.16⅔ per share in each year based upon $1⅔ par value shares	7,075,670	7,041,300
Amount at End of Year	$46,814,109	$38,337,978

See accompanying notes to financial statements.

Notes to Financial Statements — December 31, 1958

(1) The accompanying consolidated financial statements include the parent company and its wholly-owned subsidiaries, four of which are foreign corporations. All transactions of foreign subsidiaries have been converted to appropriate United States dollar equivalents. All significant inter-company items have been eliminated in the consolidation.

The company's investment in its majority owned, non-consolidated foreign subsidiaries is stated at cost, $381,857 (equity at December 31, 1958 approximately $690,000).

(2) Pension plans are in effect covering a large number of the employees of the companies. Consolidated earnings for the year have been charged with $1,463,869 with respect to these plans. The unfunded past service cost at December 31, 1958, with respect to all plans in effect, amounted to approximately $8,000,000.

(3) In August 1958 the authorized common shares were increased from 1,250,000 with a par value of $10 each to 10,000,000 with a par value of $1⅔ and each share of the old stock was split six for one. 1,005,900 shares of stock were outstanding at December 31, 1957, which on the new basis is the equivalent of 6,035,400 shares. At December 31, 1958, 6,064,860 shares with a par value of $1⅔ were outstanding.

Increases in common stock and capital in excess of par value of common stock during 1958 arose from sale of common shares to officers and key employees.

(4) Depreciation and amortization amounted to $1,515,785 in 1958 and $1,330,456 in 1957.

Peat, Marwick, Mitchell & Co.
CERTIFIED PUBLIC ACCOUNTANTS
HANNA BUILDING
CLEVELAND 15, OHIO

ACCOUNTANTS' REPORT

The Board of Directors
Champion Spark Plug Company:

We have examined the consolidated balance sheet of Champion Spark Plug Company and wholly-owned subsidiaries as of December 31, 1958 and the related statements of consolidated earnings and retained earnings for the year then ended. Our examination, which covered the accounts of Champion Spark Plug Company and all wholly-owned subsidiaries except two foreign companies, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As regards the two foreign subsidiaries not examined by us, we have reviewed the reports of other independent public accountants covering their examinations of these companies. The assets and net sales of the foreign subsidiaries not examined by us constituted 4.9% and 6.8%, respectively, of the related consolidated figures.

In our opinion, based upon our examination and the reports of other independent public accountants, the accompanying consolidated balance sheet and statements of consolidated earnings and retained earnings present fairly the financial position of Champion Spark Plug Company and wholly-owned subsidiaries at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Cleveland, Ohio
March 11, 1959

GROWTH AND MODERNIZATION OF MANUFACTURING FACILITIES

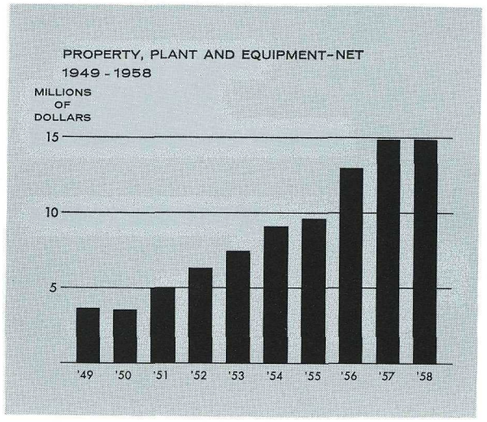
Floor space in the plants of the Company and its wholly-owned subsidiaries totals approximately one million square feet.

A small part of the Toledo plant was constructed in 1913, and it has been continually enlarged since that time. Equipment and machinery are modern and include many recently developed special-purpose production machines designed and built by Champion Spark Plug Company engineers.

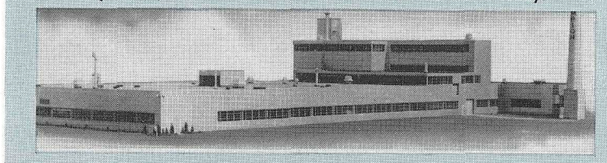
The Detroit and Cambridge plants are devoted exclusively to insulator production. The Detroit plant was acquired in 1921, substantially increased in 1929, and a significant acquisition was made in 1953. The Cambridge plant was built in 1954 and considerably enlarged in 1957. Major construction occurred at Windsor in 1928 and at Feltham in 1937. The Hellertown plant was acquired and modernized in 1951. The Iowa plant was constructed in 1957.

During the five years ended December 31, 1958, the cost of additions to property, plant and equipment for the Company and its consolidated subsidiaries amounted to $13,672,299, and during the same period retirements amounted to $1,590,238.

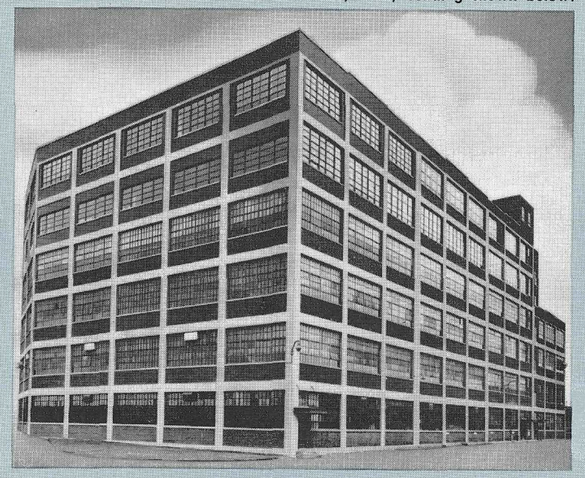
Plants and equipment are adequate for present business requirements and are well maintained in good operating condition. Further, they permit production schedules to be adapted to meet fluctuating requirements, including requirements in excess of those now considered normal business conditions.



Insulator plant at Cambridge, Ohio, is outstandingly efficient and is probably the most modern of its kind in the world today.



Administrative offices and principal spark plug manufacturing plant are located in the multi-storied Toledo, Ohio, building shown below.



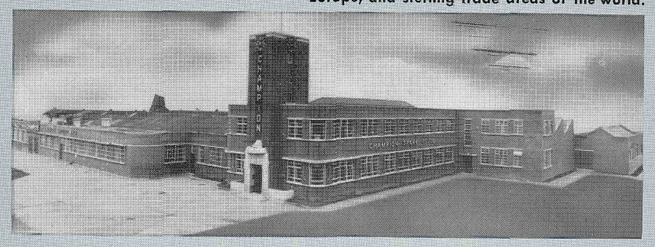
Detroit, Michigan, insulator plant houses up-to-date special purpose equipment where manufacturing is performed under laboratory-like conditions.

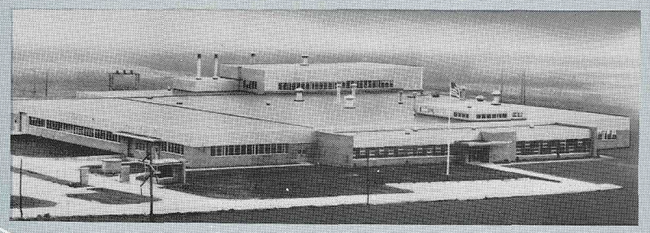
Home of Champion Spark Plug Company (Aust.) Pty. Ltd., principal supplier of spark plugs to the Commonwealth.

Champion Spark Plug Company of Canada, Ltd., factory and general offices located at Windsor, Ontario, across the river from Detroit, was the first to produce spark plugs in Canada.

Operations in the new plant of Bujias Champion De Mexico, S.A., commenced in 1958.

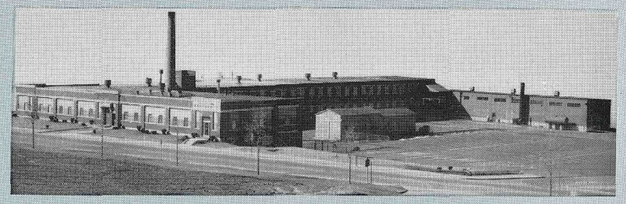
Champion Sparking Plug Company, Ltd., located at Feltham, England, on the main London-Southampton road adjacent to the London Airport, supplies the home market, Europe, and sterling trade areas of the world.





Plant of Iowa Industries, Inc., located at Burlington, Iowa, completed in 1957, sets new standards of efficiency in the manufacture of spark plugs.

Hellertown Manufacturing Company at Hellertown, Pennsylvania (near Bethlehem) is one of two U. S. subsidiaries producing spark plugs for the domestic market.



DEPENDABLE

CHAMPION

SPARK PLUGS ®

1958 ANNUAL REPORT

B367 1776

33240

ARTICLES OF INCORPORATION

OF

BARON DRAWN STEEL CORPORATION

7-30-64

590.00

190-10

We, a majority of whom are citizens of the United States, desiring to form a corporation for profit under the Ohio General Corporation Law, state as follows:

FIRST. The name of the corporation is BARON DRAWN STEEL CORPORATION.

SECOND. The location of its principal office is the City of Toledo, Lucas County, Ohio.

THIRD. The purposes for which it is formed are:

(a) To engage in the business of manufacturing, processing, preparing, buying, selling and otherwise dealing in cold drawn steel and high-grade steel of every kind and description and to deal in any and all commodities, materials, parts, tools and appliances necessary or appropriate to carry on such business;

(b) To acquire, hold, own, sell, assign and transfer, exchange or otherwise dispose of and to invest, trade, deal in or deal with machinery, apparatus, goods, wares, merchandise, materials and supplies and personal property of every class and description;

(c) To acquire, own, use, convey and otherwise dispose of and deal in real property or any interest therein; and to own, construct, operate, manage, use or lease, in whole or in part, buildings and other structures;

(d) To purchase, acquire, own, hold, vote, guarantee, sell, pledge or otherwise dispose of and use and deal in or with shares of stock, bonds, mortgages, and other securities and obligations of domestic or foreign corporations, associations, partnerships or individuals and the direct or indirect obligations of the United States, or of any state, territory or dependency thereof, or of any foreign government or of any governmental subdivision or instrumentality;

(e) To acquire all or any part of the business, including good will, of any person, firm, association or corporation, whether or not the business is similar to that in which the corporation is then engaged, and to conduct in the State of Ohio or elsewhere any business acquired, provided such business is not prohibited by the laws of the State of Ohio;

(f) To apply for, purchase or otherwise acquire, hold, use, sell or in any manner dispose of, lease, assign, mortgage, grant licenses or other rights therein, and in any manner deal with letters patent, patent rights, licenses, inventions, improvements, processes, copyrights, trade-marks and trade names.

Each purpose specified in any clause or paragraph of this Article THIRD is an independent purpose and shall not be limited by reference to or inference from the terms of any other clause or paragraph of these Articles of Incorporation.

The corporation reserves the right substantially to change its purposes. If a change of purposes is authorized by the vote now or hereafter required by statute, dissenting shareholders shall not have appraisal or payment rights.

FOURTH. The authorized number of shares of the corporation is Twelve Thousand (12,000) Common Shares, $100 par value.

FIFTH. The amount of stated capital with which the corporation will begin business is Five Hundred Dollars ($500.00).

SIXTH. The corporation by action of the Board of Directors and without action by the shareholders, may purchase its shares for the purposes and/or to the extent permitted by law.

SEVENTH. A director shall not be disqualified from dealing or contracting with the corporation as vendor, purchaser, employee, agent or otherwise; nor shall any transaction or contract or act of this corporation be void or voidable or in any way affected or invalidated by the fact that any director or any firm of which any director is a member or any corporation of which any director is a shareholder or director is in any way interested in such transaction or contract or act, provided the fact that such director or such firm or such corporation is so interested shall be disclosed or shall be known to the Board of Directors or such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction or act shall be taken; nor shall any such director be accountable or responsible to the corporation for or in respect to any such transaction or contract or act of this corporation, or for any gains or profits realized by him by reason of the fact that he or any firm of which he is a member or

any corporation of which he is a shareholder or director is interested in such transaction or contract or act, and any such director may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the corporation which shall authorize or take action in respect to any such contract or transaction or act, and may vote to authorize, ratify or approve any such contract or transaction or act with like force and effect as if he or any firm of which he is a member or any corporation of which he is a shareholder or director were not interested in such transaction or contract or act.

IN WITNESS WHEREOF, we have hereunto set our hands this 29th day of July, 1964.

P. J. Wagner

N. G. Trudell

S. A. Roth

Incorporators

STOCK PURCHASE AGREEMENT

between

BDS ACQUISITION CORP.

CHAMPION SPARK PLUG COMPANY

and

COOPER INDUSTRIES, INC.

STOCK PURCHASE AGREEMENT

TABLE OF CONTENTS

ARTICLE		Page
1.	CERTAIN DEFINITIONS	1
2.	SALE OF STOCK; CLOSING	5
3.	REPRESENTATIONS AND WARRANTIES OF SELLER AND COOPER	14
4.	REPRESENTATIONS AND WARRANTIES OF BUYER	28
5.	ACCESS OF BUYER	30
6.	COVENANTS	31
7.	EMPLOYEES, EMPLOYMENT AND EMPLOYEE BENEFIT PLANS	42
8.	CONDITIONS PRECEDENT TO THE OBLIGATION OF BUYER	46
10.	FINDER'S FEES; BROKERS	49
11.	SURVIVAL OF CLAIMS	49
12.	INDEMNIFICATION	49
13.	TERMINATION; EFFECT OF TERMINATION	54
14.	COSTS INCIDENT TO PREPARATION OF AGREEMENT	55
15.	PARTIES IN INTEREST	55
16.	MISCELLANEOUS	55

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement"), dated November, 24 1993 (the "Effective Date"), is between Champion Spark Plug Company, a Delaware corporation ("Seller"), Cooper Industries, Inc., an Ohio corporation and the sole stockholder of Seller ("Cooper"), and BDS Acquisition Corp., ("Buyer"), an Ohio corporation, with reference to all the outstanding shares of capital stock of Baron Drawn Steel Corporation, an Ohio corporation ("Baron of Ohio"), and Baron Drawn Steel Corporation of Michigan, a Michigan corporation ("Baron of Michigan"). Baron of Ohio and Baron of Michigan are hereinafter collectively referred to as "the Company". All of the outstanding shares of capital stock of the Company is owned by Seller. The Company is engaged in the business defined in Section 1.2 of this Agreement (the"Business"). Buyer desires to purchase from Seller and Seller desires to sell to Buyer all of the outstanding shares of capital stock of the Company upon the terms and subject to the conditions of this Agreement.

Now, the parties agree as follows:

1. CERTAIN DEFINITIONS

1.1 "Affiliate" means any person or entity that directly or indirectly controls or is controlled by or is under common control of the party referred to and includes any subsidiary whose parent owns 50% or more of its voting securities.

1.2 "Business" means the cold drawn steel bar and cold heading steel wire products operations of the Company including its assets, liabilities and operations.

1.3 "Closing" means the consummation of the transactions contemplated by Section 2.1 of this Agreement.

1.4 "Customarily Permitted Liens" means, (i) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Company in conformity with GAAP, and provided further that the aggregate amount for Company of Indebtedness secured by such Liens shall not exceed $100,000 at any one time; (ii) carriers', warehouseman's, mechanics', materialmen's, repairmen's, or other like Liens arising in the ordinary course of business and not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings; (iii) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation; (iv) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, environmental obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; and (v) easements, rights-of-way, restrictions and other similar encumbrances and any title defects which do not, individually or in the aggregate, materially detract from the value of the property subject thereto or materially interfere with the ordinary course of business of the Company.

1.5 "Environmental Laws" means any statute, law, ordinance, rule or regulation in effect before, on or after the date of this Agreement ("Law") of any government, governmental agency, authority or instrumentality ("Governmental Authority") applicable to the Company or the Company's assets relating to health, safety, pollution control, product registration, or environmental protection, including without limitation, all laws governing the generation, use, ownership,

collection, treatment, storage, transportation, recovery, recycling, removal, release, discharge, or disposal of Hazardous Materials (defined below) and all laws regarding record keeping, notification and reporting requirements respecting Hazardous Materials.

1.6 "Environmental Liabilities" means both (i) liabilities, obligations, fines, penalties, claims, demands, cost or expenses arising under any Environmental Laws, or (ii) liabilities or obligations for any claim, demand, expense, cost, or action for damages, environmental damage, toxic tort, investigation, site assessment or characterization, remediation, fines, penalties, resource damage, enforcement proceedings, cleanup orders, citizen suits, property damage, economic loss, personal injury or death, occupational exposure or other actions whether instituted by private parties or Governmental Authorities, in either case (whether under (i) or (ii) above) including any associated attorney's, consultant's and expert's fees and expenses, and whether based upon any Environmental Laws or common law arising from or in any way relating to the generation, use, ownership, collection, treatment, storage, transportation, recovery, recycling, removal, release, discharge or disposal of Hazardous Materials or record keeping, notification or reporting requirements regarding Hazardous Materials, and whether arising out of or related to on-site or off-site matters.

1.7 "Hazardous Materials" means materials, substances, wastes or by-products considered or defined before, on, or after the date of this Agreement as "hazardous substances", "hazardous wastes" , "solid wastes", or "hazardous" or "toxic" substances, materials, wastes or chemicals, or "pesticides", fungicides", "rodenticides", pollutants", or "contaminants" in the Comprehensive

Environmental Response, Compensation and Liability Act, 42 U.S.C. 9701 *et seq.* and amendments thereto ("CERCLA"), or the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901-6987 and any amendments thereto ("RCRA"), or any other Environmental Law or any unwholesome, toxic or radioactive material known to pose a threat to health or the environment.

1.8 "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

1.9 "Inventories" means all inventories of the Company, including without limitation finished goods, finished components, work-in-process, raw materials, purchased parts and supplies.

1.10 "Shares" mean the shares of common stock, zero par value, of Baron of Michigan, and of common stock, par value of $100 per share, of Baron of Ohio.

1.11 "Peg Balance Sheet" means the peg statement of net assets as of July 25, 1993 annexed hereto as Schedule 1.11, showing net assets of $21,138,000.00.

1.12 "Closing Payment Balance Sheet" means the balance sheet prepared by Seller pursuant to the provisions of Section 2.2.

1.13 "Taxes" means all federal, state, local and foreign income, profits, franchise, unincorporated business, withholding, capital, general corporate, customs duties, environmental (including taxes under Section 59A of the Code), disability, registration, alternative, add-on, minimum, estimated, sales, goods and services, use, occupation, property, severance, production, excise, recording, ad valorem, gains, transfer, value-added, unemployment compensation, social security premium, privilege and any and all other taxes (including interest, additions to tax and penalties thereon, and interest on such additions to tax and penalties).

1.14 "Returns" means any and all returns, declarations, reports, statements and other documents required to be filed in respect of Taxes.

1.15 "Code" means the Internal Revenue Code of 1986, as amended.

1.16 "Retained Liabilities" means the liabilities listed on Schedule 1.16.

2. SALE OF STOCK; CLOSING

2.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, at the Closing Seller will sell to Buyer and Buyer will purchase from Seller 12,000 Shares of Baron of Ohio and one share of Baron of Michigan (the "Shares"), which constitute and will constitute as of the Closing, all of the issued and outstanding Shares of capital stock of any class of the Company. In payment for such Shares, simultaneously with the delivery by Seller of certificates for 12,001 Shares, with appropriate stockpowers attached, properly signed, Buyer will:

2.1.1 wire transfer the Closing Payment in immediately available funds to The Chase Manhattan Bank, New York, for credit to Cooper Industries, Inc. account number 910-1-144781;

2.1.2 execute and deliver to Seller Buyer's promissory note in the principal amount of $2,000,000 in the form annexed hereto as Schedule 2.1.2 (the "Buyer's Note");

2.1.3 execute and deliver to Seller the Profit Participation Agreement for the payment of $5,000,000 in installments in the form annexed hereto as Schedule 2.1.3 (the "Profit Participation Agreement");

2.1.4 execute and deliver to Seller the subordinated security agreement in form annexed hereto as Schedule 2.1.4, (the "Security Agreement"); and will

2.1.5 execute and deliver to Seller an instrument of assumption in the form annexed hereto as Schedule 2.1.5 (the "Assumption Agreement") of the Seller's Company Obligations described in Section 6.9.1, the collective bargaining agreement described in Section 6.12, and the Environmental Liabilities as described in Section 6.12 and Section 1.5.

2.2 The Closing Payment will equal Fourteen million Dollars ($14,000,000) plus or minus the amount by which the net asset value of the Company as reflected on the Closing Payment Balance Sheet is greater than (an increase in the Closing Payment) or less (a decrease in the Closing Payment) than Twenty-one million, one hundred thirty-eight thousand Dollars ($21,138,000). The Closing Payment Balance Sheet will be prepared by Seller and delivered to Buyer at least five business days prior to the date of this Agreement. The Closing Payment Balance Sheet will reflect the net assets of the Company less the Retained Assets and Liabilities all as of the most recent normal month end accounting close prior to the Date of this Agreement, prepared in accordance, except as set forth below, with the normal principles, practices and procedures of the Company as reflected in the Peg Balance Sheet:

2.2.1 The Closing Payment Balance Sheet amounts with respect to net property, plant and equipment will be the same as the amounts included in the Peg Balance Sheet adjusted only for normal additions and retirements in accordance with the normal capitalization and disposition procedures of the Company. There will be no increase in accumulated depreciation during the period from the date of the Peg Balance Sheet to the date of the Closing Payment Balance Sheet.

2.2.2 The Closing Payment Balance Sheet will include $269,000 .00 as a reserve for excess, obsolete and slow moving Inventory. No other reserves with respect to Inventory will be included in the Closing Payment Balance Sheet including but not limited to the Company's LIFO reserve.

2.2.3 The Closing Payment Balance Sheet will not include any accruals or benefits (current or deferred) for income taxes or other taxes based on the income of the Company.

2.2.4 The Closing Payment Balance Sheet will not include any intercompany receivables or payables or any cash, except for petty cash balances.

2.2.5 The accrual with respect to postretirement benefits other than pensions will be the same as the accrual included in the Peg Balance Sheet adjusted only to reflect a reduction for actual payments of benefits and an increase for the actuarially determined benefit cost utilizing all of the same actuarial and other assumptions that were utilized to calculate the Peg Balance Sheet accrual amount.

2.2.6 The Closing Payment Balance Sheet will not include any reserves or accruals with respect to uncollectible accounts receivable or bad debts.

2.2.7 The Purchase Price shall consist of (a) the Closing Payment; (b) plus or minus the Balance Sheet Adjustment Payment; (c) the Buyer's Note; and (d) the payment of $5 million by Buyer to Seller as provided for in the Profit Participation Agreement.

2.3 Time and Place of Closing. The Closing shall take place at a location in New York City to be designated by Buyer at least 5 days before the Closing Date, on the third business day following the expiration or termination of the waiting period or any extension thereof under the HSR Act, or at such other

place, date, and time as the parties may agree in writing. The Closing will be effective on 12:01 a.m. on the Closing Date.

2.4 Balance Sheet Payment. Within five days after the Final Closing Date Net Asset Value is determined, Buyer will pay Seller the Positive Balance Sheet Adjustment Amount or Seller will refund to Buyer the Negative Balance Sheet Adjustment Amount, plus in either case interest on the amount paid at the rate of 5% per annum from the Closing Date to the payment date. This payment is the "Balance Sheet Adjustment Payment." Notwithstanding the foregoing, in the event that the Final Closing Date Net Asset Value results in a Positive Balance Sheet Adjustment Amount and the amount of the Balance Sheet Adjustment Payment, including interest, when combined with the Closing Payment exceeds $16,000,000, then the amount in excess of $16,000,000 shall be paid 180 days later without any additional interest.

2.5 Determination of Balance Sheet Adjustment Amount. The "Balance Sheet Adjustment Amount" means the amount by which the Final Closing Date Net Asset Value is more (a "Positive Balance Sheet Adjustment Amount") or less (a "Negative Balance Sheet Adjustment Amount") than the net asset value as reflected on the Closing Payment Balance Sheet.

2.6 Closing Balance Sheet. Buyer shall prepare and deliver to Seller within 45 days following the Closing Date, a balance sheet reflecting the net assets ("Preliminary Closing Date Net Asset Value") of the Company as of the close of business on the day before the Closing Date (the "Preliminary Closing Balance Sheet"). The Preliminary Closing Balance Sheet prepared by Buyer and the Final Closing Balance Sheet as either agreed to by the Parties or as determined by the Arbitrator shall be prepared in accordance with the specific procedures set forth in this Section 2.6 and otherwise in accordance with principles,

practices and procedures that are consistent with those utilized in the preparation of the Peg Balance Sheet.

2.6.1 Physical Inventory. The Preliminary and Final Closing Balance Sheets will include an Inventory amount adjusted to reflect on a dollar-for-dollar basis the results of a physical count of the Inventory to be taken at all of the Company's locations as of the close of business on the day before the Closing Date. The Inventory physically counted will be valued utilizing individual Inventory item costs which are the same as those which resulted in the amounts reflected in the Inventory value included on the Peg Balance Sheet. New items of Inventory which are physically counted but were not represented in the Peg Balance Sheet will be priced in accordance with the normal procedures and methods of the Company for valuing newly acquired Inventory items. Notwithstanding the foregoing, any item of Inventory which is damaged, defective or otherwise unusable or uneconomically repairable will be valued at scrap or other immediately realizable value. The Inventory value will be reduced by $269,000 as a reserve for excess, obsolete and slow moving Inventory. Except for the aforementioned reserve, the Preliminary and Final Closing Balance Sheets will not include the Company's LIFO reserve or any other reserves or accruals for excess, obsolete, slow-moving, lower-of-cost-or-market or other valuation issues regarding the Inventory.

2.6.2 Retained Assets and Liabilities. The Preliminary and Final Closing Balance Sheets will not include any amounts with respect to Retained Assets or Retained Liabilities.

2.6.3 Property, Plant & Equipment. The Preliminary and Final Closing Balance Sheet amounts with respect to net property, plant and equipment will be the same as the amounts included in the Peg Balance Sheet adjusted only

for normal additions and retirements in accordance with the normal capitalization and disposition procedures of the Company. There will be no increase in accumulated depreciation during the period from the date of the Peg Balance Sheet to the date of the Preliminary and Final Closing Balance Sheets.

2.6.4 Income Taxes. The Preliminary and Final Closing Balance Sheets will not include any accruals or benefits (current or deferred) for income taxes or other taxes based on the income of the Company.

2.6.5 Intercompany Accounts. The Preliminary and Final Closing Balance Sheets will not include any intercompany receivables or payables or any cash, except for petty cash balances.

2.6.6 Postretirement Benefits Other Than Pensions. The Preliminary and Final Closing Balance Sheet accruals with respect to postretirement benefits other than pensions will be the same as the accrual included in the Peg Balance Sheet adjusted only to reflect a reduction for actual payments of benefits and an increase for the actuarially determined benefit cost utilizing all of the same actuarial and other assumptions that were utilized to calculate the Peg Balance Sheet accrual amount.

2.6.7 Other Current and Non-Current Assets. The Preliminary and Final Closing Balance Sheet amounts with respect to Other Current Assets and Other Non-Current Assets, which will include the same types of assets included in those captions in the Peg Balance Sheet or new items of a kind which the Company would customarily include in such captions, will be reduced, if necessary but only to the extent necessary, to reflect in an accounting sense the amount of value with respect to each such asset that will be realizable by the Company in the future. Any changes in the Company occurring after the date of the

Preliminary and Final Closing Balance Sheets will not be considered relevant for purposes of determining realizability with respect to said assets.

2.6.8 Reserve for Uncollectible Receivables. The Preliminary and Final Closing Balance Sheets will not include any reserves or accruals with respect to uncollectible accounts receivable or bad debts.

2.7 Seller's Review. Seller will have 45 days following its receipt of the Preliminary Closing Balance Sheet from Buyer to review and determine if in Seller's judgement it has been prepared in accordance with the provisions of Section 2.6. If it believes adjustments are necessary in order for the Preliminary Closing Balance Sheet to be prepared in accordance with Section 2.6, then Seller, within the 45 days allowed for Seller's review, will notify Buyer in writing of the proposed adjustments including the amount, nature and basis for the adjustments ("Seller's Letter"). Should Seller not submit Seller's Letter within the 45 days provided herein, then the Preliminary Closing Balance Sheet as prepared by Buyer shall become the Final Closing Balance Sheet.

2.8 Buyer's Review. After Buyer's receipt of Seller's Letter, Buyer will have 20 days to review Seller's proposed adjustments, if any. Within this 20-day period, Buyer will notify Seller in writing of Buyer's position with respect to each of Seller's proposed adjustments ("Buyer's Position"). Should Buyer not submit Buyer's Letter within the 20 days provided herein, then the Preliminary Closing Balance Sheet plus or minus the adjustments set forth in Seller's Letter will become the Final Closing Balance Sheet.

2.9 Conference. Within 20 days following the receipt by Seller of Buyer's Position the parties shall meet and attempt to mutually resolve the adjustments set forth in Seller's Letter. If either party shall refuse to meet within said 20 day period then the other party shall be entitled to engage the Arbitrator

pursuant to the provisions of Section 2.10. If the parties meet but are unable resolve all of the adjustments set forth in Seller's Letter then those adjustments unresolved by the parties shall be submitted to the Arbitrator for resolution pursuant to the provisions of Section 2.10. If the parties are mutually able to resolve all of the adjustments set forth in Seller's Letter then the Preliminary Closing Balance Sheet plus or minus the adjustments agreed to by the parties shall become the Final Closing Balance Sheet.

2.10 Arbitration. Adjustments set forth in Seller's Letter which are unable to be mutually resolved by the parties shall be submitted to the Arbitrator within 20 days following the meeting between the parties or if no meeting is held then within 30 days following the receipt of Buyer's Position by Seller. The parties shall jointly engage Deloite & Touche to act as the Arbitrator or, if unavailable, Coopers & Lybrand. Should either party be unwilling to participate in the engagement process the other party may engage the Arbitrator independently. The party who engages the Arbitrator shall notify the other party of the engagement by way of a fax message, if reasonably possible, sent to the party to be notified on the day of the engagement; otherwise, by the most expeditious means reasonably possible.

2.10.1 Forty-Five Day Review. The Arbitrator will have 45 days to determine in the case of each unresolved adjustment set forth in Seller's Letter whether the amount of the adjustment as set forth in Seller's Letter shall be utilized in arriving at the Final Closing Balance Sheet or whether Buyer's Position with respect to each unresolved adjustment shall be utilized. The Arbitrator shall not be entitled to select an amount which is different from or in between Seller's proposed adjustment and Buyer's Position with respect thereto. At the time of engagement, the Arbitrator shall be furnished with a

copy of the Agreement, the Peg Balance Sheet, the Preliminary Closing Balance Sheet, Seller's Letter, and Buyer's Position. The parties shall have seven (7) days following the engagement of the Arbitrator in which to submit to the Arbitrator any supplemental documentation supporting that party's position. In every case each party will provide the other party with copies of such supporting documentation at the same time it is submitted to the Arbitrator. Following the expiration of the time for submitting supporting documentation, the parties shall have seven (7) additional days in which to file any response to the position taken by the other side, once again providing a copy of said response to the other party. After the expiration of the time for responses, no more submissions may be made to the Arbitrator and the remainder of the 45 day review shall be reserved solely for the Arbitrator to review submitted information and to reach its decision.

2.10.2 Access. During the arbitration both parties shall grant the Arbitrator full access to the books and records of the Business as well as to each party's and their representatives' working papers pertaining to the Peg or Preliminary Closing Balance Sheet.

2.10.3 Final Closing Balance Sheet. Within the 45 days provided for arbitration the Arbitrator shall notify in writing each party of his determination and the basis for his determination with respect to each of the unresolved adjustments. The decision of the Arbitrator shall be final, conclusive and binding upon the parties. Seller and Buyer shall each pay one-half of the fees and other costs of the Arbitrator. The engagement letter with the Arbitrator shall provide that the Arbitrator is the appropriate party to interpret the Agreement for all purposes relevant to the arbitration and that the Arbitrator shall not be entitled to engage independent counsel to assist in

interpreting the Agreement. The Preliminary Closing Balance Sheet as adjusted to reflect those adjustments agreed by the parties and the Arbitrator's determination with respect to unresolved adjustments shall become the Final Closing Balance Sheet. The net asset value reflected on the Final Closing Balance Sheet is the Final Closing Date Net Asset Value.

2.10.4 Governing Law for Arbitration. The arbitration will be governed by Title 9, Arbitration, of the United States Code and will be conducted in Cleveland, Ohio. Each party will have the right to submit supporting or explanatory materials to the Arbitrator and to the other party. The Arbitrator, upon reaching a decision, will provide a written explanation of its conclusions to each party, and its determination will be conclusive and binding on the parties. The submission of a dispute to the Arbitrator and the rendering of his decision will be a condition precedent to either party's commencing legal action to pursue any claim arising under this Article 2. The award or decision of the Arbitrator will be deemed final and may be entered and enforced in any state or federal court of competent jurisdiction.

2.11 Notice. The notice provisions of Section 16.2 will govern any notice required under this Article 2.

3. REPRESENTATIONS AND WARRANTIES OF SELLER AND COOPER

Seller and Cooper jointly and severally represent and warrant to Buyer the following:

3.1 Due Organization, Good Standing and Power. Seller is duly organized, validly existing and in good standing under Delaware law, the jurisdiction of Seller's incorporation and Cooper is duly organized, validly existing and in good

standing under Ohio law, the jurisdiction of Cooper's incorporation. Seller has the corporate power and authority to enter into this Agreement and perform its contractual obligations.

3.2 Authorization and Validity of Agreement. This Agreement has been duly executed and delivered by Seller and Cooper and constitutes a valid and binding obligation. Seller has taken all necessary corporate action for Seller's execution, delivery, and performance of this Agreement.

3.3 Organization and Qualification of Company. Baron of Ohio is a duly organized corporation, validly existing and in good standing under the laws of Ohio and Baron of Michigan is a duly organized corporation, validly existing and in good standing under the laws of Michigan. Each has the corporate power to carry on its business as it is now being conducted.

3.4 Capitalization. The authorized capital stock of Baron of Ohio consists of 12,000 shares of common stock, $100.00 par value, of which 12,000 shares are issued and outstanding. The authorized capital stock of Baron of Michigan consists of 100 shares of common stock with zero par value of which one share is issued and outstanding. There are no outstanding options, warrants or other rights to purchase and no obligations to issue any additional shares. All of the outstanding Shares have been validly issued, are fully paid and nonassessable, and are owned by Seller. There are no proxies outstanding with respect to any Shares.

3.5 Ownership of the Shares. Seller has good and marketable title to the Shares, free and clear of mortgages, liens, pledges, charges or other encumbrances. Upon the sale of the Shares, Buyer will have good and marketable title, free and clear of any mortgages, liens, pledges, charges or encumbrances arising from Seller's ownership.

3.6 No Violation. Neither Seller nor the Company is subject to or obligated under any provision of (i) its articles or certificate of incorporation or regulation or by-laws, or (ii) any contract, mortgage, lease, indenture, order, judgment, or decree, which would be violated by the execution and performance of this Agreement, except where such violation would not have a material adverse effect on the Company taken as a whole.

3.7 Consents, Approvals and Authorizations. Except as required under the HSR Act and except as set forth on Schedule 3.7, no consent, approval or authorization of, filing or registration with, or notification to, any U.S. governmental or regulatory authority or any private third party is required in connection with the execution and delivery of this Agreement by Seller or the consummation by Seller of the contemplated transactions, other than (i) any consent, approval or authorization, filing or registration or notification, that if not obtained or made would not have a material adverse effect on the Company taken as a whole and (ii) any such requirement that is applicable to Buyer as a result of the specific legal or regulatory status of Buyer or as a result of any other facts that specifically relate to the business or activities in which Buyer is or proposes to be engaged other than the current business of the Company.

3.8 Financial Statements.

3.8.1 Financial Statements. The financial statements of the Company heretofore furnished by Seller to Buyer and as listed on Schedule 3.8.1, have each, except as set forth on attachments to such financial statements or on Schedule 3.8.1, been prepared from the books and records of the Company and in accordance with the normal principles, practices and procedures of the Company applied on a consistent basis from period to period. Said financial statements in the case of income statements or results of operations statements reasonably

reflect the actual results of the Company for the respective periods and in the case of a balance sheet or statement of financial position reasonably reflect the actual assets and liabilities of the Company as of the date of such statement.

3.8.2 Liabilities. Except as and to the extent reflected in the aggregate amount of liabilities, exclusive of the amount recorded with respect to Postretirement Benefits Other Than Pensions, pursuant to SFAS No. 106, Pension, and pursuant to SFAS No. 87 which the Buyer has agreed shall not be subject to any representation or warranty as regards adequacy or accuracy of determination, included in the Final Closing Balance Sheet, or the Company did not have, as of the Closing Date, any material liabilities or obligations of a kind which should be included in a balance sheet of the Company prepared in accordance with generally accepted accounting principles ("GAAP") or which should be disclosed as regards liabilities which should not be recorded in such a GAAP balance sheet but which should be disclosed in accordance with GAAP, except as disclosed on Schedule 3.8.2.

3.9 Leased Real Property.

3.9.1 Interests. Except as set forth on Schedule 3.9, the Company has a valid and subsisting leasehold interest in the real property and improvements (the "Real Property Leasehold Interests") identified as being subject to a lease with Company as lessee on Schedule 3.9 (the "Leased Real Property"), in each case, free and clear of any security interest, claim, or encumbrance created by Company, except for those that do not materially impair the current business of the Company and Customarily Permitted Liens.

3.9.2 Defaults. Regarding the Real Property Leasehold Interests, except as disclosed on Schedule 3.9, to Seller's and Cooper's knowledge there is no (i) material default or event of default by Company, as lessee under the lease

agreement relating to the Leased Real Property; (ii) material default or event of default by the lessor under the provisions of such lease; or (iii) event that with the giving of notice or passage of time or both would constitute such material default or event of default by Company or by the lessor. Neither Seller nor Cooper has received notice of a default under the terms of any real property lease in effect.

3.9.3 Condemnation. To Seller's and Cooper's knowledge, there is no pending or threatened condemnation, eminent domain or similar proceeding with respect to the Real Property Leasehold Interests.

3.10 Leased Personal Property

3.10.1 Except as set forth on Schedule 3.10, the Company has a valid and subsisting leasehold interest in the personal property (the "Personal Property Leasehold Interests") identified as being subject to a lease with Company as lessee on Schedule 3.10 (the "Leased Personal Property"), in each case, free and clear of any security interest, claim, or encumbrance created by Company, except for those that do not materially impair the current business of the Company, and Customarily Permitted Liens.

3.10.2 Defaults. Regarding the Personal Property Leasehold Interests, except as disclosed on Schedule 3.10, to Seller's and Cooper's knowledge there is no (i) material default or event of default by Company, as lessee under the lease agreement relating to the Leased Personal Property; (ii) material default or event of default by the lessor under the provisions of such lease; or (iii) event that with the giving of notice or passage of time or both would constitute such material default or event of default by Company or by the lessor. Neither Seller nor Cooper has received notice of a default under the terms of any personal property lease in effect.

3.11 Ownership of Fixed Assets, Accounts Receivable, Inventories.

Except as set forth in Schedule 3.11, Company owns all Accounts Receivable ("Receivables"), Fixed Assets and Inventory reflected on the Peg Balance Sheet and the Receivables, Fixed Assets and Inventory acquired by Company since the date thereof (except such property as has been disposed of since that date in the ordinary course of business), free and clear of any lien, security interest, claim, charge, exception or encumbrance, except for Customarily Permitted Liens.

3.12 Intellectual Property. To Seller's and Cooper's knowledge, Company owns, or is licensed or otherwise has the right to use, the patents, trademarks and copyrights currently used in the Business (the "Intellectual Property") free and clear of any payment or encumbrance, except as shown on Schedule 3.12 and subject to any rights of any federal governmental authority pursuant to any government contract or regulation relating to such contract. The patents, registered trademarks and registered copyrights of the Intellectual Property which to Seller's and Cooper's knowledge are owned by Company are listed in Schedule 3.12. Except as set forth in Schedule 3.12, neither Seller, Cooper nor Company has received written notice of any claim or demand pertaining to, and neither Seller, Cooper nor Company is aware of any threatened or pending proceedings which challenge the right of Company in respect of, any of the Intellectual Property. Except as set forth on Schedule 3.12, to Seller's and Cooper's knowledge Company's use of any of the Intellectual Property on the date hereof does not infringe any rights of others, except for any infringement that would not have a material adverse effect on the current business of the Company taken as a whole. Except as set forth on Schedule 3.12, to Seller's and Cooper's knowledge none of the Intellectual Property owned by the Company is subject to

any outstanding order, ruling, judgment or stipulation by any court, arbitrator or administrative agency. Neither Seller nor Cooper is aware that any of the Intellectual Property owned by the Company is being infringed upon or appropriated by others which infringement has a material adverse effect on the current business of the Company taken as a whole.

3.13 Contracts. Schedule 3.13 identifies, as of the Effective Date, all outstanding contracts or commitments of the Company that provide for future payments to or from the Company of more than $50,000.00, except for purchase and sales contracts in ordinary course of business. Except as set forth on Schedule 3.12, Company has complied in all material respects with the provisions of each such contract or commitment and is not in material default thereunder and to Seller's and Cooper's knowledge no other party or parties thereto have failed to comply in any material respects with the provisions of each such contracts or commitment or is in material default thereunder, except in either case for a failure to comply or default that would not materially and adversely impair the ability of Buyer to conduct the current Business of the Company.

3.14 Permits. To Seller's and Cooper's knowledge, Company has in effect (and will use its reasonable efforts to maintain in effect until the Closing Date) those Permits, if any, from all federal, state and local authorities ("Permits") that are required for the conduct of the current Business of the Company or the ownership or use of the Company's assets except such Permits, the absence of which would not have a material adverse effect on the current Business of the Company. Neither Seller nor Cooper is aware of any threat by any governmental authority to cancel, modify or fail to renew any such Permit. Neither Seller nor Cooper has received notice of a default under the terms of any Permit in effect.

3.15 Compliance With Applicable Laws and Regulations. Except as set forth on Schedule 3.15 and except for Environmental Liabilities, to Seller's and Cooper's knowledge, Company has complied with all laws, regulations, rules, orders, judgments, decrees and other requirements imposed by federal, state and local governmental authorities applicable to it in the operation, as presently conducted, or ownership of the Business, except where the failure to comply therewith would not have a material adverse effect on the current Business of the Company. Except as set forth on Schedule 3.15, to Seller's and Cooper's knowledge, Company, in the current operation of its Company, has complied with all currently effective Environmental Laws applicable to it, except where the failure to comply would not have a material adverse effect on the Company taken as a whole.

3.16 Litigation. Except as set forth on Schedule 3.16, Company is not a party to any material legal or administrative action, suit or other proceeding by or before any court, arbitrator or administrative agency that directly relates to or directly affects the Company, and neither Seller nor Cooper is aware that any material legal or administrative action, suit or proceeding has been threatened. Except as set forth on Schedule 3.16 or as Buyer may be otherwise notified by Seller or Cooper, there are no outstanding orders, rulings, decrees, judgments or stipulations to which Company is a party or by which it is bound, by or with any court, arbitrator or administrative agency, that challenge the transactions contemplated by this Agreement or materially and adversely affect the Company taken as a whole.

3.17 Conduct of Business Since July 25, 1993. Except as set forth on Schedule 3.17, since July 25, 1993, there has not been any material adverse change in the current business, operations, or condition (financial or otherwise)

of the Company. Except as set forth on Schedule 3.17, since July 25, 1993, Company has conducted its business only in the ordinary course and has not (with respect to its business):

3.17.1 Made or incurred any capital expenditures in excess of $50,000.00 in any one transaction or series of similar transactions;

3.17.2 Except in the ordinary course, consistent with prior practice, made any change in the rate of compensation, commission, bonus or other direct or indirect remuneration payable or to become payable to any Active Employee of Company, or agreed or orally promised to pay, conditionally or otherwise, any bonus, extra compensation, pension or severance or vacation pay, to any employee, or agent of Company that would constitute a material obligation or liability of Company taken as a whole.

3.17.3 Sold, leased or transferred any of its assets, other than inventories in the ordinary course of business and other assets not material to the Company taken as a whole;

3.17.4 Amended or terminated any material contract in which Company has entered;

3.17.5 Incurred or guaranteed any material loan or other obligation;

3.17.6 Subjected any of its assets to any material mortgage, pledge, lien or other material encumbrance other than those for current taxes not yet due and payable;

3.17.7 Suffered any material damage, destruction or loss of or to its assets; or

3.17.8 Entered into any material contract or commitment (other than this Agreement or any arrangement provided for or contemplated in this Agreement) to take any of the actions described in subsections 3.17.1 through 3.17.7.

3.18 Employee Relations, Employee Benefit Plans.

3.18.1 Employees. Except as set out on Schedule 3.18.1, there is no labor strike, lockout or work stoppage pending or, to Seller's and Cooper's knowledge, threatened against or involving the Company. Except as set forth on Schedule 3.18.1, with respect to the Business, the Company is not a party to any collective bargaining agreement relating to any Active Employee.

3.18.2 Employee Benefit Plans. As of Closing, with respect to Active and Inactive Employees, Company is not under any obligation to maintain or contribute to any of the following types of employee benefit plans or arrangements, whether foreign or domestic, other than those listed on Schedule 3.18.2:

3.18.2.1 Each defined benefit pension plan and each defined contribution pension plan listed in Schedule 3.18.2 will be, on Closing Date, fully funded except as indicated in such Schedule. With respect to the Baron Drawn Steel Salaried Plan as defined in Section 7.2.1, "fully funded" shall mean that as of the Closing Date the Net Assets Available for Benefits are equal to or in excess of the Actuarial Present Value of Accumulated Plan Benefits. Such determination shall be made by the Baron Drawn Steel Salaried Plan's actuary using the same actuarial assumptions and procedures that were used in the January 1, 1993 actuarial valuation. The terms "Net Assets Available for Benefits" and "Actuarial Present Value of Accumulated Plan Benefits" shall have the meanings as such terms are used in Table III-5 of the January 1, 1993 actuarial valuation.

3.18.2.2 any employee pension benefit plan or arrangement as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA");

3.18.2.3 any employee welfare benefit plan or arrangement, as defined in Section 3(1) of ERISA;

3.18.2.4 any multiemployer pension plan, subject to Title IV or ERISA; or

3.18.2.5 any other plan, program, contract, or agreement.

3.18.3 The employee pension benefit plans listed on Schedule 3.18.2 which are subject to ERISA comply in all material respects in form and operation with the various requirements of ERISA and meet the requirements of "qualified plans" under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") or any failure to so comply would not have a material adverse effect on the Company, plan, funding vehicle, or other person.

All reports with respect to such plans have been filed and disclosure information distributed to participants, as required by law. All benefits accrued under the employee pension benefit plans listed on Schedule 3.18.2 through the Closing Date have been funded by contribution or accrued as a liability on the Final Closing Balance Sheet.

3.18.4 The employee welfare benefit plans listed on Schedule 3.18.2 which are subject to ERISA comply in all material respects in form and operation with the requirements of ERISA or any failure to comply would not have a material adverse effect on the Company, plan, funding vehicle or other person and all reports with respect to such plans have been filed and disclosure information distributed to participants, as required by law.

3.18.5 To the best of Seller's and Cooper's knowledge, with respect to any other plan listed in Schedule 3.18.2, the plan is in compliance with applicable law and has been administered in accordance with its terms.

3.18.6 To the best of Seller's and Cooper's knowledge, for the employee benefit plans listed on Schedule 3.18.2 which are subject to ERISA:

3.18.6.1 no "prohibited transaction" (as such term is defined in Section 4975 of the Internal Revenue Code or as described in Part 4 of Subtitle B of Title I of ERISA) or breach of fiduciary duty thereunder has occurred nor is there any unrelated business income tax liability;

3.18.6.2 no liability for failure to comply with ERISA or the Code exists for any action or failure to act in connection with the administration of said plans;

3.18.6.3 For the employee pension benefit plans listed on Schedule 3.18, no partial or complete termination or "reportable event" as the term is defined in Section 4043 of ERISA has occurred, and all contributions for periods prior to the Closing Date have been made or accrued as a liability of the Company; and

3.18.7 With respect to the employee benefit plans listed on Schedule 3.18.2 Seller has furnished to Buyer true and complete copies of:

3.18.7.1 the plans and all currently effective amendments and any related funding vehicles;

3.18.7.2 the most recent determination letters, if any, received from the Internal Revenue Service regarding the plan;

3.18.7.3 the Financial Statements for each of the plans and related trusts as of the end of the most recent plan year; and

3.18.7.4 the most recent Annual Return/Reports (Forms 5500) filed for the plans.

3.19 Owned Real Estate. Schedule 3.19 sets forth a true and complete list of all real property owned by Company. Except as set forth in Schedule 3.19, and

subject to the conditions there set out, Company has good and marketable title to all of the real property listed on Schedule 3.19 free and clear of all mortgages or liens, except for current property taxes not yet due and payable or such minor imperfections of title as do not detract from the value of, or impair the use of, the affected property. Company has not received notice of any condemnation, eminent domain or similar proceeding with respect to the listed real estate.

3.20 The Company does not own or lease any real property outside the States of Michigan and Ohio and has no employees outside the states of Michigan and Ohio.

3.21 Representations True and Correct. All the representations and warranties of Seller and Cooper contained in this Agreement are true and correct in all material respects on the date of this Agreement or will be true and correct in all material respects on the Closing Date.

3.22 Schedules and Exhibits. Disclosure of any matter in any Schedule or Exhibit referenced by a particular paragraph or section in the Agreement shall be deemed to be disclosed with respect to that other paragraph or section whether or not an explicit cross-reference appears provided that the disclosure is sufficient to apprise of the applicability of such other paragraphs or sections. The inclusion of any matter on any Schedule or Exhibit will not be deemed an admission by Seller or Cooper that the matter is material or would have a material adverse effect on the Company or Business.

3.23 NO IMPLIED REPRESENTATION. IT IS THE EXPLICIT UNDERSTANDING OF BUYER THAT NEITHER SELLER NOR COOPER NOR ANY OF THEIR AFFILIATES, OR ANY OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF ANY OF THE FOREGOING, IS MAKING ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, OTHER THAN THOSE EXPRESSLY STATED IN

THIS AGREEMENT AND THE SCHEDULES HERETO AND THE DOCUMENTS DELIVERED AT CLOSING, AND SELLER AND COOPER, FOR THEMSELVES AND ON BEHALF OF SUCH PERSONS, EXPRESSLY DISCLAIM AND NEGATE ANY SUCH EXPRESS OR IMPLIED WARRANTIES, INCLUDING THE WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR OF MERCHANTABILITY OR CONDITION OR VALUE WITH RESPECT TO THE COMPANY, ITS ASSETS OR THE BUSINESS, AND BUYER ACCEPTS THE COMPANY, ITS ASSETS AND THE BUSINESS IN THEIR "AS IS, WHERE IS" CONDITION, WITH ALL FAULTS. NEITHER SELLER NOR COOPER WARRANTS ANY FORECAST OR FINANCIAL PERFORMANCE INFORMATION RELATING TO THE BUSINESS. NEITHER SELLER NOR COOPER WARRANTS THE VALUATION OF INVENTORY, ASSETS, OR THE ADEQUACY OF ANY RESERVES ON THE BUSINESS' BOOKS. SELLER MAY PROVIDE BUYER WITH CERTAIN INFORMATION CONCERNING THE PRESENCE, ABSENCE, OR LEVELS OF HAZARDOUS MATERIALS WITH REGARD TO THE ASSETS, PREMISES, OR FACILITIES OF THE COMPANY. SELLER DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, NOR IS ANY TO BE IMPLIED, WITH RESPECT TO SUCH INFORMATION AS MAY BE FURNISHED BY SELLER OR ANY THIRD PARTY (INCLUDING ANY GOVERNMENTAL AUTHORITY) OR OTHER SOURCES, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OR REPRESENTATIONS THAT THE INFORMATION FAIRLY OR ACCURATELY DESCRIBES THE AMOUNTS OR CONCENTRATION LEVELS OF ANY SUBSTANCE, CONDITIONS AFFECTING ENVIRONMENTAL MATTERS OR COMPLIANCE OR NONCOMPLIANCE WITH ENVIRONMENTAL LAWS. Buyer acknowledges that any financial forecast provided to Buyer by Seller or Cooper was based solely on a preliminary estimation and that Buyer realizes that there are many reasons that may cause such estimations to be wrong or not to be realized. Buyer further acknowledges that as part of its investigation, it has made, or will make, its own estimate of likely future financial results and that forecasts or estimates provided by Seller or Cooper shall never be the basis for any cause of action against Seller or Cooper. Buyer also understands and agrees that Seller and Cooper shall have no liability to

Buyer with respect to any information provided by Seller pursuant to the parties' Confidentiality Agreement or in the Seller's data rooms. It is understood that such information was provided to Buyer on a preliminary basis and that all such statements and information have been, or will be, superseded by Buyer's due diligence investigation and the negotiation of conditions, representations, warranties, covenants and agreements contained in this Agreement, Schedules and Closing documents.

4. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

4.1 Corporate Organization. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Ohio.

4.2 Corporate Authorization. Buyer has full corporate power and authority to execute and deliver this Agreement and all instruments of assumption and other documents to be delivered by it in connection herewith and to consummate the transactions contemplated hereby and thereby. This Agreement and all instruments of assumption and other documents to be delivered by Buyer in connection herewith have been or will be duly authorized and approved by all necessary and proper corporate action of Buyer. This Agreement constitutes a legal, valid and binding obligation of Buyer, and all instruments of assumption and other documents to be delivered by Buyer in connection herewith, when so executed and delivered, will constitute, legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization,

moratorium or other laws applicable to creditors' rights generally or governing the availability of equitable relief.

4.3 No Violation or Conflict. Neither the execution and delivery of this Agreement by Buyer nor the consummation of the contemplated transactions will violate, conflict with, result in the breach of or accelerate the performance required by any of the terms, conditions or provisions of the Certificate of Incorporation, other charter document or By-Laws of Buyer or any covenant, agreement or understanding to which Buyer is a party or any order, ruling, decree, judgment, arbitration award or stipulation to which Buyer is subject, or constitute a default thereunder that results in the creation or imposition of any lien, charge or encumbrances upon any of the properties or assets of Buyer, other than those that would not materially and adversely affect Buyer's ability to consummate the contemplated transactions.

4.4 Consents, Approvals or Authorizations. Except as required under the HSR Act and any similar legislation of any jurisdiction other than the United States, and except as set forth on Schedule 4.4, no consent, approval or authorization of, filing or registration with, or notification to, any governmental or regulatory authority is required in connection with the execution and delivery of this Agreement by Buyer or the consummation of the contemplated transactions other than any consent, approval or authorization, filing or registration with, or notification to, which if not obtained or made would not materially and adversely affect Buyer's ability to consummate the contemplated transactions.

4.5 Funds. Buyer has, or Buyer has a firm commitment from a lending institution for, and shall have at the Closing sufficient funds available to it

to pay the Closing Payment and to consummate the other transactions contemplated by this Agreement to be consummated by Buyer.

4.6 Buyer's Investigation. Buyer's purchase of the Company results solely from its inspection of the Company and not as result of any representations made by Seller or by any agent of Seller that are not incorporated in this Agreement or in any instrument of transfer or other document to be delivered by Seller at the Closing. Buyer expressly waives any claims for damages or for rescission or cancellation of this Agreement because of any representations made by Seller or Cooper or any agent of Seller or Cooper other than the representations contained in this Agreement or in any instrument of transfer or other document to be delivered by Seller at Closing.

5. ACCESS OF BUYER

5.1 Until the Closing Date, or the date this Agreement is terminated pursuant to Section 13, if earlier, Buyer through its agents and employees may conduct such investigation of the Company and the financial and legal condition of the Company as Buyer may determine. Any such investigation and any information obtained by Buyer shall be subject to the Confidentiality Agreement signed by Buyer. If Buyer discovers any information that would suggest that a representation or warranty of Seller or Cooper is inaccurate or incomplete, Buyer shall so notify Seller or Cooper. During the course of such investigation, Seller agrees to make available to Buyer Company's facilities, books, records, personnel and agents available for reasonable review by such agents and employees of Buyer during normal business hours on reasonable notice. The investigation,

however, shall be conducted in a manner that does not unreasonably interfere with the normal operations of the Business.

6. COVENANTS

6.1 Preservation of the Business. Between the date hereof and the Closing Date, Seller will use its reasonable efforts (i) to cause the Business to be conducted only in the ordinary course, (ii) to preserve the Business (except for the disposition of inventories in the ordinary course of business and other assets not material to the Business), and (iii) consistent with efficient and economical management, retain the services of the present Active Employees of the Business.

6.2 Further Assurances. From time to time after the Closing, at Seller's request, Buyer will execute and deliver such other and further instruments and take such other action as Seller may reasonably require for the more effective discharge of the transactions covered by this Agreement at Buyer's expense.

6.3 Post-Closing Access; Preservation of Records.

6.3.1 Buyer's Responsibility. From and after the Closing Date, Buyer shall make available to Seller, its agents and employees all books, records and documents relating to the Company and Active Employees during regular business hours as may be necessary for the purposes of (i) investigating, preparing for the defense or prosecution of, prosecuting or defending any litigation, proceeding or investigation pending, threatened or anticipated by or against Seller or any of its properties, officers and directors before any court, governmental department, commission, board, bureau or agency, which is based upon, arises out of or otherwise is in respect of the Company (ii) preparing

reports to stockholders and government agencies or (iii) for such other purposes for which access to such documents is believed by Seller to be reasonably necessary; provided, however, that access to such books, records, documents and employees shall not unreasonably interfere with the normal operation of the Company by Buyer. Buyer shall maintain and preserve all such books, records and other documents at least for the greater of six years after the Closing Date or any applicable statutory or regulatory retention period and shall notify Seller before such records are destroyed.

6.3.2 Seller's Responsibility. Seller shall make or cause to be made available to Buyer all books, records and documents of Seller relating to the operation of the Company for the same purposes, to the extent applicable, and on the same terms and conditions as are set forth in Section 6.3.1.

6.4 HSR Act Compliance.

6.4.1 Filing. Seller and Buyer shall each promptly make all filings or submissions as are required under the HSR Act. Each of Seller and Buyer shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission which is necessary under the HSR Act . Seller and Buyer shall each keep the other apprised of the status of any communications with and any inquiries or requests for additional information made by any governmental authority and shall comply promptly with any such inquiry or request. The parties shall, upon the request of either the Federal Trade Commission or the U.S. Department of Justice, or any other governmental authority, supply such agency with any additional requested information as expeditiously as is possible, and shall use their good faith reasonable efforts to cause the satisfaction or termination of the applicable waiting period under the HSR Act or any extension thereof.

6.4.2 Buyer's Additional Responsibility. If on the Closing Date there is in effect or if before the Closing Date Buyer has any reason to believe that on the Closing Date there will be in effect any judgment, decree or order issued by a U.S. court of competent jurisdiction that prohibits the consummation of any, all or a portion of the contemplated transactions, Buyer shall use its best efforts to take all steps necessary promptly to eliminate any concern on the part of any court or government authority regarding the legality of the proposed transaction.

6.5 Fulfill Conditions. Each of Seller and Buyer shall use its reasonable best efforts to cause to be fulfilled the conditions to their respective obligations set forth in Articles 8 and 9, unless otherwise provided herein.

6.6 Purchase Price. Buyer and Seller agree that the consideration provided pursuant to this Agreement is being paid solely to acquire the Shares and neither party will (or will permit an Affiliate to) report or treat any part of such consideration as allocable to anything other than payment for the Shares.

6.7 Interim Use of Seller's Name and Logo.

6.7.1 Sales Aids and Literature. Buyer shall delete the words "Cooper" and "Cooper Industries, Inc." and any related logos from all sales aids and sales literature distributed by or on behalf of Company within a reasonable period after the Closing Date, but in no event later than six (6) months after the Closing Date and shall not use "Cooper" or any of Seller's trade names, trademarks or logos as all or part of any corporate name, trade name, trademark or service mark of Company thereafter.

6.7.2 Seller's Names. Buyer and Seller expressly agree that Seller is not conferring any right to use the names "Cooper", "Cooper Industries, Inc.",

"Champion" or "Champion Spark Plug Company", or any names related to or derivative of those names, except as described in Section 6.7.1.

Buyer shall delete, obliterate or otherwise cover from view the words "Cooper", "Cooper Industries, Inc." and any related logos from all letterhead, stationery, business cards, purchase orders, bank checks and similar documents used in the trade and from all signage immediately after the Closing Date.

6.8 Tax Matters.

6.8.1 Section 338(h)(10) Election. Cooper and Buyer agree that they will elect to treat the sale of the Shares pursuant to this Agreement as a deemed taxable sale of all of the assets of the Company to Buyer pursuant to Sections 338(g) and 338(h)(10) of the Code (the "Elections"). Cooper and Buyer agree to take or cause to be taken all actions necessary to file, on a timely basis, the election prescribed pursuant to Temp. Treasury Regulation Section 1.338(h)(10)-1T, and that they will take all steps necessary to obtain comparable treatment, where applicable, under state law. Cooper and Buyer further agree that they will not take, or cause to be taken, any action which would be inconsistent with or prejudice the Elections.

6.8.2 Payment of Taxes. Cooper shall pay all Taxes of the Company with respect to all taxable periods ending on or prior to the day before the Closing Date and shall be entitled to receive all refunds of Taxes (including interest thereon) with respect to the Company for such periods. Cooper also shall pay all Taxes of the Company for any taxable period commencing before the day before the Closing Date and ending on or after the Closing Date, but only with respect to the portion of such period up to and including the day before the Closing Date (the "Pre-Closing Period"). Taxes attributable to a Pre-Closing Period shall be based, in the case of real and personal property taxes, on a per

diem basis and, in the case of other Taxes, on the actual activities, taxable income or taxable loss of the Company during such Pre-Closing Period as if such taxable period ended as of the close of business on the day before the Closing Date. Cooper shall pay all taxes related to the Elections as that term is described in Section 6.8.1 above. If Buyer receives any refunds (plus any interest thereon) properly belonging to Cooper pursuant to this section, Buyer shall pay such amounts to Cooper as promptly as practicable but in no event later than 30 days after receipt thereof.

Notwithstanding the above, Buyer and Seller shall divide evenly the cost of all sales, use, transfer, stamp, stamp duty, conveyance, or similar taxes, duties, excises or governmental charges imposed by any taxing jurisdiction, including any and all recording fees, notarial fees and other similar costs of Closing (but not including taxation on income, profits or gains), incurred in connection with the sale, transfer or assignment of the Shares or any deemed sale of the assets of the Company in connection with this Agreement or the transactions contemplated herein.

6.8.3 Filing of Returns. Cooper shall file or cause to be filed all appropriate Returns as listed in Schedule 6.8.3 in respect of the Company that (i) are required to be filed on or before Closing; or (ii) are required to be filed after Closing that (A) are required to include, on a consolidated or combined basis, the operations of the Company for any tax period ending on or before the Closing, or (B) are required to be filed by the Company on a separate return basis for any tax period ending on or before the Closing (the "Cooper Returns"). To the extent requested by Cooper, Buyer shall participate in the filing of and shall file any required Returns with respect to any period that ends on or before Closing; Cooper is required to pay any tax shown by such

Return. Buyer shall prepare or cause to be prepared the schedules in respect of the Company containing the information necessary for Cooper to prepare any consolidated or combined returns. Buyer shall also prepare or cause to be prepared and shall file or cause to be filed all Returns required of the Company, or in respect of its activities, for any taxable period ending after Closing that includes the operations of the Company prior to Closing, other than Cooper Returns (the "Buyer Returns").

6.8.4. Cooperation and Records Retention. Cooper and Buyer shall (i) each provide the other, and Buyer shall cause the Company to provide to Cooper, with such assistance as may reasonably be requested by any of them in connection with the preparation of any Return, audit or other examination by any taxing authority or judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other, and Buyer shall cause the Company to retain and provide Cooper, with any records or other information which may be relevant to such Return, audit or examination, proceeding or determination, and (iii) each provide the other with any final determination of any such audit or examination, proceedings or determination that affects any amount required to be shown on any Return of the other for any period. Any information obtained under this Section shall be kept confidential, except as may be otherwise necessary in connection with the filing of Returns, claims or refunds or in conducting any audit or other proceeding or pursuant to any applicable law.

Without limiting the generality of the foregoing, Buyer shall retain and shall cause the Company to retain and Cooper shall retain, for the longer of seven (7) years after the Closing Date or the expiration of the applicable statutes of limitation (including any extensions), copies of all Returns,

supporting work schedules and other records or information which may be relevant to such Returns for all tax periods or portions thereof ending before or including the Closing Date and shall not destroy or otherwise dispose of any such records without first providing the other party with a reasonable opportunity to review and copy the same.

6.8.5. Tax Proceedings. Cooper shall exercise at its expense complete control over the handling, disposition and settlement of any governmental inquiry, examination or proceeding that could result in a determination with respect to Taxes due and payable by Buyer or the Company for which Seller may be liable, or against which Cooper may be required to indemnify; provided, however, that Buyer and Seller shall jointly control all proceedings taken in connection with any Tax audit or claim for Taxes relating to Taxes of the Company for any period that includes but does not end on Closing. Cooper shall, however, promptly notify the Company if, in connection with any such inquiry, examination or proceeding, any government authority proposes in writing to make any assessment or adjustment with respect to Tax items of the Company, which assessments or adjustments could affect the Company after the Closing Date, and shall consult with the Company with respect to any such proposed assessment or adjustment. Buyer shall notify Cooper in writing promptly upon learning of any such inquiry, examination or proceeding, and shall cooperate with Cooper, as Cooper may reasonably request, in any such inquiry, examination or proceeding.

6.8.6 Termination of Existing Tax-Sharing Agreements. All tax-sharing agreements or similar arrangements with respect to or involving the Company shall be terminated prior to the Closing Date and, after the Closing Date, the Company shall not be bound thereby or have any liability thereunder for amounts due in respect of periods prior to the Closing Date.

6.8.7 Nonforeign Affidavit. Seller shall furnish to Buyer an affidavit stating, under penalty of perjury, the transferor's United States taxpayer identification number and that the transferor is not a foreign person, pursuant to Section 1445(b)(2) of the Code.

6.9 Seller's Company Obligations.

6.9.1 Scope. "Seller's Company Obligations" shall mean any obligation, commitment, liability or responsibility of Seller or Cooper or their affiliates, arising, undertaken, or created prior to the Closing Date in connection with, on behalf of, or for the benefit of, the Company, or arising from conduct of the Company. Those Company Obligations about which Seller or Cooper has knowledge are listed in Schedule 6.9.1. Buyer expressly agrees, effective on the Closing Date, to assume and discharge Seller's Company Obligations or to cause Company to do so. Buyer agrees to use its best efforts to obtain, immediately following the Closing, at its expense, a complete release of Seller and Cooper, their affiliates and their predecessors from Seller's Company Obligations. From and after Closing, Buyer shall undertake to obtain any required consents, waivers, or releases (and Seller and Cooper shall cooperate and provide assistance to Buyer to obtain them) to enable Buyer to discharge its responsibilities for Seller's Company Obligations. Until Buyer obtains such instruments, Buyer shall defend, indemnify, and hold harmless Seller and Cooper, and their affiliates and predecessors, from any claim, demand, cost or expense arising from Seller's Company Obligations, and Seller and Cooper shall have no authority to take any action concerning Seller's Company Obligations unless requested and authorized in writing by Buyer. Buyer shall reimburse Seller and Cooper monthly for Seller's or Cooper's actual out-of-pocket expenses incurred in taking such action at Buyer's request.

6.9.2 Releases. Until Buyer is able to obtain such releases, Buyer or Company shall not take any action that has the effect of amending or otherwise modifying any provision of any of Seller's Company Obligations for which Seller or Cooper, their affiliates or predecessors, may have any continuing liability, either primary or contingent, except for amendments or modifications which do not (a) increase any obligation or liability of Seller or Cooper, or their affiliates, or (b) extend the time during which Seller or Cooper or their affiliates will be liable.

6.10 Retained Assets. The assets, rights and property of the Company shall not include the following (the "Retained Assets"):

6.10.1 Insurance policies, related refunds or proceeds and all rights relating thereto, except as set out in Schedule 6.10;

6.10.2 All claims, causes of action, rights of recovery, choses in action and rights of set off of any kind relating to the Retained Assets;

6.10.3 All tax refunds which relate to the obligations of Seller;

6.10.4 Any asset, right or property that Company uses or shares with another operation or affiliate of Seller or Cooper;

6.10.5 Any benefits (current or deferred) for income taxes or other taxes based on the income of the Company;

6.10.6 Any intercompany receivables or any cash, except for petty cash balances; or

6.10.7 Any reserves or accruals with respect to uncollectible accounts receivable or bad debts.

At Closing, Buyer agrees to execute and deliver to Seller and Cooper (or to cause Company to do so) such instruments of assignment or acknowledgement as

Seller or Cooper may reasonably require to effect and evidence the transfer of the Retained Assets.

6.11 Michigan Lease. Seller shall obtain an estoppel certificate and lease modification from the landlord, and shall use its best efforts to obtain a non-disturbance agreement from landlord's mortgagee, with respect to Company's leased facility in Canton, Michigan.

6.12 At Closing, Buyer agrees to assume the obligations of Seller and Cooper under the collective bargaining agreement then in place between Company and the International Union, United Automobile, Aerospace and Agricultural Implements Workers of America UAW-CIO, and its Local No. 12, and Buyer further agrees to assume all Environmental Liabilities, both pre-Closing and post-Closing, and to pay or discharge such Liabilities as they become due.

6.13 Existing Insurance Coverage. At Closing, Seller will cancel insurance coverage applicable to the Company for occurrences or claims made after the Closing date; provided, however, that the remaining insurance coverage shall be available to the Buyer and the Company with respect to insured occurrences or series of occurrences relating to the Company on or prior to the Closing Date, if and only to the extent that the Buyer or the Company has assumed or paid the loss or liability attributed to such occurrences. If, after the Closing, the Seller actually receives from an insurer cash proceeds (excluding any return of premium or reimbursed attorneys or investigation or other fees) attributable to such insurance coverage with respect to any insured occurrences or any series of occurrences on or prior to the Closing Date or any claims that were asserted on or prior to the Closing Date, then such cash proceeds shall be paid to the Buyer net of any deductible, co-payment, retro fees, self-insured premiums, defense costs or other charges paid or payable to the insurance carrier or obligations

to reimburse the insurance carrier for which the Seller is liable, to the extent that the Buyer or the Company has assumed or paid the loss or liability attributed to such occurrences. The Buyer shall reimburse the Seller for any administrative costs, retro fees, premiums, self-insured or deductible loss costs or other expenses that the Seller is charged after the Closing by such insurance carrier relating to claims paid to Company subsequently to Closing under insurance coverage and applicable to the Company prior to Closing up to but not exceeding the amount actually received by the Company. Schedule 6.13 lists coverage and claim schedules applicable to the Company.

6.14 Accounts Receivable.

6.14.1 After the expiration of 180 days from the Closing Date, Buyer may assign to Seller the remaining balance of any Receivables which at such time has not been collected in full. Such Receivables are hereinafter called the "Assigned Receivables."

6.14.2 A list of the Assigned Receivables that Buyer intends to transfer to Seller shall be furnished to Seller in writing not later than 190 days after the Closing. Such list shall include the name of account debtor and the amount of the account which remains due and payable as of the date of the said notice. Seller shall, within 15 days of the receipt of such notice, pay such total amount due at Buyer's address at 45 Rockefeller Plaza, 36 Fl., New York, New York 10111. Upon such payment Buyer shall assign to Seller all rights, titles and interest in said Assigned Receivables. Upon any Assignment to Seller, Seller shall assume full responsibility therefor. For the limited purpose of collecting such receivables, Seller shall be entitled to use the name "Baron."

6.14.3 From and after the Closing Date, including after any assignment of the Assigned Receivables to Seller, Buyer shall take all such

commercially reasonable steps as are consistent with Seller's past practices and procedures to collect all Receivables when and as due except that Buyer shall not be required to initiate litigation against any account debtor. To the extent that any account debtor of a Receivable also has receivables to Buyer or Company in connection with the Business which were incurred after the Closing Date, Buyer agrees that any payments received after the Closing Date from such account debtor shall be applied to the oldest invoice first unless such account debtor specifically designates otherwise in writing.

6.15 Bank Accounts. Seller will transfer to Buyer and Buyer will retain control over all check registers, records, and unused check stock of Company's payroll and general bank accounts after the Closing Date. Buyer is entitled to utilize said check stock for such accounts to facilitate the transfer of the Business. Buyer shall be responsible for funding of checks Buyer writes after Closing on such accounts.

7. EMPLOYEES, EMPLOYMENT AND EMPLOYEE BENEFIT PLANS

7.1. Employees and Employment.

7.1.1 Definitions. For the purposes of this Agreement the terms "Active Employees" and "Inactive Employees" shall mean:

7.1.1.1 Active Employees. All employees actively employed in the Business on the Closing Date, and all employees of the Business on layoff, leave of absence or temporary disability on the Closing Date. Schedule 7.1 lists all Active Employees as of the date of this Agreement;

7.1.1.2 Inactive Employees. All former employees or (to the extent applicable) beneficiaries of such former employees of the Company and who, on the Closing Date:

(i) are retired under the terms of an employee pension benefit plan currently or previously maintained by Seller for the benefit of employees of the Company and who are receiving benefits under such a pension plan or a welfare benefit plan maintained by Seller for the benefit of such employees;

(ii) are entitled to receive deferred vested pension benefits or other benefits at some time after the Closing Date under a pension or welfare benefit plan maintained by Seller for the benefit of such employees; or

(iii) are receiving or entitled to long-term disability or other benefits under a pension or welfare benefit plan maintained by Seller for the benefit of such employees.

(iv) Schedule 7.1.1.2 lists all Inactive Employees as of the date of this Agreement.

7.1.2 Employment.

7.1.2.1 All Active Employees shall continue to be employees of the Company on the Closing Date.

7.1.2.2 Buyer shall be solely responsible for any and all termination or severance payments or settlements relating to any Active Employee who is terminated on or subsequent to the Closing Date.

7.2 Employee Benefit Plans.

7.2.1 Salaried Pension Plan. Salaried Active Employees and Salaried Inactive Employees participate in the Retirement Plan of Baron Drawn Steel Corporation, a qualified defined benefit plan (the "Baron Drawn Steel Salaried

Plan"). Buyer shall adopt the Baron Drawn Steel Salaried Plan as of the Closing Date and assume all assets and liabilities associated therewith for the benefit of Salaried Active and Salaried Inactive Employees.

7.2.2 Savings Plans. Active and Inactive Employees may participate in the Baron Drawn Steel Corporation Salaried Employees' Deferred Savings Plan, Baron Drawn Steel Corporation Hourly Employees' Deferred Savings Plan, and the Baron Drawn Steel Canton, Michigan Deferred Savings Plan (the "Baron Drawn Steel Defined Contribution Plans"), all being qualified defined contribution plans. Buyer shall adopt the Baron Drawn Steel Defined Contribution Plans as of the Closing Date and assume all assets and liabilities therewith for the benefit of Hourly Active and Hourly Inactive Employees.

7.2.3 General As soon as practicable following receipt by Seller's Trustee, Citibank, N.A., of a successor trustee agreement executed by Buyer, Seller shall cause its Trustee to transfer the assets of the Baron Drawn Steel Salaried Plan and the Baron Drawn Steel Defined Contribution Plans to Buyer's trustee.

7.2.4 Welfare Benefit Plans. Active and Inactive Employees are covered by welfare benefit programs maintained by the Company. Seller invoices Company for the premiums or claims and administrative expenses incurred by Seller for Active and Inactive Employees.

The Company shall retain all obligations to Active and Inactive Employees for claims for benefits under the welfare benefit programs maintained by Seller or Company for Active and Inactive Employees including but not limited to medical, dental, disability and life insurance benefits. Seller will cause the Company to continue the welfare benefit programs in effect on the date of this Agreement through the Closing Date. Seller will cause the Company to pay

any premiums or claims and administrative expenses for benefits in the ordinary course of business as they become due prior to the Closing Date.

Subject to Section 7.3 herein, Buyer shall cause Company to provide substantially similar welfare benefit programs as those provided prior to the Closing Date for Active Employees effective as of and after the Closing Date pursuant to which Buyer or Company shall be liable for all claims arising out of any Incident (as defined below) occurring on or after the Closing Date. Buyer or Company also agrees to provide as of and after the Closing Date life insurance and medical benefits for Inactive Employees and beneficiaries identical in all material respects to the life insurance and medical benefits provided to Inactive Employees prior to the Closing Date for as long as said Inactive Employees are eligible or will be eligible for such benefits. In addition, Buyer agrees to indemnify Seller, its officers and directors for any liability resulting from the operation and maintenance, on and after the Closing Date, of Buyer's or Company's welfare plans or Buyer's or Company's failure to provide, on and after the Closing Date, substantially similar welfare benefits to Inactive Employees as those previously provided to them.

For the purposes of this Agreement, "Incident" shall mean the occurrence of an event, including without limitation, death, accident, disease, injury or disability, which gives rise to a right to a benefit under an employee welfare benefit plan for Active or Inactive Employees; and which, if a disease or disability, shall be deemed to take place at the time of diagnosis by a physician.

7.2.5 The Company has ceased to contribute to the Northwest Ohio Area Industries UAW Retirement Income Plan (the "Multi-Employer Pension Plan")

and has incurred no liability under the Multi-Employer Pension Plan, whether as a result of participation in or withdrawal from said plan.

7.3 No Obligations. Except as specifically provided herein, nothing in this agreement shall require the continued employment of any Active Employee or, except as expressly provided to the contrary herein, the maintenance of any pension, savings, stock purchase plans, or welfare plans, programs or policies or any other employee benefit plan program or arrangement for any Active Employee or Inactive Employee for any period from and after the Closing Date.

8. CONDITIONS PRECEDENT TO THE OBLIGATION OF BUYER

The Buyer's obligation to consummate this Agreement shall be subject to the satisfaction, or waiver in writing by Buyer, on or before the Closing Date, of each of the following conditions:

8.1 Corporate Authorization. Before the Closing, Seller shall have taken or shall have caused Champion to have taken all corporate and other actions necessary to authorize and effectuate the consummation of the contemplated transactions.

8.2 Representations and Warranties. The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though all such representations and warranties had been made on and as of such date.

8.3 Antitrust Notification. The HSR Act and the rules and regulations promulgated thereunder shall have been fully complied with, and all applicable waiting periods and any extensions thereof shall have expired or have been terminated.

8.4 Covenants and Agreements. Each and all of the covenants and agreements of Seller to be performed or complied with before the Closing pursuant to this Agreement shall have been duly performed and complied with or duly waived.

8.5 No Material Injury. From the Effective Date to the Closing Date, the Business shall not have suffered any loss on account of fire, flood, accident, strike, war, or any other calamity which had a material adverse effect on the Company as presently conducted.

8.6 No Adverse Order or Injunction. There shall not be in effect on the Closing Date any judgment, decree or order threatened or issued by any U.S. court of competent jurisdiction that prohibits the consummation by Buyer of the contemplated transactions.

8.7 Directors and Officers. All the directors and officers of Company (who either are Seller's corporate employees or who are requested to resign by Buyer no later than 15 days prior to the Closing) shall have tendered their resignations.

8.8 Supply Purchase Agreement. Seller shall have executed and delivered to Buyer the Supply Purchase Agreement annexed hereto as Schedule 8.8.

9. CONDITIONS PRECEDENT TO THE OBLIGATION OF SELLER

The obligation of Seller to consummate the contemplated transactions shall be subject to the satisfaction, or waiver in writing by Seller, on or before the Closing Date, of each of the following conditions:

9.1 Corporate Authorization. All corporate and other actions necessary to authorize and effectuate the consummation of the contemplated transactions by Buyer shall have duly taken before the Closing.

9.2 Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though all such representations and warranties had been made on and as of such date.

9.3 Covenants and Agreements. Each and all of the covenants and agreements of Buyer to be performed or complied with before the Closing pursuant to this Agreement shall have been duly performed and complied with or duly waived.

9.4 Antitrust Notification. The HSR Act and the rules and regulations promulgated thereunder and any similar foreign laws or regulations shall have been fully complied with, and all applicable waiting periods, and any extensions thereof, shall have expired or have been terminated.

9.5 No Adverse Order or Injunction. There shall not be in effect on the Closing Date any judgment, decree or order threatened or issued by any U.S. court of competent jurisdiction that prohibits the consummation by Seller of the contemplated transactions.

9.6 Assumption Agreement. Buyer shall have executed and delivered to Seller the Assumption Agreement annexed hereto as Schedule 2.1.5.

9.7 Other Financing Agreements. Buyer shall have executed and delivered to Seller the Buyer's Promissory Note, the Profit Participation Agreement, and the Security Agreement annexed hereto as Schedules 2.1.2., 2.1.3., and 2.1.4. respectively.

10. FINDER'S FEES; BROKERS

Seller represents and warrants to Buyer that it has not authorized any person to act as broker, finder or in any other similar capacity in connection with the transactions contemplated by this Agreement and the negotiations leading to it, except for Peers & Co., whose compensation Seller shall pay. Buyer represents and warrants to Seller that it has not authorized any person to act a broker, finder or in any other similar capacity in connection with the transactions contemplated by this Agreement and the negotiations leading to it.

11. SURVIVAL OF CLAIMS

11.1 *Each representation and warranty of Seller or Buyer contained in* Articles 3 and 4 respectively shall survive the Closing and continue thereafter for two years after the Closing Date and then expire.

11.2 This Article 11 shall have no effect upon any covenant or other obligation of the parties, whether to be performed before, on, or after the Closing Date.

12. INDEMNIFICATION

12.1 Indemnification by Seller. Subject to Sections 12.3, 12.4, and 12.5, Seller will indemnify, defend and hold Buyer harmless, net of applicable insurance proceeds collected by Buyer or any tax benefit actually recognized and utilized to offset or reduce the tax liability of Buyer or its Affiliates, from any liability, damage, loss, and expense, including reasonable attorneys' fees and expenses incident to the enforcement of this Article 12, based upon, arising out of or otherwise in respect of (i) any breach of any covenant or agreement of

Seller contained in this Agreement or (ii) any breach of Seller's representations and warranties contained in this Agreement. Buyer shall not have any right to indemnification to the extent that any of Buyer's liability, damage or losses arise from or are increased or extended by the willful misconduct, violation of law, negligence, bad faith, or act or omission of Buyer or Company. Buyer will not be obligated to institute any legal proceedings in connection with the collection or pursuit of any insurance in order to exercise its indemnification remedy under this Section 12.1.

12.2 Indemnification by Buyer. Subject to Sections 12.3, 12.4, and 12.5, Buyer will indemnify, defend and hold Seller harmless, net of applicable insurance proceeds collected by Seller or any tax benefit actually recognized and utilized to offset or reduce the tax liability of Seller or its Affiliates, from any liability, damage, loss, and expense including reasonable attorneys' fees and expenses, that Seller incurs or is subject to based upon, arising out of or otherwise in respect of (i) any breach of any covenant or agreement of Buyer contained in this Agreement, (ii) any breach of Buyer's representations and warranties contained in this Agreement and (iii) Seller's Company Obligations and, (iv) any claim arising out of the conduct of the Business by Company or its predecessors whether before or after Closing including, without limitation, claims for personal injury or property damages arising in connection with the manufacture or sale of products by the Company or the use or ownership of any assets of the Company and claims arising in connection with the employment of any Active or Inactive Employee but not for any pre-Closing Environmental Liabilities. Seller will not be obligated to institute any legal proceedings in connection with the collection or pursuit of any insurance in order to exercise its indemnification remedy under this Section 12.2.

12.3 Notice of Circumstance. Promptly after receipt by Buyer or Seller of notice of any action, proceeding, claim or potential claim (any of which is individually referred to as a "Circumstance") which could give rise to a right to indemnification pursuant to any provision of this Agreement, such party shall give the party who may become obligated to provide indemnification hereunder (the "Indemnifying Party") written notice describing the Circumstance in reasonable detail. If notice of a Circumstance is not given to the Indemnifying Party within a sufficient period of time or in sufficient detail to apprise the Indemnifying Party of the nature of the Circumstance (in each instance taking into account the facts and circumstances known by the indemnified party with respect to such Circumstance), the Indemnifying Party shall not be liable to the party seeking indemnification to the extent that the Indemnifying Party's position is actually prejudiced as a result thereof. The Indemnifying Party shall have the right, at its option, to compromise or defend, at its own expense and by its own counsel, any Circumstance involving the asserted liability of the party seeking indemnification. If the Indemnifying Party does not exercise its option to undertake the defense or compromise of any Circumstance within a reasonable time after receipt of notice of the same, the indemnified party (upon further notice to the Indemnifying Party) shall have the right to undertake the defense or compromise of such Circumstance on behalf of and for the account and risk of the Indemnifying Party, subject to the right of the Indemnifying Party to assume the defense of such Circumstance at any time before compromise or final determination. If any Indemnifying Party shall undertake to compromise or defend any such asserted liability, it shall promptly notify the party seeking indemnification of its intention to do so, and the party seeking indemnification agrees to cooperate fully with the Indemnifying Party and its counsel in the

compromise of, or defense against, any such asserted liability. All costs and expenses incurred in connection with such cooperation shall be borne by the Indemnifying Party. In any event, the indemnified party shall have the right at its own expense to participate in the defense of such asserted liability. Under no circumstances shall the party seeking indemnification compromise any such asserted liability without the prior written consent of the Indemnifying Party.

12.4 Survival of Indemnification Obligations. Entitlement to indemnification for breach of a representation or warranty under Article 3 or Article 4 is conditioned upon the claim being made in writing within the respective time periods set forth in Article 11.

12.5 Limitation of Indemnification. Notwithstanding any contrary provision, no claim by either party against the other for indemnification arising under Article 3 or Article 4 ("Warranty Indemnification Claims") shall be valid and assertible unless and until the aggregate amount of each such loss, liability, damage or deficiency (including reasonable attorneys' fees) in respect of any individual event or occurrence giving rise to such liability suffered, sustained or incurred by the asserting party, or to which such party becomes subject, by reason of such inaccuracy or breach, shall exceed $5,000.00 ("De Minimis Amount"). In addition, the aggregate of such valid and assertible Warranty Indemnification Claims shall be reduced by the amount of $175,000.00 (the "Basket") and no claim for such Warranty Indemnification Claims shall be made until the Basket threshold has been exceeded. In totaling such valid and assertible claims to determine if the Basket threshold has been met, each claim in respect of an individual event or occurrence that does not exceed the De Minimis amount shall be excluded as set out above. Notwithstanding any other provision of this Agreement, (i) the aggregate indemnification obligations of

Seller arising under or relating to this Agreement will not exceed 50% of the Closing Payment (the "Cap") and (ii) neither party shall be liable to the other party for breach of any representation or warranty if the other party had knowledge of the breach at the time of the Closing.

Buyer and Seller agree that the mutual rights to indemnification provided for in Sections 12.1 and 12.2 shall be the sole remedies of the parties in the event of any breach of any representation, warranty, covenant or agreement arising under or relating to this Agreement. Each party, on behalf of itself and its Affiliates, hereby irrevocably waives any claim, cause of action or theory of liability it might otherwise have in respect of any breach of any representation, warranty, covenant or agreement arising under or relating to this Agreement except for the right to seek indemnification on the terms and subject to the provisions of Sections 12.1 through 12.5. This Section 12.5 shall not apply to the determination under Section 2.4 of the Balance Sheet Payment Amount. Claims for breach or failure to perform any covenant or agreement (other than those arising under Articles 3 or 4) shall not be subject to the De Minimis Amount or the Basket. In no event shall Seller under any theory of relief be liable for consequential, incidental or indirect damages regardless of whether this Agreement is consummated. Buyer shall have no right of rescission once this Agreement has closed pursuant to Article 2.

12.6 Purchase Price Adjustment. Any indemnity payments made by Seller or Buyer hereunder shall be made in cash but treated as an adjustment to the Purchase Price.

13. TERMINATION; EFFECT OF TERMINATION

13.1 Termination. This Agreement may be terminated at any time before the Closing by written notice:

(i) by mutual written consent of Seller and Buyer;

(ii) by Buyer if, as of the time of the Closing, the conditions specified in Article 8 have not been satisfied and shall not have been waived by Buyer;

(iii) by Seller if, as of the time of the Closing, the conditions specified in Section 9 have not been satisfied and shall not have been waived by Seller; or

(iv) by either party if the Closing does not occur on or before January 31, 1994;

provided, however, that the party seeking termination pursuant to Sections 13.1(i) through (iv) is not in willful breach of its representations, warranties, covenants or agreement contained in this Agreement.

13.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 13.1, this Agreement, other than with respect to Article 14, Section 16.10 and the Confidentiality Agreement which shall continue in effect, shall thereafter become void and have no effect, and without any liability on the part of any party or its shareholders or directors or officers in respect thereof, except that nothing herein will relieve any party from liability for any willful breach of this Agreement.

14. COSTS INCIDENT TO PREPARATION OF AGREEMENT

Except as otherwise expressly provided in this Agreement, each of the parties shall pay, without right of reimbursement from the other, all costs incurred by it incident to the preparation, execution and delivery of this Agreement, whether or not the transactions contemplated by this Agreement are consummated, including, without limitation, fees and disbursements of legal counsel, accountants and consultants employed by the respective parties in connection with the transactions contemplated by this Agreement.

15. PARTIES IN INTEREST

This Agreement is binding upon and is for the benefit of the parties and their respective successors and permitted assigns. This Agreement is not made for the benefit of any person, firm, corporation or other entity not a party hereto, and no person, firm, corporation or other entity other than the parties hereto or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

16. MISCELLANEOUS

16.1 Assignment; Successors and Assigns. No party to this Agreement shall assign or delegate its rights or obligations under this Agreement (except to an Affiliate, in which event such party shall remain bound to all obligations hereunder) without the express written consent of the other parties in their sole and absolute discretion except that Buyer may, upon Closing, assign its rights hereunder to the financial institution providing financing to Buyer. No assignment or delegation of this Agreement shall relieve the assigning party of its

obligations hereunder. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Any assignment or delegation in violation of this Agreement shall be void.

16.2 Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by prepaid telex, cable or telecopy (fax), or sent, postage prepaid, by registered, certified or express mail, or reputable overnight courier service and shall be deemed given when so delivered by hand, or if telexed, cabled or telecopied (faxed) shall be deemed given when the sender receives a written indication of receipt; or if mailed by registered or certified mail, one week from the date of mailing, and not on the date of mailing; or in the case of express mail or overnight courier service, on the next business day, and shall be sent to the applicable address set forth below:

If to Seller or Cooper:

Cooper Industries, Inc.
Suite 4000, 1001 Fannin Street
Houston, TX 77210

Attention: General Counsel
FAX: (713) 739-5882

If to Buyer:

BDS Acquisition Corp.
c/o The Renco Group
45 Rockefeller Plaza 36 Fl.
New York, NY 10111

Attention: Marvin M. Koenig, Executive President
FAX: (212) 541-6197

With a copy to:

Justin W. D'Atri
Baer Marks & Upham
805 Third Avenue
New York, NY 10022
FAX: (212) 702-5941

or to such other address or addresses as a party shall furnish as provided in this Section 16.2 to the other.

16.3 Waiver; Remedies. No delay on the part of either Buyer or Seller in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of either Buyer or Seller of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. Neither Seller nor Cooper shall in any event be liable to Buyer for any special, indirect, incidental or consequential damages under any theory of relief, whether in contract, strict liability or in tort. Except for the determination of the Final

Closing Balance Sheet which shall be determined in accordance with Article 2, the rights and obligations set forth in Article 12 of this Agreement will be the exclusive rights and obligations with respect to this Agreement, the events giving rise to this Agreement and the transactions provided for or contemplated. Each party, on behalf of itself and its Affiliates, irrevocably waives any claim, cause of action or theory of liability it might otherwise be entitled to assert in respect of the foregoing matters except for the right to seek indemnity on the terms and subject to the conditions set forth in Article 12.

16.4 Entire Agreement; Business Information. This Agreement and all documents delivered by either party at Closing shall constitute the entire agreement between the parties with respect to the subject matter and shall supersede all prior agreements or understandings of the parties relating thereto. Seller agrees to use its reasonable efforts from and after the date of this Agreement to preserve the confidentiality of all confidential and proprietary information related to the Business. Neither Seller nor Cooper shall have any liability with respect to such information that (i) becomes generally available to the public (other than as a direct result of disclosure by the Seller or Cooper from and after the date of closing) or (ii) must legally be disclosed.

16.5 Amendment. This Agreement may be modified or amended only by written agreement of the parties.

16.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument.

16.7 Governing Law. This Agreement and any arbitration provided for herein shall be governed and construed in accordance with the laws of the State

of Texas applicable to contracts made and to be performed entirely within the state.

16.8 Exhibits and Schedules. All Exhibits and Schedules annexed or referred to, are incorporated in and made a part of this Agreement for all purposes as if set forth in full.

16.9 Captions. All article and section titles or captions contained in this Agreement or in any Exhibit or Schedule, and the table of contents to this Agreement are for convenience only, shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement. All references to numbered articles or sections are to articles or sections of this Agreement.

16.10 Publicity. No press release or announcement to employees, customers, suppliers or the public concerning the contemplated transactions shall be issued by any party without the prior approval of the other party, except for such release or announcement as Buyer or Seller in good faith believes is required by law or stock exchange rules. Either party shall be free, however, to disclose after Closing that the Company has been sold and the Purchase Price. If a party shall be under a legal obligation to disclose any information relating to this Agreement (or relating to the contemplated transactions) before closing, the party shall give the other prompt notice thereof and allow reasonable time for the other party to comment on such notice or so that the recipient may, at its option, seek a protective court order. However, absent such protective order the party may make any disclosure required by law or exchange rule.

16.11 Severability. Any provision of this Agreement that is invalid or unenforceable shall be ineffective to the extent of such invalidity or

unenforceability, without affecting in any way the remaining provisions hereof.

16.12 Knowledge.

16.12.1 Seller's Knowledge. For the purposes of this Agreement, the terms "knowledge" or "aware of" or a similar phrase when referring to Seller shall mean the actual knowledge, as to the areas set out on that schedule, of those persons whose names and titles are set out in Schedule 16.12.1, and shall not be construed to include any imputed or constructive knowledge of any type. Seller and Buyer acknowledge that the managers of the business of the Company, whose names are set out on Schedule 16.12.1 (the "Managers"), and there identified as such, obtained detailed knowledge of the operations of the Company through their management positions. Buyer acknowledges that it has been given full access to the Managers and agrees that it will not assert any claim for damages or indemnification, or maintain any action or suit based on a breach of warranty or misrepresentation by Seller or Cooper (i) if any of the Managers had knowledge or should have had knowledge in the ordinary course of business, that such warranty or representation was untrue but did not disclose such to an officer of Seller or Cooper, or (ii) if the information that would make the representation or warranty untrue was disclosed to Buyer (or Buyer was aware of such information) prior to the Closing and Buyer failed to disclose such information to an officer of Seller or Cooper prior to the Closing.

16.12.2 Cooper's Knowledge. For the purposes of this Agreement, the terms "knowledge" or "aware of" or a similar phrase when referring to Cooper shall mean the actual knowledge, as to the areas set out on that schedule, of those persons whose names and titles are set out in Schedule 16.12.2, and shall not be construed to include any imputed or constructive knowledge of any type.

16.13 Plant Closing. Buyer shall defend and indemnify Seller and Cooper and their officers, directors, agents, and affiliated companies, against any claim, damage, wages, fine, penalty or expense, including attorney's fees arising from the failure to comply with the Worker Adjustment and Retraining Notification Act ("WARN") arising from or relating to a "plant closing" or "mass layoff" (as those terms are defined in the Act) occurring on or after the Closing Date relating to the Business.

The parties have executed this Agreement at the Effective Date.

CHAMPION SPARK PLUG COMPANY

By: _____
Title:

COOPER INDUSTRIES, INC.

By: _____
Title:

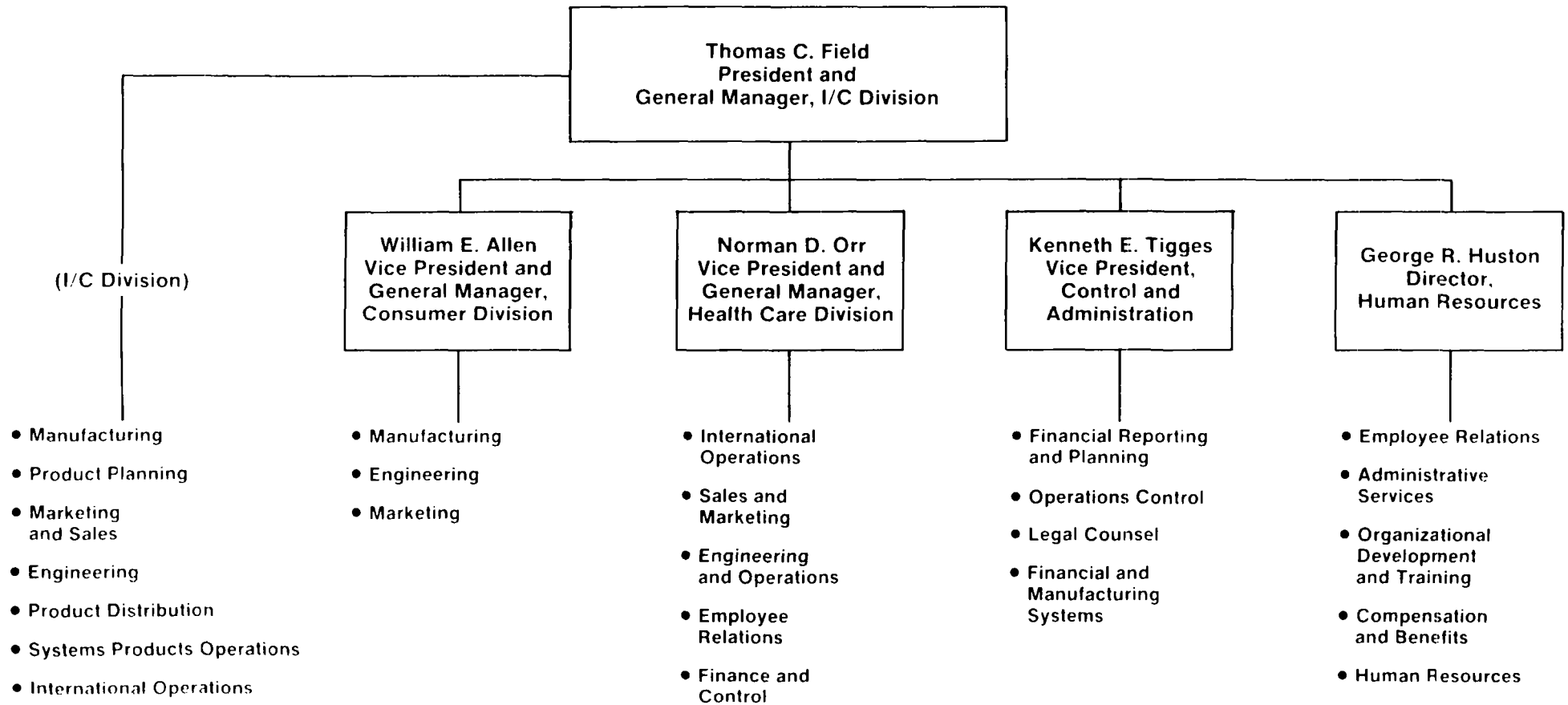
BDS ACQUISITION CORP.

By: _____
Title: Chairman

(G:BAR618.spa)bmc

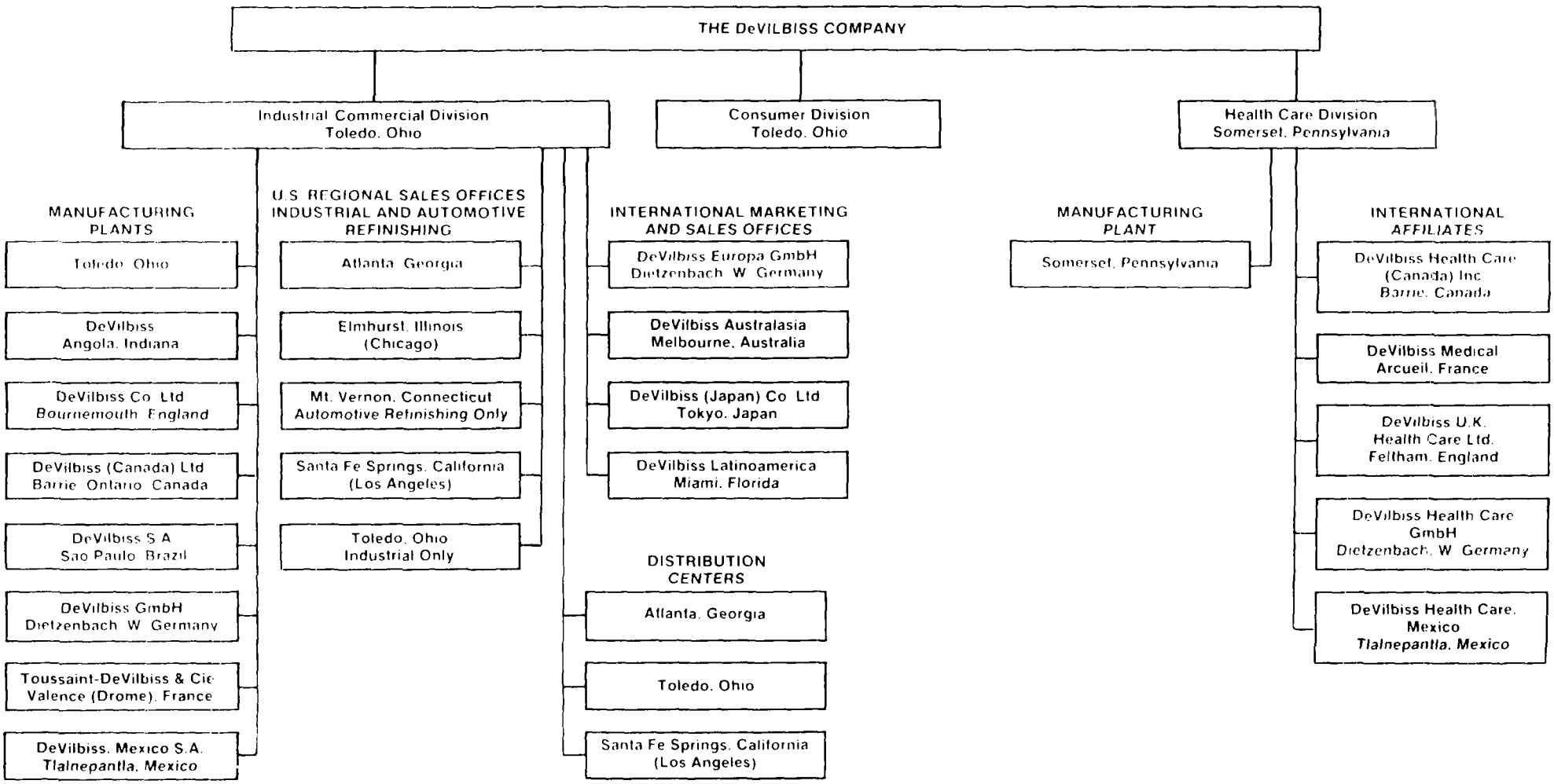
1987

THE DeVILBISS COMPANY
Organizational Chart



1987

THE DeVILBISS COMPANY
Corporate Structure



THE DeVILBISS COMPANY

Management Biographies

Thomas C. Field	President of DeVilbiss and General Manager of I/C Division; joined DeVilbiss in 1984 B.S., Hamline University; M.B.A., University of Chicago; J.D., University of Minnesota Graco Inc., 1968-1984: last position was head of International Division and Industrial Finishing Division Board Member of Toledo Hospital, Toledo Trust Company and Arts Commission of Greater Toledo
William E. Allen	Vice President of DeVilbiss and General Manager of Consumer Division; joined DeVilbiss in 1986 B.S., Michigan State University TRW Inc., 1984-1986: last position was Director, Marketing and Sales, Compressor Components Division General Electric Company, 1968-1984
Norman D. Orr	Vice President of DeVilbiss and General Manager of Health Care Division since 1983; joined DeVilbiss in 1965 B.S., Penn State University
Kenneth E. Tigges	Vice President, Control and Administration; joined DeVilbiss in 1984 B.S., Bowling Green State University; Certified Public Accountant Owens-Illinois, Inc., 1957-1984: last position was Corporate Vice President and Comptroller
George R. Huston	Director, Human Resources since 1983; joined DeVilbiss in 1975 B.S., Ohio State University Questor Corporation, 1971-1975: last position was General Manager-Distribution

TABLE OF CONTENTS

	Page
Sale of Division	2
Miscellaneous Current Assets	2
Accounts Receivable	2
Inventory	2
Sundry Non-Current Assets	2
Real Property	2
Machinery and Equipment	2
Contracts and Commitments	3
Records and Customer Lists	4
Permits and Licenses	4
Intellectual Property	5
Subsidiaries	5
Other Intangibles	5
Determination of Purchase Price and Method of Payment	5
Purchase Price	5
Payment of Purchase Price	6
Pre-Closing Purchase Price Adjustment	6
Closing Balance Sheet	7
Disputes	12
Post-Closing Adjustment	13
Assumed Obligations	14
Assumed Obligations Defined	14
Champion Working Capital Loan	17
Allocation of Purchase Price	18
Adjustment to LIFO Reserve Amount	19
Representations and Warranties of CSP	19
Organization and Standing of CSP	19
Subsidiaries	19
Corporate Authority	24
No Conflicting Instruments	24
Financial Statements	25
No Material Adverse Change	27
Machinery and Equipment	28
Receivables	28
Inventory	29
Real Property	29
Title to Properties	30
Intellectual Property	31
Material Contracts	32
Litigation	36
Compliance with Laws	37

Taxes 38
Governmental Approvals, Consents, etc 39
Conduct of Business 39
Employee Benefit Plans 42
Collective Bargaining Agreements 47
Products Liability 48
Insurance 48
Governmental Licenses and Permits 49
Broker's and Finder's Fees 49
Condition of Tangible Assets 50
Intra- and Inter-Company Transactions 50
Disclosure 51

Representations and Warranties of Purchaser 51

Organization and Standing 52
Corporate Authority 52
Agreement Binding 52
Brokerage 53
Financing 53
Governmental Approvals, Consents, etc. 53

Covenants of CSP to be Performed Prior to the Closing 54

Conduct of Business 54
Purchaser's Examination 57
Consents 58
Pension Plans 58

Covenants of Purchaser 59

Consents 59
Obligations 59
Access and Cooperation 60
Insurance 60
Records Retention 61
Financing 61
Section 338 Election 62

Conditions to Obligations of Purchaser 62

Representations and Warranties 63
Performance of Agreements 63
Certificate 63
Opinion of Counsel for CSP 63
No Litigation 64
Regulatory Authorizations 64
No Material Changes 64
MIS Agreement 66
Proceedings 66

Consents of Third Parties 66
Resignations 66

Conditions to Obligations of CSP 66

Representations and Warranties 67
Performance by Purchaser 67
Closing Date Certificate 67
Opinion of Counsel for Purchaser 67
No Litigation 68
Regulatory Authorizations 68
MIS Agreement 68
Guarantied Amounts 68

Closing 68

Closing 68
Effective Time of Closing 69
Termination Date 70
Instruments of Conveyance and Transfer 70
Further Assurances 71

Indemnification 72

Brokers 80

Definitions, etc 80

Division 80
Division's Assets 80
Consolidated Division 80
Knowledge 80
Confidential Memorandum 81
Champion Working Capital Loan 81
Subsidiaries 82
Section References 82

Waiver of Bulk Sales Act 82

Press Releases 82

Disclaimer of Confidential Memorandum 83

Filings and Authorizations 83

Expenses 83

Employee Benefits 84

Historical Financial Statements 88

Insurance 88

Miscellaneous 89

Governing Law 89
Captions 89
Entire Agreement 89
Counterparts 89
Successors and Assigns 89
Notices 90
Confidentiality Agreement 91
Third Party Beneficiaries 91
Exhibits 91

11/13/87

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (the "Agreement"), made this 13th day of November, 1987, by and between CHAMPION SPARK PLUG COMPANY, a Delaware corporation, 900 Upton Avenue, P.O. Box 910, Toledo, Ohio 43661 ("CSP"), and EAGLE INDUSTRIES, INC., a Delaware corporation, Two North Riverside Plaza, Chicago, Illinois 60606 ("Purchaser").

CSP (i) owns and operates certain United States businesses located principally in Toledo, Ohio, Angola, Indiana and Somerset, Pennsylvania and (ii) owns the stock and similar equity interests of certain subsidiaries of CSP, all comprising The DeVilbiss Company, a division of CSP. Such United States businesses (other than those assets owned by DeVilbiss Electronics Corporation) are collectively referred to in this Agreement as the "Division," such subsidiaries are collectively referred to herein as the "Subsidiaries," and the Division, together with the Subsidiaries and their businesses, are sometimes collectively referred to in this Agreement as the "Consolidated Division." Such terms and other capitalized terms used herein without definition are defined in Section 12. The Consolidated Division is a leading international designer, manufacturer and marketer of industrial and automotive finishing and automotive refinishing products and systems, portable and stationary consumer air compressors and respiratory care durable products and services.

CSP desires to sell the business of the Consolidated Division to Purchaser and Purchaser desires to purchase the business of the Consolidated Division from CSP.

In consideration of the foregoing and the covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. Sale of Division. Subject to the terms and conditions of this Agreement, CSP agrees to sell, assign, transfer, convey and deliver to Purchaser, and Purchaser agrees to purchase from CSP, at Closing the Consolidated Division's business as a going concern, together with all of the Division's assets (the "Division's Assets") as follows:

a. Miscellaneous Current Assets. All cash, if any, held in accounts in the name of the Division and all other miscellaneous transferable current assets. The material items of the foregoing are as described in Exhibit 1.1.

b. Accounts Receivable. All accounts receivable of the Division.

c. Inventory. All raw materials, work in process, finished goods and other miscellaneous inventory owned by CSP relating to the business of the Division, wherever located.

d. Sundry Non-Current Assets. All sundry non-current assets of the Division as described in Exhibit 1.2.

e. Real Property. All real property owned by CSP relating to the business of the Division, including land, buildings and improvements thereto, as more completely described in Exhibit 1.3.

f. Machinery and Equipment. The machinery, equipment, tools, computers and related processing and peripheral equipment, furniture, vehicles and all other

tangible personal property owned by CSP and in the possession of or used by the Division wherever located, the material items of which are listed on Exhibit 1.4.

g. Contracts and Commitments.

(1) All right, title and interest of CSP in, to and under (A) leases of real property (including, without limitation, those described in Exhibit 1.3) and (B) executory contracts and other agreements and leases of personal property (including, without limitation, those listed on Exhibit 1.5) relating to the business, operations or financial condition of the Division.

(2) Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any lease, agreement or other instrument, or any benefit arising thereunder or resulting therefrom, if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach thereof or in any way affect the rights of CSP thereunder. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would affect the rights of CSP thereunder so that Purchaser would not in fact receive all such rights, CSP will cooperate with Purchaser in any arrangement designed to provide

for Purchaser the benefits under any such lease, agreement or other instrument, including without limitation, enforcement for the benefit of Purchaser of any and all rights of CSP against a third party thereto arising out of the breach or cancellation by such third party. Any transfer or assignment to Purchaser of any lease, agreement or other instrument which shall require the consent or approval of any third party shall be made subject to such consent or approval being obtained. Notwithstanding the failure of a third party to consent to the assignment of any such lease, agreement or other instrument to Purchaser, if Purchaser receives any payment, use of property or other benefit under any such lease, agreement or other instrument, Purchaser shall assume and discharge any and all liabilities and obligations of CSP under any such lease, agreement or other instrument.

h. Records and Customer Lists. All customer lists, credit information and other business records and documents applicable to the business of the Division.

i. Permits and Licenses. All permits, licenses, franchises and other federal, state, local and foreign governmental approvals and authorizations relating to the

business and operations of the Division, to the extent that the foregoing may be assignable.

j. Intellectual Property. All patents, patent applications, trade secrets, know how, inventions, copyrights, trademarks, trademark applications and goodwill owned by CSP relating to the business of the Consolidated Division, including those more particularly described in Exhibit 1.6.

k. Subsidiaries. All capital stock, quotas or other equity interests owned directly or indirectly by CSP of those subsidiaries of CSP listed in Exhibit 1.7.

l. Other Intangibles. All goodwill, claims, causes of action and other intangible property of the Division.

2. Determination of Purchase Price and Method of Payment.

a. Purchase Price. In consideration of and in exchange for the assets to be transferred or conveyed under this Agreement, Purchaser shall pay to CSP Ninety-Five Million Dollars ($95,000,000) (the "Preliminary Purchase Price"), plus or minus the Pre-Closing Purchase Price Adjustment, plus or minus the Post-Closing Adjustment and minus the Adjustment to LIFO Reserve Amount (as defined in Section 2.k.). The purchase price to be paid under this Agreement (the "Purchase Price") shall also include the assumption of the Assumed Obligations (as hereinafter defined) pursuant to Sections 2.g. and 2.h.

The cash portion of the Purchase Price shall be payable as provided in Section 2.b.

b. Payment of Purchase Price. Purchaser agrees to pay to CSP the Preliminary Purchase Price plus or minus the Pre-Closing Purchase Price Adjustment at Closing in cash by wire transfer of immediately available federal funds to CSP's account at Citibank, N.A., New York City, or such other amounts to other locations as CSP may request and as shall be acceptable to Purchaser.

c. Pre-Closing Purchase Price Adjustment. Purchaser and CSP acknowledge that the book value of the assets of the Consolidated Division less the book value of the Assumed Obligations is $87,955,000 as of June 30, 1987, based on the June 30, 1987 Balance Sheet (as defined in Section 3.e.). Not less than seven days prior to the Closing Date, CSP shall deliver to Purchaser a consolidated balance sheet (the "Pre-Closing Balance Sheet") which shall set forth on a consolidated and consolidating basis the estimated book value of the assets of the Consolidated Division and the estimated book value of the Assumed Obligations as of the Closing Date. The Pre-Closing Balance Sheet shall be CSP's best estimate of the Consolidated Division's Balance Sheet as of the Closing Date and shall be prepared by taking the consolidated balance sheet of the Consolidated Division, which consolidated balance sheet shall be prepared on a

basis consistent with the June 30, 1987 Balance Sheet, which shall be adjusted by reasonable projection of the income or loss of the Consolidated Division (excluding the change in domestic accrued and deferred taxes of the Division) from the date of the most current available consolidated balance sheet of the Consolidated Division to the Closing Date. The Preliminary Purchase Price shall be reduced by the amount by which (i) $87,955,000 is greater than (ii) the book value of the assets of the Consolidated Division less the book value of the Assumed Obligations, all as determined by the Pre-Closing Balance Sheet. The Preliminary Purchase Price shall be increased by the amount by which (i) the book value of the assets of the Consolidated Division less the book value of the Assumed Obligations, all as determined by the Pre-Closing Balance Sheet, exceeds (ii) $87,955,000.

d. Closing Balance Sheet. (i) The Division, or its successor corporate entity ("Newco"), shall, as soon as practicable after the Closing Date, prepare a consolidated balance sheet (the "Closing Balance Sheet") of the Consolidated Division as of the close of business on the day immediately prior to the Closing Date and shall cause KPMG Peat Marwick Main & Co. ("PMM"), independent certified public accountants, to audit the Closing Balance Sheet. The Closing Balance Sheet shall set forth on a consolidated and consolidating basis the book value of the

assets of the Consolidated Division and the book value of the Assumed Obligations as of the close of business on the day immediately prior to the Closing Date. Within 90 days after the Closing Date, Newco will deliver the audited Closing Balance Sheet to CSP and Purchaser for their separate examination. In connection with CSP's examination of the Closing Balance Sheet, Purchaser and Newco shall provide to CSP and their respective representatives, without charge, full access to the Consolidated Division's books, records, facilities and employees and Purchaser shall cause Newco's employees to cooperate fully with CSP and its representatives in its examination. CSP agrees that the scope of PMM's audit will be satisfactory to Arthur Andersen & Co. ("AA"), but in no event shall the scope of PMM's audit be narrower than that required by PMM in its professional judgment. CSP agrees to cause PMM to grant to AA full and complete access to PMM's work papers regarding the foregoing examination of the Closing Balance Sheet.

(ii) Subject to the provisions of Section 2.c., the Pre-Closing Balance Sheet and the Closing Balance Sheet shall be prepared, and the book values of the assets of the Consolidated Division and of the Assumed Obligations will be calculated, using the following principles:

(A) Subject to the provisions of Section 2.d.(iii)(A), all reserves, including, without

limitation, reserves for bad debts, excess, obsolete or slow-moving inventories, LIFO, litigation and product warranty, shall be calculated and applied on a basis consistent with the December 31, 1986 Financial Statements. CSP and Purchaser agree that CSP will create such reserves on the books of the Division regarding such general and tort litigation matters as are set forth on Exhibit 2.d. The parties further agree that the reserves in the amount of $650,000 as set forth on Exhibit 2.d. shall be used for the purposes of establishing Pre-Closing Balance Sheet and Closing Balance Sheet and shall not be subject to change;

(B) All balance sheet accounts of the Subsidiaries shall be translated into U.S. dollars using the applicable principles of generally accepted accounting principles consistent with the December 31, 1986 Consolidated Division's consolidated balance sheet;

(C) If and to the extent any accruals or other liabilities are to remain the obligation of CSP (including, without limitation, liability for local, state or federal accrued or deferred income or franchise taxes allocable to the Division for the period up through the Closing Date and the

reserve created for the legal proceeding encaptioned The DeVilbiss Company v. Principal Business Enterprises), such liabilities and associated reserves shall be excluded from the respective balance sheets;

(D) There shall be excluded any asset of the Consolidated Division not transferred by CSP hereunder;

(E) If payable to CSP, the Champion Working Capital Loan shall be included in the respective balance sheets as a liability. If payable by CSP, the Champion Working Capital Loan shall be included in the respective balance sheets as an asset or as a negative liability; and

(F) Prior to the Closing, DeVilbiss GmbH shall accrue as a liability on its balance sheet of at least two hundred thousand (200,000) DM representing the retirement payments to be made to the two (2) former principals of such Subsidiary.

(iii) In the case of the Closing Balance Sheet, the Closing Balance Sheet shall be prepared and the book value of the assets of the Consolidated Division and of the Assumed Obligations set forth thereon will be calculated using the following principles:

(A) The Closing Balance Sheet will be prepared in conformity with generally accepted

accounting principles (as in effect in the United States) consistently applied with the December 31, 1986 Financial Statements (except for the application of SFAS #87 for expense purposes), and with those principles used to prepare the Financial Statements in the Confidential Memorandum, if in compliance with generally accepted accounting principles, except as otherwise set forth in Section 2.d.(ii) and this Section 2.d.(iii);

(B) The LIFO reserve in the Closing Balance Sheet shall be calculated as of the Closing Date under accounting principles consistent with those applied in preparing the LIFO reserve balance included in the December 31, 1986 Financial Statements; and

(C) Inventory quantities will be based on the physical inventory of the Division and of the Significant Subsidiaries (taken on a basis consistent with the 1986 year-end inventories) to be taken not earlier than September 30, 1987 and not later than December 31, 1987, and carried forward to the date of the Closing Balance Sheet and adjusted by adding purchases and production and by subtracting shipments and shrinkage from

the date of such inventory to the respective dates of the respective balance sheet.

e. Disputes. Purchaser and CSP, each, shall have 30 days after CSP's receipt of the Closing Balance Sheet ("Dispute Period") to dispute the entries on the Closing Balance Sheet ("Dispute"). If neither CSP nor Purchaser gives written notice of a Dispute ("Dispute Notice") to the other within the Dispute Period, the Closing Balance Sheet shall be deemed to have been accepted by both CSP and Purchaser in the form in which it was delivered to CSP. In the event that either CSP or Purchaser does not agree with the amounts reflected on the Closing Balance Sheet, the disagreeing party will give the other party a Dispute Notice within the Dispute Period, setting forth in reasonable detail the items and amounts with which it disagrees. Purchaser and CSP shall, within 15 days after receipt by the other party of such Dispute Notice, attempt to resolve such Dispute and agree in writing upon the definitive Closing Balance Sheet. In the event that CSP and Purchaser are unable to resolve any such Dispute within such 15 day period, then the Toledo, Ohio office of the certified public accounting firm of Arthur Young (the "Arbitrating Accountant") shall be employed as arbitrator hereunder to settle all unresolved Disputes as soon as practicable. The Arbitrating Accountant shall have access to all documents and facilities necessary to perform its

function as arbitrator. The Arbitrating Accountant's determination with respect to any Dispute shall be in writing and be final and binding upon the parties hereto. The arbitration shall be governed by the provisions of Chapter 2711 of the Ohio Revised Code. CSP and Purchaser shall each pay one half of the fees and expenses of the Arbitrating Accountant for such services.

f. Post-Closing Adjustment. Subject to any Disputes, CSP shall pay to Purchaser the amount by which (i) the book value of the assets of the Consolidated Division less the book value of the Assumed Obligations as determined by the Pre-Closing Balance Sheet exceeds (ii) the book value of the assets of the Consolidated Division less the book value of the Assumed Obligations as determined by the Closing Balance Sheet. Purchaser shall pay to CSP the amount by which (i) the book value of the assets of the Consolidated Division less the book value of the Assumed Obligations as determined by the Closing Balance Sheet exceeds (ii) the book value of the assets of the Consolidated Division less the book value of the Assumed Obligations determined by the Pre-Closing Balance Sheet. That portion of any Post-Closing Adjustment to the Purchase Price not in dispute shall be paid by wire transfer of immediately available federal funds within 10 days following the expiration of the Dispute Period. Any additional adjustment payment required as a result of the

resolution of any Dispute shall be paid within 10 days following resolution of such Dispute, whether by arbitration or by agreement between the parties hereto. The Post-Closing Adjustment to the Purchase Price shall bear interest at the prime rate of interest plus two percent (2%), accruing beginning with the Closing Date. For purposes of this Agreement, the prime rate of interest shall be determined on a daily basis and shall be that rate of interest posted by Citibank, N.A. in New York City as its prime rate of interest.

g. Assumed Obligations. As further consideration for the Division's Assets, Purchaser shall assume and agree fully and timely to pay, perform, satisfy and discharge the Assumed Obligations as the same shall become due and payable.

h. Assumed Obligations Defined. (1) Assumed Obligations shall mean the following: (i) all of the debts, obligations, liabilities or commitments shown on the Pre-Closing Balance Sheet, as adjusted by the Closing Balance Sheet (other than any liability expressly designated in Section 2.h.(2) as an Excluded Liability); (ii) all contractual obligations and commitments of the Division relating to the ordinary course of the Division's business and all contractual obligations arising out of the Material Contracts; (iii) all Actions (as such term is defined in Section 3.n.) set forth in Exhibit 3.3; (iv)

all claims and liabilities (fixed or contingent, known or unknown) for damage to persons or property arising out of, being attributable to, or occurring in connection with, the Division's conduct of the Division's business, including, without limitation, liabilities for products manufactured, distributed or sold by the Division prior to the Closing Date; (v) any liabilities or obligations arising out of, being attributable to, or occurring in connection with, claimed defects in, or warranty claims respecting, any products of the Division which have been manufactured, distributed or sold by the Division on or before the Closing Date; (vi) any liabilities, commitments or obligations arising out of the Pension Plans (as such term is defined in Section 3.s.), except any liabilities or obligations arising out of, or relating to, any breach of any fiduciary duty by any trustee or other fiduciary of any Pension Plan; (vii) all liabilities, commitments or obligations arising out of, or relating to, the employment relationship between the Division and its employees, including any liability for providing health care and other benefits to retired employees of the Division and presently active employees of the Division when retired and their beneficiaries, but excluding (A) all Actions arising out of or relating to any alleged employment discrimination occurring prior to the Closing Date and (B) all Actions for severance or termination pay or

compensation arising solely out of the transactions contemplated by this Agreement (provided, that if Purchaser shall have taken any actions after the Closing Date which provide a basis for any severance claim, then such claims shall be excluded from the operation of this Section 2.h.(1)(vii)(B)) (provided, further, that nothing contained herein shall prevent Purchaser after the Closing Date from changing or terminating benefits to the extent permitted by applicable law); and (viii) all actions, suits, adverse claims, orders, writs, proceedings or investigations now existing or hereafter arising attributable to or in connection with, the Division's conduct of the Division's business in addition to those actions, suits, adverse claims, orders, writs, proceedings or investigations listed in Sections 2.h.(1)(iii), 2.h.(1)(iv) and 2.h.(1)(v). Notwithstanding the foregoing, for the purposes of the computation of Sections 2.c., 2.d., and 2.f., Assumed Obligations shall be deemed to include all liabilities, obligations and commitments of the Subsidiaries, including liabilities for taxes.

(2) Notwithstanding the foregoing, Purchaser shall not assume, and shall have no liability for (a) any debts, liabilities, obligations or commitments of any of the Subsidiaries or (b) any other debts, obligations, liabilities or commitments of CSP other than the Assumed Obligations, including, without limitation, the following

(the "Excluded Liabilities"): (i) any liability or obligation for any local, state or federal accrued or deferred income or franchise taxes allocable to the Division for the period through and including the Closing Date; (ii) the items disclosed in Exhibit 2.2.; (iii) any liability or obligation for any expenses incurred by, or for claims made against, CSP in connection with, resulting from or attributable to the transactions contemplated by this Agreement; (iv) any liability or obligation for any brokerage or investment banker's fee or similar charge or commission payable or incurred by CSP in connection with this Agreement or the transactions contemplated hereby; (v) any liability arising out of the business of, or activities undertaken by, CSP subsequent to the Closing Date; (vi) all liabilities, claims and expenses for which an insurer of CSP provides defense or coverage and has not issued a declination of liability ("Insured Claims"); and (vii) any liability arising out of the legal proceeding encaptioned The DeVilbiss Company v. Principal Business Enterprises. CSP shall remain fully liable for the Excluded Liabilities (provided, however, that CSP shall have no liability after the Closing Date for any debts, liabilities, obligations or commitments of any of the Subsidiaries).

i. Champion Working Capital Loan. Purchaser shall pay at Closing in full the Champion Working Capital Loan

(if and to the extent that the Champion Working Capital Loan shall have a net balance payable to CSP) in cash by wire transfer of immediately available federal funds. If and to the extent that the Champion Working Capital Loan shall have a net balance payable by CSP, CSP shall pay Purchaser at Closing in full the Champion Working Capital Loan in cash by direct wire transfer of immediately available federal funds. Concurrently with the delivery of the Pre-Closing Balance Sheet, CSP shall provide Purchaser with its best estimate of the amount of the Champion Working Capital Loan as of the Closing Date. Concurrently with the delivery of the Closing Balance Sheet, CSP will provide Purchaser with the actual amount at Closing of the Champion Working Capital Loan and such records and other documentation as Purchaser may reasonably request to verify such amount. The parties shall agree to settle by appropriate payment any differences between the amount of the Champion Working Capital Loan as estimated and paid at Closing and as determined in actual amount as of the Closing. Any dispute relating to the actual amount of the Champion Working Capital Loan shall be resolved pursuant to the procedure established in Section 2.e.

j. Allocation of Purchase Price. The portion of the Purchase Price allocated to each Subsidiary shall not be less than the book value of each such Subsidiary at

Closing. CSP and Purchaser shall each advise the other as soon as practicable after the Closing Date as to how they intend to allocate the Purchase Price.

k. Adjustment to LIFO Reserve Amount. The "Adjustment to LIFO Reserve Amount" is defined to be the amount that is equal to sixty percent (60%) of the amount by which $10,622,000 exceeds the LIFO inventory reserve computed for the Closing Balance Sheet.

3. Representations and Warranties of CSP. CSP, as of the date hereof, and as of the Closing Date, makes the following representations and warranties to Purchaser:

a. Organization and Standing of CSP. CSP is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; has full corporate power and authority to carry on its business as now conducted and to own or lease its properties; and is duly qualified to transact business of the Consolidated Division and is in good standing as a foreign corporation in each jurisdiction where the failure to be so qualified would have a material adverse effect upon the business of the Consolidated Division.

b. Subsidiaries. (1) A true and complete list of all of the Subsidiaries and their respective states or countries of incorporation is set forth in Exhibit 1.7 hereto. The Subsidiaries are corporations duly organized, validly existing and in good standing under the laws of

their respective states, jurisdictions or countries of incorporation and are duly qualified to do business in and are in good standing as foreign corporations in each jurisdiction where the failure to be so qualified would have a material adverse effect upon the Subsidiary and each Subsidiary has full corporate power to carry on its business as now conducted and to own or lease its properties. Except as indicated on Exhibit 1.7, CSP has good and marketable title to the capital stock and other equity interests of the Subsidiaries, free and clear of any and all equitable or legal claims, liens and encumbrances of any kind whatsoever. The Subsidiary Chevron Engineering Limited is a Subsidiary of the Subsidiary Sprayfine (U.K.) Ltd. and Sprayfine (U.K.) Ltd. is a Subsidiary of the Subsidiary DeVilbiss Ltd.

(2) CSP has delivered to Purchaser true and complete copies of the unaudited balance sheets of each of the Operating Subsidiaries as of December 31 for each of the fiscal years 1984 through 1986 and as of June 30, 1987 and the related statements of profit and loss for each of the three fiscal years ended December 31, 1986 and for the six months ended June 30, 1987. Such financial statements (i) were compiled from the books and records of the Operating Subsidiaries regularly maintained by management and used to prepare the financial statements of CSP; (ii) were prepared in accordance with CSP's internal accounting

principles; (iii) except as disclosed on Exhibit 1.7, have been prepared on the basis of accounting principles which have been consistently applied through the respective periods covered by such financial statements; (iv) are used by CSP in the ordinary conduct of the business of the Operating Subsidiaries; and (v) contain all adjustments (consisting primarily of normal recurring accruals) necessary to present fairly, in accordance with Champion's internal accounting procedures and policies, the financial position of the Subsidiaries in the aggregate for the periods or as of the dates stated therein and the results of operations and other information included therein of the Operating Subsidiaries for the periods or as of the dates indicated therein.

(3) Except as indicated on Exhibit 1.7, CSP owns all of the issued and outstanding shares of capital stock and other equity interests of the Subsidiaries ("Subsidiary Shares"). All of the Subsidiary Shares are validly issued, fully paid and non-assessable, and there are no outstanding obligations, options, warrants or other rights of any kind to acquire any Subsidiary Shares. Except as provided in Exhibit 1.7, neither the Division nor any Subsidiary is a party to, or is a member or partner of, a joint venture, partnership, association or other entity. The authorized capital stock of DeVilbiss (Australasia) Pty. Ltd. consists of 2,000 shares, A$20 par value, of

which 100 shares are duly issued and outstanding. The authorized capital stock of DeVilbiss S.A. Industria e Comercio consists of 27,112,656 shares, Czl par value, of which 27,112,656 shares are duly issued and outstanding. The authorized capital stock of DeVilbiss (Canada) Limited consists of 1000 common shares and 500 preference shares, of which 1,000 common shares at C$100.00 par value are duly issued and outstanding. The authorized capital stock of DeVilbiss Health Care (Canada) Inc. consists of 1,000 shares, C$1.00 par value, of which 1,000 shares are duly issued and outstanding. The authorized capital stock of Toussaint-DeVilbiss & Cie, S.A. consists of 100,000 shares of 50 French Francs par value, all of which are duly issued and outstanding. The authorized capital stock of DeVilbiss GmbH amounts to DM 9,000,000 of which quotas in the nominal amounts of DM 500,000, DM 1,900,000, DM 1,600,000, DM 2,000,000 and DM 3,000,000 are duly issued and outstanding. The authorized capital stock of DeVilbiss Europa GmbH amounts to DM 50,000 of which quotas in the nominal values of DM 19,000, DM 1,000 and DM 30,000 are duly issued and outstanding. The authorized capital stock of DeVilbiss Europa Unterstuetzungskasse GmbH amounts to DM 50,000 of which quotas in the nominal amounts of DM 19,000, DM 1,000 and DM 30,000 are duly issued and outstanding. The authorized capital stock of The Aerograph-DeVilbiss Company Limited consists of 5,000

shares, L1 par value, of which 100 shares are duly issued and outstanding. The authorized capital stock of DeVilbiss (Japan) Company Limited consists of 264,000 shares, Y1,000 par value, of which 66,000 shares are duly issued and outstanding. The authorized capital stock of DeVilbiss de Mexico S.A. de C.V. consists of 19,500 shares, P1,000 par value, of which 19,500 shares are duly issued and outstanding. The authorized capital stock of The DeVilbiss Company Limited consists of 270,000 shares, L1 par value, of which 270,000 shares are duly issued and outstanding. The authorized capital stock of DeVilbiss Health Care (U.K.) Limited consists of 100 shares, L1 par value, of which 100 shares are duly issued and outstanding. The authorized capital stock of Sprayfine Limited consists of 9,000 ordinary shares, L10 par value, and of 1,000 deferred shares, L.10 par value, of which 1,000 shares of ordinary and 1,000 shares of deferred are duly issued and outstanding. The authorized capital stock of Chevron Engineering Limited consists of 1,000 shares, L1 par value, of which 1,000 shares are duly issued and outstanding. The authorized capital stock of The Aerograph Company Limited consists of 100 shares, L1 par value, of which 2 shares are duly issued and outstanding. The authorized capital stock of DeVilbiss Electronics Corp. consists of 250 shares, no par value, of which 250 shares are duly issued and outstanding. The authorized

capital stock of DeVilbiss India, Inc. consists of 200 shares, no par value, of which 200 shares are duly issued and outstanding. The Consolidated Division includes no subsidiary corporations of CSP other than the Subsidiaries.

c. Corporate Authority. CSP has full power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery by CSP of this Agreement and each of the deeds, bills of sale, assignments and other instruments to be executed and delivered by CSP at Closing and the performance and consummation by CSP of all of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action required on the part of CSP and, except as provided in Exhibit 1.7, the Subsidiaries.

d. No Conflicting Instruments. This Agreement is, and the other documents referred to herein to be delivered by CSP when executed will be, valid and legally binding obligations of CSP enforceable against CSP in accordance with their respective terms, except as limited by general principles of equity and applicable provisions of bankruptcy or similar laws affecting creditors' rights generally. Neither the execution or delivery of this Agreement or such other documents by CSP nor the performance by CSP of, nor compliance by CSP with, the

various terms and provisions hereof or thereof, nor the consummation by CSP of the transactions contemplated hereby, does or will (i) violate any provision of the Certificate of Incorporation or By-Laws of CSP or of any Subsidiary, except as disclosed on Exhibit 1.7; (ii) with respect to any mortgage, indenture, lease, agreement or other instrument to which CSP or any Subsidiary is a party or by which CSP or any Subsidiary is bound (collectively, the "Restrictive Agreements"), require any consent, approval or notice under any Restrictive Agreement, violate, conflict with, cause or result in a material breach or default or loss of a material benefit under any Restrictive Agreement permit the termination or acceleration (whether after the giving of notice or lapse of time or both) of any obligation of CSP or of any Subsidiary under any Restrictive Agreement or result in the creation or imposition of any lien, charge or other encumbrance upon any property or assets of the Division or of any Subsidiary under any Restrictive Agreement; or (iii) conflict with, violate or breach any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to CSP or the Subsidiaries or by which they are bound, except as disclosed on Exhibit 3.6.

e. Financial Statements. True and complete copies of the Consolidated Division's Consolidated Balance Sheet, Consolidated Statement of Income and Consolidated

Statement of Changes in Financial Position for the Consolidated Division's fiscal years ended December 31, 1984 through December 31, 1986 (except the Consolidated Statement of Changes in Financial Position for the fiscal year ended December 31, 1984) and for the Consolidated Division's fiscal six months ended June 30, 1987 (the "June 30, 1987 Balance Sheet"), together with the Notes to Financial Statements, have been delivered by CSP to Purchaser, are attached hereto as Exhibit 3.1 and are collectively referred to herein as the "Financial Statements." The Financial Statements (i) were compiled from the books and records of CSP, the Division and of the Consolidated Division regularly maintained by management and used to prepare the financial statements of CSP; (ii) have been prepared on the basis of accounting principles which have been consistently applied through the respective periods covered by the Financial Statements; (iii) are used by CSP in the ordinary conduct of the business of the Division and of the Consolidated Division; and (iv) fairly present the financial condition, results of operations and other information included therein of the Division and of the Consolidated Division at the respective dates and for the respective periods to which they apply. Except as noted in Exhibit 3.2 or disclosed in any other Exhibit to this Agreement: (A) neither the Division nor any of the Subsidiaries had, as of the

June 30, 1987 Balance Sheet, nor has there since arisen, any material obligations, commitments or liabilities of any nature, absolute, accrued, contingent or otherwise, of a type normally reflected on a balance sheet prepared in accordance with generally accepted accounting principles, arising out of events which occurred prior to the June 30, 1987 Balance Sheet which are not shown or provided for therein, and (B) neither the Division nor any Subsidiary has any outstanding indebtedness for borrowed money required in accordance with generally accepted accounting principles (or, with respect to each Subsidiary, such other accounting principles as may be applicable in the jurisdiction in which such Subsidiary is incorporated) to be disclosed on the balance sheet of the Division or of the applicable Subsidiary, except such obligations, liabilities and commitments to perform after such date in normal amounts incurred in the ordinary course of business consistent with past practices.

f. No Material Adverse Change. Except as shown on Exhibit 3.2 and except for changes in general economic and business conditions and for fluctuations in the values of currencies, since June 30, 1987, there has been no material adverse change (or threatened material adverse change known to CSP) in the business of the Consolidated Division, the Division or any Significant Subsidiary.

g. Machinery and Equipment. Exhibit 1.4 contains a true and complete list of all items of capitalized equipment with a net book value in excess of $50,000 owned by CSP and in the possession of, or normally used by, the Division or any Significant Subsidiary. Other than leases to customers or health care providers in the ordinary course of business and other than leases requiring rental payments less than $20,000 per annum, Exhibit 1.5 or Exhibit 3.m contains a true and complete list of the following information as to each material item of equipment or other personal property leased by or to the Division or by or to any Significant Subsidiary: description of item, date of lease, beginning and expiration date of lease, monthly lease rental and any options to purchase.

h. Receivables. All accounts receivable of the Consolidated Division, net of all reserves with respect thereto computed in accordance with CSP's internal accounting principles consistently applied since January 1, 1984, taken as a whole, are bona fide; have arisen in the ordinary course of the business of the Consolidated Division; are valid and enforceable; to the best knowledge of CSP, are collectible; and have been stated net of such reserves. No other warranty, except for the warranties of title in Section 3.k., or representation is made to Purchaser as to any such

receivables including, but not limited to, any warranty of collectability.

i. Inventory. All inventories of the Consolidated Division, net of all reserves with respect thereto computed in accordance with CSP's internal accounting principles consistently applied since January 1, 1984, taken as a whole, are usable or saleable in the ordinary course of business consistent with past practices. No other warranty, except for the warranties of title in Section 3.k., with respect to such inventories is made by CSP to Purchaser.

j. Real Property. Exhibit 1.3 contains a true and complete list of (i) all real property owned or leased by or to the Division; (ii) all real property owned and all real property leased by or to any Operating Subsidiary which is material to the operations or business of such Operating Subsidiary; and (iii) all real property owned or leased by or to CSP that is part of the Consolidated Division. At Closing, title in fee simple to all real property owned by CSP or the Division relating to the business of the Division or the Consolidated Division will be conveyed to Purchaser free and clear of any liens, leases, mortgages, pledges, charges or other encumbrances except for those liens, mortgages, pledges, charges or other encumbrances disclosed on Exhibit 1.3 and zoning ordinances, restrictions and public utility and other

easements of record which do not, in the case of any parcel, materially or unreasonably interfere with the Division's or any Subsidiary's present use thereof, impair business operations at such locations, materially and adversely affect the value of any such parcel, or render the title to any such parcel unmarketable. The leased property described in Exhibit 1.3 is being held under valid and enforceable leases, subject only to exceptions to title as do not impair the use of the properties for the purpose for which they are leased by or to the Division or the Subsidiaries and, except as disclosed on Exhibit 1.3, there does not exist any default or event that with notice or lapse of time would constitute a default under, or authorize the termination of, any such lease. CSP makes no warranty whatsoever as to the condition of any buildings or improvements located on the real property.

k. Title to Properties. Except for assets held by CSP under capitalized leases, CSP owns and has good and marketable title to the Division's Assets, including the Subsidiary Shares (except as disclosed on Exhibit 1.7 with respect to the Subsidiary Shares), each Subsidiary owns and holds good and marketable title to the assets described on the respective balance sheet of such Subsidiary set forth in Exhibit 3.1, and none of such properties or assets of the Division or any Subsidiary is

subject to a contract of sale (except in the ordinary course of business) or subject to security interests, mortgages, encumbrances or liens of any kind except as noted on the Financial Statements or as noted on Exhibits 1.3, 1.4 or 3.2. There is no material asset used or required by CSP or the Division or any Subsidiary in the conduct of the business of the Division, the Consolidated Division, or any Subsidiary (i) which is not owned by CSP, the Division or a Subsidiary or which is not licensed or leased to CSP, the Division or a Subsidiary pursuant to one of the licenses or leases listed in Exhibits 1.3, 1.4, 1.6 or 3.m and (ii) which will not be transferred to Purchaser at Closing.

l. Intellectual Property. Exhibit 1.6 sets forth a true and complete list and description of all patents, patent applications and registered trademarks owned by CSP, the Division or any Significant Subsidiary and used by the Division or any such Significant Subsidiary and all patents, patent applications and registered trademarks licensed to or by CSP relating to the business of the Consolidated Division, the Division or any Significant Subsidiary (collectively, the "Intellectual Property"). CSP, the Division or the Subsidiaries own or are licensed to use all Intellectual Property listed on Exhibit 1.6. Except as noted on Exhibit 1.6, such Intellectual Property is valid and in good standing and is subject to no liens.

CSP has not received any notice of, and CSP does not know of, any claim, challenge, or conflict, whether or not asserted, or any claimed conflict (i) with respect to the rights of others to own or use the Intellectual Property, or (ii) challenging or questioning the validity of any Intellectual Property (except as set forth in Exhibits 2.d or 3.3).

m. Material Contracts. (i) Except for contracts for the purchase and sale of inventory in the ordinary course of business (except for contracts described in Section 3.m.(i)(C)), Exhibit 3.m. contains a true and complete list and description of the following:

(A) all written employment or consulting contracts and commitments between employees of CSP, the Division, or any Significant Subsidiary, on the one hand, and the Division, or any Significant Subsidiary, on the other hand, providing for aggregate direct remuneration at the annual rate of $50,000 or more to an individual employee, or containing any severance or termination pay liabilities or obligations requiring payment of $25,000 or more individually, and any manuals or written statements of CSP, the Division or any Significant Subsidiary relating to severance or termination pay;

(B) all contracts of the Division, or any Significant Subsidiary with distributors, manufacturer's representatives, sales representatives, service or warranty representatives and other persons, firms or corporations engaged in the sale, distribution, service or repair of the Division's or any Significant Subsidiary's products which are not terminable upon notice of 90 days or less;

(C) all purchase orders outstanding as of the execution of this Agreement for inventory, issued by the Division or any Significant Subsidiary, in excess of $250,000 all sales orders received by the Division or any Significant Subsidiary, in excess of $1,000,000, and any material purchase or sales orders which call for delivery or performance on a date more than one year from the date hereof;

(D) all contracts of the Division or the Significant Subsidiaries relating to construction-in-progress of capital assets in excess of $250,000;

(E) all other contracts or commitments of the Division or any Subsidiary, reflecting obligations for borrowed money in excess of $500,000 each or guarantees thereof;

(F) to the best of CSP's knowledge, any written agreement that would restrict the Division or any Significant Subsidiary from carrying on its business as now being conducted anywhere in the world;

(G) all agreements under which CSP acquired the business comprising the Division or the Consolidated Division or under which the Subsidiaries were acquired, directly or indirectly, by CSP;

(H) all joint venture or similar agreements to which CSP, the Division, or any Subsidiary is a party in any way providing for the manufacture, marketing or sale of any products of the Division, the Consolidated Division, or the Subsidiaries;

(I) all material license and royalty agreements and all agreements relating to technology, know-how or processes which the Division or any of the Operating Subsidiaries is licensed or authorized to use by others or licenses or authorizes others to use;

(J) all leases and licenses pursuant to which CSP, the Division, or any Significant Subsidiary leases or licenses any type of personal property used or possessed by the Division, the Consolidated Division or any Significant

Subsidiary, wherever located, which provide, singly, for rental or license payments in excess of $20,000 per annum or which have a term in excess of 3 years where the aggregate rental payments exceed $20,000 over the term of the lease; and

(K) all contracts and commitments of CSP, the Division and any Significant Subsidiary which by their terms can reasonably be expected to require future payment by or to the Division or any Significant Subsidiary of $100,000 or more.

Each of the contracts and commitments required to be disclosed in Exhibit 3.m. is hereinafter referred to as a "Material Contract".

(ii) At a time reasonably prior to Closing CSP shall deliver or make available to Purchaser or its representatives true and complete copies of the Material Contracts and all such other agreements and instruments as Purchaser may reasonably request.

(iii) To the best of CSP's knowledge, the Material *Contracts are valid and in effect and there does not exist* any default or event that with notice or lapse of time would constitute a default thereunder and authorize the termination thereof, which default or event involves a claim or asset value greater than $75,000.

(iv) To the best of CSP's knowledge, neither CSP, the Division, nor any Subsidiary has breached, nor are they aware of any claim or threat that they have breached, any of the terms and conditions of any Material Contract except as disclosed in Exhibit 3.m.

n. Litigation. Except as described in Exhibit 3.3, there are no material actions, suits, adverse claims, orders, writs, proceedings, or investigations (collectively, "Actions") pending or known to CSP to be threatened with respect to the Consolidated Division, the Division, or any Subsidiary or their businesses against CSP, the Division or any Subsidiary, or against any properties or rights of CSP, the Division or any Subsidiary before any court, arbitrator or administrative or governmental body other than domestic relations and garnishment actions. Insofar as they relate to the Division, the Consolidated Division, any Subsidiary, or their businesses, neither CSP, the Division, nor any Subsidiary is operating under, or subject to, or in default with respect to, or in violation of, any material order, writ or injunction of any arbitrator, court or administrative or governmental body or agency or commission other than domestic relations and garnishment actions. Except as disclosed in Exhibit 3.3, insofar as they relate to the Division, the Consolidated Division or any Subsidiary: (i) there is no strike or lockout or

material labor dispute, slowdown, work stoppage, union organizing activity, request for union representation, labor grievance or controversy (collectively, "Union Activities") pending or, to the knowledge of CSP, threatened, against or affecting CSP, the Division or any Significant Subsidiary; (ii) since January 1, 1986, neither CSP, the Division nor any Significant Subsidiary has encountered or has been affected by any Union Activities; and (iii) since January 1, 1986, neither CSP, the Division nor any Significant Subsidiary is or has been engaged in any unfair labor practice, the penalty for which had or would have a material adverse effect upon the business of the Division or any Significant Subsidiary. No actions are pending or, to the knowledge of CSP, threatened, against CSP, the Division, the Consolidated Division, or any Subsidiary as a result of or in connection with this Agreement or the execution and delivery hereof or the transactions contemplated hereunder.

o. Compliance with Laws. CSP, the Division, the Consolidated Division and the Subsidiaries have complied where the failure to comply would have a material adverse effect upon the financial condition, operations or business of the Division or any Operating Subsidiary with all federal, state, local and foreign laws, rules, regulations, statutes, ordinances and court,

administrative and arbitrator's orders (collectively, "Laws") applicable to the conduct of their businesses, including Laws relating to the protection of the environment, and the present use of their property and conduct of their businesses does not violate any such Laws.

p. Taxes. CSP on behalf of the Division has filed timely with the proper governmental offices all tax returns required to be filed (other than returns which CSP reasonably believes in good faith it is not required to file) including, without limitation, all federal, state and local income, withholding and payroll tax returns, sales, franchise, real property and personal property tax returns, and Social Security tax returns and has either (i) paid all taxes, fees and charges shown to be due by said returns or (ii) accrued such taxes in a timely and consistent manner. None of the Division's Assets or the assets of the Consolidated Division are subject to any lien for any unpaid taxes except for liens for any property or similar taxes not yet due and payable. The Subsidiaries have filed timely with all requisite governmental authorities all required tax returns (other than returns which CSP or the Subsidiaries reasonably believe in good faith they are not required to file) and have either (i) paid all taxes, fees and charges shown to be due by said returns or (ii) accrued such taxes in a

timely and consistent manner. None of any Subsidiary's assets are subject to any lien for any unpaid taxes except for liens for any property or similar taxes not yet due and payable.

q. Governmental Approvals, Consents, etc. Except as set forth in Exhibit 3.6, no approval, authorization, clearance, consent or order of, or designation, declaration, notice to or filing or registration with, any local, state, federal or foreign governmental or regulatory authority or body is required on the part of CSP, the Division, any Subsidiary or any "affiliate" thereof (as such term is defined in the Securities Exchange Act of 1934, as amended) in connection with the execution, delivery or performance by CSP of this Agreement or the consummation by CSP of the transactions contemplated hereby, the absence of which, individually or in the aggregate, would have a material adverse effect on the Division or any Subsidiary.

r. Conduct of Business. Except as set forth in Exhibit 3.2, since the close of business on June 30, 1987, (1) neither the Division nor any Significant Subsidiaries nor (insofar as the following items relate to the Division, the Consolidated Division or any Significant Subsidiary) CSP, shall have, and as of the Closing Date, will have (without the prior written consent of Purchaser and without duplication): (i) other than draws against

existing lines of credit, incurred, paid or settled any obligations or liabilities which require or which can reasonably be expected to require payments by or to the Division or any Operating Subsidiary of $250,000 or more; (ii) incurred any contract or commitment for the future purchase of materials, inventory or equipment which provides for delivery or performance on a date more than one year from the date hereof or which by its terms can reasonably be expected to require future payments by or to the Division or any Subsidiary of $250,000 or more; (iii) made any distributions of cash or other property used in the business of the Division or the Subsidiaries to CSP; provided, however, the Division may, prior to closing, repay in whole or in part and from time to time any amounts due under the Champion Working Capital Loan; (iv) conducted the business of the Division or of the Subsidiaries other than in the ordinary course of business; (v) sold, transferred, assigned, leased, mortgaged, pledged, or otherwise encumbered any of the Division's Assets or the assets of the Consolidated Division or any Subsidiary other than in the ordinary course of business (the acquisition or disposition of an individual item of machinery or equipment with a value of less than $250,000 shall be deemed to be in the ordinary course of business) or encumbered any inventory; (vi) increased, other than routine increases made in the

ordinary course of the Division's or any Subsidiary's business, the compensation, rate of compensation, bonus, service award, or any like benefit, or any welfare, pension, retirement or similar payment, arrangement or benefit payable to or to become payable to any of the Division's or any of any Subsidiary's employees, officers, agents, consultants or executive personnel; or (vii) agreed to do any of the items specified in (i) through (vi) above; and (2) there has not been any: (A) adverse material change in the financial position, business, properties or relationships with principal suppliers or distributors of the Division, the Consolidated Division or any Significant Subsidiary; (B) incurrence of any extraordinary losses or waiver of any rights of material value; (C) material change in accounting methods or practices (including, without limitation, any change in depreciation or amortization policies or rates) or in the timing or procedures for the payment of the Division's or any Significant Subsidiary's accounts payable or collection of their accounts receivable; (D) material damage, destruction or loss (whether or not covered by insurance) adversely affecting the properties or assets of the Division or any Significant Subsidiary; or (E) any agreement by CSP, the Division or any Significant Subsidiary to do any of the items specified in (A) through (D) above.

s. Employee Benefit Plans. (1) CSP has disclosed in Exhibit 3.4 (i) the name and description of each of the "employee pension benefit plans" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) maintained currently by CSP or the Division for the benefit of employees of the Division or any Subsidiary operating in the United States under which CSP or the Division or any such Subsidiary has incurred or may incur any current, future or contingent obligation or under which any former or present employee of the Division has any current or future rights to benefits (the "Pension Plans"); (ii) with respect to the "Defined Benefit Plans" (as defined in Section 3(35) of ERISA), the most recent actuarial reports pertaining to such Pension Plans; (iii) the aggregate value as at December 31, 1986 of the assets in each of the Pension Plans as reported by the trustee of such Pension Plans, copies of which CSP shall provide to Purchaser, plus receivables for the Division and/or employee contributions to such Pension Plans; (iv) with respect to the Defined Benefit Plans, the aggregate accrued liabilities as at December 31, 1986 for both vested and non-vested benefits for participants in each of the Pension Plans, as reported by the actuaries of such Pension Plans; and (v) the description and status of any pending amendments to the Pension Plans. Except as set forth in Exhibit 3.4, each

of the Pension Plans is a tax-qualified and exempt pension, profit-sharing or stock bonus plan, as described in Sections 401(a) and 501(a), respectively, of the Internal Revenue Code of 1986 (the "Code"), and has received a favorable determination letter from the Internal Revenue Service (the "IRS") that it is so qualified and exempt under the Code and that each Pension Plan is qualified under Section 401(a) of the Code, as amended by the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984 and the Retirement Equity Act of 1984. Insofar as they relate to the Division, with respect to each Pension Plan except as disclosed in Exhibit 3.4, all contributions required to have been paid or accrued for periods ending on or prior to the Closing Date have been paid or accrued. There are no pending or threatened investigations, arbitrations or claims with respect to such Pension Plans by any employee, participant, beneficiary, present or former Pension Plan fiduciary or any federal agency, which allege a breach of fiduciary duties or violations of other applicable state, common or federal laws which could result in liability on the part of CSP or the Division or any Pension Plan. Except as disclosed on Exhibit 3.4 with respect to the administration and operation of each of the Pension Plans: (1) to CSP's knowledge, no transaction prohibited under Sections 406 or 407 of ERISA or Section 4975 of the Code,

or which would be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, has occurred for which an exemption did not apply; (2) no partial or complete termination, or permanent discontinuance of contributions, has occurred; (3) no amendments have been made since 1982 which were not the subject of a favorable IRS determination letter; (4) all reports, together with all supporting statements, opinions, certifications and schedules, required to be filed by CSP or the Division pursuant to ERISA or the Code have been duly and timely filed with the appropriate governmental agencies; (5) in all material respects, all notices required to be provided to participants and beneficiaries by CSP or the Division pursuant to ERISA or the Code have been duly and timely provided; and (6) each Pension Plan has been administered and operated in all material respects in accordance with its terms and applicable laws. Except as disclosed on Exhibit 3.4, with respect to each of the Defined Benefit Plans: (1) no reportable event under Section 4043 of ERISA has occurred; (2) all Pension Benefit Guaranty Corporation premiums due to date have been paid; and (3) neither CSP nor the Division has or expects to have any liability (whether absolute or contingent, whether in the nature of penalties, excise taxes, additional contributions or otherwise) with respect to, and none of the Pension Plans

has incurred, any accumulated funding deficiency (whether or not waived), as that term is defined in Section 302 of ERISA or Section 412 of the Code. Except as disclosed in Exhibit 3.4, none of the Pension Plans are Multiemployer Plans within the meaning of Sections 3(37) or 4001(a)(3) of ERISA. Neither CSP nor the Division has any liability, jointly or otherwise, for any withdrawal liability demanded or yet to be demanded under Title IV of ERISA by any such Multiemployer Plan for a complete or partial withdrawal from such plan by any controlled group of employers (determined for purposes of Section 4001(b) of ERISA) of which CSP or the Division is a member. Except as provided on Exhibit 3.4, there is no litigation, arbitration or governmental investigation pending or, to the knowledge of CSP, threatened, with respect to any of the Pension Plans.

(2) The only "employee welfare benefit plans," (as defined by Section 3(1) of ERISA) that are maintained by CSP with respect to the Division are disclosed in Exhibit 3.4 (the "Welfare Plans"). CSP has previously delivered to Purchaser true and complete copies of all documents pertaining to such Welfare Plans including, without limitation, the most recent actuarial reports pertaining to such Welfare Plans. To the best knowledge of CSP, with respect to each such Welfare Plan, the following are true:

(A) all contributions (including, without limitation, insurance premiums), if any, required by law or by contract to have been made under or with respect to such Welfare Plan prior to the Closing Date will have been made;

(B) except as disclosed on Exhibit 3.4, such Welfare Plan has been maintained, in all material respects, in accordance with all applicable provisions of the Code, ERISA (including all rules and regulations thereunder) and other applicable laws; and

(C) other than claims for benefits arising in the ordinary course of the administration and operation of such Welfare Plan, there are no claims, investigations or arbitrations which are pending or threatened against the Welfare Plan and no basis to anticipate any such claim or claims, which in each case would materially and adversely affect the financial position of the Welfare Plan or the Division.

(3) The only "employee benefit plans," as defined by Section 3(3) of ERISA, not covered by ERISA by reason of ERISA Section 4(b)(4), that are maintained by CSP with respect to the Consolidated Division are disclosed in Exhibit 3.4 (the "Foreign Benefit Plans"). CSP has made available to Purchaser for inspection true and correct

copies of all documents pertaining to such Foreign Benefit Plans. To the best knowledge of CSP, with respect to each such Foreign Benefit Plan, the following are true:

(A) all contributions (including, without limitation, insurance premiums) required by law or contract to have been made under or with respect to such Foreign Benefit Plans prior to the Closing Date will have been paid or accrued; and

(B) such Foreign Benefit Plans have been maintained, in all material respects, in accordance with all applicable laws.

(4) CSP has previously delivered to Purchaser true and complete copies of all of the Pension Plans, Welfare Plans and Foreign Benefit Plans.

t. Collective Bargaining Agreements. Exhibit 3.5 sets forth a true and complete list and description of all collective bargaining agreements, union contracts or similar types of agreements (including, without limitation, any side letters) (collectively, "Labor Agreements") relating to the Division or any Operating Subsidiary to which CSP, the Division, or any Operating Subsidiary is a party or by which CSP, the Division, or any Operating Subsidiary or any of the employees of the Division or any Operating Subsidiary are bound or covered. True and complete copies of all such agreements and

contracts have been delivered to Purchaser prior to the date hereof.

u. Products Liability. To the best of CSP's knowledge, none of the products, technology, results or processes (including, without limitation, respirators and related products) developed, manufactured, sold or distributed by the Division, the Consolidated Division, or any Subsidiary contains any manufacturing or design defect which, to the best of CSP's knowledge, is likely to cause injury to persons or property.

v. Insurance. With respect to all policies of fire, liability, worker's compensation and other forms of insurance (collectively, "Insurance Policies") owned or held by CSP, the Division or any Subsidiary for the benefit of the Division, the Consolidated Division or any Subsidiary: (i) Exhibit 3.v. contains a true and complete list and description of all the Insurance Policies; (ii) none of the Insurance Policies have been cancelled or otherwise unfavorably terminated and such insurance/limits of liability as were provided in the individual policies remain in full force and effect; and (iii) there are no reservations of rights with respect to any claims that have been filed under or pursuant to any of the Insurance Policies. General comprehensive liability insurance has, for the past ten years, been maintained and is currently maintained by CSP, the Division, and DeVilbiss (Canada)

Limited and DeVilbiss Health Care (Canada) Inc. for the benefit of the Division, and DeVilbiss (Canada) Limited and DeVilbiss Health Care (Canada) Inc. and is provided on an occurrence form of insurance policy. For the past ten years, CSP has provided and maintained in the United States an occurrence form comprehensive general liability insurance policy with a worldwide (excluding the United States, its territories and possessions, Canada, Puerto Rico and specified communist countries) policy territory that would indemnify CSP for certain losses incurred by any Subsidiary.

w. Governmental Licenses and Permits. Except for licenses, permits and approvals (collectively, "Permits") the lack of which, individually or in the aggregate, would not have a material adverse effect on the business or operations of the Division or any Operating Subsidiary and except as disclosed in Exhibit 3.6., all required or necessary governmental Permits have been obtained and are valid and in full force and effect for the operation of the Division and the Operating Subsidiaries. Except as set forth in Exhibit 3.6., there are no claims or actions pending or, to the best of CSP's knowledge, threatened, which dispute the validity of any such Permit.

x. Broker's and Finder's Fees. Neither CSP nor any of the Subsidiaries is a party to, or in any way obligated to make any payment relating to, any contract or

outstanding claim for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution or performance of this Agreement excepting an agreement between CSP and Salomon Brothers Inc which provides that fees, if any, provided therein shall be paid by CSP.

y. Condition of Tangible Assets. All of the facilities and tangible assets of the Division, the Consolidated Division or the Subsidiaries, including, without limitation, all machinery, equipment, plants and buildings, which will be sold, assigned, transferred, conveyed and delivered by CSP to Purchaser pursuant to and under this Agreement, and which are necessary and required to conduct the operations and business of the Division, the Consolidated Division or the Subsidiaries as they are now being conducted, are in good operating condition and repair, subject to reasonable wear and use. Such assets constitute all of the material assets necessary and required to conduct the operations and business of the Division, the Consolidated Division or the Subsidiaries as they are now being conducted.

z. Intra- and Inter-Company Transactions. Exhibit 3.z. describes all commitments, obligations, understandings and accounting entries, if any, to which the Division or any Operating Subsidiary is subject which provides for or reflect the sale by the Division or any

Operating Subsidiary to, or the purchase by the Division or any Operating Subsidiary from, any affiliate or any division or unincorporated entity of CSP (other than any Subsidiary) of any goods, equipment or services, the loss of any of which could have a materially adverse effect on the business or operations of the Division or any Operating Subsidiary.

aa. Disclosure. No representation or warranty by CSP in this Agreement (including, without limitation, the Exhibits hereto) contains or will contain any untrue statement or omits or will omit any fact necessary to make the statements contained herein or therein not misleading.

The representations and warranties of CSP made herein shall survive for a period of twelve (12) months following the closing except for: (i) the representations and warranties of Section 3.p., relating to taxes, which shall survive for a term of four (4) months longer than the expiration of the statute of limitations applicable to the filing of the relevant tax return or the payment of the relevant tax in question; (ii) the representations and warranties of Section 3.j., relating to title to real property owned by CSP and conveyed to Purchaser, which shall not expire; and (iii) the representations and warranties of Section 3.y., relating to the condition of the tangible assets, which shall not survive the Closing.

4. Representations and Warranties of Purchaser. Purchaser, as of the date hereof and as of the Closing Date, makes the following representations and warranties to CSP:

a. Organization and Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power to enter into and perform this Agreement and to carry out its obligations hereunder.

b. Corporate Authority. The execution and delivery by Purchaser of this Agreement and the instruments of assumption to be delivered by Purchaser at Closing and the performance and consummation of the various terms and provisions hereof by Purchaser have been duly authorized by all necessary corporate action on the part of Purchaser. Purchaser is not a party or subject to any contract, agreement or instrument, or, to the best of Purchaser's knowledge, subject to any other legal restriction which would prevent or restrict complete fulfillment of any of the terms and conditions of this Agreement or compliance with any of its obligations hereunder.

c. Agreement Binding. This Agreement is, and the other documents referred to herein to be delivered by Purchaser when executed will be, valid and legally binding obligations of Purchaser enforceable in accordance with their respective terms, except as limited by general principles of equity and applicable provisions of bankruptcy or similar laws affecting creditors' rights generally. Neither the execution of this Agreement or

such other documents by Purchaser nor the performance by Purchaser of the various terms and provisions thereof will violate the Articles of Incorporation or By-Laws of Purchaser or result in a material breach or violation of any term or provision of, or constitute, or with notice or lapse of time could constitute a default under, any indenture, mortgage, lease or any other agreement or instrument to which Purchaser is a party or by which it is bound or materially conflict with, violate or breach any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Purchaser or by which it is bound.

d. Brokerage. No broker or finder has acted directly or indirectly for Purchaser in connection with this Agreement or the transactions contemplated hereby, and no broker or finder is entitled to any brokerage or finder's fee or other commission in respect thereof based in any way on agreements, arrangements or understandings made on behalf of Purchaser.

e. Financing. Purchaser has heretofore received and supplied to CSP written commitments or other appropriate documentation acceptable to CSP from responsible financial institutions to provide the funds sufficient to consummate the transaction contemplated by this Agreement.

f. Governmental Approvals, Consents, etc. Except as set forth in Exhibit 3.6, no approval, authorization,

clearance, consent or order of, or designation, declaration, notice to or filing or registration with, any local, state, federal or foreign governmental or regulatory authority or body is required on the part of Purchaser or any of its "affiliates" (as that term is defined in the Securities Exchange Act of 1934, as amended) in connection with the execution, delivery or performance by Purchaser of this Agreement or the consummation by Purchaser of the transactions contemplated hereby.

5. Covenants of CSP to be Performed Prior to the Closing.

a. Conduct of Business. From the date hereof to the Closing Date, CSP shall not (i) make any material change in the operation of the Division, the Consolidated Division or any Operating Subsidiary, (ii) enter into any contract or commitment which, if it existed on the date hereof, would be required to be listed in the Exhibits hereto pursuant to Sections 3.m., 3.s., 3.t., and 3.z., (iii) waive any rights of material value, (iv) enter into any other transaction affecting the Division's Assets or the operations or business of the Division or the assets, operations or business of the Consolidated Division or any Operating Subsidiary other than in the ordinary course of business, (v) take any action listed in Section 3.r.,(vi) modify or terminate any of the Material Contracts other than in the ordinary course of business, or (vii) enter

into any compromise or settlement of any litigation, proceedings or governmental investigations relating to the Division or any Significant Subsidiary, or any of their properties, assets, businesses or operations, except (A) settlements made by insurers which do not in any single case involve a contribution by CSP, the Division or any Significant Subsidiary in excess of $10,000, and (B) compromises or settlements made in the ordinary course of business, provided that any such settlement shall not in any single case exceed $20,000, except as approved by Purchaser in writing. Except for the repayment from time to time of all or part of the Champion Working Capital Loan, CSP will not make any distribution of cash or marketable securities from any account maintained for the benefit of the Division, the Consolidated Division or any Subsidiary and described in Exhibit 1.1 to CSP. CSP agrees that it will cause the Subsidiaries not to declare or pay any dividends from themselves to CSP or to any shareholder or other person or entity whatsoever without the prior written consent of Purchaser. CSP will (A) continue to operate the business of the Division, the Consolidated Division and the Operating Subsidiaries only in the ordinary course of business; (B) maintain in good operation and repair such of the assets of the Division and the Operating Subsidiaries as are necessary and required to conduct the operations and business of the

Division and the Operating Subsidiaries as they are now being conducted; (C) perform in a timely fashion its obligations under all agreements binding upon it; (D) maintain in good standing all material licenses of the Division or any Significant Subsidiary; (E) use its best efforts to maintain and preserve relationships with and the good will of the customers, suppliers and employees and others having business relations with the Division or the Significant Subsidiaries; (F) comply in all material respects with all Laws affecting the operation of the Division's or any Operating Subsidiary's business; (G) file on a timely basis all required tax returns (other than returns which CSP reasonably believes in good faith it is not required to file) including, without limitation, all federal, state and local income, withholding, payroll, sales, franchise, real property, personal property, Social Security and applicable foreign tax returns and pay all taxes, fees and charges shown to be due by said returns in a timely fashion; (H) maintain commercially reasonable amounts of insurance on the assets of the Division and each Significant Subsidiary, including, without limitation, the Insurance Policies referred to in Section 3.v. hereof; (I) preserve intact the business organizations, including the present workforce, of the Division and each Significant Subsidiary; (J) not terminate the services of the present officers or key

employees of the Division or any Significant Subsidiary; and (K) consult with Purchaser, upon the reasonable request of Purchaser, with respect to any actual or proposed conduct of the business or operations of the Division, the Consolidated Division or the Subsidiaries.

b. Purchaser's Examination. CSP shall afford Purchaser and its counsel, accountants and other authorized representatives ("Advisors") and any lending or other financial institution from which Purchaser may obtain financing for the transactions contemplated hereby (the "Lending Institution") reasonable access during normal business hours to the Division's, the Consolidated Division's and the Subsidiaries' plants, facilities, properties, books and records in order that Purchaser and its Advisors and the Lending Institution may have the opportunity to make such reasonable investigations as they shall desire to make of the affairs, operations and business of the Division, the Consolidated Division and the Subsidiaries, and CSP will cause its officers and accountants to furnish such additional financial and operating data and other information as Purchaser and its Advisors or the Lending Institution shall from time to time reasonably request, including without limitation, all financial and operating data as shall be necessary for certified public accountants designated by Purchaser to audit the Closing Balance Sheet. CSP shall upon the

reasonable request of Purchaser assist Purchaser and its Advisors and the Lending Institution in contacting and communicating with suppliers to and customers of the Division, the Consolidated Division and the Subsidiaries.

c. Consents. CSP covenants and agrees to use its best efforts, but without incurring any unreasonable additional obligations, to obtain all requisite consents, authorizations and approvals of all state, federal, foreign and local governmental authorities and agencies and all third parties necessary to consummate the transactions contemplated by this Agreement.

d. Pension Plans. CSP shall, as soon as practicable after the date hereof, and in any event prior to the Closing Date, file all Pension Plan amendments and applications in order to bring such Pension Plans into compliance with the Code, as amended by the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984 and the Retirement Equity Act of 1984. Prior to the Closing Date, CSP shall prepare all summary plan descriptions and pre-retirement survivor annuity notices required to be distributed to employees of the Division, shall file such summary plan descriptions with the U.S. Department of Labor and shall distribute such summary plan descriptions and notices to employees of the Division, all in compliance with applicable law (except that CSP (1)

shall provide pre-retirement survivor annuity notices on a best efforts basis and (2) shall provide summary plan descriptions in accordance with Department of Labor requirements except for the timeliness thereof).

6. Covenants of Purchaser. Purchaser covenants and agrees:

a. Consents. To use its best efforts to obtain prior to Closing all requisite consents, authorizations and approvals of all foreign governmental authorities and, solely with respect to the Hart-Scott-Rodino Antitrust Improvements Act, federal governmental authorities necessary to consummate the transactions contemplated by this Agreement, and to use its reasonable efforts to cooperate with CSP in obtaining the third party consents necessary to consummate the transactions contemplated by this Agreement.

b. Obligations. Notwithstanding the provisions of Section 2.h.(2)(a), to obtain before Closing the release or agreement to release of all guaranties by CSP of debts and obligations of the Subsidiaries and the Division and all joint obligations of CSP and the Subsidiaries and the Division or, in the alternative, to compensate CSP for its cost of remaining liable on such guaranties as shall not have been so released on such terms as CSP and Purchaser shall agree. In the event Purchaser does not obtain any of the foregoing releases or CSP and Purchaser are unable to agree on a compensation payable to CSP, then Purchaser

agrees, before closing, to indemnify CSP with standby letters of credit or other instruments of similar tenor in form satisfactory to CSP in respect of such of the foregoing obligations of CSP as shall not have been released as Purchaser and CSP shall agree.

c. Access and Cooperation. To grant to CSP after Closing full and free access, upon reasonable notice and as may be reasonably necessary to comply with governing laws and regulations, during normal business hours, to any books and records included in this sale or conveyed or transferred as part of the Division's Assets being sold hereunder, in the possession of the Subsidiaries or left in the possession of Purchaser at Closing; to permit representatives of CSP to make copies of such books and records at CSP's expense; to maintain such books and records until the expiration of the periods specified by applicable Federal, state, local and foreign laws or as may be reasonably extended by CSP; and to cooperate and assist reasonably CSP's efforts to defend itself in any governmental or private actions, audits, investigations or proceedings involving the conduct of the Consolidated Division's business prior to Closing.

d. Insurance. As of the Closing Date, to provide whatever insurance coverage for the Division's Assets and the Subsidiaries as Purchaser deems appropriate, other than for the Insured Claims. Such coverage shall include

commercially reasonable amounts of product liability insurance.

e. Records Retention. Purchaser agrees to retain for seven (7) years following the Closing all of the books and records of the Consolidated Division that relate to the business of the Consolidated Division when owned by CSP. Prior to the expiration of said seven (7) year period, CSP may request Purchaser to retain such books and records as may reasonably relate to CSP's business purposes. Purchaser may either (i) agree to retain said records and not to dispose of them without the prior written notification to CSP or (ii) cause such records to be delivered to CSP at CSP's expense.

f. Financing. Purchaser shall use its best efforts to obtain equity and debt funds sufficient to consummate the transactions contemplated by this Agreement (the "Financing") in general conformity with the terms of the commitments or documentation referred to in Section 4.e. In the event that any portion of the Financing becomes unavailable, regardless of the reason therefor, Purchaser will use its best efforts to obtain the financing necessary for this transaction from other sources on and subject to substantially the same terms and conditions as that portion of the Financing that has become unavailable. Purchaser shall use its best efforts to satisfy on or before the Closing all requirements of the definitive

financing agreements and conditions to closing all transactions constituting the Financing and to drawing down the cash proceeds thereunder.

g. Section 338 Election. Purchaser agrees to cause an election under Section 338(g) of the Internal Revenue Code of 1986 (the "Election") to be made with respect to the Subsidiaries pursuant to the procedures specified in Treas. Reg. Section 1.338-1T(c). The corporations to be included in the statement required by Treas. Reg. Section 1.338-1T(d) are the Subsidiaries. Purchaser shall cause the form of election, including any exhibits or schedules thereto (together referred to as the "Form"), to be prepared and shall submit the Form to CSP at least thirty (30) days prior to the deadline for filing or thirty (30) days prior to the date on which Purchaser proposed to file the Form, whichever is earlier, to permit CSP to review and comment on the Form. CSP's right to review and comment upon the Form shall in no way excuse Purchaser from its obligation to make a timely and otherwise valid election. Purchaser agrees to provide CSP with a copy of its allocation of the purchase price of each Subsidiary's stock among the assets of such Subsidiary in accordance with Treas. Reg. Section 1.338(b)-2T.

7. Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated herein shall be subject

to the fulfillment on, or prior to, the Closing Date of the following conditions, any of which may be waived in writing by Purchaser.

a. Representations and Warranties. The representations and warranties of CSP contained in this Agreement, the Exhibits hereto, and the other documents delivered by CSP to Purchaser pursuant hereto or in connection with the transactions contemplated hereby shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as if made on, and as of, such date.

b. Performance of Agreements. CSP shall have performed and complied in all material respects with all agreements and obligations required by this Agreement to be performed and complied with by it prior to, or at, the Closing Date, including, without limitation, those set forth in Section 5 hereof.

c. Certificate. CSP shall have delivered to Purchaser (i) the certificate of its president dated as of the Closing Date certifying the fulfillment of the conditions specified in Sections 7.a., 7.b., 7.e., 7.f., 7.g. 7.j. and 7.k. and (ii) any other certificates to evidence compliance with the conditions set forth in this Section 7 as may reasonably be requested by Purchaser or its counsel.

d. Opinion of Counsel for CSP. CSP shall have delivered to Purchaser the opinion of Marshall & Melhorn,

counsel for CSP, dated as of the Closing Date, in the form attached hereto as Exhibit 7.1.

e. No Litigation. There shall be no injunction or restraining order of any nature issued by any court of competent jurisdiction or by any administrative body or agency which directs or which has the effect of directing that this Agreement or any material transaction contemplated hereby shall not be consummated as herein provided.

f. Regulatory Authorizations. All filings with and approvals, authorizations, clearances, consents and orders of local, state, federal and foreign governmental and regulatory authorities and bodies (including, without limitation, all pre-acquisition foreign government approvals) required for the consummation of the transactions contemplated hereby shall have been obtained and filed.

g. No Material Changes.

(i) No portion of the Division's Assets or the assets of the Consolidated Division or any Operating Subsidiary material to the business and operation of the Division, the Consolidated Division or the Operating Subsidiaries shall, from and after the date hereof and before the Closing Date, be damaged, destroyed or taken by condemnation to such an extent that substantial

operation of the Division, the Consolidated Division or any Operating Subsidiary cannot continue at substantially the same level as prior to such occurrence.

(ii) No material item of the Division's Assets or the assets of the Consolidated Division or any Operating Subsidiary shall have been destroyed, damaged or taken by condemnation under circumstances where the loss thereof will not be substantially reimbursed through the proceeds of insurance or condemnation award, which awards or the proceeds thereof shall be the property of Purchaser if this Agreement and the transactions contemplated hereby are consummated.

(iii) Except for changes in general economic and business conditions and for fluctuations in the values of currencies, from and after the date hereof and before the Closing Date, neither the Division, the Consolidated Division, nor any Significant Subsidiary shall have suffered or become subject to changes of any kind or nature which either individually or in the aggregate materially adversely affect the ability of the Division, the Consolidated Division or any Significant Subsidiary to continue its business or operations.

h. MIS Agreement. CSP and Purchaser, or Purchaser's designee, shall have executed and delivered the MIS Agreement (the "MIS Agreement"), substantially in the form of Exhibit 7.h.

i. Proceedings. All corporate and other proceedings in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be in form and substance satisfactory to Purchaser and its counsel, and Purchaser shall have received all such originals or certified or other copies of such documents as it may reasonably request.

j. Consents of Third Parties. CSP shall have obtained all consents or approvals of all other parties to such of the Material Contracts, Permits, licenses, leases, Labor Agreements and other agreements and instruments as are listed on Exhibit 7.j.

k. Resignations. CSP shall have obtained the resignations, effective as of the Closing Date, of such directors of each of the Subsidiaries and of such officers and employees of the Division and the Subsidiaries as shall be requested by Purchaser.

8. Conditions to Obligations of CSP. The obligations of CSP to consummate the transactions contemplated herein shall be subject to the fulfillment on, or prior to, the Closing Date of the following conditions, any of which may be waived in writing by CSP.

a. Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement and the other documents delivered by Purchaser to CSP pursuant hereto or in connection with the transactions contemplated hereby shall be true and correct as of the date of this Agreement and as of the Closing Date with the same effect as if made on and as of such date.

b. Performance by Purchaser. Purchaser shall have performed and complied with all material agreements and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing Date including, without limitation, the obligations contemplated by Section 6.

c. Closing Date Certificate. Purchaser shall have delivered to CSP (i) the certificate of its president, dated as of the Closing Date, certifying the fulfillment of the conditions specified in Sections 8.a., 8.b and 8.e. and (ii) any other certificates to evidence compliance with the conditions set forth in this Section 8 as may reasonably be requested by CSP or its counsel.

d. Opinion of Counsel for Purchaser. CSP shall have received an opinion of Richards O'Neil & Allegaert, counsel for Purchaser, dated as of the Closing Date, substantially in the form of Exhibit 8.1.

e. No Litigation. There shall be no injunction or restraining order of any nature issued by any court of competent jurisdiction or by any administrative body or agency which directs or which has the effect of directing that this Agreement or any material transaction contemplated hereby shall not be consummated as herein provided.

f. Regulatory Authorizations. All filings with and approvals, authorizations, clearances, consents and orders of local, state, federal and foreign governmental and regulatory authorities and bodies (including, without limitation, all pre-acquisition foreign governmental approvals) required for the consummation of the transactions contemplated hereby shall have been obtained and filed.

g. MIS Agreement. CSP and Purchaser, or Purchaser's designee, shall have executed and delivered the MIS Agreement substantially in the form of Exhibit 7.h.

h. Guarantied Amounts. Purchaser shall have obtained the releases, agreements to release, refinancing, standby letters of credit or other instruments of similar tenor contemplated by Section 6.b.

9. Closing.

a. Closing. The principal Closing of the purchase and sale of the Division's Assets, the business of the Division, and the assets and business of the Consolidated

Division and the Subsidiaries (the "Closing") shall take place on January 6, 1988 ("Closing Date"), at the offices of Marshall & Melhorn, Four SeaGate, Eighth Floor, Toledo, Ohio at 10 o'clock a.m., together with such ancillary closings at London, England, Windsor, Canada, and other locations as may be necessary and appropriate to transfer to Purchaser the Division's Assets, the business of the Division, and the assets and business of the Consolidated Division and the Subsidiaries. Notwithstanding the above, if all pre-acquisition governmental approvals or consents required by Sections 7.f. and 8.f. have not been received by December 28, 1987, then the Closing Date shall automatically become that date which is fifteen (15) business days from the date on which the last of such consents or approvals is received by the requesting party or, if such date is not a business day in the United States or the jurisdictions of incorporation of the Subsidiaries, the first business day thereafter, but in no event shall the Closing Date automatically become a date beyond April 1, 1988. The time and location of the principal or ancillary closings may be changed upon the mutual agreement of CSP and Purchaser.

b. Effective Time of Closing. The effective time of the closing shall be 12:01 a.m. local time for each location where any assets will be sold, assigned,

transferred, conveyed or delivered under or pursuant to this Agreement.

c. Termination Date. If the Closing shall not have taken place on or prior to April 1, 1988, or such later date as CSP and Purchaser may mutually agree in writing, this Agreement shall terminate upon written notice of such termination given by either party at any time after April 1, 1988, or such later date, as the case may be. Upon such termination, the parties shall be released from all obligations or liabilities arising hereunder except for (i) liabilities arising out of pretermination breaches hereof and (ii) obligations arising out of any confidential agreement in effect between CSP and Purchaser.

d. Instruments of Conveyance and Transfer. (1) At the Closing, CSP shall deliver to Purchaser:

(i) CSP's general warranty deeds for all of the real property owned by CSP relating to the business of the Division and the Consolidated Division, conveying good and marketable fee simple title as herein provided, together with such bills of sale, endorsements, assignments, certificates, stock powers, notarial deeds, and other good and sufficient instruments of conveyance and transfer, in form satisfactory to Purchaser, as shall be effective to vest in Purchaser all of CSP's right

and title to and interest in the Division's Assets and the business of the Consolidated Division;

(ii) all of CSP's contracts, commitments, leases, agreements and other data relating to the business and operations of the Division, the Consolidated Division and the Subsidiaries, together with copies of all of CSP's books, records and financial records relative to the business of the Division, the Consolidated Division and the Subsidiaries; and

(iii) evidence of board action of the Subsidiaries approving the transfer of all of the Subsidiary Shares, as may be required.

Simultaneously with such delivery, CSP shall take such steps as may be necessary to put Purchaser in actual possession and operating control of the Division's Assets and the business of the Division and the assets and business of the Consolidated Division and each Subsidiary.

(2) At the Closing, Purchaser shall deliver to CSP an undertaking in form and substance reasonably satisfactory to CSP's legal counsel wherein Purchaser shall assume and agree to pay, perform, satisfy and discharge the Assumed Obligations as the same shall become due and payable.

e. Further Assurances. From time to time after the Closing, and without further consideration, CSP shall

execute and deliver such other instruments of conveyance, assignment, transfer and delivery and take such other actions as Purchaser or its counsel may request in order more effectively to transfer, convey, assign and deliver to Purchaser and to place Purchaser in possession or control of, all of the rights, properties, assets and businesses intended to be sold, transferred, conveyed, assigned and delivered under and pursuant to this Agreement, to assist in the collection of any and all such rights, properties and assets, and to enable Purchaser to exercise and enjoy all of the rights and benefits of CSP with respect thereto. Each party agrees that it will execute and deliver, or cause to be executed and delivered, all such other instruments and will take all such other actions as the other party may reasonably request from time to time in order to effectuate the provisions and purposes hereof.

10. Indemnification.

a. Notwithstanding (i) the making of this Agreement, (ii) any examination made by or on behalf of the parties hereto, and (iii) the Closing hereunder, the covenants, agreements, representations and warranties of CSP and Purchaser contained in this Agreement, or in any document delivered pursuant to the provisions of this Agreement shall survive until the first anniversary of the Closing Date, except for the representations and warranties of (x)

Section 3.p. relating to taxes which shall survive for a term of four (4) months longer than the expiration of the statute of limitations applicable to the filing of the relevant tax return or the payment of the relevant tax in question, (y) Section 3.j. relating to title to real property owned by CSP and conveyed to Purchaser, which shall not expire, and (z) Section 3.y. relating to the condition of the tangible assets, which shall not survive the Closing. No action may be brought with respect thereto after such date, provided that if, prior to such date, one party hereto has notified the other party hereto in writing of a claim for indemnity under this Section 10 (whether or not formal legal action shall have been commenced based upon such claim), such claim shall continue to be subject to indemnification in accordance herewith.

It is understood, however, that, when sold, all items of personal property sold hereunder shall have been sold "as is" and "where is." From and after the Closing, CSP SPECIFICALLY DISCLAIMS ALL WARRANTIES AS TO THE CONDITION OF SUCH PERSONAL PROPERTY BEING SOLD HEREUNDER, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE (EXCEPT AS MADE IN SECTION 3.Y.), BUT NOT WARRANTIES OF TITLE.

b. From and after the Closing, but subject to Section 10.a., CSP and Purchaser each shall indemnify and save

harmless, net of any tax savings to Newco, after giving effect to all deductible expenses incurred by Newco and all reportable income received by Newco in connection with such Damages (as hereinafter defined), the party seeking indemnification and its present and past officers, directors, stockholders, successors and assigns (the "Indemnified Party") against any loss, claim, liability, expense (including its reasonable attorney's fees) or other damage of any kind or nature (collectively, "Damages") caused to such party (or, if Purchaser shall be the Indemnified Party, to Newco, to the Division, the Consolidated Division or any Subsidiary) by or arising out of (i) the failure by the party against whom indemnification is sought (the "Indemnifying Party") to perform any covenant or agreement in this Agreement or in any document delivered pursuant to this Agreement, or (ii) any breach of warranty or representation made by or on behalf of the Indemnifying Party in this Agreement or in any document delivered pursuant to this Agreement, not waived in writing by the other party.

c. In addition to the rights of Purchaser under Section 10.b., but subject to Sections 10.d., 10.e., 10.f. and 10.g., CSP will indemnify and hold Purchaser harmless from and against (i) 100% of the Eligible Costs (as defined below) in excess of $2,000,000 and less than or equal to $4,000,000 and (ii) 50% of the Eligible Costs in

excess of $6,000,000 and less than or equal to $8,000,000 arising out of all claims, demands, losses, obligations and liabilities (including reasonable counsel fees) of the kind or nature set forth in clauses (A) through (D) below (the "Special Claims") in this Section to which Purchaser may become subject; provided, however, that in no event shall payments made by CSP under this Section 6.c. exceed $3,000,000. CSP shall have no obligation to indemnify as to any Special Claims of the kind and nature set forth in clauses (A) through (C) below after the fifth anniversary of the Closing Date and CSP shall have no obligation to indemnify as to any Special Claims of the kind and nature set forth in clause (D) below after the tenth anniversary of the Closing Date. The Special Claims are:

(A) Claims arising out of patent litigation, contract litigation and tort litigation (other than litigation asserting as a cause of action damage to person or property caused by a product manufactured or sold or both manufactured and sold by the Division or any Subsidiary) commenced against CSP or the Division prior to the Closing Date;

(B) Claims arising out of litigation asserting as a cause of action damage to person or property caused by a product manufactured or sold

or both manufactured and sold by the Division or any Subsidiary prior to the Closing Date;

(C) Claims arising out of the response, removal, remediation, investigation, corrective action, injuries or damages of the storage or disposal of the Division's wastes at the Commercial Oil Services disposal site near Toledo, Ohio or at the Fisher-Calo Chemical Co. disposal site near Angola, Indiana; and

(D) Claims arising out of the response, removal, remediation, investigation, corrective action, property damage, personal injury, economic loss, damage to natural resources, health assessments and health studies, settlement, interest accruing on recoverable amounts, penalties and attorneys' fees arising under any national, federal, state or local environmental laws or under common law for any management, release, or threatened release of hazardous substances, whether on the property of CSP or any Subsidiary or at an offsite location to which hazardous substances were sent and whether or not released or threatened to be released in a reportable quantity, resulting from any action or omission by CSP or any Subsidiary or from any state of facts existing prior to the Closing Date.

Eligible Costs shall mean all costs arising out of any Special Claim to the extent that such costs exceed the applicable balance sheet reserves on the Closing Balance Sheet for such Special Claims and all insurance proceeds payable in respect of such Special Claim.

d. The Indemnified Party shall notify the Indemnifying Party within a reasonable period of time after becoming aware of, and shall provide to the Indemnifying Party as soon as practicable thereafter all information and documentation necessary to support and verify, any Damages which the Indemnified Party shall have determined has given or could give rise to a claim for indemnification hereunder, and the Indemnifying Party shall be given access to all books and records in the possession or control of the Indemnified Party which the Indemnifying Party reasonably determines to be related to such claim.

e. All claims for indemnity under this Section 10 shall be paid by the Indemnifying Party on demand in immediately available funds in U.S. dollars after such claim, or any part thereof, has been finally determined. A claim, or any part thereof, shall be deemed to be "finally determined" for purposes of this Section 10 if not contested by the Indemnifying Party or, if contested, when the parties have so determined by mutual agreement or when a final order of a court of competent jurisdiction or

a final award of an arbitrator having competent jurisdiction has been entered.

f. The Indemnified Party shall notify the Indemnifying Party with reasonable promptness of its discovery of any matter giving rise to a claim of indemnity pursuant to this Agreement. With respect to any third party claim or action that could give rise to indemnity under this Agreement, the Indemnifying Party shall be entitled to assume the defense thereof with counsel satisfactory to the Indemnified Party, and after notice from the Indemnifying Party to the Indemnified Party of its election so to assume the defense thereof, the Indemnifying Party shall not be liable to the Indemnified Party under the foregoing indemnity agreement for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than (i) those relating to investigation or the furnishing of documents or witnesses and (ii) all reasonable fees and expenses of separate counsel retained by such Indemnified Party if (A) the Indemnifying Party and the Indemnified Party shall have agreed to the retention of such counsel or (B) the Indemnified Party shall have concluded reasonably that the representation of the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to actual or potential differing interests between them in the conduct

of the defense of such action. Promptly after receipt by an Indemnified Party of notice of the commencement of any action to which the Indemnifying Party is not a party, such Indemnified Party shall, if such claim in respect thereof is to be made against the Indemnifying Party pursuant to this Agreement, notify the Indemnifying Party in writing of the commencement thereof, but the failure or delay in so notifying the Indemnifying Party shall not relieve the Indemnifying Party of its obligations to indemnify pursuant to the terms of this Agreement. The Indemnified Party shall keep the Indemnifying Party informed of the progress of any such action.

g. Purchaser shall be entitled to indemnification under Section 10.b. only when, and only with respect to, amounts by which the aggregate of all claims with respect to which Purchaser would otherwise be entitled to indemnification under Section 10.b. exceeds $1,000,000. Notwithstanding the foregoing, the aggregate maximum amount for which CSP shall be liable to Purchaser pursuant to this Section 10 or for breach of any other provision of this Agreement shall be equal to the Purchase Price.

h. Except as explicitly provided otherwise herein, this Section 10 shall be the sole and exclusive remedy of either party in connection with any breach of any of the representations and warranties contained in Sections 3 or 4 of this Agreement.

11. Brokers. CSP has employed Salomon Brothers Inc to assist it in the sale of the Division and the negotiation of this Agreement. CSP shall be responsible for the payment of all fees and expenses relating to the foregoing.

12. Definitions, etc.

a. Division. For the purposes of this Agreement, the word "Division" shall refer to the domestic business of The DeVilbiss Company division of Champion Spark Plug Company.

b. Division's Assets. The term "Division's Assets" is defined in Section 1 and excludes the assets of the Subsidiaries but includes the common stock of the Subsidiaries owned by CSP.

c. Consolidated Division. The term "Consolidated Division" shall refer to the consolidated business of the Division and shall be deemed to include the Division's Assets and the liabilities of the Division and the assets and liabilities of the Operating Subsidiaries, all without duplication.

d. Knowledge. When used in this Agreement, the word "knowledge" shall include the knowledge, after due inquiry, of (i) those employees of CSP who are responsible for the oversight or management of the business activities of the Division, the Consolidated Division or of any Subsidiary; (ii) those employees of CSP or the Division who are the principal management employees responsible for

manufacturing, marketing, sales, control, technology, human resources or legal affairs of the Division or any Subsidiary; (iii) any president, managing director, chief financial officer or general manager of the Division or (iv) the manager or controller of each Operating Subsidiary.

e. Confidential Memorandum. The Confidential Memorandum is the memorandum prepared by Salomon Brothers Inc in its capacity as financial advisor to CSP in connection with the sale of the Division.

f. Champion Working Capital Loan. The Champion Working Capital Loan, as shown on the Division Balance Sheet, represents the net amount of the following:

(i) Account No. 11550001211, which is the cumulative balance of cash advances from CSP and cash required by Division;

(ii) CSP advances, which is the combination of unpaid billings to the Division for invoices paid by CSP and items paid by CSP but not yet billed. The billings are reclassified from accounts payable in a consolidating entry and the unbilled items recorded in a similar entry;

(iii) Amounts receivable from or due to Morenci Engineered Rubber Products, a division of CSP;

(iv) The net balance of all petty cash and cash in bank accounts carried on the books of the Division (normally a net overdraft); and

(v) The net amount payable by DeVilbiss Health Care (U.K.) Limited to Champion Sparking Plug Company Limited, which normally is a combination of intercompany netting for amounts due the Division and administrative charges for CSP's pension plan which includes DeVilbiss Health Care (U.K.) Limited employees.

g. Subsidiaries. The Subsidiaries are all those corporations owned directly or indirectly by CSP and comprising part of the Division and listed in Exhibit 1.7. Exhibit 1.7 specifies which of the Subsidiaries are the "Operating Subsidiaries", the "Significant Subsidiaries" and the "Other Subsidiaries," for purposes of this Agreement.

h. Section References. All references in this Agreement to Sections and Exhibits refer, unless otherwise expressly set forth herein, to Sections of and Exhibits to this Agreement.

13. Waiver of Bulk Sales Act. Purchaser and CSP waive compliance with Chapter 1306 of the Ohio Revised Code and with the bulk sales laws, U.C.C. Article 6, as in effect in any state in which the Division may have property. CSP will discharge and pay when due and payable, and indemnify and hold Purchaser harmless against, any debt or obligation of CSP's business other than the Assumed Obligations.

14. Press Releases. Neither CSP nor Purchaser shall issue any press release regarding the execution of this Agreement or the consummation of the transactions contemplated hereby without the consent of the other.

Notwithstanding the foregoing, either party may issue, upon prior consultation with the other party, such press releases as the issuing party's legal counsel deems necessary or required by the Securities Exchange Act of 1934, other state or federal securities laws or by the rules of any exchange upon which the issuing party's securities may be listed.

15. Disclaimer of Confidential Memorandum. All information, representations and warranties provided by CSP or Salomon Brothers Inc, including the Confidential Memorandum, any projections, and The DeVilbiss Company Background Information Confidential Memorandum, except to the extent explicitly warranted in this Agreement, is expressly disclaimed.

16. Filings and Authorizations. Each of CSP and Purchaser, as promptly as practicable, (i) shall make, or cause to be made, all such filings and submissions under such laws, rules and regulations applicable to it or to the Subsidiaries, as may be required for the consummation of the transactions contemplated hereby in accordance with the terms of this Agreement, (ii) shall use all reasonable efforts to obtain, or cause to be obtained, such approvals, authorizations, clearances, consents and orders from all local, state, federal and foreign governmental authorities and bodies required to be obtained by it, or the Subsidiaries or affiliates, in order that the transactions contemplated hereby may be consummated, (iii) shall make such reasonable and customary undertakings in connection therewith as any foreign government may require and (iv) shall take or cause to be taken other actions reasonably necessary, proper or advisable in order for it to fulfill its obligations hereunder.

17. Expenses. Except as provided in Section 11 and as provided below, all fees, commissions and other expenses incurred by CSP or Purchaser in connection with the negotiation of this Agreement and in preparing to

consummate the transactions contemplated hereby, including the fees and expenses of their respective counsel, shall be borne by the party incurring such fee or expense. All transfer, documentary, sales, use, registration, recording, conveyancing, notarial and other such taxes, duties, fees, costs and expenses (including any penalties and interest) incurred in connection with this Agreement and the transactions contemplated hereby (other than (i) those taxes imposed on or measured by the income or capital gains of CSP, and (ii) expenses of the nature specified in the preceding sentence, which shall be borne by CSP), shall be borne solely by Purchaser and each of CSP and Purchaser shall cooperate in the filing of all necessary tax and other returns and other documentation with respect to all such taxes, duties, fees, costs and expenses, and, if required by applicable law, CSP and Purchaser will each, and will cause the Subsidiaries to, join in the execution of any such tax and other returns and other documentation. With respect to any fees and other expenses incurred in connection with the audit of the Closing Balance Sheet and related undertakings to be performed by independent certified public accountants pursuant to Section 2.d.(i), all such fees and expenses (to the extent not accrued by the Division) of PMM shall be borne by CSP and all such fees and expenses of AA shall be borne by Purchaser.

18. Employee Benefits.

a. CSP currently maintains the following Pension Plans for certain employees of the Division: The DeVilbiss Company Salaried Employees' Retirement Income Plan; The DeVilbiss Company Somerset Plant Defined Contribution Plan; The DeVilbiss Company UAW Retirement Income Plan; The DeVilbiss Company Somerset Plant UIAW

Retirement Plan; The DeVilbiss Company Supplemental Retirement Income Plan (Severance); The DeVilbiss Company UAW Supplemental Retirement Income Plan (Severance); The DeVilbiss Company UAW Supplemental Unemployment Benefit Plan; and The DeVilbiss Company Angola Hourly Defined Contribution Plan. Within 35 days after the Closing Date, CSP shall take all actions necessary to transfer to Purchaser the Pension Plans, including all related trusts, and including the obtaining of any consents of any trustees or administrators or of any entity holding assets of the trust or in which assets of the trust are invested, and Purchaser shall take all actions necessary to formally assume as of the Closing Date the Pension Plans, and all related trusts, as plan sponsor. From and after the time of such transfer, Purchaser shall be responsible for and bear the expenses of the timely filing of any and all notices to Federal agencies required on behalf of the Pension Plans in connection with such transfers.

b. With respect to the Defined Benefit Plans only, CSP shall, if necessary, contribute to or accrue with respect to such Plans as of the Closing Date, an amount such that following such contributions or accruals, the Defined Benefit Plans, taken as a whole, will have, as of October 31, 1987, assets with a fair market value, as determined by the Plans' trustees, equal to the value of the accumulated benefit obligations of the Plans. By

December 30, 1987, the Plans' actuaries shall calculate the accumulated benefit obligations of the Defined Benefit Plans based on the results presented in Section C of Table 87-1 of the 1987 valuation reports (designated as accumulated benefit obligation for all plan participants) prepared by the Plans' actuaries and rolled forward to October 31, 1987 using actual benefit disbursements during the period January 1, 1987 to October 31, 1987. CSP shall deliver on or before December 31, 1987, to Purchaser a copy of the Plan actuaries' calculation. The amount of any excess of plan assets over the accumulated benefit obligation in any one Defined Benefit Plan will offset the amount of any deficiency of plan assets to cover the accumulated benefit obligation in any other Defined Benefit Plan.

c. With respect to any Pension Plan which is a defined contribution plan (within the meaning of Section 3(34) of ERISA), CSP shall accrue an amount representing any unpaid employer contribution computed in accordance with the terms of such plan and based on compensation paid or accrued for the benefit of participants in each such plan for any plan years or portion thereof ending on or before the Closing Date. With respect to each such plan which provides for discretionary employer contributions, CSP shall accrue an amount equal to the percentage of compensation of the plan's participants contributed to

such plan by CSP for the plan year commencing in 1986 multiplied by the compensation of participants in the plan paid for the current plan year and any portion of the following plan year ending on or before the Closing Date for which contributions have not been made.

d. With respect to any employees of DeVilbiss Health Care (U.K.) Limited who are members in the Champion Pension Scheme (the "Scheme") maintained by Champion Sparking Plug Company Ltd., CSP shall take all actions within its power to cause the transfer of an amount equal to the deferred pension, as calculated in accordance with the provisions of the Scheme or consistent with prior practice under the Scheme attributable to each such employee, to a pension scheme designated by the Purchaser and to which scheme the trustees of the Scheme may validly make a transfer payment in accordance with the provisions of the Scheme and all applicable laws. CSP shall use its best efforts to obtain any consents of any trustees or administrators or of any entity holding assets of the Scheme or in which such assets are invested as may be necessary. Purchaser shall take all actions necessary to provide a comparable pension scheme for such employees and under such scheme shall provide year-for-year credit for service with DeVilbiss Health Care (U.K.) Limited and affiliates to the extent actually credited under the Scheme.

19. Historical Financial Statements. CSP shall cause PMM promptly after the date hereof to complete, at Purchaser's expense, an audit of the consolidated financial statements of the Consolidated Division as of December 31, 1984, 1985 and 1986, and for each of the years then ended and to deliver these audited financial statements to Purchaser. The failure of Purchaser to receive these financial statements shall not relieve Purchaser from its obligations to consummate the transactions contemplated by this Agreement.

20. Insurance. a. An Insured Claim shall not become an Assumed Obligation unless and until the insurer denies coverage with respect to such Insured Claim.

b. CSP will not modify or terminate any policies of liability insurance (primary or excess) which afford the Division or any Subsidiary insurance during any period prior to the Closing Date. CSP will cooperate with Purchaser in all respects in enforcing insurance coverage for any claim which Purchaser believes in good faith is covered by any policy of CSP. If any insurer denies coverage for any claim which Purchaser believes is an Insured Claim, then Purchaser shall have the right to request CSP to commence litigation for any coverage dispute, provided that Purchaser will prosecute any such litigation in the name of CSP at Purchaser's expense.

c. Purchaser agrees to indemnify and hold CSP harmless for all deductible amounts, self-insured amounts, reserve payments or other expenses incurred by CSP in connection with the Insured Claims. Purchaser further agrees to provide to CSP the same financial support as CSP is required to provide to the insurer on account of the business of the Division.

21. Miscellaneous.

a. Governing Law. This Agreement shall be governed by the laws of the State of Ohio. Purchaser consents to the jurisdiction of the Lucas County, Ohio Court of Common Pleas.

b. Captions. All captions are for convenience only and should not be construed to form a substantive part of this Agreement nor restrict or enlarge any substance or part of this Agreement.

c. Entire Agreement. This Agreement contains the entire understanding between and among the parties hereto and supersedes any prior understandings and agreements between or among them respecting the subject matter of this Agreement. No amendment of this Agreement or any Exhibit shall be binding unless in writing and signed by CSP and Purchaser.

d. Counterparts. This Agreement may be executed in several counterparts, and all counterparts so executed shall constitute one agreement, binding on all parties hereto, notwithstanding that all the parties are not signatories to the original or the same counterpart.

e. Successors and Assigns. This Agreement shall inure to the benefit of and shall bind the parties hereto. Neither CSP nor Purchaser may assign this Agreement or any rights or delegate any duties hereunder without the prior written consent of the other, provided,

however, that Purchaser may assign this Agreement or any portion hereof or its rights hereunder to any of its affiliates without such prior consent of CSP, provided that in such event the assignor shall remain the primary obligor hereunder and shall be discharged from its liabilities hereunder only to the extent that such affiliate renders due, complete and timely performance thereof. In the event Purchaser does not assign its rights hereunder, it shall be deemed to be Newco for all purposes herein.

f. Notices. All notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given when mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to CSP:

Champion Spark Plug Company
900 Upton Avenue
P. O. Box 910
Toledo, Ohio 43661

Attention: Thomas Kress

cc: Marshall & Melhorn
Four SeaGate, Eighth Floor
Toledo, Ohio 43604

Attention: Reeve W. Kelsey, Esq.

cc: Salomon Brothers Inc
8700 Sears Tower
Chicago, Illinois 60606

Attention: Jeffrey A. Golman

If to Purchaser:

Eagle Industries, Inc.
2 North Riverside Plaza
Chicago, Illinois 60606

Attention: Chief Executive Officer

cc: Rosenberg & Associates, P.C.
2 North Riverside Plaza
Chicago, Illinois 60606

Attention: Sheli Z. Rosenberg, Esq.

cc: Richards O'Neil & Allegaert
885 Third Avenue
New York, New York 10022-4802

Attention: William A. Newman, Esq.

Any party may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

g. Confidentiality Agreement. The Confidentiality Agreement between Purchaser and CSP shall continue and remain in full force and effect through the Closing Date.

h. Third Party Beneficiaries. Both parties acknowledge and agree that there are no third party beneficiaries of this Agreement. Without limiting the foregoing, nothing in this Agreement shall be interpreted as creating any right in any employee of CSP or any Subsidiary to the continuation of employment, compensation levels or terms and conditions of employment by Purchaser.

i. Exhibits. All exhibits to this Agreement shall be incorporated herein and shall be deemed to be a part

hereof. Inclusion of any item in any exhibit to this Agreement shall not be considered determinative of the materiality of the item included.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first written above.

EAGLE INDUSTRIES, INC.

By _____

CHAMPION SPARK PLUG COMPANY

By _____