

02-15-2001

ORIGINAL ONLY

To the Honorable Commissioner of Patents and Trademarks



Attachments or copy thereof.

1. Name of conveying party(ies):

101615168

Name and address of receiving party(ies):

Name: CARPENTER TECHNOLOGY CORPORATION

Internal Address: _____

Street Address: P.O. Box 14662

City: Reading State: Pennsylvania ZIP: 19612-4662

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State DELAWARE

Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from Assignment)

Additional name(s) & address(es) attached? Yes No

ICI AUSTRALIA OPERATIONS PTY LTD.

2.2.01

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation-Country AUSTRALIA
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Merger
- Security Agreement
- Change of Name
- Other PURCHASE AGREEMENT

Execution Date September 30, 1997

4. Application number(s) or registration number(s)

If this document is being filed together with a new application, the execution date of the application is: _____

A. Trademark Application No.(s)

FEB - 2 2001

B. Trademark Registration No.(s)

1,619,273

1,653,455

Additional Application/Registration Numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: VINCENT T. PACE

Address: DANN, DORFMAN, HERRELL AND SKILLMAN, P.C.

1601 Market Street, Suite 720

Philadelphia, Pennsylvania 19103-2307

Telephone: (215) 563-4100

Facsimile: (215) 563-4044

6. Total number of applications and registrations involved:..... 2

7. Total Fee (37 CFR 3.41).....\$ 65.00

Enclosed

Authorized to be charged to deposit account

8. In the event a fee is required and is not enclosed, or the check enclosed is improper, or the fee calculation is in error, the Commissioner is authorized to charge any underpayment or credit any overpayment to the account of the undersigned attorneys.

Deposit Account Number: 04-1406

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

VINCENT T. PACE
Name of Attorney Signing

Vincent T. Pace
Signature of Attorney

January 31, 2001
Date

Total number of pages including cover sheet, attachments and document: 47

Do not detach this portion

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patents and Trademarks
Box Assignments
Washington, DC 20231

PURCHASE AGREEMENT

among

ICI AUSTRALIA OPERATIONS PTY LTD

and

CARPENTER TECHNOLOGY CORPORATION

With respect to
the Assets of the Advanced Ceramic Division

ICI AUSTRALIA OPERATIONS PTY LTD

Dated September 30th 1997

FHPMELCC\97269008.6 - 29 September 1997 (15:50)

TRADEMARK
REEL: 002235 FRAME: 0943

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT is made and entered into as of September 30, 1997, by and among (i) ICI Australia Operations Pty Ltd (ACN 004 117 828), an Australian corporation ("Operations" or "Seller"), and (ii) Carpenter Technology Corporation, a Delaware corporation ("Purchaser" or "Carpenter").

RECITALS

A. Each of ICI Ceramics, Inc., a Delaware corporation with operations primarily in California ("Ceramics"), Z Tech Corporation, a Delaware corporation with operations primarily in New Hampshire ("Z Tech"), and ICI Ceramics, Ltd., a corporation organised under the laws of England ("ICUK" and collectively with Ceramics and Z Tech, the "Subs") is a wholly owned subsidiary of ICI Australia Investments Pty Ltd (ACN 009 781 257) ("Investments").

B. Contemporaneously herewith Carpenter is entering into a separate agreement to purchase all of the capital stock and share capital of the Subs from Investments.

C. Operations owns certain assets and a manufacturing facility in Australia which comprise the Division (the "Division").

D. Carpenter desires to purchase the assets of the Division and Operations desires to sell the assets of the Division.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Defined Terms.

(a) As used in this Agreement, the following terms shall have the following meanings:

"Accepted Liabilities" means those Liabilities which are trade liabilities of Seller as at the Closing Date incurred in the ordinary course of ordinary business of the Division to persons and entities other than Affiliates of Seller and which include amounts under Sections 2.7 and 2.9, as reflected in Exhibit A.

"Accounting Standards" means in respect of any accounting practice relevant to this agreement, the following accounting standards apply: (i) the accounting standards required under the Corporations Law; (ii) if no accounting standard applies under the Corporations Law in relation to an accounting practice, the standards acceptable to the Australian Accounting Research Foundation, including: the Australian Accounting Concepts; the Australian Accounting Standards; and the Approved Accounting Standards; and (iii) if no accounting standard applies under (ii) or (iii), the accounting practice agreed between the Parties and, failing agreement, an accounting practice determined in accordance with the dispute resolution procedure described in Section 2.5(d) as if a dispute in relation to the applicable accounting practice were a dispute in relation to the closing statement. To the extent practicable accounting standards applied hereunder shall be consistent with those applied under the Stock Purchase Agreement.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person [excluding the

shareholders of Seller and their respective affiliates]. A Person shall not be deemed to be an Affiliate of any other Person solely as a result of being a director or officer of such other Person. Notwithstanding the foregoing, neither Imperial Chemical Industries PLC a company incorporated under the laws of England whose registered office is therein situated at 9 Millbank, London SW1P3JF ("Imperial Chemical Industries PLC") nor any of its direct or indirect subsidiaries shall be considered an Affiliate of Seller.

"**Agreement**" means this asset purchase agreement.

"**Ancillary Agreements**" means the Stock Purchase Agreement and the License Agreement.

"**Assets**" means, subject to the provisions of Section 7.2, all the tangible and intangible assets used, held or developed or created by or for Seller in connection with, or related to the Division including without limitation:

- (a) the Assets Leases;
- (b) the Brand Names shown in schedule 1.1;
- (c) the Cash;
- (d) the Division Records;
- (e) the Contracts;
- (f) the Goodwill;
- (g) the Intellectual Property;
- (h) the Plant and Equipment;
- (i) the Promotional Material;
- (j) the Property Leases;
- (k) the Stock; and
- (l) the Employee Loans,

but excludes the Excluded Assets and the Receivables.

"**Assets Leases**" means the leases, hire purchase agreements, conditional purchase agreements and other hiring arrangements for assets used in the Division listed in Schedule 1.1 and any leases, agreements or arrangements entered into by Seller between the date of this Agreement and the Closing Date.

"**Balance Sheet**" has the same meaning specified in the Stock Purchase Agreement.

"**Brand Names**" means the brand names of products distributed or sold in the carrying on of the Division and includes, but is not limited to, those listed in Schedule 1.1.

"**Business Day**" means a day of the year on which banks are not required or authorised to be closed in the city of San Francisco, United States of America, or in the City of Melbourne, Australia.

"**Closing**" means the closing of the purchase and sale of the Assets of the Division and the other transactions contemplated by this Agreement and the Stock Purchase Agreement.

"**Closing Date**" has the meaning set forth in the Stock Purchase Agreement.

"**Commonwealth**" means the Commonwealth of Australia together with any State or Territory of Australia, any government or any governmental, semi-governmental, administrative,

fiscal or judicial body, department, commission, authority, tribunal, agency or political sub-division of any of them.

"Consolidated Business" means the collective business and operations of the Subs and the Division.

"Contracts" means the agreements in respect of the Division to which Seller is a party and which are, in whole or in part, executed or in force as at the Closing Date but excludes: (i) the Assets Leases; (ii) the Property Leases; and (iii) any agreements to the extent they relate to Excluded Assets or to Liabilities which are not Accepted Liabilities or which are not otherwise assumed by Purchaser under this agreement.

"Corporations Law" means the statute by that name uniformly enacted in the Australian jurisdictions.

"Current Liabilities" has the meaning specified in the Stock Purchase Agreement.

"Disclosure Schedules" means the schedules prepared by Seller and delivered to Purchaser pursuant to the provisions of Article III of this Agreement.

"Division" means the business of developing, manufacturing and marketing ceramic powders and ceramic components as currently conducted by Seller and from facilities located in Australia.

"Division Records" means in relation to the Division: (i) customer lists; (ii) supplier lists; (iii) records of Contracts, Assets Leases and Property Leases; (iv) records of Receivables; (v) records of Accepted Liabilities; (vi) records of Transferring Employees and of the entitlements referred to in Section 2.9; (vii) computer programmes, data bases, software and negatives; (viii) originals or copies of ledgers, journals and books of account; (ix) information on the manufacture, production and marketing of any goods made or sold in the Division including designs, drawings, specifications, recipes and formulae for all products and Promotional Material; (x) results of research carried out and other know-how; and (xi) all other documents and records in respect of the Division or the Assets.

"Employee Loans" means loans made by Seller to its employees pursuant to the Seller's share option scheme.

"Encumbrance" means an interest or power: (i) reserved in or over an interest in any asset including, but not limited to, any retention of title; or (ii) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power: by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to, any agreement to grant or create any of the above.

"Excluded Assets" means the assets of Seller used in or forming part of the Division and listed as excluded assets in Schedule 1.1.

"Excluded Records" means those Division Records which Seller is required by law to retain.

"Existing Member" means a Transferring Employee who is a member of Seller's Fund on Closing.

"Facilities" means all facilities located at the Properties.

"Goodwill" means the Seller's goodwill in respect of the Division and includes without limitation: (i) the exclusive right of Purchaser following Closing to represent itself as carrying on

the Division as the successor of Seller; and (ii) all Seller's rights at common law and in equity in the words "Advanced Ceramics" as a name and as a trade mark.

"Governing Rules" means, in relation to a superannuation fund, the trust deed, rules or other document governing that fund.

"Including" or to **"include"** any item shall mean containing or to contain such item as part of a whole, without any implied exclusion of any other item.

"Intellectual Property" includes the Division's inventions, patents, and patent applications; trademarks, trademark registrations and applications therefor; symbols and logos; copyrights; service marks; service mark registrations and applications therefor; confidential information and trade secrets used in or forming part of the Division; designs; including but not limited to the Brand Names and the intellectual property rights listed in Schedule 1.1, and includes the Goodwill.

"Liabilities" means all liabilities of Seller or any other person in respect of the Division as at the Closing Date and includes, but is not limited to, a liability of Seller to an employee or a trade creditor of the Division, a liability of Seller to an Affiliate of Seller, a liability of Seller in respect of a loan, bank overdraft, trade bill facility, other financial accommodation, guarantee or indemnity, a judgment debt, fine, criminal or civil penalty, liability for damages or compensation or to account for profits or to make restitution, a fee, charge or expense for legal, accounting or other professional services for which Seller is liable, irrespective of whether the liability is actual, prospective, contingent or otherwise is at any time ascertained or unascertained is owing or incurred by or on account of Seller alone or severally or jointly with any other person or comprises any combination of the above other than a liability in respect of tax.

"License Agreement" means a Patent License Agreement in a form and substance satisfactory to the Purchaser in its discretion, conveying to Carpenter and any of its subsidiaries the right to exploit certain patented technology regarding zirconium oxide ceramic products, as covered by Australian patent no. 569034 and US patent numbers 4279655 and 4885266 (and all corresponding and directly related patent applications and patents applied for or currently in force in all other countries).

"Material Adverse Effect" means a material adverse effect on the financial condition, business, assets, net worth or results of operations of the Consolidated Business taken as a whole.

"Parties" means both Purchaser and Seller.

"Party" means either Purchaser or Seller.

"Person" means an individual, corporation, partnership, association, trust or other entity or organisation, including a government or political subdivision or an agency or instrumentality thereof.

"Plant and Equipment" means: (i) the plant, equipment, machinery, tools, furniture, fittings and motor vehicles; (ii) raw materials, components and work-in-progress for items under construction described in paragraph (i); (iii) spare parts and accessories for items described in paragraphs (i) and (ii); used in or forming part of the Division and includes, but is not limited to, those listed in Schedule 1.1 and any item described in this definition acquired by Seller between the date of this Agreement and the Closing but excludes any assets leased or hired under the Assets Leases.

"Product Warranty" means a guarantee, warranty, indemnity, undertaking, assertion, representation or promise made by a manufacturer, supplier or repairer in connection with the promotion, supply or repair of goods included in the Tangible Assets or affixed or attached to the

Properties in relation to: (i) the quality, performance or characteristics of the goods or the repair of the goods; (ii) the provision of services that were or may be required in respect of the goods; (iii) the supply of parts that were or may be required for the goods; or (iv) the future availability of: identical goods; goods which form part of a set which includes the goods to which the guarantee, warranty, indemnity, undertaking, assertion, representation or promise relates, whether or not Seller has obtained the goods directly from the manufacturer, supplier or repairer.

"Promotional Material" means advertising material, sales literature, catalogues, display stands, signs, film, plates, television and print media material and material of a similar nature used in the Division.

"Property Leases" means the leases of the real property at which the Division is carried on listed in Schedule 1.1.

"Properties" means the properties leased under the Property Leases.

"Purchase Price" means the cash consideration described in Section 2.1(b) to be paid to Seller.

"Purchaser's Fund" means the superannuation fund, details of which are set out in Schedule 1.1.

"Receivables" means the trade debts acquired in the ordinary course of ordinary business of the Division owed to Seller at Closing and which are specified in the Closing Statement.

"Seller's Fund" means the superannuation fund, details of which are set out in Schedule 3.12(a) and in relation to an Existing Member, means the particular Seller's Fund of which he or she is a member on Closing.

"Shares" means one hundred percent (100%) of the issued and outstanding shares of capital stock Ceramics and Z Tech and one hundred percent (100%) of the issued and outstanding share capital of ICUK.

"Stock" means the inventory of stock of the Division as at Closing and includes but is not limited to, raw materials, components, work-in-progress, finished goods, packaging materials and spare parts.

"Stock Purchase Agreement" means the agreement for the sale and purchase of the Shares between Operations, Investments and Purchaser dated on or about the date hereof.

"Subs" has the meaning set forth in the Recitals.

"Tangible Assets" means the Plant and Equipment and Stock and the assets leased or hired under the Assets Leases.

"Transferring Employee" means an Employee who accepts Purchaser's offer of employment under Section 2.9.

"US Subs" means Ceramics and Z Tech.

(b) Each of the following terms is defined in the Section set forth opposite such term:

<u>Term</u>	<u>Section</u>
Arbitrated Amount	2.5(d)
Arbitrator	9.12(b)
Authorisations	3.7(a)
Ceramics Acquisition	7.1(g)

Ceramics Products	7.1(a)
Claim Costs	8.2
Closing Statement	2.5(a)
Confidentiality Agreement	5.3
CSIRO	6.2(l)
Employees	3.12(a)
Environmental Law	3.7(n)
Files	7.9(a)
Government Bid	3.9(e)
Government Contract	3.9(e)
Hazardous Materials	3.7(f)
ICI Letters	7.2(a)
Indemnified Party	8.6(a)
Indemnifying Party	8.6(a)
Independent Accounting Firm	2.5(d)
knowledge	3.21
Material Agreement	3.9(d)
Lien	3.6(a)
Permits	3.4(a)
Purchase Price	2.1(b)
Purchaser Indemnitees	8.3
Purchaser's Amount	2.5(d)
Retained Seller Information	7.7
Retained Division Information	7.8
Seller Indemnitees	8.2
Seller's Amount	2.5(d)
Third Party Claim	8.6(b)

ARTICLE II PURCHASE AND SALE

2.1 Purchase and Sale: Consideration.

(a) Subject to the terms and conditions set forth in this Agreement, (i) Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, the Assets, and (ii) Seller shall covenant not to compete with the Division as set forth in Section 7.1 below, and (iii) on and subject to Closing Purchaser becomes liable for and must assume the Accepted Liabilities but only subject to the operation of Section 2.5(c).

(b) The Purchase Price (the "Purchase Price") for the Assets and the covenant not to compete shall be \$2.956 million which Purchase Price shall be allocated as set out in Schedule 2.1(b).

2.2 Closing. At the Closing:

(a) Seller will deliver to Purchaser (duly executed by Seller where applicable): (i) assignments or novations of those Contracts, Assets Leases and Property Leases which are capable of assignment or novation and as to which any required consents have been obtained; (ii) transfer of ownership and registration forms for all motor vehicles leased or hired under the Assets Leases or included in the Plant and Equipment; (iii) assignments of the Intellectual Property, in a form acceptable to Purchaser; (iv) any other document reasonably required by Purchaser to transfer the Assets to Purchaser and to complete the sale under this agreement; (v) the Tangible Assets; (vi) the consents necessary for the transfer of the Contracts, Assets Leases and Property Leases referred to in Section 2.11; (vii) a release of each Encumbrance executed by the holder of that Encumbrance; (viii) certificates of roadworthiness for all motor vehicles leased or hired under the Assets Leases or included in the Plant and Equipment; (ix) executed and, where applicable, stamped originals of the Contracts, Assets Leases and Property Leases; (x) registration certificates and other documents of title, where applicable, for the Intellectual Property subject to Section 7.2; (xi) give to Purchaser vacant possession of the Properties; (xii) give to Purchaser full and unrestricted possession of all the Assets; and (xiii) provide copies of all Excluded Records.

(b) Purchaser shall deliver (or cause to be delivered) to Seller (i) the Purchase Price in immediately available funds by wire transfer to a bank account designated by Seller by notice delivered to Purchaser not later than two (2) Business Days prior to the Closing Date and (ii) counterparts of the documents executed by Purchaser of those documents delivered by Seller under Section 2.2(a) which require execution by Purchaser.

2.3 Closing. Closing will take place contemporaneously with the closing of the Stock Purchase Agreement at Freehill Hollingdale & Page, Level 45, 101 Collins Street, Melbourne, Victoria, Australia or, at the option of Purchaser, at other locations reasonably acceptable to Seller.

2.4 Title and Risk. Title and risk to the Assets passes to Purchaser on Closing.

2.5 Determination of Accepted Liabilities.

(a) **Closing Statement.** As soon as practicable, but in any event within fifty-five (55) Business Days following the Closing Date, Purchaser shall deliver to Seller a statement ("Closing Statement") as of the close of business on the Business Day preceding the Closing Date setting out the Accepted Liabilities separately specifying the amounts to be accounted for under Sections 2.7 and 2.9 and the sum of those items..

(b) **Cooperation.** Seller shall cooperate fully with Purchaser to the extent required by Purchaser in order to prepare for the Closing and to investigate any disputes or other matters relating thereto.

(c) **Post Closing Payments - Adjustment.**

(i) The sum of the amount of Accepted Liabilities stated in the Closing Statement is an amount due to the Purchaser which shall be accounted for by the Seller as described in paragraph 2.5(c)(ii).

(ii) It is agreed by the Parties that items making up the Accepted Liabilities stated in the Closing Statement shall be treated as Current Liabilities to be included on the Balance Sheet of the Consolidated Business under Stock Purchase Agreement.

(iii) On or as soon as possible after Closing, the Purchaser must pay ICI Australia Limited ACN 004 145 868 the amount owed by Transferring Employees pursuant to the Seller's share option scheme.

(iv) In the event that the amount of the Receivables is greater than \$444,000, the Seller shall account to the Purchaser for an amount equal to the difference by making a reconciliation as set forth in the Stock Purchase Agreement and in the event that the amount of the Receivables is less than \$444,000 the Purchaser shall account to the Seller for an amount equal to the difference by making a reconciliation as set forth in the Stock Purchase Agreement.

(d) **Disputes Regarding Closing Statement.** Subject to this Section 2.5(d), the Closing Statement delivered by Purchaser to Seller shall be final, binding and conclusive on the Parties hereto. Within twenty Business Days of Seller's final receipt of the Closing Statement, Seller may dispute any amounts reflected on the Closing Statement by notifying Purchaser in writing of each disputed item, specifying the amount thereof in dispute and setting forth, in detail, the basis for such dispute. During such twenty Business Day period, Seller shall have reasonable access to all working papers, supporting analyses, computations, accounting records, and general ledger reports used by Purchaser to prepare the Closing Statement. The Seller's notice shall also set forth the amount it believes should be stated on the Closing Statement ("Seller's Amount"). In the event of such a dispute, Seller and Purchaser shall attempt to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on the Parties. If Purchaser and Seller are unable to reach a resolution within twenty Business Days of Seller's written notice of dispute to Purchaser, Purchaser and Seller shall submit the items remaining in dispute for resolution to Deloitte & Touche LLP (the "Independent Accounting Firm"), which shall, within twenty Business Days of such submission, determine and report to Seller and Purchaser upon such remaining disputed items as of the close of business on the Business Day preceding the Closing Date (the "Arbitrated Amount"), which amount shall in no event be greater than the Seller's Amount or less than the amount set forth on the Closing Statement delivered by Purchaser ("Purchaser's Amount"). The report of the Independent Accounting Firm shall be final, binding and conclusive on Seller and Purchaser. The fees and disbursements of the Independent Accounting Firm shall be paid by Purchaser and Seller in the following percentages: (i) in the case of Purchaser, B divided by C and (ii) in the case of Seller, A divided by C, where (x) A equals the difference between Seller's Amount and the Arbitrated Amount, (y) B equals the difference between the Arbitrated Amount and Purchaser's Amount, and (z) C equals the difference between Seller's Amount and Purchaser's Amount.

2.6 Liabilities. Notwithstanding the sale of the Assets hereunder, the Parties acknowledge and will ensure that the Liabilities (other than Accepted Liabilities) remain or will prior to the Closing become the obligation of Seller. The Parties agree to co-operate with each other and to take any further action which is reasonably necessary after the Closing in order to give effect to this Section.

2.7 Payments in advance or arrears. All payments in advance or arrears will be reflected in the Closing Statement to the effect that:

(a) Purchaser must account to Seller for: (i) any payments in advance made by Seller for goods or services to be supplied to the Division in the ordinary course of ordinary business after the Closing Date to the benefit of Purchaser; and (ii) any other payments in advance made

by Seller in respect of the Division in the ordinary course of ordinary business, the benefit of which is received by the Division after Closing; and

(b) Seller must account to Purchaser for any payments in advance received by Seller for goods or services to be supplied in respect of the Division after Closing.

2.8 Receivables.

(a) Seller is entitled to the Receivables but, subject to clause 2.8(e), must not attempt to collect them. Purchaser must use its best endeavours to expedite collection on behalf of Seller of those Receivables specified in the Closing Statement however Purchaser is not required to institute proceedings to recover any Receivable or to expedite collection of any receivable not specified in the Closing Statement.

(b) Purchaser must account to Seller for payment of the Receivables as follows:

- (1) any amount received by Purchaser in payment of, or which is readily reconcilable with, specific Receivables or debts to the Purchaser must be treated as a payment of those Receivables or debts to Purchaser (as the case may be); and
- (2) any amount received by Purchaser in payment of amounts which may include Receivables where:
 - (A) the debtor owes separate debts to Purchaser; and
 - (B) where the amount paid is not identified by the debtor as a payment of, or is not readily reconcilable with, specific Receivables or specific debts to Purchaser, must be applied as follows and in the following order:
 - (C) first, Receivables outstanding for not more than 90 days before the date of payment and those which have been outstanding the longest within that 90 day period must be paid before the others;
 - (D) second, the debts referred to in clause 2.8(b)(2)(A) and those which have been outstanding the longest must be paid before the others; and
 - (E) third, Receivables which have been owed by the debtor for more than 90 days before the date of payment and those which have been outstanding the longest must be paid before the others.

(c) On the last day of the month in which the Closing Date falls and after that on the last day of each month Purchaser must: (1) provide to Seller a written account of the collection of the Receivables; and (2) pay to Seller all amounts required to be paid by Purchaser for Receivables under clause 2.8(b).

(d) Purchaser must provide to Seller any information in relation to the collection of the Receivables which Seller reasonably requests.

(e) Seller is solely responsible for the collection of any Receivable not collected within 6 months after the Closing Date.

2.9 Employees.

(a) (i) On or before Closing, Purchaser must offer in writing to employ the Employees with effect from Closing, on terms and conditions of employment which are acceptable to Purchaser and which Purchaser shall use reasonable endeavours to ensure are substantially

comparable with their existing terms and conditions. Purchaser must recognise past service and accumulated benefits to the extent set out in the employee list in Schedule 3.11 for the purposes of calculating annual leave and long service leave. (ii) Purchaser must state in its offer of employment and in any contract arising from acceptance of that offer that: the offer is conditional upon Closing; (iii) If an Employee advises Seller that he accepts Purchaser's offer of employment, Seller must immediately advise Purchaser of the acceptance. (iv) Seller must use its reasonable endeavours to encourage the Employees to accept Purchaser's offer of employment.

(b) (i) On Closing Seller must: release the Transferring Employees from employment with Seller, that release to take effect at the Closing Date; and pay the Transferring Employees any entitlement to wages, salaries, remuneration, compensation or benefits arising out of their employment, due to or accrued by them at the Closing Date. (ii) This section (b) does not apply to annual leave, leave loading or long service leave but does apply to sick leave.

(c) Seller is solely responsible for the wages, salaries, annual leave, leave loading, long service leave, sick leave and any other remuneration, compensation or benefits (including any entitlement to severance or redundancy payments) of those Employees who do not accept Purchaser's offer of employment, arising out of their employment or the termination of their employment, whether under any agreement, statute, industrial award or in any other way.

(d) In accordance with Section 2.5, Seller must allow to the Purchaser an amount equal to the sum of (i) the annual leave and leave loading accrued by the Transferring Employees as at the Closing Date; and (ii) the long service leave for periods of service accrued by, or vested in, the Transferring Employees as at the Closing Date calculated in accordance with the Accounting Standards.

(e) Purchaser indemnifies Seller against any liability to a Transferring Employee for annual leave, leave loading or long service leave for which Seller has made an allowance to Purchaser under Section 2.9(d).

2.10 Superannuation

(a) Within one month (or any longer period agreed between Purchaser and Seller) after Closing Purchaser must: (i) establish or nominate the Purchaser's Fund; and (ii) ensure that each Existing Member is offered membership of the Purchaser's Fund with effect from Closing.

(b) (i) Seller must provide, and must use all reasonable endeavours to ensure that the trustee of the Seller's Fund provides, to Purchaser and to the trustee of the Purchaser's Fund any information in respect of the Existing Members reasonably required by them to give effect to this Section 2.10. (ii) Purchaser must provide, and use all reasonable endeavours to ensure that the trustee of the Purchaser's Fund provides, to Seller and the trustee of the Seller's Fund any information reasonably required by them to give effect to this Section.

2.11 Transfer of Contracts, Assets Leases and Property Leases

(a) (i) Notwithstanding Section 2.2(a), at the Closing Seller must transfer the Contracts, Assets Leases and Property Leases, at Purchaser's option either by assignment or by novation in a form acceptable to Purchaser; (ii) If the consent of a third party is required for the assignment or novation, then Seller must obtain that consent. (iii) If the method of transfer selected by Purchaser is not possible, then Seller must effect the transfer by another method.

(b) From Closing and prior to the date each Contract is transferred but subject to Section 2.11(e) Purchaser must: (i) to the extent it lawfully can, perform at its expense all the obligations of Seller under each Contract; and (ii) indemnify Seller against all losses, costs, payments, liabilities, charges, outgoings and expenses incurred after Purchaser has taken over

performance of the Contract and as a result of any act or default of Purchaser in discharging Seller's obligations under Contract; and (iii) Seller must within two (2) Business Days after receipt pay to Purchaser any amount or account to Purchaser for any other benefit it receives in respect of each Contract.

(c) (i) If an Assets Lease or a Property Lease has not been transferred to Purchaser before Closing Seller must: (1) allow Purchaser to use or occupy the property the subject of that Assets Lease or Property Lease as licensee from Closing until the transfer is completed; (2) take any action necessary to ensure that such Assets Lease or Property Lease is transferred in accordance with this agreement as soon as reasonably practicable after Closing; (3) indemnify Purchaser in respect of any claim, action, damage, loss, liability, cost, charge, expense, outgoing or payment which Purchaser pays, suffers, incurs or is liable for, by reason of any matter or thing in respect of any of the following: (A) any breach of such Assets Lease or Property Lease including, but not limited to, any breach arising from Purchaser being permitted to use or occupy the property before any necessary consents have been obtained or formalised; or (B) any relocation or disruption to Purchaser's business or any other consequence suffered because Purchaser has had to relinquish or vacate the property as a result of any action on the part of the lessor.

(ii) Section 2.11 (c)(i)(3) does not apply if the breach is due to any act or default of Purchaser in relation to obligations which it can lawfully perform under the subject Assets Lease or Property Lease.

(iii) Subject to Section 2.11(c)(i)(3), Purchaser must: (1) to the extent it lawfully can, perform at its expense all the obligations of Seller under any Assets Lease or Property Lease; and (2) indemnify Seller against all losses, costs, payments, liabilities, charges, outgoings and expenses incurred after Purchaser has taken over performance of any Assets Lease or Property Lease and as a result of any act or default of Purchaser in discharging Seller's obligations under any Assets Lease or Property Lease.

(d) If any person is required to make a payment under a Contract, Assets Lease or Property Lease the benefit of which accrues to Purchaser under this agreement and that person claims or exercises any right of set-off or counterclaim in respect of anything done or not done by Seller before the later of: (i) Closing; or (ii) the assignment or novation of that Contract, Assets Lease or Property Lease in accordance with this agreement; then Seller must immediately on demand pay as Purchaser directs the difference between the payment which would have been received had the right of set-off or counterclaim not been exercised and the payment actually received.

(e) (i) If within 60 days after the Closing Date a Contract, Assets Lease or Property Lease has not been transferred to Purchaser in accordance with this agreement or on other terms and conditions acceptable to Purchaser, Purchaser may at its sole discretion require Seller either to terminate that Contract, Assets Lease or Property Lease or to exclude it from this agreement; (ii) Seller indemnifies Purchaser against any claim, action, damage, loss, liability, cost, charge, expense, outgoing or payment which Purchaser pays, suffers, incurs or is liable for in respect of the termination or exclusion from this agreement of any Contract, Assets Lease or Property Lease in the circumstances specified in Section 2.11(e)(i).

(f) (i) Seller must at any time after Closing, at the request of Purchaser, absolutely assign to Purchaser each Product Warranty that is assignable and give notice to the relevant manufacturer, supplier or repairer of the assignment. (ii) Seller declares that on and from Closing it will hold each assignable Product Warranty that is not assigned to Purchaser under Section 2.11(f)(i) and any non-assignable Product Warranty on trust for Purchaser.

(g) If a Material Agreement has not been assigned to Purchaser by Closing, Seller must (1) take any action necessary to ensure that such Material Contract is transferred in accordance with this Agreement after Closing; and (2) indemnify Purchaser in respect of any claim, action, damages, loss (including loss of profit and loss of expected profit), liability, cost, charge, expense, outgoing, diminution in value or deficiencies of any kind or character or payment (including, without limitation, all interest and amounts payable to third parties, all liabilities or account of taxes and all legal (on a full indemnity basis) and other expenses reasonably incurred in connection with investigating any claims or actions, whether or not resulting in any liability and all amounts paid in settlement of claims or actions) which Purchaser pays, suffers, incurs or is liable for, by reason of any matter or thing related to that agreement not having been so assigned.

2.12 Further Assurances Regarding Assets. After the Closing Date, Seller will, at the request of Purchaser but without further consideration, execute and deliver such other and further instruments of sale, assignment, transfer and conveyance and take such other and further action as Purchaser may reasonably request in order to vest ownership and control of the Assets in Purchaser.

2.13 Brand Names not owned by Seller

Seller must procure at Closing: (i) the execution by Z-Tech Pty Ltd of assignments of all trade mark rights (whether registered or unregistered) in the Brand Names owned by Z-Tech Pty Ltd, in a form acceptable to Purchaser, assigning to Purchaser all such Brand Names; and (ii) the delivery to Purchaser of any registration certificates and other documents of title relating to such Brand Names.

2.14 Risk

(a) Seller until Closing remains the owner of and bears all risks in connection with the Business and the Assets. On Closing property in and the risk of the Business and the Assets passes to the Purchaser. From Closing, the Purchaser shall be responsible for maintaining insurance in respect of the Business in the name of the Purchaser or its nominee.

(b) Seller agrees to take out and maintain until Closing insurance of the Assets covering such risks and for such amounts as would be maintained in accordance with its ordinary practice for the Business.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth on the Disclosure Schedules attached hereto, Seller represents and warrants as follows:

3.1 Organisation and Authority. Seller is a corporation duly organised, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all necessary corporate power and authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly authorised, executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms, subject to laws of general application relating to equitable remedies, bankruptcy, insolvency and the relief of debtors.

3.2 No Conflict: Consents and Approvals.

(a) The execution, delivery and performance of this Agreement by Seller does not (i) conflict with or violate any law, rule, regulation, order, judgment, injunction, decree, determination or award applicable to Seller. (ii) violate or conflict with the certificates of

incorporation or by-laws of Seller; or (iii) require any material pre-Closing consent, notice, authorisation or approval under, result in any material breach of, or constitute a material default (or event which with notice or lapse of time, or both, would become a material default) under, or result in the creation of any lien or other encumbrance on any of the properties or assets of the Division pursuant to any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument to which Seller is a party or by which any of them or any of their respective properties is bound or affected which might have a Material Adverse Effect, individually or in the aggregate, on the consummation of the transactions contemplated hereby.

(b) Except with regard to the License Agreement, the execution, delivery and performance of this Agreement by Seller does not require any consent, approval, authorisation or other action by, or filing with or notification to, any domestic or foreign governmental or regulatory authority or any other person, except such filing as may be required by the Treasurer of the Commonwealth of Australia, in any case except where the failure to obtain such consents, approvals, authorisations or actions, or to make such filings or notifications, would not (i) prevent Seller from performing any of its obligations under this Agreement, or (ii) otherwise prevent the consummation of the transactions contemplated herein by Seller, or (iii) otherwise have a Material Adverse Effect on the operation of the Division.

3.3 Litigation. There is no private or governmental suit, claim, action at law or in equity, proceeding, or to Seller's knowledge, investigation or audit pending or to Seller's knowledge threatened, before any arbitrator, court, or governmental or regulatory authority, against Seller that challenges or reasonably could be expected to prevent the consummation of the transactions contemplated hereby nor to Seller's knowledge is there any basis for any of the foregoing. Except as set forth on Schedule 3.3, there is no private or governmental suit, claim, action at law or in equity, proceeding, or audit pending, or to Seller's knowledge threatened, by or before any arbitrator, court, or other governmental or regulatory authority, against Seller with respect to the Division or to Seller's knowledge is there any basis for the assertion of the foregoing. Except as set forth on Schedule 3.3, there are no judgments, orders, injunctions, decrees, stipulations or awards rendered by any governmental or regulatory authority or arbitrator against the Division or Seller with respect to the Division.

3.4 Licenses, Permits and Qualifications.

(a) All material permits, licenses, orders and approvals of Commonwealth foreign, federal, state, provincial or local governmental or regulatory bodies that are required in order to permit Seller to operate the Division (hereinafter referred to as the "Permits") are set out in Schedule 3.4(a). The Permits are in full force and effect and, no suspension or cancellation of the Permits is threatened. Schedule 3.4(a) sets forth a brief description of each Permit and the current term thereof. Notwithstanding the above, the Purchaser acknowledges that it will apply for a new trade waste agreement with South East Water to be in place by Closing.

(b) All products sold by Division pursuant to qualification requirements established by Division's customers were produced in a manner consistent with the requirements of such qualifications where the failure to do so, individually or in the aggregate, would have a Material Adverse Effect. Except as set out in Schedule 3.4(b), Seller has not received any written notification that any qualifications for Division's commercially manufactured products as requested by Division's customers have been revoked or terminated as a result of the failure of products manufactured by Division to meet the Specifications required by such qualifications, and no such revocation or termination is threatened in writing or to Seller's knowledge contemplated.

3.5 Compliance with Laws. Seller in connection with the Division is not in violation of any Commonwealth, foreign, federal, provincial, state or local law, statute, ordinance or regulation in effect on or prior to the Closing Date where such violation, individually or in the aggregate, would have a Material Adverse Effect.

3.6 Properties.

(a) Seller has good and valid title to or rights in, or in the case of the Properties has valid leasehold interests in, all the Assets (whether tangible or intangible). Except as set forth on Schedule 1.1 none of such property or assets (whether real or personal) is subject to any liens, security interests, claims or Encumbrances ("Lien").

(b) Schedule 1.1 sets forth (i) all Properties, the location thereof and any surveys of such property and the annual rental for such property, (ii) all Assets Leases requiring annual payments in excess of \$10,000 (and the annual rental for such property), (iii) all personal property owned by Seller with book value of \$10,000 or more, and (iv) the location of all such personal property. The Assets are all that Seller uses to operate the Division as currently conducted and Seller conducts reasonable maintenance in the ordinary course of business consistent with past practice with respect to all Plant and Equipment presently being utilised by them in the production of product.

(c) The Property Leases are in full force and effect, all rentals or other payments due and payable thereunder prior to the date hereof have been duly paid as applicable and Seller is in material compliance with all provisions of such leases. No material default or material event of default exists and no event which, with notice or lapse of time, or both, would constitute a material default or material event of default has occurred and is continuing, under the terms or provisions, express or implied, of any such leases, nor has Seller received written notice of any claim of such material default or material event of default.

(d) There are no eminent domain proceedings pending or to Seller's knowledge threatened, against any property occupied by the Division or any material portion thereof.

(e) Seller has made available to Purchaser true and correct copies of the certificates of title, the most recent title insurance policies, if any, and surveys in Seller's possession relating to the Properties.

(f) Seller has not received any written notice and has no knowledge of violations of any local zoning or land use or other similar regulations in respect of the Properties or any other properties used in the Division which are in effect or remain unresolved.

3.7. Environmental Protection.

(a) Seller has obtained all permits, licenses and other authorisations (hereinafter collectively referred to as "Authorisations") which are required with respect to Seller's current operations of the Division and to use, ownership and operation of the Assets and any real property under any Environmental Law and each such Authorisation is in full force and effect. Paragraph (a) of Schedule 3.7 sets forth a complete and accurate list of all Authorisations.

(b) Except as set forth in paragraph (c) of Schedule 3.7 Seller is in compliance with all terms and conditions of the Authorisations specified in Subsection 3.7(a) above and are also in compliance with, and not subject to liability under, any Environmental Law (including, without limitation, compliance with standards, schedules and timetables therein having the force of law).

(c) Except as set forth in paragraph (d) of Schedule 3.7 there is no civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, proceeding, notice or

demand letter or written request for information pending or to Seller's knowledge threatened, nor are there any investigations pending or threatened, under any Environmental Law against Seller in connection with the Division or against any person or entity whose liability for any such matter Seller has retained or assumed either by agreement or by operation of law.

(d) Except as set forth in paragraph (f) of Schedule 3.7 no Lien is in effect under any Environmental Law with respect to any assets, facility or real property owned, operated, leased or controlled by Seller in connection with the Division.

(e) Except as set forth in paragraph (e) of Schedule 3.7 Seller has not (i) retained or assumed by agreement or (ii) to Seller's knowledge assumed by operation of law in connection with the Division any obligations or liabilities under any Environmental Law of any predecessor in interest or any other person.

(f) Except as set forth in paragraph (i) of Schedule 3.7 Seller, in connection with the Division, has not received any notices under the Environment Protection Act 1970, or any other applicable Environmental Law with respect to any assets, facility or real property owned, occupied, operated, leased or controlled by the Division or any of its predecessors-in-interest in connection with the Division nor is Seller aware of:

(i) any wastes, as defined in the Environment Protection Act 1970 and its implementing regulations; or

(ii) any substance which has had or may have any of the effects described in sections 39(1), 41(1) or 45(1) of the Environment Protection Act 1970; or

(iii) any dangerous goods, as defined in the Dangerous Goods Act 1985 and its implementing regulations; or

(iv) any other toxic substance, hazardous waste, hazardous constituents, asbestos or asbestos containing material, petroleum, including crude oil and any fractions thereof or, other wastes, chemicals, substances or materials subject to regulation under any Environmental Law

(collectively "Hazardous Materials") that Seller, in connection with the Division, has used, generated, stored, treated, handled, transported or disposed of or arranged for transport for disposal or treatment of, having been found at or on any assets, facility or real property owned, operated, leased or controlled by Seller in connection with the Division, or any of its predecessors-in-interest, or on or at any site at which any governmental agency or private party is conducting or planning to conduct an investigation or other action pursuant to any Environmental Law. Paragraph (g) of Schedule 3.7 sets forth a complete and accurate list of all Hazardous Materials used, generated, stored, treated, handled, transported or disposed of or arranged for transport for disposal or treatment of by Seller in connection with the Division.

(g) Except as may have occurred in compliance with an Authorisation, there have been no releases by Seller (ie, any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping) in violation of any currently or formerly applicable Environmental Law of Hazardous Materials on, at, upon, into or from any of the real properties owned, leased, operated or used by Seller in connection with the Division or the facilities thereon.

(h) Except as set forth in paragraph (b) of Schedule 3.7 there is no asbestos in, on, or at any real property or facility or equipment owned leased or operated by Seller in connection with the Division.

(i) No real property leased or operated by the Division:

(i) is listed or proposed for listing on the Priority Site Register of the Victorian Environment Protection Authority; or

(ii) is listed or proposed for listing on the List of Issued Certificates and Statements of Environmental Audit of the Victorian Environment Protection Authority; or

(iii) is listed or is proposed for listing on any other comparable published list maintained by any foreign, Commonwealth or State government authority.

(j) No notice or other material filing, or consent or approval is required under any Environmental Law in connection with or as a result of the transactions contemplated by this Agreement other than the need to apply for a new trade waste agreement.

(k) Except as set forth in paragraph (h) of Schedule 3.7 there are no underground storage tanks or related piping located at, on or under any real properties owned, leased or operated by Seller in connection with the Division.

(l) Seller has delivered or otherwise made available for inspection to Purchaser or its agents true, complete and correct copies of any reports, studies, assessments, analyses, evaluations, test or monitoring results in each case prepared since July 1, 1980, possessed by Seller or Imperial Chemical Industries PLC or any direct or indirect subsidiary or Affiliate thereof available to or initiated by or on behalf of Seller pertaining to Hazardous Materials in, on, beneath or adjacent to any of the manufacturing facilities or real properties owned, leased, operated or used by the Division or regarding Seller's compliance with or liability under any Environmental Law in connection with the Division.

(m) Neither the Seller nor any of their predecessors-in-interest have disposed or arranged for the disposal of Hazardous Material at any third party site on or prior to the Closing Date that led or is likely to lead to any claim against any of the Purchaser Indemnitees by a third party pursuant to any Environmental Law.

(n) For purposes of this Agreement, "Environmental Law" means the common law and any applicable Commonwealth, foreign, federal, state, provincial and local laws or regulations, codes, ordinances, rules, orders, decrees or judgments in effect prior to the Closing Date relating to (i) pollution or protection of public or employee health or the environment, (including, without limitation, ambient air, indoor air, surface water, groundwater, land use, development, pollution, waste disposal, waste water discharges, water quality, ground water, air emissions, land use, toxic and hazardous substances, conservation of natural or cultural resources and resource allocation including any law relating to exploration for, or development or exploitation of, any natural resource and surface or sub-surface) and (ii) underground or above ground storage tanks, and related piping, and releases or threatened releases therefrom.

3.8 Intellectual Property.

(a) Schedule 1.1 sets forth or describes all Intellectual Property currently used or held for use by the Division.

(b) Seller owns licenses or has rights to use all Intellectual Property.

(c) No claim has been asserted in writing against Seller in connection with the Division, and Seller has no knowledge, that the conduct of the Division by Seller as now operated conflicts with valid patents, patent rights, licenses, trademarks, service marks, trademark rights, trade names, trade name rights, trade secrets or copyrights of others.

(d) To Seller's knowledge, no other entity's use of any intellectual property infringes any rights of Seller in the Intellectual Property listed in Schedule 1.1.

3.9 Material Agreements and Bids; Breaches.

(a) Schedule 3.9(a) hereto sets forth a complete and correct list of all Material Agreements in effect on the Closing Date. All Material Agreements are valid and binding on the parties thereto in accordance with their terms and are in full force and effect.

(b) No show-cause notices, stop work orders, cure notices, default terminations, written notices of default (claimed or actual) or similar notices or negative determinations of responsibility are in effect or remain unresolved against Seller with respect to any Material Agreement.

(c) With respect to all Government Contracts and Government Bids, there are no pending, and to the knowledge of Seller, there are no contemplated or threatened (i) civil fraud or criminal investigations by any government investigative agency, (ii) suspension or debarment proceedings (or equivalent proceedings) against Seller in connection with the Division, (iii) disputes between Seller and the government in connection with the Division which have resulted in a government contracting officer's final decision where the amount in controversy exceeds or would reasonably be expected to exceed \$50,000 individually or \$200,000 in the aggregate, or (v) claims or equitable adjustments by in connection with the Division Seller against the government or any third party in excess of \$50,000 individually or \$200,000 in the aggregate.

(d) For purposes of this Agreement, "Material Agreement" means any Contract, agreement or lease (including, without limitation, any legally binding purchase order) or Government Contract which (A) has a stated value to the Division, including options, greater than \$25,000 per annum or (B) is a contractual obligation of Seller in connection with the Division greater than \$25,000 per annum.

(e) For purposes of this Agreement, "Government Contract" means any Contract, prime contract, subcontract, basic ordering agreement, letter contract, purchase order or delivery order of any kind in writing, including all amendments, modifications, and options thereunder or relating thereto, in existence as of the date hereof, between Seller in connection with the Division and (A) the Commonwealth, (B) any prime contractor of the Commonwealth, or (C) any subcontractor to any contract described in clauses (A) or (B) above. The term "Government Bid" shall mean any written quotation, bid or proposal outstanding as of the date hereof made by Seller that, if accepted or awarded, would lead to a contract in connection with the Division with (A) the Commonwealth, (B) any prime contractor of the Commonwealth, or (C) any subcontractor to any contract described in clauses (A) or (B) above.

(f) There are no liabilities resulting from any government action for defective pricing under any Government Contract, or adjustments to contract pricing for differences in allowable and for allowable costs resulting in net aggregate contract price adjustments, after taking into account any credits or positive adjustments, in excess of \$10,000 for work performed under Government Contracts prior to the Closing;

(g) Seller is not in connection with the Division in violation of its Articles or Certificates of Incorporation or By-laws or in default in the performance or observance of any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise, or of any provision of any judgement, decree, order, statute, rule (including cost accounting standards), or regulation applicable to or binding upon it which individually, or in the aggregate, would have a Material Adverse Effect. No written notice, or to Seller's knowledge no oral notice, of any alleged failure on Seller's part to perform any obligation under any Material Agreement is in effect or remains unresolved by reason of (i) alleged deficiencies in products manufactured and or sold by the Division, or (ii) Seller's alleged failure to perform its contractual obligations on a

timely basis. There is no other actual alleged breach by Seller or by any other party thereto which would warrant termination or non-renewal of a Material Agreement.

3.10 Absence of Certain Changes or Events. Since the Balance Sheet Date (as defined in the Stock Purchase Agreement), the Division has been conducted in the ordinary course consistent with past practice and there has been no event or series of events, except for the withdrawal of cash or the cancellation (or conversion into equity) of indebtedness between Seller and its Affiliates as set forth on Schedule 3.10 attached hereto, that, individually or in the aggregate, would have a Material Adverse Effect. Since the Balance Sheet Date, Seller in connection with operating the Division has not:

(a) incurred any obligation, commitment or liability (fixed or contingent), except trade or business obligations incurred in the ordinary course of business, which trade or business obligations individually or in the aggregate would not have a Material Adverse Effect;

(b) transferred or granted any rights under or with respect to any Intellectual Property;

(c) (i) except as set forth on Schedule 3.10(c)(i), made or granted any wage or salary increase (other than in the ordinary course and consistent with past practice), (ii) engaged any new officer or employee at an annual rate of compensation in excess of \$30,000 per annum, or (iii) entered into, or increased the annual rate of compensation paid by Seller pursuant to any employment agreement or other arrangement with any person which provides for an annual rate of compensation or other payments which, together with all other payments and benefits, would provide aggregate annual compensation in excess of \$30,000 and which may not be terminated by Seller without any payment;

(d) increased any superannuation arrangements or any commitment to adopt any additional superannuation arrangements, terminated or made any arrangement to terminate any arrangements;

(e) except as set forth on Schedule 3.10(e), made or entered into any contract or commitment to make capital expenditures in excess of \$25,000 individually or \$100,000 in the aggregate;

(f) made any transfer of property, or incurred or guaranteed any indebtedness, to or for the benefit of Seller; or

(g) suffered any Material Adverse Effect, individually or in the aggregate, from damage, destruction or casualty loss to any property.

3.11 Labor and Employment Matters.

(a) Schedule 3.11 contains a complete list of the employees of Seller employed in the Division ("Employees"), their employer, date of employment, current position, full time or part time status and an accurate statement of their entitlement at the date of this agreement to wages, salaries, annual leave and leave loading, long service leave, sick leave and any other remuneration, compensation or benefits.

(b) Each Employee is employed exclusively in the Division.

(c) Seller has paid all amounts due to the Employees.

(d) Seller has not given any commitment (whether legally binding or not) to increase or supplement the wages, salaries, annual leave and leave loading, long service leave, sick leave or any other remuneration, compensation or benefits of any Employee beyond the amounts and entitlements listed in Schedule 3.11.

(e) The employment of each Employee can be lawfully terminated on 3 months' notice or less without payment of any damages or compensation, including any severance or redundancy payments.

(f) Seller has not agreed to any share incentive scheme, share option scheme, bonus scheme, profit-sharing scheme or other employee incentive scheme in respect of the Division or with any Employee except as listed in Schedule 3.11.

(g) Seller is not a party to any written employment or service agreement with any Employee except as listed in Schedule 3.11.

(h) Seller does not have any agreement, arrangement or understanding with any person for the provision of consulting or management services in respect of the Division except as listed in Schedule 3.11.

(i) Seller has not been involved in any material industrial dispute with any Employees at any time within the 5 years preceding the date of this agreement and Seller does not know of any circumstances likely to give rise to any material industrial dispute or union organising effort.

(j) Seller has complied with its obligations under any agreement, statute, industrial award or code of conduct in respect of the Employees.

(k) Seller has maintained adequate and suitable records regarding the service of each Employee.

(l) Seller is not a party to any agreement with a union or industrial organisation in respect of the Employees except as listed in Schedule 3.11 and is not negotiating any such agreement.

(m) No industrial awards or agreements apply to any Employee other than as set out in Schedule 3.11.

3.12 Funding of Seller's Fund

(a) The Seller's Fund set forth in Schedule 3.12(a) is the only superannuation schemes or pension arrangements to which Seller is obligated to pay contributions in respect of the Transferring Employees.

(b) The copy of the Governing Rules of the Seller's Fund supplied to Purchaser on or before the date of this agreement is a true and complete copy.

(c) Seller has paid all contributions due by Seller to the Seller's Fund in respect of the Transferring Employees.

(d) There are sufficient assets in the Seller's Fund to support the transfer of the total benefits of the Transferring Employees.

3.13 Insurance. Schedule 3.13 sets forth a list and description of all policies of fire, casualty, liability, worker's compensation, life and other forms of insurance carried by Seller in connection with the Division, including, with respect to each policy, a description of the types and limits of the coverage and the nature and amount of any claims pending thereunder.

3.14 Maintenance of Division with Customers and Suppliers. Since the Balance Sheet Date (as defined in the Stock Purchase Agreement) there has been no termination, cancellation or limitation of, or any adverse modification or adverse change in, the business relationship of Seller with any customer or group of customers whose purchases individually or in the aggregate provided more than 1% or 5% respectively of the annual gross revenues of the

Division, or of any supplier or group of suppliers whose provision of inventory or services individually or in the aggregate constituted more than \$50,000 or \$250,000 respectively annually.

3.15 Related Party Transactions. After the Closing, Purchaser in respect of the Assets will not have any (i) Liabilities or (ii) obligations outside the ordinary course of business to Seller or any of their Affiliates, including Imperial Chemical Industries and each of its affiliates. Other than with respect to related party transactions where Subs and/or the Division are the only parties thereto, all related party ordinary course of business obligations or liabilities of Purchaser in respect of the Assets shall be on terms no less favourable than obligations or liabilities based on arms length bona fide transactions with third parties.

3.16 Finders' Fees. Seller has not, nor has any of their Affiliates retained any finder, broker or financial advisor in connection with any of the transactions contemplated by this Agreement. Seller hereby agrees to indemnify and hold harmless Purchaser from and against any liability for commissions or compensation in the nature of a finder's fee to any broker or other person or firm (as well as the costs and expenses of defending against such liability or asserted liability) for which Seller or any of its employees or representatives may be responsible by reason of this Agreement or the transactions contemplated hereby.

3.17 Payments. No manager or employee of Seller in connection with the Consolidated Business, has (assuming an appropriate jurisdictional basis), during the past ten years, violated the Foreign Corrupt Practices Act of 1977, as amended (15 U.S.C. § 51 et seq.) or 18 U.S.C. § 201 or any equivalent legislation in another jurisdiction.

3.18 Product Warranty. Each product repaired or delivered and service rendered by Seller in connection with the Division has been in conformity in all material respects with all applicable contractual commitments and all express and implied warranties given by Seller in connection with the Division. Schedule 3.18 sets forth a complete copy of all Product Warranties.

3.19 Stock Purchase Agreement. All representations and warranties of Seller and Investments contained in the Stock Purchase Agreement are true and correct in all material respects.

3.20 "Knowledge" Defined. The term "knowledge," when used in this Agreement with respect to Seller shall mean the actual knowledge of the following individuals after reasonable investigation: (i) the President, Manufacturing Manager, Sales and Marketing Manager and Comptroller of Ceramics, (ii) the Site Manager and the Controller of the Division, and (iii) S. Varney, J. Riley, G. Watson, M. Winstanley from the management group of Seller.



ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants as of the Closing as follows:

4.1 Organisation and Authority of Purchaser. Purchaser is a corporation duly organised and validly existing under the laws of the State of Delaware and has all necessary corporate power and authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby subject only to the approval of Purchaser's Board of Directors as contemplated by Section 6.2(k). This Agreement has been duly authorised, executed and delivered by Purchaser and constitutes a legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms subject to laws of general application relating to equitable remedies, bankruptcy, insolvency and the relief of debtors.

4.2 No Conflict. The execution, delivery and performance of this Agreement by Purchaser does not and will not (i) violate or conflict with any material law, rule, regulation, order, judgment, injunction, decree, determination or award applicable to Purchaser (ii) violate or conflict with the certificate of incorporation or by-laws of Purchaser, or (iii) require any material pre-Closing consent, notice, authorisation or approval under, result in any material breach of, or constitute a material default (or event which with notice or lapse of time or both would become a material default) under, or result in the creation of any material lien or other encumbrance on any of the properties or assets of Purchaser pursuant to any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument to which Purchaser or any of its Affiliates is a party or by which any of them, any of its or their respective properties is bound or affected, which might have a material adverse effect on the consummation of the transactions contemplated hereby.

4.3 Absence of Litigation. There is no private or governmental suit, claim, action at law or in equity, proceeding, investigation or audit pending or to Purchaser's knowledge threatened, before any arbitrator, court, or governmental or regulatory authority, against Purchaser that challenges or reasonably could be expected to prevent the consummation of the transactions contemplated hereby nor to Purchaser's knowledge is there any basis for any of the foregoing.

4.4 Consents and Approvals. The execution, delivery and performance of this Agreement by Purchaser does not require any consent, approval, authorisation or other action by, or filing with or notification to, any domestic or foreign governmental or regulatory authority or any other person, except for such filings as may be required by the Treasurer of the Commonwealth of Australia, in any case except where the failure to obtain such consents, approvals, authorisations or actions, or to make such filings or notifications, would not (i) prevent Purchaser from performing any of its obligations under this Agreement, or (ii) otherwise prevent the consummation of the transactions contemplated herein by Purchaser.

4.5 Finders' Fees. Neither Purchaser nor any Affiliate of Purchaser has retained any finder or broker in connection with the transactions contemplated by this Agreement except for Ceramic Innovations, Inc ("CII"). Purchaser hereby agrees to indemnify and hold harmless Seller from and against any liability for commissions or compensation in the nature of a finder's fee to CII or any other broker or other person or firm (as well as the costs and expenses of defending against such liability or asserted liability) for which Purchaser or any of its employees or representatives may be responsible by reason of this Agreement or the transactions contemplated hereby.

ARTICLE V
PRE-CLOSING COVENANTS

5.1 Conduct of Division. Except as set forth in Schedule 3.10 concerning certain cash and indebtedness of Seller, during the period from the date of this Agreement and continuing until the Closing, Seller agrees (except to the extent expressly contemplated by this Agreement or as consented to in writing by Purchaser), to carry on the Division in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, to pay and to cause Seller to pay all Liabilities (other than Accepted Liabilities) when due, subject to good faith disputes over such debts, and to use all reasonable efforts to preserve intact Seller's present business organizations, keep available the services of Seller's present officers and key employees involved in the conduct of the Division and preserve Seller's relationships with customers, suppliers, distributors, licensors, licensees, and others having business dealings with Seller, to the end that Seller's goodwill in respect of the Division and the Division shall be unimpaired at the Closing. Seller agrees to promptly notify Purchaser of any event or occurrence not in the ordinary course of business of Seller, and of any event which could, individually or in the aggregate, have a Material Adverse Effect. Without limiting the foregoing, except as expressly contemplated by this Agreement or the Disclosure Schedules Seller shall not, with respect to the Division, do or cause any of the following, without the prior written consent of Purchaser:

(a) **Material Contracts.** Enter into any Material Agreement or commitment, or violate, amend or otherwise modify or waive any of the terms of any Material Agreements, other than in the ordinary course of business consistent with past practice;

(b) **Intellectual Property.** Transfer to any person or entity any rights to Intellectual Property other than in the ordinary course of business consistent with past practice;

(c) **Marketing and Other Rights.** Enter into or amend any agreements pursuant to which any other party is granted marketing or other rights of any type or scope with respect to any of Seller's products or technology;

(d) **Dispositions.** Sell, lease, license or otherwise dispose of or encumber any of the Properties or Assets which are material, individually or in the aggregate, to the Division, except in the ordinary course of business consistent with past practice;

(e) **Indebtedness.** Incur any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or guarantee any debt securities of others, which indebtedness, debt securities or guarantees thereof are not discharged on or before the Closing;

(f) **Leases.** Enter into any operating lease in excess of \$10,000;

(g) **Capital Expenditures.** Make any capital expenditures, capital additions or capital improvements except in the ordinary course of business and consistent with past practice;

(h) **Insurance.** Materially reduce the amount of any material insurance coverage provided by existing insurance policies;

(i) **Termination or Waiver.** Terminate or waive any right of substantial value, other than in the ordinary course of business;

(j) **Superannuation Arrangements; New Hires; Pay Increases.** Adopt or amend any superannuation arrangements, or hire any new officer level employee, pay any special bonus or special remuneration or increase the salaries or wage rates of its employees except in the ordinary course of business in accordance with its standard past practice;

(k) **Severance Arrangements.** Grant any severance or termination pay (i) to any officer or (ii) to any other employee except (A) payments made pursuant to written agreements outstanding on the date hereof or (B) grants which are made in the ordinary course of business in accordance with its standard past practice;

(l) **Lawsuits.** Commence a lawsuit other than (i) for the routine collection of bills, (ii) in such cases where it in good faith determines that failure to commence suit would result in the material impairment of a valuable aspect of its business, provided that it consults with Purchaser prior to the filing of such a suit, or (iii) for a breach of this Agreement;

(m) **Revaluation.** Except as set out in Schedule 5.1(m), revalue any of the Assets, including without limitation writing down the value of inventory or writing off notes or accounts receivable other than in the ordinary course of business; or

(n) **Other.** Take or agree in writing or otherwise to take, any of the actions described in Sections 5.1(a) through 5.1(m) above, or any action which would cause a material breach of its representations or warranties contained in this Agreement or prevent it from materially performing or cause it not to materially perform its covenants hereunder.

5.2 **Access to Information.**

(a) Seller shall afford Purchaser and its accountants, solicitor, counsel and other representatives, reasonable access during normal business hours upon reasonable advance notice during the period prior to the Closing to (i) all of the Assets, Properties, books, Contracts, commitments and records, (ii) all other information concerning the Division, Properties and Employees as Purchaser may reasonably request and (iii) all employees of Seller involved in or with knowledge of the Division. Seller agrees to provide to Purchaser and its accountants, solicitor, counsel and other representatives copies of internal financial statements. Specifically, and not by way of limitation, on or before September 30, 1997, Seller shall provide Purchaser unaudited financial statements as of, and for the period ending, June 30, 1997.

(b) From the date hereof until the Closing, Seller shall confer on a regular and frequent basis with one or more representatives of Purchaser to report operational matters of materiality and the general status of ongoing operations of the Division.

(c) No information or knowledge obtained in any investigation pursuant to this Section 5.2 shall affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the Parties to close the transactions contemplated by this Agreement unless (i) Seller can demonstrate that such information will have a Material Adverse Effect, (ii) L. Dale Pretz, Purchaser's Director of Corporate Development, was actually aware prior to Closing that such information constituted a breach of one or more representations, warranties or covenants of Seller hereunder, and (iii) L. Dale Pretz in bad faith failed to notify Seller of such breach prior to Closing.

5.3 **Confidentiality.** The Parties acknowledge that Purchaser and Seller have previously executed a non-disclosure agreement effective September 13, 1995 (the "Confidentiality Agreement"), which Confidentiality Agreement shall continue in full force and effect in accordance with its terms.

5.4 **Public Disclosure.** Unless otherwise permitted by this Agreement, Purchaser and Seller shall consult with each other before issuing any press release or otherwise making any public statement or making any other public (or non-confidential) disclosure (whether or not in response to an inquiry) regarding the terms of this Agreement and the transactions contemplated hereby.

5.5 Consents; Cooperation. Each of Purchaser and Seller shall promptly apply for or otherwise seek, and use reasonable efforts to obtain, all consents and approvals required to be obtained by it for the consummation of the transactions contemplated by this Agreement, and shall use reasonable efforts to obtain all necessary consents, waivers and approvals under any of its material contracts in connection with such transactions for the assignment thereof or otherwise.

5.6 Legal Requirements. Each of Purchaser and Seller will, and will cause their respective subsidiaries to, take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on them with respect to the consummation of the transactions contemplated by this Agreement and will promptly cooperate with and furnish information to any party hereto necessary in connection with any such requirements imposed upon such other party in connection with the consummation of the transactions contemplated by this Agreement.

5.7 Reasonable Commercial Efforts and Further Assurances. Each of the parties to this Agreement shall use reasonable commercial efforts to effectuate the transactions contemplated hereby and to fulfil and cause to be fulfilled the conditions to closing under this Agreement. Each party hereto, at the reasonable request of another party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of this Agreement and the transactions contemplated hereby.

5.8 License Agreement. Seller will use all reasonable efforts to assist Purchaser in the negotiation of and entering into the License Agreement.

5.9 Stock Purchase Agreement. Each of Purchaser and Seller will comply with all covenants and meet all closing conditions set forth in the Stock Purchase Agreement.

5.10 Notice of Breach. Seller shall promptly notify Purchaser (i) if it learns of a breach of a representation or warranty made by Seller pursuant to this Agreement or (ii) if Seller becomes aware that it is or will be unable to meet any obligation of Seller pursuant to this Agreement. Purchaser shall notify Seller (i) if it learns of a breach of a representation or warranty made by Purchaser pursuant to this Agreement or (ii) if Purchaser becomes aware that it is or will be unable to meet any obligation of Purchaser pursuant to this Agreement.

ARTICLE VI

CONDITIONS TO CLOSING

6.1 General Conditions. The obligations of the Parties to effect the Closing shall be subject to the following conditions unless waived in writing by the Parties:

(a) **No Orders; Legal Proceedings.** No law or order shall have been enacted, entered, issued, promulgated or enforced by any governmental entity, nor shall any action have been instituted and remain pending or have been threatened and remain so by any governmental entity at what would otherwise be the Closing Date, which prohibits or restricts or would (if successful) prohibit or restrict the transactions contemplated by this Agreement or which would not permit the Division to continue unimpaired following the Closing Date. No governmental entity shall have notified any party to this Agreement that consummation of the transactions contemplated by this Agreement would constitute a violation of any laws of any jurisdiction or that it intends to commence proceedings to restrain or prohibit such transactions or force divestiture or rescission, unless such governmental entity shall have withdrawn such notice and

abandoned any such proceeding prior to the time which otherwise would have been the Closing Date. There shall be no injunction, restraining order or decree of any nature of any court or other governmental authority of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby.

(b) **Governmental Approvals.** To the extent required by applicable law, all permits, consents, approvals and waivers required to be obtained from, and notices required to be given to, any governmental entity or a third party shall have been received, obtained or given, as the case may be, on or prior to the Closing Date including, if necessary, a notice in writing is issued by or on behalf of the Treasurer of the Commonwealth of Australia stating that the Commonwealth Government does not object to Purchaser and Seller entering into and completing this Agreement, either unconditionally or on terms reasonably acceptable to Purchaser; or the Treasurer of the Commonwealth of Australia becomes precluded from making an order in respect of the acquisition of the Division and the Assets under the Foreign Acquisitions and Takeovers Act 1975 (Cth).

6.2 Conditions to Obligations of Purchaser. The obligations of Purchaser to effect the Closing shall be subject to the following conditions except to the extent waived in writing by Purchaser:

(a) **Representations and Warranties and Covenants of Seller.** The representations and warranties of Seller contained in Article III shall be true in all material respects at the Closing Date with the same effect as though made at such time except to the extent that any of the Disclosure Schedules must be amended due to events occurring between the date hereof and the Closing Date. Any such amendments shall be delivered to Purchaser in writing prior to Closing and all such amendments shall be subject to Purchaser's approval in its sole discretion. Seller shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by them at or prior to the Closing Date.

(b) **No Material Adverse Change.** The Consolidated Business shall not have suffered any change that has, as of the Closing, or will have after the Closing, individually or in the aggregate, a Material Adverse Effect on the Consolidated Business.

(c) **Compliance Certificate.** Seller shall have delivered to Purchaser a certificate dated as of the Closing Date to the effect that the conditions set forth in Sections 6.2(a) and 6.2(b) have been satisfied.

(d) **Consents.** Seller shall have obtained and provided to Purchaser each approval, consent and permit listed on Schedule 6.2(d), each in form and substance reasonably satisfactory to Purchaser.

(e) **Employment.** Each employee of Seller, offered employment by Purchaser and named on Schedule 6.2(e) shall have agreed to continue their employment with Purchaser.

(f) **Resolutions.** Seller shall have delivered to Purchaser certified resolutions of Seller's Boards of Directors approving the consummation of the transactions contemplated hereby.

(g) Intentionally left blank

(h) **Due Diligence.** Purchaser shall be satisfied in its sole discretion with the results of its and its representatives' due diligence review of the legal and financial condition of Seller, the business and operations of Seller, the accounting records of Seller and environmental matters relating to the business and operations of Seller.

(i) **Stock Purchase Agreement.** Purchaser shall have entered into the Stock Purchase Agreement and met all of Purchaser's obligations thereunder required to be met prior to Closing thereunder. The Closing of the Stock Purchase Agreement shall occur concurrently with the Closing of this Agreement.

(j) **Board Approval.** The Board of Directors of Purchaser shall have approved and authorised the execution and delivery by Purchaser of this Agreement and each of the Ancillary Agreements, and the consummation of the transactions contemplated hereby and thereby by Purchaser.

(k) **License Agreement.** Purchaser and Commonwealth Scientific and Industrial Research Organisation, a body corporate established pursuant to the provisions of the Science and Industry Research Act 1949 (Commonwealth) ("CSIRO") shall have entered into the License Agreement.

6.3 Conditions to Obligations of Seller. The obligations of Seller to effect the Closing shall be subject to the following conditions, except to the extent waived in writing by Seller:

(a) **Representations and Warranties and Covenants of Purchaser.** The representations and warranties of Purchaser herein contained shall be true in all material respects at the Closing Date with the same effect as though made at such time. Purchaser shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing Date.

(b) **Stock Purchase Agreement.** Purchaser shall have entered into the Stock Purchase Agreement and met all of Purchaser's obligations thereunder required to be met prior to Closing thereunder. The Closing of the Stock Purchase Agreement shall occur concurrently with the Closing of this Agreement.

(c) **License Agreement.** Purchaser and CSIRO shall have entered into the License Agreement.

(d) **Compliance Certificate.** Purchaser shall have delivered to Seller a certificate dated as of the Closing Date to the effect that the conditions set forth in Section 6.3(a) have been satisfied.

(e) **Resolutions.** Purchaser shall have delivered to Seller certified resolutions of the Purchaser's Board of Directors approving the consummation of the transactions contemplated hereby.

ARTICLE VII POST-CLOSING COVENANTS

7.1 Non-competition.

(a) The Seller must not, and must procure that none of its Affiliates, engage in the manufacture, sale, marketing or distribution of any products manufactured, sold, marketed or distributed by the Division on the Closing Date or in the 12 month period immediately preceding and including the Closing Date ("Ceramic Products")

(A) in any territory where the Division has manufactured, sold, marketed or distributed such products in the 12 month period immediately preceding and including the Closing Date for 5 years after Closing;

(B) in any territory where the Division has manufactured, sold, marketed or distributed such products in the 12 month period immediately preceding and including the Closing Date for 4 years after Closing;

(C) in any territory where the Division has manufactured, sold, marketed or distributed such products in the 12 month period immediately preceding and including the Closing Date for 3 years after Closing

(D) in any territory where the Division has manufactured, sold, marketed or distributed such products in the 12 month period immediately preceding and including the Closing Date for 2 years after Closing;

(E) in any territory where the Division has manufactured, sold, marketed or distributed such products in the 12 month period immediately preceding and including the Closing Date for 1 year after Closing;

(F) in North America, Europe, Asia, Australia and New Zealand for 5 years after Closing;

(G) in North America, Europe, Asia Australia and New Zealand for 4 years after Closing;

(H) in North America, Europe, Asia, Australia and New Zealand for 3 years after Closing;

(I) in North America, Europe, Asia, Australia and New Zealand for 2 years after Closing;

(J) in North America, Europe, Asia, Australia and New Zealand for 1 year after Closing;

(K) in North America, Europe, Australia and New Zealand for 5 years after Closing;

(L) in North America, Europe, Australia and New Zealand for 4 years after Closing;

(M) in North America, Europe, Australia and New Zealand for 3 years after Closing;

(N) in North America, Europe, Australia and New Zealand for 2 years after Closing;

(O) in North America, Europe, Australia and New Zealand for 1 year after Closing;

(P) in North America, Australia and New Zealand for 5 years after Closing;

(Q) in North America, Australia and New Zealand for 4 years after Closing;

(R) in North America, Australia and New Zealand for 3 years after Closing;

(S) in North America, Australia and New Zealand for 2 years after Closing;

(T) in North America, Australia and New Zealand for 1 year after Closing;

(U) in North America and Australia for 5 years after Closing;

(V) in North America and Australia for 4 years after Closing;

(W) in North America and Australia for 3 years after Closing;

- (X) in North America and Australia for 2 years after Closing;
- (Y) in North America and Australia for 1 year after Closing;
- (Z) in Australia for 5 years after Closing;
- (AA) in Australia for 4 years after Closing;
- (BB) in Australia for 3 years after Closing;
- (CC) in Australia for 2 years after Closing;
- (DD) in Australia for 1 year after Closing;

(b) If any part of an undertaking in Section 7.1 is unenforceable, it may be severed without affecting the remaining enforceability of that or the other undertakings.

(c) The Seller agrees that:

(i) any failure to comply with Section 7.1 would diminish the value of the Assets; and

(ii) the restrictive undertakings in Section 7.1 are reasonable and necessary for the protection of the Assets and must be given full effect.

(d) The Seller acknowledges that in relation to this agreement and in particular this Section 7.1 it has received legal advice or has had the opportunity of obtaining legal advice.

(e) The Seller acknowledges that monetary damages alone would not be adequate compensation to the Purchaser for the Seller's breach of Section 7.1 and that the Purchaser is entitled to seek an injunction from a court of competent jurisdiction if:

(i) the Seller fails to comply or threatens to fail to comply with Section 7.1; or

(ii) the Purchaser has reason to believe the Seller will not comply with Section 7.1.

(f) The Seller's obligations under this Section 7 survive the Closing of this agreement.

(g) Nothing in Section 7.1 or elsewhere in this Agreement shall prevent Seller or any of its Affiliates from purchasing any corporation or business a part of which has an interest in any Ceramics Products unless the revenue generated by the sale of Ceramics Products by such corporation or business is greater than 5% of the revenues of the Consolidated Business in its last accounting year ending September 30, 1997 ("Ceramics Acquisition"). In the event that Seller or any of its Affiliates consummate a Ceramics Acquisition, as soon as practicable after such a Ceramics Acquisition takes place, Seller or the relevant Seller Affiliate that has consummated the Ceramics Acquisition shall, if not prohibited by applicable law, offer for sale to Purchaser the interest relating to any Ceramics Products and Seller (or the relevant Seller Affiliate) shall, if required to do so by Purchaser in writing within 20 days of its receipt of such offer, enter into good faith exclusive negotiations with Purchaser for the sale of such interest for a period of at least 60 days, after which in the absence of an executed purchase and sale agreement, such exclusivity shall expire. In the event that Purchaser does not purchase such interest from Seller (or the relevant Seller Affiliate) then Seller (or the relevant Seller Affiliate) shall be free to keep such interest or transfer such interest to a third party and Purchaser shall be free to continue good faith non-exclusive negotiations with Seller (or the relevant Seller Affiliate) for the sale of such interest. To the extent it is consistent with sound commercial practice, Seller (or the relevant Seller Affiliate) shall give preference to an offer from Purchaser for the sale of the relevant interest over an offer from a third party, the offers being reasonably equivalent.

7.2 Use of ICI Name.

(a) Purchaser acknowledges and agrees that Seller shall retain all rights to use the letters "ICI" and all trademarks, trade names and service marks including the ICI Roundel that include the letters "ICI" (collectively, the "ICI Letters"). Except as otherwise provided in this Section 7.2, after the Closing neither Purchaser nor any of its affiliates will have any ownership interest in or any right to use any trademark, trade name or service mark that includes the ICI Letters.

(b) After the Closing, Purchaser shall have the right to sell existing inventory and to use existing stocks of packaging, labelling, containers, supplies, advertising materials, technical data sheets and any similar materials bearing the ICI Letters excluding letterhead until the earlier of (i) the date existing stocks are exhausted or (ii) six (6) months following the Closing Date. After six (6) months following the Closing Date, Purchaser shall relabel any such remaining inventory and stocks. The obliteration of the ICI Letters shall be deemed compliance with this covenant. For a period not to exceed six (6) months after the Closing Date, Purchaser shall have the right to use the ICI Letters in pre-existing advertising that cannot be changed by its using reasonable efforts. Seller shall have no liability and Purchaser shall indemnify and hold Seller and their Affiliates, ICI Plc and its Affiliates and their respective officers, director, employees, agents, successors and permitted assigns harmless from any liability derived from Purchaser's use of the ICI Letters, or from the form, content or substance of any ICI packaging, labels, containers, supplies, advertising or technical data from and after the Closing Date.

(c) Purchaser shall use reasonable efforts to cease using the ICI Letters on buildings, cars, trucks and other fixed assets as soon as practicable but in no event shall Purchaser use the ICI Letters later than six (6) weeks after the Closing Date.

7.3 Post-Closing Access to Tax and Other Records.

(a) Each party will afford or cause to be afforded to the other party and its agents reasonable access to the properties, books, records (including but not limited to environmental matters and in connection with the assertion of claims respecting cancelled Government Contracts), employees and auditors of such party to the extent necessary to permit the other party to determine any matter relating to the Division or either party's rights and obligations hereunder.

(b) Each party will hold, and will cause its officers, directors, employees, accountants, solicitors, counsel, consultants, professional representatives, advisors (including without limitation, any lenders and/or financial advisors to or shareholders of Purchaser) and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the other party's business provided to it pursuant to this Section 7.3.

7.4 Sales and Transfer Taxes. Except as otherwise specified in this Agreement or the Ancillary Agreements, Purchaser and Seller shall share equally all sales, transfer, documentary and similar taxes, if any, incurred in connection with, by reason of or measured by the transactions contemplated by this Agreement provided that the Purchaser shall provide a quotation of its Sales Tax Registration Number to the Seller on or before the Closing Date.

7.5 Further Assurances. Each of the parties hereto shall execute, or cause to be executed, such documents and other papers and take, or cause to be taken, such further actions as may be reasonably required to carry out the provisions hereof and the transactions contemplated hereby. Upon the terms and subject to the conditions hereof, each of the parties hereto shall use its reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all

other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings.

7.6 Allocations. Each of the parties hereto agrees to report the transactions contemplated herein for U.S. federal, Commonwealth and (in both cases) state tax purposes in accordance with the allocation set forth on Schedule 2.1(b).

7.7 Retained Information. Purchaser acknowledges that, on and after the Closing, there may be information at the Facilities which does not relate to the Division ("Retained Seller Information"). Purchaser agrees to allow all reasonable access (upon Seller giving reasonable notice to Purchaser) to the Retained Seller Information. Furthermore, Purchaser agrees to maintain in confidence and not to use any Retained Seller Information. To the extent that Retained Seller Information is contained in books and records, Purchaser agrees not to dispose of or destroy such books and records for a period of at least four (4) years following the Closing Date unless it shall have first notified Seller at least sixty (60) days before such disposition or destruction and given Seller the opportunity (at the expense of Seller) to remove and retain the books and records proposed to be disposed of or destroyed. Nothing in this section shall require Purchaser to maintain in confidence, or not to use, any Retained Seller Information (a) that is now publicly available, (b) that subsequently becomes publicly available other than by action of Purchaser, but only after it has become publicly available, (c) that Purchaser obtains from a third party other than Seller not under any obligation to Seller or any Affiliate of Seller respecting such information, but only after Purchaser so obtains such information, or (d) that Purchaser, prior to the Closing Date, already has in its possession.

7.8 Retained Division Information. Seller acknowledges that, on and after the Closing, there may be information at the facilities of Seller or their Affiliates which relates exclusively or principally to the Division and which is material to the day to day operations of the Division ("Retained Division Information"). Seller agrees to allow Purchaser all reasonable access (upon Purchaser giving reasonable written notice to Seller) to the Retained Division Information. Furthermore, Seller agrees to maintain in confidence and not to use any Retained Division Information other than in relation to its other business. To the extent that Retained Division Information is contained in books and records, Seller agrees not to dispose of or destroy such books and records for a period of at least four (4) years following the Closing Date or such longer period as is required by a Material Agreement, a Government Contract or by law unless it shall have first notified Purchaser at least sixty (60) days before such disposition or destruction and given Purchaser the opportunity (at the expense of Purchaser) to remove and retain the books and records proposed to be disposed of or destroyed. Nothing in this section shall require Seller to maintain in confidence, or not to use, except in relation to its other business, any information (a) that is now publicly available, (b) that subsequently becomes publicly available other than by action of Seller or any of its Affiliates, but only after it has become publicly available or (c) that Seller obtain from a third party not under any obligation to Purchaser, an Affiliate of Purchaser or Subs respecting such information, but only after Seller so obtains such information.

7.9 Prosecution, Maintenance and Turnover of Intellectual Property Files.

(a) To the extent not already delivered within two (2) months after the Closing Date, or earlier if requested by Purchaser, Seller will deliver to Purchaser the files relating to the Intellectual Property (the "Files"). Purchaser will notify Seller of a location for delivery of the Files as soon as reasonably practicable after the Closing Date but in any event no later than one month after the Closing Date, failing which, the Files will be delivered to Purchaser at the address specified in Section 9.5 hereof. Prior to delivery of the Files, Seller will, to the extent reasonably practicable, provide information contained in the files as requested by Purchaser for

the purpose of enabling Purchaser to docket maintenance fees, annuities, office actions and other items.

(b) After the Closing Date and until such time as Seller delivers the Files to Purchaser or unless and to the extent Purchaser requests Seller not to take certain actions or not to pay certain fees, Seller will use its reasonable efforts to take any actions and pay any fees in order to avoid lapse of the Intellectual Property. All annuity fees and other fees paid by Seller under this Section 7.9 after the Closing Date shall be billed to and payable by Purchaser, regardless of the portion of the lifetime of the Intellectual Property rights for which such payments are made.

(c) Purchaser agrees that neither Seller nor any Affiliates of Seller, including any of their employees and agents, shall be liable to Purchaser or any of its Affiliates in connection with the performance of any actions as contemplated by Section 7.9(b) to the extent such actions did not involve gross negligence or wilful misconduct on the part of Seller or any Affiliate of Seller or any agent or employee thereof. Purchaser waives any claim (whether in contract, tort, or equity) that it may have against Seller and each Affiliate of Seller as a result of Seller's actions as contemplated by Section 7.9(b) other than claims based on gross negligence or wilful misconduct. Purchaser shall indemnify and hold Seller and each Affiliate of Seller harmless from costs, expenses, losses or liabilities, including reasonable attorneys' fees, suffered or incurred by Seller and each Affiliate of Seller as a result of Seller taking any action as contemplated by Section 7.9(b).

ARTICLE VIII INDEMNIFICATION

8.1 Survival.

(a) The covenants, agreements, representations and warranties of the parties hereto contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing until two (2) years after the Closing Date; provided, however, that (i) the covenants and agreements contained in Article V and Section 7.1 shall survive for the period set forth therein, (ii) the representations and warranties contained in Section 3.1, and the representations, warranties, covenants and agreements contained in Article VII (except Section 7.1), shall survive indefinitely, (iii) the representations and warranties in Section 3.8 shall survive the Closing until three (3) years after the Closing Date, (iv) the representations and warranties in Section 3.7 shall survive the Closing until five (5) years after the Closing Date, (v) the representations and warranties contained in Sections 3.3 and 3.11 shall survive through the 90th day following the last day of the applicable statute of limitations without regard to any extension of waiver executed by Purchaser or Seller after the Closing Date and (vi) the representations and warranties contained in Section 3.19 shall survive for such period as specified with respect to each underlying representation and warranty as set forth in the Stock Purchase Agreement.

(b) Except with respect to claims based on fraud for which the applicable statute of limitations will apply, no claims for indemnification with respect to a covenant, agreement, representation or warranty may be made after the expiration of the relevant survival period referred to in this Section 8.1. Notwithstanding the preceding sentences, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentence if written notice of the inaccuracy or breach thereof giving rise to such right

of indemnity shall have been given in accordance with this Agreement to the party against whom such indemnity may be sought prior to such time.

8.2 Indemnification by Purchaser. Purchaser agrees, subject to the other terms and conditions of this Agreement, to indemnify and defend Seller and each of Seller's Affiliates and their respective officers, directors, employees, agents, successors and permitted assigns (collectively, "Seller Indemnitees") against, and hold each of them harmless from, all claims, demands, judgments, damages, penalties, fines, losses, liabilities and expenses (including reasonable attorneys' and experts' fees and expenses and all other reasonable costs of investigation and defence of third party claims, but excluding internal expenses) (collectively "Claim Costs") incurred by or asserted against any of Seller Indemnitees arising out of or resulting by reason of:

- (a) the breach of any representation, warranty, covenant or agreement of Purchaser herein, and
- (b) any liabilities of Seller arising from Purchaser's operation of the Division after the Closing for which Seller is not obliged to indemnify Purchaser pursuant to Section 8.3.

8.3 Indemnification by Seller. Seller agrees, subject to the other terms and conditions of this Agreement, including without limitation the time periods set forth in Section 8.1, to indemnify and defend Purchaser and each Affiliate of Purchaser and their respective officers, directors, employees, agents, successors and permitted assigns (collectively ("Purchaser Indemnitees")) against, and hold each of them harmless from, all Claim Costs incurred by or asserted against any of the Purchaser Indemnitees arising out of or resulting by reason of the breach of any representation, warranty, covenant or agreement of Seller herein.

8.4 Claim Costs Deductible. Neither party shall make any claim for indemnification pursuant to Sections 8.2 and 8.3 until such time as the aggregate amount of Claim Costs incurred by such party plus all Claim Costs incurred by such party pursuant to the Stock Purchase Agreement exceed \$100,000, at which time such party may make claims for any amount of Claim Costs in excess of such \$100,000.

8.5 Limit. Purchaser shall not be required to indemnify Seller pursuant to Section 8.2 and Seller shall not be required to indemnify Purchasers pursuant to Section 8.3 for Claim Costs which exceed Ten Million Dollars (\$10,000,000) in the aggregate together with Claim Costs incurred under the Stock Purchase Agreement. Purchaser and Seller agree that to the extent they have previously received indemnification payments pursuant to Sections 8.2 or 8.3 and they subsequently receive insurance payments for the same Claim Costs for which they received indemnification payments, they will forward such insurance payments to the other party. Additionally, Purchaser and Seller agree that if they have received additional insurance proceeds covering particular claim costs, they will not seek any additional indemnification payments pursuant to Sections 8.2 or 8.3, as the case may be, for such Claim Costs as to which payment was received. Purchaser shall make reasonable efforts to pursue applicable insurance coverage with respect to any claims it may have against Seller under this Agreement, provided, however, that Purchaser shall not be obliged to pursue litigation or to otherwise take any action which would hinder Purchaser's ability to make a timely request for indemnification under this Article VIII.

8.6 Indemnification Procedures.

- (a) Any party seeking indemnification under this Article VIII (the "Indemnified Party") shall promptly upon becoming aware of the circumstances giving rise to the claim for indemnification, notify the Party against whom a claim for indemnification is sought hereunder

(the "Indemnifying Party") in writing, which notice shall specify, in reasonable detail, the nature and estimated amount, if determinable, of the claim. Such notification shall be a condition precedent to any liability on the part of the Indemnifying Party.

(b) If any third party (including any applicable regulatory agency) shall assert a claim or initiate proceedings, actions, orders (including any cleanup order or investigation or remediation requirement), fines, assessment or penalties against the Indemnified Party with respect to any matter (a "Third Party Claim") for which the Indemnified Party intends to seek indemnification against the Indemnifying Party under this Article VIII, then the Indemnified Party shall promptly (and in any case within forty-five (45) days of such claim having been asserted) notify the Indemnifying Party thereof in writing (such notice to include a description thereof in reasonable detail), which notification shall be a condition precedent to any obligation on the part of the Indemnifying Party to indemnify the Indemnified Party under this Article VIII. The following provisions shall apply with respect to any such Third Party Claim:

(i) The Indemnifying Party shall have the right to assume the defence of the Third Party Claim with legal advisers of its choice reasonably satisfactory to the Indemnified Party. It is agreed that if in the Indemnified Party's reasonable judgment a conflict of interest is likely to exist between the Indemnified Party or the Indemnifying Party with respect to such legal advisers, such Indemnified Party shall be entitled to require the Indemnifying Party, and the Indemnifying Party shall comply with such a requirement to select other legal advisers pursuant to this Section 8.6 at any time within 60 days after the Indemnified Party has given notice of the Third Party Claim; provided, however, that (A) the Indemnifying Party shall conduct the defence of the Third Party Claim actively and diligently thereafter in order to preserve its rights in this regard; (B) the Indemnified Party shall have (w) the right to participate fully in the defence of the Third Party Claim, including through separate legal advisers of its own choosing at its sole cost and expense, (x) the right to receive reasonable advance notice from the Indemnifying Party of any hearings or proceedings, (y) the right, if reasonably possible, to review in advance and comment on any pleadings, briefs or other documents to be filed and (z) the opportunity to participate in or receive a summary of any meetings concerning the strategy to be adopted in opposing the Third Party Claim or any efforts to settle the same; and (C) the Indemnified Party shall have the right at any time to assume the sole right to defend or settle any Third Party Claim upon written waiver of its right to indemnity hereunder (in form and substance reasonably satisfactory to the Indemnifying Party) with respect to such Third Party Claim.

(ii) In the event that the Indemnifying Party has assumed and is conducting the defence of the Third Party Claim in accordance with Section 8.6(b)(i) above, (A) the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed) unless (x) the judgment or proposed settlement involves only the payment of money damages by the Indemnifying Party and does not impose an injunction or other equitable relief upon the Indemnified Party, and includes the giving by the claimant or the plaintiff to the Indemnified Party of a release from those liabilities which are the subject of the claim for indemnification hereunder in form and substance reasonably satisfactory to the Indemnified Party and (B) the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party.

(iii) In the event the Indemnifying Party does not assume and conduct the defence of the Third Party Claim in accordance with Section 8.6(b)(i) above, however, (A) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it reasonably may deem

appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith) and (B) the Indemnifying Party shall remain obliged to indemnify the Indemnified Party to the extent provided pursuant to this Article VIII.

(iv) The Indemnified Party will use all reasonable efforts to make available to the Indemnifying Party those agents and employees whose assistance, testimony or presence is necessary to assist the Indemnifying Party in evaluating and defending any Third Party claim, provided that the Indemnifying Party shall be responsible for any out-of-pocket expenses (excluding wages, benefits, and other direct or indirect costs of employment) associated with any employees and agents made available hereunder. The Indemnified Party shall also make available to the Indemnifying Party or its representatives, at Indemnifying Party's expense, on a timely basis all documents, records and other materials in the possession of the Indemnified Party reasonably required by the Indemnifying Party for its use in defending any claim, and shall otherwise cooperate on a timely basis with the Indemnifying Party in the defence of such claim.

(c) Notwithstanding anything herein to the contrary, the failure or delay of an Indemnified Party to notify the Indemnifying Party of any claim of indemnification as required pursuant to Sections 8.6(a) or 8.6(b) shall not affect the indemnification obligations of any party hereto, unless and only to the extent that the Indemnifying Party is materially prejudiced thereby.

8.7 Third Party Reimbursement

The indemnities provided by this Article VIII shall apply only to Claim Costs for which the Party seeking indemnification cannot obtain reimbursement from third parties (other than third party insurers), provided that the Indemnified Party shall not be obliged to assert a claim against any such third party unless the Indemnifying Party shall have agreed in form and substance reasonably satisfactory to the Indemnified Party to reimburse the Indemnified Party for all reasonable out-of-pocket costs, fees and expenses incurred in connection therewith.

8.8 Mitigation. Each party will use reasonable efforts to mitigate any liabilities and damages for which it may claim indemnification under Article VIII.

8.9 Purchase Price Adjustment. Any payments made as indemnification pursuant to Section 8.2 or 8.3 shall be treated as an adjustment to the Purchase Price under the Stock Purchase Agreement.

8.10 Exclusive Remedy From and after the Closing, no party hereto shall be liable or responsible in any manner whatsoever to the other party whether for indemnification or otherwise, except for indemnity as expressly provided for in this Agreement.

ARTICLE IX MISCELLANEOUS

9.1 Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by Seller and Purchaser.

9.2 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition herein may be waived by the Party or Parties entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this

Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 9.2.

9.3 Attorneys' Fees. In any action, suit or proceeding to enforce the obligations of any party hereto, the prevailing party shall be entitled (in addition to all other relief to which it may be entitled) to recover all attorneys' fees and related expenses reasonably incurred by it in the prosecution or defence of such action, suit or proceeding.

9.4 Expenses. Unless otherwise agreed between the Parties, all costs and expenses, including, without limitation, fees and disbursements of legal or financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses, whether or not the Closing shall have occurred.

9.5 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or mailed if delivered personally or by facsimile transmission or mailed by registered or certified mail (postage prepaid, return receipt requested) to the Parties at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective only upon receipt thereof):

(a) if to Seller:

Geoff Watson
Corporate Planning and Acquisitions Manager
ICI Australia Operations Pty Ltd
ICI House
1 Nicholson Street
Melbourne, Victoria
Australia
Telephone: (0011) (613) 9665 7111
Fax: (0011) (613) 9665 7573

with a copy to:

Rachel Watson, Esq.
Legal Counsel
ICI Australia Operations Pty Ltd
ICI House
1 Nicholson Street
Melbourne, Victoria
Australia
Telephone: (011) 613 9665 7111
Fax: (011) 613 9665 7573

Blase P. Dillingham, Esq.
Pillsbury Madison & Sutro LLP
725 South Figueroa Street, Suite 1200
Los Angeles, CA 90017
Telephone: 011-1 213 488 7100
Fax: 011-1 213 629 1033

(b) if to Purchaser:

Carpenter Technology Corporation
 P.O. Box 14662
 Reading, PA 19612 4662
 Attention: John R. Welty, Vice President, General Counsel and Secretary

Telephone: 011-1 610 208 2000
 Fax: 011-1 610 208 3068

Dr. Nicholas Fiore
 Senior Vice President - Engineered Products Group
 Carpenter Technology Corporation
 P.O. Box 14662
 Reading, PA 19612 4662

Telephone: 011-1 610 208 2000
 Fax: 011-1 610 208 3580

with a copy to:

Mike Ferraro and Loretta Reynolds
 Freehill Hollingdale & Page
 Level 43, 101 Collins Street
 Melbourne, Vic, 3000

Telephone: (03) 9288 1234
 Fax: (03) 9288 1567

Cameron Jay Rains, Esq.
 Gray Cary Ware & Freidenrich
 4365 Executive Drive, Suite 1600
 San Diego, CA 92121

Telephone: 011-1 619 677 1400
 Fax: 011-1 619 677 1477

9.6 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9.7 Dollar Amounts. Unless otherwise specified, all references to dollar amounts in this Agreement are U.S. dollar amounts.

9.8 Severability. If any term of other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

9.9 Entire Agreement. This Agreement, the Ancillary Agreements and the Confidentiality Agreement constitute the entire agreement and supersede all prior agreements and undertakings, both written and oral, between Seller and Purchaser with respect to the subject matter hereof and, except as otherwise expressly provided herein, are not intended to confer upon any other person any rights or remedies hereunder.

9.10 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of all parties hereto and their respective successors and permitted assigns; provided that no Party may assign, delegate or otherwise transfer any of its rights, interests or obligations under this Agreement without the consent of the other party hereto, such consent not to be unreasonably withheld or delayed. Notwithstanding the foregoing, Purchaser shall be entitled to assign its rights, interests and obligations under this Agreement to one or more wholly owned subsidiaries provided, however, that if Purchaser shall make any such assignment, including an assignment of its Article VIII indemnification obligations, to a wholly-owned subsidiary, Purchaser shall guarantee such subsidiary's full compliance with all of Purchaser's obligations under this Agreement including such indemnification obligations.

9.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Victoria, Australia, without regard to the conflicts of law or choice of law rules or provisions.

9.12 Dispute Settlement.

(a) From and after the Closing Date, the Parties shall attempt in good faith to promptly resolve any dispute arising out of or relating to this Agreement by negotiation. If the matter has not been resolved by these persons within sixty (60) calendar days of a disputing Party's notice, any Party may initiate arbitration as provided in paragraphs (b) through (e) below.

(b) If the dispute has not been resolved by negotiation as provided in paragraph 9.12(a) above, then any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one (1) neutral arbitrator ("Arbitrator") appointed in accordance with such Rules. Such arbitration shall be held in Melbourne, Australia. The award rendered by the Arbitrator shall be final and not subject to judicial review, and judgement thereon may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary provided in this Section 9.12 and without prejudice to the procedures described in this Section 9.12, the Parties may apply to any court of competent jurisdiction for temporary injunctive or other provisional judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the Arbitrator is available to hear such Party's request for temporary relief.

(c) The Parties agree that, upon reasonable notice, and prior to any hearing, they will make document discovery and disclosure of all materials relevant to the subject matter of the dispute. The Arbitrator shall make the final determination as to any discovery disputes between the Parties.

(d) Judgement on the award shall be binding on both Parties, and the Parties agree to enforcement of such award in the courts of the United States of America and Australia. Neither Party shall seek recourse to a court of law or other authorities to appeal for revision of the award. Arbitral awards shall be made in U.S. dollars and shall be payable in the United States or in Australia, at the discretion of the awardee.

(e) The cost of any arbitration hereunder, including the cost of the record or transcripts thereof, if any, administrative fees, and all other fees involved, shall be paid by the Party determined by the Arbitrator to not be the prevailing Party, or otherwise be allocated in an equitable manner as determined by the Arbitrator. The Parties shall use all reasonable endeavours to have the dispute resolved through fast track arbitration with the assistance of the Arbitrator and the International Chamber of Commerce Court. ~~The Parties shall instruct the Arbitrator to tender his or her decision no later than 90 days after the submission of the dispute.~~

RCW
CARR

CARR

9.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

9.14 Third Parties. Subject to Section 9.10 of this Agreement and Section 9.10 of the Stock Purchase Agreement, nothing expressed or implied in this Agreement or the Ancillary Agreements is intended or shall be considered to confer upon or give any person other than the parties hereto or thereto any rights or remedies under or by reason of such agreements or any transactions contemplated thereby.

**ARTICLE X
NOMINATION**

10.1 Nomination by Purchaser. Purchaser may appoint one of its wholly owned subsidiaries to perform some or all of those of Purchaser's obligations under this Agreement which have not been performed as at the date of such appointment.

10.2 Notice of Appointment. Purchaser must give Seller notice of an appointment under clause 10.1 within a reasonable time of such appointment being made.

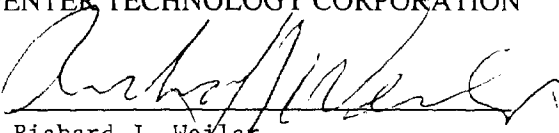
10.3 Purchaser remains liable. Notwithstanding the appointment of any person by Purchaser under clause 10.1, Purchaser remains liable for the performance of its obligations under this Agreement.



IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorised.

PURCHASER:

CARPENTER TECHNOLOGY CORPORATION

By: 

Richard J. Weiler

Vice President - Corporate Development

(Print Name and Title)

SELLER:

SIGNED

for ICI AUSTRALIA

OPERATIONS PTY LTD

by its attorney in

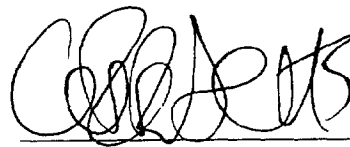
the presence of:

Rachel Watson

Witness

Rachel WATSON

Name (please print)



Attorney

GUY R ROBERTS

Name (please print)

Schedule 1.1**Assets owned by the Business with book value of \$10,000 or more and location of those Assets**

See attached Asset Register

Assets Leases

Photocopier Lease Agreement dated 23 April 1997 with Fuji Xerox Australia Pty Ltd for rental of two photocopiers for a period of four years.

Motor Vehicle leases with Esanda Fleet Partners in respect of the following vehicles:

- FGM 792 93 Commodore S Auto
- FHP 191 94 Camry Sedan Auto
- FHS 301 93 Manual Sedan 6CY
- RBI 712 94 Magna Auto Sedan 4CY
- NNT 673 93 Magna Exec V6 Sedan
- OBU 681 Nissan Maxima 30G

Brand Names***Australian Trade Mark Registrations***

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	435874	1	Registered	ICI Australia Operations Pty Ltd	7 November 2006
NC device	409865	7	Registered	ICI Australia Operations Pty Ltd	8 June 2005
NILCRA	475638	7	Registered	ICI Australia Operations Pty Ltd	29 October 2008
NILCRA PSZ	447486	7	Registered	ICI Australia Operations Pty Ltd	25 June 2007
VENTIROLLER	642368	7	Registered	ICI Australia Operations Pty Ltd	6 October 2004
Z-BALL device	447487	7	Registered	ICI Australia Operations Pty Ltd	25 June 2007
Z-BEARING	649264	7	Registered	ICI Australia Operations Pty Ltd	20 December 2004
Z-TECH device	435959	2	Registered	ICI Australia Operations Pty Ltd	8 November 2006
Z-TECH device	435960	3	Registered	ICI Australia Operations Pty Ltd	8 November 2006

Trade Mark Rights in Austria

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	113153	1	Registered	Z-Tech Pty Ltd	31 July 2006

Trade Mark Rights in Benelux

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	416681	1	Registered	Z-Tech Pty Ltd	29 January 2006

Cobb

NEW

not in practice prior
of 2006/07/2005
10/01/2006 Benelux
Trade Mark Office by
20/08/2005

Trade Mark Rights in Canada

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
NILCRA design	372214 (Associated with 400954)	no class system	Registered	ICI Australia Operations Pty Ltd	24 August 2005
NILCRA PSZ	400954 (Associated with 372214)	no class system	Registered	ICI Australia Operations Pty Ltd	7 August 2007
Z-BALL device	Serial No. 570,978	no class system	Abandoned on 21 January 1995	ICI Australia Operations Pty Ltd	
Z-BEARING	Serial No. 772,430	no class system	Pending Application	ICI Australia Operations Pty Ltd	Declaration of use due on 6 January 1998

Trade Mark Rights in Denmark

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	1471/1987	1	Registered	Z-Tech Pty Ltd	10 April 2007

Trade Mark Rights in Germany

Cobb

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	1186062	1	Registered	Z-Tech Pty Ltd	5 February 2006
Z-BEARING	39500124	7	Registered	ICI Australia Operations Pty Ltd	31 January 2005

Trade Mark Rights in Italy

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	473952 (Application number TO/96/C-002326)	1	Registered	Z-Tech Pty Ltd	17 February 2006

Trade Mark Rights in Japan

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
ZEDTECH	2024438	1	Registered	ICI Australia Operations Pty Ltd	22 February 1998

Trade Mark Rights in Portugal

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	233402	1	Registered	Z-Tech Pty Ltd	21 August 2001

Trade Mark Rights in Spain

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	1134611	1	Registered	Z-Tech Pty Ltd	19 February 2008

Trade Mark Rights in Sweden

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	204977	1	Registered	Z-Tech Pty Ltd	13 September 1997

Trade Mark Rights in Switzerland

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	348816	1	Registered	Z-Tech Pty Ltd	28 January 2006

Trade Mark Rights in the United Kingdom

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	B1258743	1	Registered	Z-Tech Pty Ltd	22 January 2007

Trade Mark Rights in the United States of America

Trade Mark	Registration Number	Class	Status	Proprietor	Renewal Due
Z-TECH device	1619273	1	Registered	ICI Australia Operations Pty Ltd	30 October 2000
NILCRA PSZ	1658804	7	Registered	ICI Australia Operations Pty Ltd	1 October 2001
Z-BALL	1653455	7	Registered	ICI Australia Operations Pty Ltd	13 August 2001
Z-BEARING	74/045888	7	Pending application- The Seller has received verbal advice that it has been accepted by	ICI Australia Operations Pty Ltd	

S/B
75/045888

HPMELCC

			the US Trade Mark Office		
--	--	--	--------------------------------	--	--

Copyright

Copyright in the following items of subject matter:

- customer lists
- key work instructions
- instruction manuals and information to instruct employees
- marketing reports
- technical literature produced by the Division
- advertising and promotional materials.

Excluded Assets

Access rights to Seller's mainframe.

Intellectual Property

Patent Licence Agreement dated 5 October 1979 between CSIRO and Nilsen Sintered Products (Australia) Pty Ltd (assigned ultimately to ICI Australia Operations Pty Ltd on 30 August 1988). The patents licensed are set out in the tables below:

A. Direct national patents derived from International Patent Application No. PCT/AU83/00069

Country	Patent No.	Status
Australia	569034	Granted and in force
Canada	1206978	Granted and in force
Italy	1170381	Granted and in force
Japan	1851146	Granted and in force
Spain	527160 (8504649)	Granted and in force
USA	4,885,266	Granted and in force

B. National patents derived from European Patent No. 0110900

Country	Status
Austria	Granted and in force
Belgium	Granted and in force
France	Granted and in force

Germany	Granted and in force
Liechtenstein	Granted and in force
Luxembourg	Granted and in force
The Netherlands	Granted and in force
Sweden	Granted and in force
Switzerland	Granted and in force
United Kingdom	Granted and in force

Liens in respect of Assets

None.

Plant and Equipment

See attached Asset Register.

Property Leases

Building 4

Lease with Bitours Pty Ltd. Lease for the whole of the land described in Certificate of Title Volume 9878 Folio 389 (Module 31) and expires July 1, 2000 with option for an additional 5 years (annual rental: AUD\$150,000 per annum)

Buildings 6 & 8

Lease with Arcadia Properties Pty Ltd. Lease for the whole of the land described in Certificate of Title Volume 9878 Folios 390 and 391 (Buildings 32 and 33) and expires 12 June 1999 with option for an additional 5 years (annual rental :AUD\$260,000 per annum).

Purchaser's Fund

The Carpenter Advanced Ceramics Pty Ltd Superannuation Fund, a subplan in the Accumulation Division of the Mercer Retirement Trust which trust was established by deed dated 28 June 1995 and the trustee of which is William M Mercer Pty Ltd ACN 005 315 917.