SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported) August 10, 1999

PENTAIR, INC.

(Exact Name of Registrant as specified in Its Charter)

MINNESOTA	001-11625	41-0907434
(State of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1500 County Road B2 West, St. Paul, Minnesota 55113-3105
(Address of Principal Executive Offices) (Zip Code)

612.636.7920
(Registrant's Telephone Number, Including Area Code)

ITEM 2. ACQUISITION AND DISPOSITION OF ASSETS

ACQUISITION OF ESSEF CORPORATION

On August 10, 1999, Pentair, Inc. (the "Company") acquired all of the outstanding capital shares of Essef Corporation ("Essef") which currently operates two businesses, Structural Fibers and Pac-Fab. A third business formerly owned by Essef, Anthony & Sylvan, was split off to Essef shareholders at the time of the acquisition. The acquisition price was $310 million. The Company also refinanced approximately $120 million of Essef indebtedness. The Essef acquisition will be accounted for using the purchase method of accounting. Sales and operating income for the Structural and Pac-Fab businesses were $296 million and $26 million, respectively, for Essef's fiscal year ended September 30, 1998 and were $261 million and $28 million, respectively, for Essef's first three quarters ended June 30, 1999.

Structural Fibers designs, manufactures and distributes products used in moving, treating and storing water, including pumps, storage tanks and filtration systems for residential, commercial, municipal and industrial customers. Pac-Fab is a leading manufacturer of pool and spa equipment used in residential and commercial applications. These two businesses will expand the Company's water segment product offerings to include tanks and filtration systems, and extend the Company's distribution channels to include the pool and spa markets. The Company believes the acquisition of these businesses will significantly strengthen its position in global water markets and in the residential and industrial water equipment business.

The Company intends to pursue cost-saving opportunities in integrating the newly acquired Structural Fibers and Pac-Fab business into its Water and Fluid Technologies Segment, including:

- streamlining management in the water treatment business;

- rationalizing facilities;

- leveraging its ongoing supply management program to reduce purchase costs for motors and resins;

- outsourcing certain products to Asia, as is currently done for some existing water segment products;

- combining pumps, filters and other equipment currently utilized by Pac-Fab in its pool markets to provide for industrial water systems; and

- integrating the North American and European operations of Structural and Fleck, the Company's water control valve business.

The foregoing description of the Essef acquisition does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached as Exhibit 2.1 to this report. A copy of the press release, dated August 10, 1999, issued by Pentair, Inc. regarding the closing of the

Essef acquisition is attached as Exhibit 99.3.

ITEM 5. OTHER MATTERS

I. ACQUISITION OF DEVILBISS AIR POWER COMPANY.

On August 13, 1999, the Company announced an agreement to purchase from Falcon Building Products, Inc. ("Falcon") all of the stock of Falcon Manufacturing, Inc., the parent company of DeVilbiss Air Power Company (Falcon Manufacturing, Inc. and DeVilbiss Air Power Company, together "DeVilbiss") for a cash purchase price of $460 million. The DeVilbiss acquisition will be accounted for using the purchase method of accounting. Sales and operating income before corporate charges and interest expense of DeVilbiss were $389 million and $32 million respectively for the year ended December 31, 1998 and were $269 million and $30 million respectively for DeVilbiss' six months ended June 30, 1999.

DeVilbiss is a leading manufacturer of a broad line of air compressors, portable generators, pressure washers and accessories. Its products are sold to the retail, commercial, contractor and "do-it-yourself" markets under brand names such as Air America-Registered Trademark-, Charge Air Pro-Registered Trademark-, Ex-Cell-Registered Trademark- and Pro Air II-Registered Trademark-. The acquisition of DeVilbiss will significantly expand the Company's tools segment product line and will make it the second-largest supplier in the rapidly growing retail channel for power tools and equipment. The Company believes it will be able to realize synergies from this acquisition by leveraging Pentair's in-house retail sales force to increase account penetration and the number of accounts served. As well, Pentair intends to introduce these acquired products into wholesale industrial and automotive service markets not currently served by DeVilbiss.

The Company expects to be able to generate significant cost savings from this acquisition, including:

- consolidating physical distribution resulting in significant freight and overhead cost savings, as well as improved customer and delivery services;

- combining headquarters and administrative functions to reduce costs;

- using Pentair's purchasing and sourcing capabilities through Delta and Porter-Cable's existing organizations in the Far East to lower product costs; and

- servicing DeVilbiss products through Porter-Cable's existing network to increase service and productivity and reduce costs.

The closing of this acquisition is currently expected to occur in September 1999, subject to the satisfaction of certain customary conditions.

The foregoing description of the DeVilbiss acquisition does not purport to be complete and is qualified in its entirety by reference to the Stock Purchase Agreement, a copy of which is attached as Exhibit 2.4 to this report. A copy of the press release, dated August 13, 1999, issued by Pentair, Inc. regarding the agreement to acquire DeVilbiss is attached as Exhibit 99.4 to this report.

II. ACQUISITION AND OTHER FINANCINGS

MORGAN BRIDGE LOAN

On August 2, 1999, the Company entered into a $400 million Bridge Loan Agreement with Morgan Guaranty Trust Company of New York (the "Morgan Bridge Loan") that together with approximately $30 million from the Company's regular revolving credit facilities was used to finance the Essef acquisition. The Morgan Bridge Loan accrues interest at a floating rate equal to LIBOR plus a variable margin. The margin is 1.25% through September 30, 1999, increasing to 1.75% from October 1 to November 30, 1999 (or, if the amount outstanding on October 1 is $200 million or less, increasing to 1.5%), and increasing by an additional 1% from December 1, 1999 through maturity. The current interest rate under the Morgan Bridge Loan is 6.56%. The Morgan Bridge Loan matures on March 30, 2000; however it is required to be paid down in the event of any prior sale of assets or new issuance of debt or equity. Under the terms of the Morgan Bridge Loan, the Company will be restricted from making additional acquisitions over $25 million until that financing is paid off; however, the lender has consented to the pending DeVilbiss acquisition. A copy of the Morgan Bridge Loan was filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 26, 1999, filed August 4, 1999.

PENDING DEVILBISS BRIDGE LOAN

The Company has arranged for a commitment from Bank of America N.A. and First National Bank of Chicago for a $400 million bridge facility (the "DeVilbiss Bridge Loan") that will be used to partially finance the DeVilbiss acquisition. Definitive loan documentation for the DeVilbiss Bridge Loan is being drafted and negotiated; under the terms of the commitment the DeVilbiss Bridge Loan will only be able to be drawn upon through September 15, 1999, by which time the Company's expanded credit facilities discussed below are anticipated to be available. The Company expects that the DeVilbiss Bridge Loan will provide for floating rates of interest depending upon the type of loan selected by the Company, the duration of the interest period selected and the debt rating of the Company's senior debt. The Company expects that annual interest rates will increase on the 61st day after closing of the loan by .5%, and will increase on the 91st day after closing by an additional 1%. The Company further expects that the DeVilbiss Bridge Loan will mature six months after it is entered into; however it will likely be required to be paid down prior to such date upon the completion of refinancing of the Company's existing $390 million credit facilities. In addition to the DeVilbiss Bridge Loan, the Company intends to use approximately $50 million from the U.S. Bank Loan discussed below and any remaining needed funds from the Company's existing revolving credit facilities to finance the closing of the DeVilbiss acquisition. If the refinancing of these credit facilities is completed before the closing of the DeVilbiss acquisition, the DeVilbiss Bridge Loan will not be utilized and the new credit facilities will provide all needed funds for the acquisition.

U.S. BANK LOAN

On August 13, 1999, the Company entered into a new $100 million revolving credit agreement with certain banks and U. S. Bank National Association, as agent (the "U.S. Bank Loan"). The U.S. Bank Loan provides for floating rates of interest depending upon the type of loan selected by the Company, the loan amounts outstanding on October 1, 1999 and December 1, 1999, the duration of the interest period selected, the rating of the Company's long-term senior unsecured debt assigned by Standard & Poor's Ratings Group and Moody's Investor Service, Inc. and an applicable margin, if higher, with respect to certain new debt. The U.S. Bank Loan matures on March 30, 2000; provided, that

the bank's commitment will be permanently reduced by $50 million prior to maturity upon completion of a refinancing of the Company's existing $390 Million Revolving Credit Facilities (described below), and related borrowings repaid, and the bank's commitment will be permanently reduced by $50 million prior to maturity upon any new issuance of debt or equity, and related borrowings repaid. A copy of the U.S. Bank Loan is included herewith as Exhibit 10.2.

AMENDMENTS TO $390 MILLION CREDIT FACILITIES

Also, as of August 13, 1999, the Company amended its two existing credit facility agreements. The Company has a $365 million revolving credit facility with certain banks (the $365 Million Credit Facility") and a $25 million revolving credit facility with U.S. Bank (the "$25 Million Credit Facility") (collectively, the "$390 Million Credit Facilities"). The amendments increased the rate of interest and fees payable under the facilities and changed some of the Company's financial covenants. The amendments provide for floating rates of interest depending upon the type of loan selected by the Company, the duration of the interest period selected, the ratings of the Company's long-term, senior unsecured debt assigned by Standard and Poor's Ratings Group and Moody's Investor Service, Inc. and in the case of the $25 Million Credit Facility, the amount outstanding on October 1, 1999 and December 31, 1999. The amendments also replace the "long-term debt to total capital" ratio with new "debt to EBITDA" (earnings before interest, taxes, depreciation and amortization) ratio and a "minimum coverage" ratio. The new coverage covenants measure the Company's cash flow compared to interest and other fixed charges and focus on the Company's ability to repay loans out of its operations. The Company's previous leverage ratios measured its relative indebtedness compared to its long-term capitalization. In addition, the $25 Million Credit Facility was amended to terminate on March 30, 2000, but is required to be terminated prior to such date upon any new issuance of debt or equity. A copy of the amendments to the existing $365 Million Credit Facility and the $25 Million Credit Facility are included herewith as Exhibits 4.1 and 10.3.

PENDING $800 MILLION CREDIT FACILITIES

The Company has entered into a commitment letter with its current lenders and others and is in the process of negotiating definitive loan documentation for two new credit facilities aggregating $800 million, consisting of a five-year $425 million revolving credit facility (the "$425 Million Revolver") and a new 364-day $375 million revolving credit facility (the $375 Million Revolver") (the $425 Million Revolver and the $375 Million Revolver together, the "New Revolving Credit Facilities"). The New Revolving Credit Facilities would entirely replace the existing $390 Million Credit Facilities. The New Revolving Credit Facilities would be used in part to repay the $400 Million DeVilbiss Bridge Loan (unless the New Revolving Credit Facilities are completed prior to the closing of the acquisition of DeVilbiss in which case the New Revolving Credit Facilities will be used to fund the acquisition of DeVilbiss) and any amounts borrowed under the U.S. Bank Loan and to refinance existing loans under the $390 million credit facilities. The balance would be used to fund ongoing operations. The Company expects to complete this refinancing during the third quarter of 1999.

EFFECTS OF RECENT AND PENDING FINANCINGS

The Company's increased debt levels as a result of the borrowings described above may affect certain other five to seven year fixed-rate term loan financing agreements entered into by the Company in the years from 1992 to 1999. The Company has some flexibility in order to maintain compliance with its

financial covenants under these agreements. Under the most restrictive of these agreements, the Company will have to maintain its debt to total capital ratio below 65%.

The Morgan Bridge Loan, the DeVilbiss Bridge Loan, the U.S. Bank Loan and the Company's existing $390 Million Credit Facilities will be sufficient to fund the Essef and DeVilbiss acquisitions and for the Company to finance its normal operating needs for the balance of the year, including working capital, capital expenditures, dividends and small acquisitions. The Morgan Bridge Loan, the U.S. Bank Loan and the $25 Million Credit Facility mature on March 30, 2000 and it is expected that the DeVilbiss Bridge Loan will mature at approximately the same time. By that date, the Company currently intends to refinance these loans through the New Revolving Credit Facilities and completion of debt and/or equity offerings. If the Company is unable to do so before maturity of these loans, it will be required to seek alternative financing arrangements.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired

The financial statements required to be filed for Essef Corporation are included herewith as Exhibit 99.1

The financial statements required to be filed for Falcon Manufacturing, Inc. are included herewith as Exhibit 99.2

(b) Pro Forma Financial Information

The following unaudited pro forma combined condensed financial information of Pentair, Inc. and subsidiaries, reflecting the acquisition of Essef Corporation and the pending acquisition of Falcon Manufacturing, Inc., the parent of DeVilbiss Air Power Company, are filed herewith:

Introduction to Unaudited Pro Forma Combined Condensed Financial Statements

Unaudited Pro Forma Combined Condensed Statement of Income for the year ended December 31, 1998

Unaudited Pro Forma Combined Condensed Statement of Income for the Six Months Ended June 26, 1999

Unaudited Pro Forma Combined Condensed Balance Sheet as of June 26, 1999

Notes to Unaudited Pro Forma Combined Condensed Financial Statements

(c) Exhibits:

See the Exhibit Index following the signature page of this Report, which is incorporated herein by reference.

INTRODUCTION TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The unaudited pro forma combined condensed financial statements (the pro forma statements) contained herein give effect to the following transactions and events: (i) the Company's acquisition of all of the stock of Essef for a cash purchase price of approximately $310 million and (ii) the Company's pending acquisition of the stock of DeVilbiss for a cash purchase price of approximately $460 million.

The pro forma statements are based on the estimates and assumptions set forth in the notes to such pro forma statements. The pro forma statements have been prepared using the purchase method of accounting whereby the total cost of the Essef acquisition and the pending DeVilbiss acquisition has been allocated to the tangible and intangible assets acquired and liabilities assumed based on their respective fair values at the effective date of the acquisition, assumed for purposes of the pro forma information to be approximated by historical values. Such allocations ultimately will be based on further management studies and due diligence. Accordingly, the allocations reflected in the pro forma statements are preliminary and subject to revision. It is not expected that the final allocation of purchase price will produce results materially different from those presented herein.

These pro forma statements have been prepared by the Company utilizing the historical audited annual financial statements and unaudited interim financial statements of Essef, DeVilbiss and the Company. See Note 1 of Notes to Unaudited Pro Forma Combined Condensed Financial Statements for a description of the periods combined.

The pro forma statements have been adjusted to reflect the effects of the Essef acquisition and the pending DeVilbiss acquisition and to eliminate interest expense on Falcon advances and certain duplicative general and administrative costs, summarized in Notes 3 and 4 of Notes to Unaudited Pro Forma Combined Condensed Financial Statements. No other pro forma effect has been given to operational or other synergies that may be realized from these acquisitions. Additional acquisitions made by the Company and Essef in 1998 and 1999 are not considered in the pro forma statements because they do not constitute significant business combinations, individually or in the aggregate, and disclosure is not deemed material.

These pro forma statements are presented for illustrative purposes only and are not necessarily indicative of the operating results or financial position that might have been achieved had the transactions occurred as of an earlier date, nor are they necessarily indicative of operating results or financial position that may occur in the future. The pro forma statements do not, therefore, project the Company's financial position or results of operations for any future date or period. These pro forma statements should be read in conjunction with the historical consolidated financial statements and notes thereto of Pentair which were contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 12, 1999, the unaudited condensed consolidated financial statements and notes thereto of Pentair contained in the Company's Form 10-Q for the three and six month periods ended June 26, 1999, filed August 4, 1999, and the historical financial statements and notes thereto of Essef and DeVilbiss which are included herewith as Exhibits 99.1 and 99.2, respectively.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1998
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Historical Statements			Pro Forma Adjustments	Pro Forma Combined Statement
	Pentair	DeVilbiss	Essef		
Net sales	$ 1,937.6	$ 389.1	$ 302.8	$ (8.1)(a)	$ 2,621.4
Operating costs:					
Cost of goods sold	1,330.3	327.6	219.7	(8.1)(a)	1,869.5
Selling, general and administrative	414.1	29.6	56.3	10.6 (b)(c)	510.6
Total operating costs	1,744.4	357.2	276.0	2.5	2,380.1
Operating income	193.2	31.9	26.8	(10.6)	241.3
Interest expense - net	(22.3)		(7.1)	(61.6)(e)	(91.0)
Other income/(expense)		(26.8)		26.8 (d)	-
Income before income taxes	170.9	5.1	19.7	(45.4)	150.3
Provision for income taxes	64.1	2.2	6.6	(11.3)(f)	61.6
Income from continuing operations	$ 106.8	$ 2.9	$ 13.1	$ (34.1)	$ 88.7
Basic earnings from continuing operations per share	$ 2.67				$ 2.20
Diluted earnings from continuing operations per share	$ 2.46				$ 2.04
Weighted average shares (000's)					
Outstanding	38,444				38,444
Outstanding assuming dilution	43,149				43,149

See Notes to Unaudited Pro Forma Combined Condensed Financial Statements

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
SIX MONTHS ENDED JUNE 26, 1999
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Historical Statements			Pro Forma Adjustments	Pro Forma Combined Statement
	Pentair	DeVilbiss	Essef		
Net sales	$ 977.7	$ 269.4	$ 199.4	$ (8.1)(a)	$ 1,438.4
Operating costs:					
Cost of goods sold	667.9	218.3	142.2	(8.1)(a)	1,020.3
Selling, general and administrative	211.8	21.0	30.9	4.6 (b)(c)	268.3
Restructuring charge	38.0				38.0
Total operating costs	917.7	239.3	173.1	(3.5)	1,326.6
Operating income	60.0	30.1	26.3	(4.6)	111.8
Interest expense - net	(12.0)		(4.2)	(30.8)(e)	(47.0)
Other income/(expense)		(12.1)		12.1 (d)	-
Income before income taxes	48.0	18.0	22.1	(23.3)	64.8
Provision for income taxes	17.5	7.1	8.5	(6.4)(f)	26.7
Income from continuing operations	$ 30.5	$ 10.9	$ 13.6	$ (16.9)	$ 38.1
Basic earnings from continuing operations per share	$ 0.72				$ 0.90
Diluted earnings from continuing operations per share	$ 0.71				$ 0.88
Weighted average shares (000's)					
Outstanding	42,433				42,433
Outstanding assuming dilution	43,056				43,056

See Notes to Unaudited Pro Forma Combined Condensed Financial Statements

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
JUNE 26, 1999
(DOLLARS IN MILLIONS)

	Historical			Pro Forma Adjustments	Pro Forma Combined Statement
	Pentair	DeVilbiss	Essef		
Current assets:					
Cash and cash equivalents	$ 41.6	$ 0.1	$ 4.5		$ 46.2
Accounts and notes receivable	419.6		62.2	$ 102.5 (g)	584.3
Inventories	292.8	55.5	47.6		395.9
Other current assets	56.9	7.9	3.2		68.0
Total current assets	810.9	63.5	117.5	102.5	1,094.4
Net property, plant and equipment	301.1	36.1	67.5		404.7
Goodwill	497.1	18.0	48.6	562.1 (g)	1,125.8
Other assets	60.5	0.6	9.9		71.0
Net long-term assets of discontinued operations			35.9	(35.9)(g)	-
Total assets	$ 1,669.6	$ 118.2	$ 279.4	$ 628.7	$2,695.9
Current liabilities:					
Accounts and notes payable	$ 129.2	$ 45.2	$ 26.0		$ 200.4
Other accrued liabilities	218.5	25.3	35.7		279.5
Current maturities of long-term debt	47.8	0.1	0.3		48.2
Net current liabilities of discontinued operations			3.9	$ (3.9)(g)	
Total current liabilities	395.5	70.6	65.9	(3.9)	528.1
Long-term debt	370.7	0.2	113.3	770.0 (h)	1,254.2
Other liabilities	178.5	5.3	4.9	-	188.7
Advances from parent		30.4		(30.4)(g)	-
Total liabilities	944.7	106.5	184.1	735.7	1,971.0
Shareholders' equity:					
Common stock - par value, $.16 2/3 authorized 250,000,000; issued and outstanding 42,677,375	7.1				7.1
Additional paid-in capital	237.2				237.2
Accumulated other comprehensive income	(5.4)				(5.4)
Retained earnings	486.0	11.7	95.3	(107.0)(g)	486.0
Total shareholders' equity	724.9	11.7	95.3	(107.0)	724.9
Total liabilities and shareholders' equity	$ 1,669.6	$ 118.2	$ 279.4	$ 628.7	$2,695.9

See Notes to Unaudited Pro Forma Combined Condensed Financial Statements

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS (DOLLARS IN MILLIONS)

NOTE 1 - PERIODS COMBINED

The Pentair consolidated statements of income for the six months ended June 26, 1999 (unaudited) and for the year ended December 31, 1998 have been combined with the DeVilbiss consolidated statements of income for the six months ended June 30, 1999 (unaudited) and for the year ended December 31, 1998, and with the Essef consolidated statements of income for the six months ended June 30, 1999 (unaudited) and for the twelve months ended December 31, 1998. The Pentair and DeVilbiss fiscal years end on December 31 and Essef's fiscal year ends on September 30. Essef's historical consolidated statement of income was conformed to Pentair's fiscal year by adding Essef's December 31, 1998 quarterly results to, and subtracting its December 31, 1997 quarterly results from, its September 30, 1998 consolidated statements of income amounts. Pentair's June 26, 1999 unaudited consolidated balance sheet has been combined with DeVilbiss's and Essef's June 30, 1999 unaudited consolidated balance sheets.

NOTE 2 - BASIS OF PRESENTATION

The Unaudited Pro Forma Combined Income Statements assume the pending acquisition of DeVilbiss and the acquisition of Essef occurred on January 1, 1998. The Unaudited Pro Forma Combined Balance Sheet assumes the acquisitions occurred on June 26, 1999. The pro forma statements exclude the effect of Essef's discontinued Anthony & Sylvan operations, which were split off to Essef's shareholders immediately prior to Pentair's purchase of Essef. Additional acquisitions made by the Company and Essef in 1998 and 1999 are not considered in the pro forma statements because they do not constitute significant business combinations, individually or in the aggregate, and disclosure is not deemed material.

NOTE 3 - PRO FORMA INCOME STATEMENT ADJUSTMENTS

The following pro forma adjustments are incorporated in the unaudited pro forma combined condensed statements of income as a result of the pending acquisition of DeVilbiss and the acquisition of Essef:

(a) Elimination of DeVilbiss sales and cost of sales to Pentair.

(b) Reflects the elimination of cost allocations of $3.5 million and $2.4 million for the periods ended December 31, 1998 and June 26, 1999, respectively, from Essef's prior corporate structure for services such as treasury, corporate administration, and public relations which Pentair provides for its subsidiaries, which will not result in additional costs to the Company after the acquisition.

(c) Reflects amortization of incremental goodwill of $315.4 million and $246.7 million (see Note 4) associated with the pending DeVilbiss acquisition and the Essef acquisitions, respectively, over 40 years:

	Year ended 12/31/98	Six months ended 6/26/99
DeVilbiss	$ 7.9	$ 3.9
Essef	6.2	3.1
	$ 14.1	$ 7.0

(d) Reflects the elimination of cost allocations from Falcon for interest expense on Falcon advances and for services such as treasury, corporate administration, and public relations which Pentair provides for its subsidiaries, which will not result in additional costs to the Company after the acquisition.

(e) Reflects incremental interest expense and financing fees at an expected average interest rate of 7.5% on borrowings of $770 million (the cash acquisition price for Essef and DeVilbiss) incurred as shown in Note 4, plus refinanced long-term debt of Essef. Also reflects an increase in interest rates of 1% on other outstanding floating rate debt of the Company due to an increase in the Company's debt leverage.

(f) Decrease in income taxes (net benefit) applying the Company's anticipated effective tax rates for DeVilbiss and Essef of 38% and 39% to their respective earnings, less the effect of pro forma adjustments (a) through (e) above, except for goodwill amortization in (c) which is not deductible.

NOTE 4 - PRO FORMA BALANCE SHEET ADJUSTMENTS

The following pro forma adjustments are incorporated in the unaudited pro forma combined condensed balance sheet as a result of the acquisitions of the pending acquisition of DeVilbiss and the acquisition of Essef:

(g) Reflects the allocation of the purchase prices for the pending DeVilbiss acquisition and the Essef acquisition, adds the purchase of securitized accounts receivable of DeVilbiss from Falcon according to the terms of the purchase agreement, eliminates advances from Falcon that will be settled as part of the purchase price,

eliminates the net assets of the discontinued operations of Anthony & Sylvan that were not acquired, and eliminates the investment in the acquired companies.

	DeVilbiss	Essef	Total
Net assets - as reported	$ 11.7	$ 95.3	$ 107.0
Add securitized accounts receivable acquired from Falcon	102.5		102.5
Add advances from Falcon	30.4		30.4
Less: net assets of discontinued operations		(32.0)	(32.0)
Net assets - acquired	144.6	63.3	207.9
Fair value adjustments:			
Record incremental goodwill acquired	315.4	246.7	562.1
Investment in DeVilbiss and Essef	$ 460.0	$ 310.0	$ 770.0

For purposes of these allocations, we have assumed that the fair values of the net assets in the pending DeVilbiss acquisition and the Essef acquisition are approximated by historical values, and thus have made no fair value adjustments. Such allocations ultimately will be based on further management studies and due diligence. Accordingly these allocations are preliminary and subject to revision.

(h) Reflects an estimated purchase price of $460 million for the pending DeVilbiss acquisition and a purchase price of $310 million for the Essef acquisition.

CAUTIONARY STATEMENT ABOUT FORWARD LOOKING STATEMENTS

The information set forth above in this Current Report on Form 8- K contains statements that are "forward-looking" in nature. Forward- looking information or statements include statements about the future of the industries represented by the Company's operating groups, statements about the Company's future business plans and strategies, expectations about industry and market growth and developments, expectations about the Company's growth and profitability and other statements that are not historical in nature. Many of these statements contain words such as "may," "will," "expect," "believe," "intend," "anticipate," "estimate" or "continue" or other similar words.

Because forward-looking statements involve future risks and uncertainties, there are many factors that could cause actual results to differ materially from those expressed or implied. For example, a few of the uncertainties that could affect the accuracy of forward- looking statements include:

- changes in industry conditions, such as
  - the strength of product demand;
  - the intensity of competition;
  - pricing pressures;
  - market acceptance of new product introductions;
  - the introduction of new products by competitors;

- the continuing ability to source components from third parties without interruption and at reasonable prices; and
- the financial condition of customers;

- changes in the Company's business strategies;

- general economic conditions, such as the rate of economic growth in the Company's principal geographic markets or fluctuations in exchange rates;

- changes in operating factors, such as continued improvement in manufacturing activities and the achievement of related efficiencies and inventory risks due to shifts in market demand; and

- the Company's ability to accurately evaluate the effects of contingent liabilities such as taxes, product liability and other liabilities.

The Company cannot predict the actual effect these factors will have on its results and many of the factors and their effects are beyond its control. In addition, the Company is under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual performance or results. Given these uncertainties, these forward-looking statements should not relied upon too heavily in assessing the Company's future financial condition and the results of its operations and the material contingencies it faces.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunder duly authorized.

PENTAIR, INC.

Date: August 25, 1999

By: /s/ Richard W. Ingman

Richard W. Ingman
Executive Vice President and
Chief Financial Officer

PENTAIR, INC.

EXHIBIT INDEX TO
FORM 8-K CURRENT REPORT
Date of Report: August 10, 1999

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
2.1	Agreement and Plan of Merger dated as of April 30, 1999 among Pentair, Inc., Northstar Acquisition Company and Essef Corporation. (In accordance with SEC rules, schedules and exhibits to the Agreement and Plan of Merger, which are referenced therein are omitted. Such schedules and exhibits will be furnished supplementally to the SEC upon request.)		x
2.2	Transition Agreement dated as of April 30, 1999 among Essef Corporation, Anthony & Sylvan Pools Corporation and Pentair, Inc. (In accordance with SEC rules, the Disclosure Schedule to the Transition Agreement is omitted. Such schedule will be furnished supplementally to the SEC upon request.)		x
2.3	Tax Sharing Agreement dated as of April 30, 1999 among Pentair, Inc., Essef Corporation and Anthony & Sylvan Pools Corporation		x
2.4	Stock Purchase Agreement dated as of August 12, 1999 between Falcon Building Products, Inc. and Pentair, Inc. (In accordance with SEC rules, certain schedules to the Agreement, which are listed in the list of Schedules to the Agreement, are omitted. Such schedules will be furnished supplementally to the SEC upon request.)		x
4.1	First Amendment dated as of August 13, 1999 to the Amended and Restated Credit Agreement dated as of August 1, 1997 among Pentair, Inc., EuroPentair GmbH, Pentair Canada, Inc., Bank of America, N.A., U.S. Bank National Association, Morgan Guaranty Trust Company of New York, NBD Bank, The Bank of Tokyo-Mitsubishi, Ltd., ABN Amro Bank N.V. and Dresdner Bank AG.		x

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
10.1	Bridge Loan Agreement dated as of July 27, 1999 among Pentair, Inc., the banks from time to time parties thereto and Morgan Guaranty Trust Company of New York.	Form 10-Q for the quarter ended June 26, 1999.	
10.2	Revolving Credit Agreement dated as of August 13, 1999 among Pentair, Inc., the banks or financial institutions from time to time party thereto and U.S. Bank National Association as agent for the banks.		x
10.3	Credit Agreement dated November 15, 1996 as amended and restated as of August 13, 1999 between Pentair, Inc. and U.S. Bank National Association.		x
23.1	Consent of Deloitte & Touche LLP		x
23.2	Consent of PricewaterhouseCoopers LLP		x
99.1	Essef Corporation and Subsidiaries Consolidated Financial Statements as of and for the Year Ended September 30, 1998, and Unaudited Condensed Consolidated Financial Statements as of June 30, 1999 and for the Nine Month Periods ended June 30, 1999 and 1998.		x
99.2	Falcon Manufacturing, Inc. and Subsidiary Consolidated Financial Statements as of and for the Year Ended December 31, 1998, and Unaudited Condensed Consolidated Financial Statements as of June 30, 1999 and for the Six Month Periods ended June 30, 1999 and 1998.		x
99.3	Press Release dated August 10, 1999		x
99.4	Press Release dated August 13, 1999		x

AGREEMENT AND PLAN

OF MERGER

DATED AS OF

APRIL 30, 1999

AMONG

PENTAIR, INC.,

NORTHSTAR ACQUISITION COMPANY

AND

ESSEF CORPORATION

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Merger Agreement"), dated as of April 30, 1999, by and among PENTAIR, INC., a Minnesota corporation ("Parent"), NORTHSTAR ACQUISITION COMPANY, an Ohio corporation and a wholly owned subsidiary of Parent ("Sub"), and ESSEF CORPORATION, an Ohio corporation (the "Company").

RECITALS

WHEREAS, the respective boards of directors of Parent, Sub and the Company have determined that it is fair to, and in the best interests of their respective stockholders to consummate the acquisition of the Company (other than the swimming pool installation business thereof) by Parent upon the terms and subject to the conditions set forth herein; and

WHEREAS, as part of the Merger (as defined below), Anthony & Sylvan Pools Corporation, an Ohio corporation and an indirect wholly-owned subsidiary of the Company (including any successor in interest, "A&S"), will be split-off from the Company, in a manner (as provided in the Transition Agreement, dated as of the date hereof, among the Company, A&S and the Parent attached hereto as Exhibit A (the "Transition Agreement")) whereby the holder of shares of Company common stock, without par value ("Company Common Stock") will receive 100% of the shares of common stock, without par value, of A&S (the "Split-Off") in consideration for the redemption of a portion of their shares of Company Common Stock; and

WHEREAS, in furtherance of the acquisition, the respective boards of directors of Parent, Sub and the Company have approved the merger of Sub with and into the Company (the "Merger") in accordance with the Ohio General Corporation Law ("OGCL") whereby each issued and outstanding share of Company Common Stock (other than shares of Company Common Stock held by the Company as treasury stock or owned by Parent, Sub or any other Subsidiary (as defined in Section 10.6 below) of Parent immediately prior to the Effective Time and other than Dissenting Shares (as defined in Section 3.3 hereof)), will be converted into the right to receive (i) the Cash Consideration (as defined in Section 3.1(c) hereof) and (ii) the Split-Off Consideration (as defined in Section 3.1(c) hereof) as set forth below; and

WHEREAS, as set forth in Section 7.10(a) hereof, as a condition to and in consideration of the transactions contemplated hereby, following the date hereof the Company, A&S and certain other parties will enter into a Tax Sharing Agreement substantially in the form attached hereto as Exhibit B with such changes as shall have been properly approved prior to the consummation of the Merger (the "Tax Sharing Agreement" and together with the Transition Agreement, hereafter collectively referred to as the "Ancillary Agreements"); and

WHEREAS, Parent, Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I
THE MERGER

Section 1.1 THE MERGER. Upon the terms and subject to the conditions hereof and in accordance with the OGCL, at the Effective Time (as defined below in Section 1.2), Sub shall be merged into the Company and the separate existence of Sub shall thereupon cease, and the name of the Company, as the surviving corporation in the Merger (the "Surviving Corporation"), shall by virtue of the Merger be "Essef Corporation."

Section 1.2 EFFECTIVE TIME OF THE MERGER. The Merger shall become effective when a properly executed Certificate of Merger is duly filed with the Secretary of State of the State of Ohio in accordance with the OGCL, which filing shall be made as soon as practicable after the closing of the transactions contemplated by this Merger Agreement in accordance with Section 3.8. When used in this Merger Agreement, the term "Effective Time" shall mean the date and time at which such filing shall have been made.

ARTICLE II
THE SURVIVING CORPORATION

Section 2.1 ARTICLES. The Surviving Corporation shall adopt the Articles of Incorporation of Sub in effect immediately prior to the Merger as the Articles of Incorporation of the Surviving Corporation until amended in accordance with its terms and as provided by law and this Merger Agreement.

Section 2.2 REGULATIONS. The Surviving Corporation shall adopt the Regulations of Sub as in effect at the Effective Time as the Regulations of the Surviving Corporation.

Section 2.3 BOARD OF DIRECTORS; OFFICERS. The directors of Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation and the officers of Sub immediately prior to the Effective Time shall be the officers of the Surviving Corporation, in each case until their respective successors are duly elected and qualified in the manner provided in the Articles of Incorporation and Regulations of the Surviving Corporation.

Section 2.4 EFFECTS OF MERGER. The Merger shall have the effects set forth in the applicable provisions of the OGCL. Without limiting the generality of the foregoing, and subject thereto at the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers and franchises and be subject to all restrictions, debts, liabilities and duties of the Sub.

ARTICLE III
CONVERSION OF SHARES

Section 3.1 CONVERSION OF SHARES OF COMPANY COMMON STOCK. At the Effective Time:

(a) CANCELLATION OF CERTAIN STOCK. Each share of Company Common Stock held by the Company as treasury stock or owned by Parent, Sub or any other Subsidiary of Parent immediately prior to the Effective Time shall automatically be cancelled and retired and cease to exist, and no payment shall be made with respect thereto; provided, that shares of Company Common Stock held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of Parent or the Company or any Subsidiaries thereof shall not be deemed to be held by Parent or the Company regardless of whether Parent or Company has, directly or indirectly, the power to vote or control the disposition of such shares of Company Common Stock.

(b) CAPITAL STOCK OF SUB. Each share of common stock of Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and non-assessable share of common stock, par value $0.01, of the Surviving Corporation and shall constitute the only outstanding shares of capital stock of the Surviving Corporation.

(c) CONVERSION OF SHARES. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time shall, except as otherwise provided in Sections 3.1(a) and 3.3 hereof, be converted into the right to receive Nineteen Dollars and Nine Cents ($19.09) per share, without interest (the "Cash Consideration") and 0.25 shares of A&S Common Stock (as defined in the Transition Agreement) (the "Split-Off Consideration").

Section 3.2 SURRENDER AND PAYMENT.

(a) Prior to the Effective Time, Parent and Company shall jointly appoint a depositary (the "Depositary") for the purpose of exchanging certificates representing shares of Company Common Stock for the Cash Consideration and the Split-Off Consideration. The Depositary shall be Bank of America National Trust and Savings Association. Parent will pay to the Depositary immediately prior to the Effective Time, the Cash Consideration, and the Company shall cause A&S to deposit with the Depositary the Split-Off Consideration (comprised of shares of A&S Common Stock and cash sufficient to pay any fractional shares), to be paid in respect of the shares of Company Common Stock. For purposes of determining the Cash Consideration and the Split-Off Consideration to be so paid, Parent and Company shall assume that no holder of shares of Company Common Stock will perfect his right to appraisal of his shares of Company Common Stock. Promptly after the Effective Time, Parent will send, or will cause the Depositary to send, but in no event later than three (3) business days after the Effective Time, to each holder of shares of Company Common Stock at the Effective Time a letter of transmittal for use in such exchange (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the certificates representing shares of Company Common Stock to the Depositary) and instructions for use in effecting the surrender of shares of Company Common Stock in exchange

for the Cash Consideration and Split-Off Consideration, and no interest shall accrue or be paid on any Cash Consideration payable upon the surrender of certificates.

(b) Each holder of shares of Company Common Stock that have been converted into the right to receive the Cash Consideration and Split-Off Consideration, upon surrender to the Depositary of a certificate or certificates properly representing such shares of Company Common Stock, together with a properly completed letter of transmittal covering such shares of Company Common Stock, will be entitled to receive the Cash Consideration and Split-Off Consideration payable in respect of such shares of Company Common Stock less any amounts required to be withheld under applicable federal, state, local or foreign income tax regulations. Until so surrendered, each such certificate shall, after the Effective Time, represent for all purposes, only the right to receive such Cash Consideration and Split-Off Consideration. No certificates representing fractional shares of A&S Common Stock shall be issued upon the surrender for exchange of shares of Company Common Stock, and such fractional share interests will not entitle the owner thereof to vote or to any other rights as a shareholder of A&S. Each holder of shares of Company Common Stock who would otherwise be entitled to receive a fractional share of A&S Common Stock shall receive from the Depositary an amount in cash (the "Fractional Share Payment") equal to the product obtained by multiplying (i) the fractional share interest to which such holder (after taking into account all shares of Company Common Stock held at the Effective Time by such holder) would otherwise be entitled by (ii) the mean between the high and low trading prices of A&S Common Stock on the first full day of trading following the Closing (as defined in Section 3.7 below) (the "Trading Value").

(c) If any portion of the Cash Consideration and Split-Off Consideration is to be paid to a Person other than the registered holder of the shares of Company Common Stock represented by the certificate or certificates surrendered in exchange therefor, it shall be a condition to such payment that the certificate or certificates so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the Person requesting such payment shall pay to the Depositary any transfer or other taxes required as a result of such payment to a Person other than the registered holder of such shares of Company Common Stock or establish to the satisfaction of the Depositary that such tax has been paid or is not payable. For purposes of this Merger Agreement, "Person" means an individual, a corporation, limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

(d) After the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of shares of Company Common Stock. If, after the Effective Time, certificates representing shares of Company Common Stock are presented to the Surviving Corporation, they shall be cancelled and exchanged for the consideration provided for, and in accordance with the procedures set forth, in this Article III. From and after the Effective Time, holders of certificates theretofore evidencing shares of Company Common Stock shall cease to have any rights as shareholders of the Company, except as provided herein or by law.

(e) Any portion of the Cash Consideration paid to the Depositary pursuant to Section 3.2(a) that remains unclaimed by the holders of shares of Company Common Stock one year after the Effective Time shall be returned to the Surviving Corporation, including any interest thereon, and any portion of the Split-Off Consideration (including, any interest on the cash deposited for Fractional Share Payments) paid to the Depositary pursuant to Section 3.2(a) that remains unclaimed by the holders of shares of Company Common Stock one year after the Effective Time shall be returned to A&S, upon written demand, and any such holder who has not exchanged his shares of Company Common Stock for the Cash Consideration and Split-Off Consideration in accordance with this Section 3.2(a) prior to that time shall thereafter look only to the Surviving Corporation for payment of the Cash Consideration and A&S for payment of the Split-Off Consideration in respect of his shares of Company Common Stock, without any interest thereon. Notwithstanding the foregoing, Parent, Sub and the Surviving Corporation shall not be liable to any holder of shares of Company Common Stock for any amount paid to a public official pursuant to applicable abandoned property laws. Any Cash Consideration or Split-Off Consideration remaining unclaimed by holders of shares of Company Common Stock on the day immediately prior to such times as such amounts would otherwise escheat to or become property of any governmental entity shall, to the extent permitted by applicable law, in the case of the Cash Consideration become the property of Parent, and in the case of the Split-Off Consideration become the property of A&S, free and clear of any claims or interest of any Person previously entitled thereto.

(f) Any portion of the Cash Consideration and Split-Off Consideration paid to the Depositary pursuant to Section 3.2(a) hereof to pay for shares of Company Common Stock for which appraisal rights have been perfected shall be returned to the Surviving Corporation and A&S, respectively, upon written demand.

Section 3.3 DISSENTING SHARES. Notwithstanding Section 3.1 hereof, shares of Company Common Stock issued and outstanding immediately prior to the Effective Time and held by a holder who has properly exercised and perfected appraisal rights under Section 1701.85 of the OGCL (the "Dissenting Shares"), shall not be converted into the right to receive the Cash Consideration and Split-Off Consideration, but the holders of Dissenting Shares shall be entitled to receive such consideration as shall be determined pursuant to said Section 1701.85; provided, however, that if any such holder shall have failed to perfect or shall withdraw or lose his right to appraisal and payment under the OGCL, such holder's shares shall thereupon be deemed to have been converted as of the Effective Time into the right to receive the Cash Consideration and Split-Off Consideration, without any interest thereon, and such shares of Company Common Stock shall no longer be Dissenting Shares. The Company shall give Parent (i) prompt notice of any written demands for payment, withdrawals of demands for payment and any other instruments served pursuant to the OGCL received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for payment under the OGCL. The Company will not voluntarily make any payment with respect to any demands for payment and will not, except with the prior written consent of Parent, settle or offer to settle any such demands.

Section 3.4 STOCK OPTIONS.

(a) Except as provided in Section 3.4(c) below, the Company shall take all actions (including, but not limited to, obtaining any and all consents from employees to the matters contemplated by this Section 3.4) necessary to provide that all outstanding options and other rights to acquire shares ("Stock Options") granted under any stock option or deferred compensation plan, program or similar arrangement or any employment agreement of the Company or any Subsidiaries other than options, if any, of A&S, each as amended (the "Option Plans"), shall become fully exercisable and vested on the date (the "Vesting Date") which shall be set by the Company and which, in any event, shall be not less than thirty (30) days prior to the Effective Time, whether or not otherwise exercisable and vested. All Stock Options which are outstanding immediately prior to the Effective Time shall be cancelled as of the Effective Time and the holders thereof shall be entitled to receive from the Company, for each share of Company Common Stock subject to such Stock Option, (i) an amount in cash equal to the difference between the Cash Consideration and the exercise price per share of such Stock Option, which amount shall be payable at the Effective Time, plus (ii) 0.25 shares of A&S Common Stock (and in the case of fractional shares, the Fractional Share Payment), which shall be held by the Depositary pending delivery after the Effective Time. All applicable withholding taxes attributable to the payments made hereunder or to distributions contemplated hereby shall be deducted from the amounts payable under clauses (i) and (ii) above and all such taxes attributable to the exercise of Stock Options on or after the Vesting Date shall be withheld from the proceeds received in the Merger, in respect of the shares of Company Common Stock issuable on such exercise.

(b) Except as provided herein or as otherwise agreed to by the parties and to the extent permitted by the Option Plans, (i) the Option Plans shall terminate as of the Effective Time and the provisions in any other plan, program or arrangement, providing for the issuance or grant by the Company or any of its Subsidiaries of any interest in respect of the capital stock of the Company or any of its Subsidiaries shall be deleted as of the Effective Time and (ii) the Company shall use all reasonable efforts to ensure that following the Effective Time no holder of Stock Options or any participant in the Option Plans or any other such plans, programs or arrangements shall have any right thereunder to acquire any equity securities of the Company, the Surviving Corporation or any subsidiary thereof.

(c) (i) With respect to the employees identified on Schedule 3.4(c) of the Company Disclosure Schedule who will remain as employees or directors of A&S (the "Optionees" and individually an "Optionee"), the Company agrees to take all actions (including, but not limited to, obtaining any and all consents from the Optionees to the matters contemplated by this Section 3.4(c) and causing A&S to take such actions as are necessary to accomplish the matters contemplated by this Section 3.4(c)) necessary to provide that (A) the Stock Options identified on Schedule 3.4(c) of the Company Disclosure Schedule are amended in such a fashion that each Optionee has the right under such options to purchase (subsequent to the Merger) that number of shares of Company Common Stock that represents the same proportionate interest in the Company that such Optionee had the right to purchase prior to the Merger (such option hereafter referred to as the "Post-Merger Company Option") with appropriate adjustments (if necessary as specified below) in the exercise price of such Option and (B) such Optionee is granted a stock option (with terms equivalent to the terms in the Optionee's option to purchase Company Common Stock and with an exercise price as

specified in this Section 3.4(c)) to purchase that number of shares of A&S Common Stock that represents a proportionate interest in A&S equal to the proportionate interest in the Company that the Optionee's option to purchase Company Common Stock represented (the "A&S Option").

(ii) (A) The amendment contemplated by Section 3.4(c)(i)(A) shall be accomplished by reducing the option price of the Post-Merger Company Option to a price equal to the option price (immediately before the Merger) multiplied by a fraction, the numerator of which is the aggregate value of Company Common Stock immediately subsequent to the Merger (utilizing $19.09 as the per share value of such Common Stock) and the denominator of which is the sum of such aggregate value of the Company Common Stock and the aggregate value of A&S Common Stock immediately subsequent to the Merger (based on the value of A&S Common Stock as determined pursuant to Section 5 of the Tax Sharing Agreement) and (B) the A&S Option shall have a per-share exercise price that bears the same relation to the per-share value of A&S Common Stock as the per-share exercise price of the Post-Merger Company Option (adjusted as provided in clause (A)) bears to $19.09.

(iii) Immediately after the amendment contemplated in Section 3.4(c)(i)(A), all Post-Merger Company Options shall be cancelled and the holders thereof shall be entitled to receive from the Company for each share of Company Common Stock subject to such Post-Merger Company Option an amount in cash equal to the difference between the Cash Consideration and the exercise price of such Post-Merger Company Option.

(iv) For all purposes of this Section 3.4(c), the term "proportionate interest" shall be determined on the basis of the percentage interest of Company or A&S Common Stock (as the case may be) that such Optionee would own after the exercise of all Stock Options (as defined in Section 3.4(a)) in the case of the Company and all A&S Options in the case of A&S.

Section 3.5 SHAREHOLDERS' MEETINGS. (a) In order to consummate the Merger, the Company, acting through its board of directors, shall, in accordance with applicable law, the Company's Third Amended Articles of Incorporation and its Regulations:

(i) duly call, give notice of, convene and hold a special meeting of its shareholders for the purpose of considering and taking action upon this Merger Agreement (the "Shareholders' Meeting");

(ii) subject to its fiduciary duties under applicable laws as advised by counsel, include in the proxy statement or information statement prepared by the Company for distribution to shareholders of the Company in advance of the Shareholders' Meeting in accordance with Regulation 14A promulgated under the Exchange Act (the "Company Proxy Statement") the recommendation of its board of directors; and

(iii) use its best efforts to (A) obtain and furnish the information required to be included by it in the Company Proxy Statement, and, after consultation with Parent, respond promptly to any comments made by the Commission with respect to the Company Proxy Statement and any preliminary version thereof and cause the Company Proxy Statement to be mailed to its shareholders and (B) obtain the necessary approvals of this Merger Agreement by its shareholders.

(b) Parent will provide the Company with information concerning Parent and Sub required to be included in the Company Proxy Statement and will vote, or cause to be voted, all shares of Company Common Stock owned by it or its Subsidiaries in favor of approval and adoption of this Merger Agreement.

Section 3.6 ASSISTANCE IN CONSUMMATION OF THE MERGER. Each of Parent, Sub and the Company shall provide all reasonable assistance to, and shall cooperate with, each other to bring about the consummation of the Merger as soon as possible in accordance with the terms and conditions of this Merger Agreement. Parent shall cause Sub to perform all of its obligations in connection with this Merger Agreement.

Section 3.7 CLOSING. The closing (the "Closing") of the transactions contemplated by this Merger Agreement shall take place (i) at the offices of Squire, Sanders & Dempsey L.L.P., 4900 Key Tower, 127 Public Square, Cleveland, Ohio 44114-1304, at 9:00 A.M. local time on the second business day after the day on which the last of the conditions set forth in Article VII is fulfilled or waived, PROVIDED, HOWEVER, that the closing shall take place on or within 10 days after the last day of a month, or (ii) at such other time and place as Parent and the Company shall agree in writing (the "Closing Date").

Section 3.8 FILING OF CERTIFICATE OF MERGER. Upon the terms and subject to the conditions hereof as soon as practicable following the Closing, the Company shall execute and file a certificate of merger in the manner required by the OGCL and the parties hereto shall take all such other and further actions as may be required by applicable law to make the Merger effective.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent and Sub represent and warrant to the Company, except as set forth in a disclosure schedule delivered by Parent and Sub concurrently herewith (the "Parent and Sub Disclosure Schedule"), as follows:

Section 4.1 ORGANIZATION AND QUALIFICATION. Each of Parent and Sub is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and carry on its business as it is now being conducted or currently proposed to be conducted.

Section 4.2 AUTHORITY RELATIVE TO THIS MERGER AGREEMENT. Each of Parent and Sub has the corporate power to enter into this Merger Agreement and to carry out its obligations hereunder. The

execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the boards of directors of Parent and Sub. This Merger Agreement constitutes a valid and binding obligation of each of Parent and Sub enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought. No other corporate proceedings on the part of Parent or Sub are necessary to authorize the Merger Agreement and the transactions contemplated hereby.

Section 4.3 CONSENTS AND APPROVALS; NO VIOLATIONS. Neither Parent nor Sub is subject to or obligated under (i) any charter, by-law, indenture or other loan document provision or (ii) any other contract, license, franchise, permit, order, decree, concession, lease, instrument, judgment, statute, law, ordinance, rule or regulation applicable to either of them or any of Parent's Subsidiaries or their respective properties or assets, which would be breached or violated, or under which there would be a default (with or without notice or lapse of time, or both), or under which there would arise a right of termination, cancellation or acceleration of any obligation or the loss of a material benefit, by its executing and carrying out this Merger Agreement other than, in the case of clause (ii) only, the laws and regulations referred to in the next sentence. Except as referred to herein or in connection, or in compliance, with the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934 (the "Exchange Act"), and other governmental approvals required under the applicable laws of any foreign jurisdiction ("Foreign Laws") and the environmental, corporation, securities or blue sky laws or regulations of the various states ("State Laws") (all of which required consents and approvals under Foreign Laws and State Laws are identified in Schedule 4.3 to the Parent and Sub Disclosure Schedule), no filing by Parent or Sub or registration by Parent with any public body or authority is necessary for, nor is any authorization, consent or approval of any public body or authority required to be obtained by Parent or Sub for, the consummation of the Merger or the other transactions contemplated by this Merger Agreement.

Section 4.4 FINANCIAL ADVISOR. Except for Credit Suisse First Boston Corporation, financial advisor to Parent and Sub ("Credit Suisse First Boston"), no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Merger Agreement based upon arrangements made by or on behalf of Parent and Sub.

Section 4.5 FINANCING. Sub currently has sufficient funds, or has a firm written commitment from one or more financial institutions and/or from Parent (copies of all of which have been delivered to the Company), to enable it to finance the consummation of the Merger.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Sub, except as set forth in a disclosure schedule delivered by the Company concurrently herewith (the "Company Disclosure Schedule"), as follows:

Section 5.1 ORGANIZATION AND QUALIFICATION. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio and has all requisite corporate power and authority to own, lease and operate its properties and carry on its business as it is now being conducted or currently proposed to be conducted. The Company is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to so qualify would not have a Company Material Adverse Effect (as defined in Section 10.6). Complete and correct copies as of the date hereof of the articles of incorporation and regulations of the Company and each of its Subsidiaries have, to the extent requested, been delivered to Parent as part of the Company Disclosure Schedule.

Section 5.2 CAPITALIZATION. The authorized capital stock of the Company consists of 40,000,000 shares of Company Common Stock and 1,000,000 shares of Preferred Stock, without par value ("Company Preferred Stock"). As of February 28, 1999 and as adjusted to reflect the stock dividend paid by the Company on March 10, 1999 to the shareholders of record on February 19, 1999 (the "Stock Dividend"), 13,062,741 shares of Company Common Stock were validly issued and outstanding, fully paid and nonassessable, 618,127 shares of Company Common Stock were held in treasury, no shares of Preferred Stock had been issued, and there have been no material changes (other than as a result of the Stock Dividend) in such numbers of shares through the date hereof. Except for Stock Option exercises, no shares of Company Common Stock have been issued since February 28, 1999. Schedule 5.2 of the Company Disclosure Schedule sets forth as of the date of this Merger Agreement each outstanding Stock Option issued under the Option Plans, including the holder, date of grant, exercise price and number of shares of Company Common Stock subject thereto. Except for such Stock Options, there are no outstanding options, warrants, calls or other rights, agreements or commitments obligating the Company to issue, deliver or sell shares of its capital stock or debt securities or obligating the Company to grant, extend or enter into any such option, warrant, call or other such right, agreement or commitment.

Section 5.3 SUBSIDIARIES. Schedule 5.3 of the Company Disclosure Schedule lists each Subsidiary of the Company. Each of such Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the corporate power to carry on its business as it is now being conducted or currently proposed to be conducted. Each of such Subsidiaries is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to so qualify would not have a Company Material Adverse Effect. All the outstanding shares of capital stock of each of such Subsidiaries are validly issued, fully paid and nonassessable and those owned by the Company or by a Subsidiary of the Company are owned free and clear of any liens, claims or

encumbrances. There are no existing options, warrants, calls or other rights, agreements or commitments of any character relating to the issued or unissued capital stock or other securities of any of the Subsidiaries of the Company other than A&S. Except as set forth in Schedule 5.3 of the Company Disclosure Schedule, the Company does not directly or indirectly own any interest in any other corporation, partnership, joint venture or other business association or entity.

Section 5.4 AUTHORITY RELATIVE TO THIS MERGER AGREEMENT. The Company has the corporate power to enter into this Merger Agreement, subject to the requisite approval of this Merger Agreement by the holders of Company Common Stock, and to carry out its obligations hereunder. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the board of directors of the Company and to the extent necessary by the board of directors of A&S. This Merger Agreement constitutes a valid and binding obligation of the Company enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought. Except for the requisite approval of the holders of Company Common Stock, no other corporate proceedings on the part of the Company are necessary to authorize this Merger Agreement and the transactions contemplated hereby.

Section 5.5 CONSENTS AND APPROVALS; NO VIOLATIONS. The Company is not subject to or obligated under (i) any charter, by-law, indenture or other loan document provision or (ii) any other contract, license, franchise, permit, order, decree, concession, lease, instrument, judgment, statute, law, ordinance, rule or regulation applicable to the Company or any of its Subsidiaries or their respective properties or assets which would be breached or violated, or under which there would be a default (with or without notice or lapse of time, or both), or under which there would arise a right of termination, cancellation or acceleration of any obligation or the loss of a material benefit, by its executing and carrying out this Merger Agreement, other than, in the case of clause (ii) only, the laws and regulations referred to in the next sentence. Except as referred to herein or, with respect to the Merger or the transactions contemplated thereby, in connection, or in compliance, with the provisions of the HSR Act, the Securities Act, the Exchange Act, the Foreign Laws and the State Laws (all of which required consents and approvals under Foreign Laws and State Laws are identified in Schedule 5.5 to the Company Disclosure Schedule), no filing by the Company or registration by the Company with any public body or authority is necessary for, nor is any authorization, consent or approval of any public body or authority required to be obtained by the Company for, the consummation of the Merger or the other transactions contemplated hereby.

Section 5.6 REPORTS AND FINANCIAL STATEMENTS. The Company has previously furnished Parent with true and complete copies of its (i) Annual Reports on Form 10-K for the three years ended September 30, 1996, 1997, and 1998, as filed with the Commission, (ii) Quarterly Reports on Form 10-Q for the quarters ended March 30, 1998, June 30, 1998, and December 31, 1998 as filed with the Commission, (iii) proxy statements related to all meetings of its shareholders (whether annual or special) since December 31, 1996 and (iv) all other reports or registration statements filed by the Company with the Commission since December 31, 1996 which are all the documents (other than preliminary materials) that the Company was required to file with the Commission since that

date (such documents identified in clauses (i) through (iv) (except registration statements on Form S-8 relating to employee benefit plans and the Form S-1 (as defined in the Transition Agreement (or any other registration statement contemplated to be filed pursuant to the terms of the Transition Agreement)) being referred to herein collectively as the "Company SEC Reports")). As of their respective dates, the Company SEC Reports complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the Commission thereunder applicable to such Company SEC Reports, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of the Company included in the Company SEC Reports comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto, and the financial statements included in the Company SEC Reports have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis (except as may be indicated therein or in the notes thereto) and fairly present the financial position of the Company and its Subsidiaries as at the dates thereof and the results of their operations and changes in financial position for the periods then ended subject, in the case of the unaudited interim financial statements, to normal year-end audit adjustments and any other adjustments described therein.

Section 5.7 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as disclosed in the Company SEC Reports, since December 31, 1998, there has not been (i) any event, condition, transaction, commitment, dispute or other circumstance (financial or otherwise) of any character (whether or not in the ordinary course of business) individually or in the aggregate having a Company Material Adverse Effect; (ii) any damage, destruction or loss, whether or not covered by insurance, which, insofar as reasonably can be foreseen, in the future would have a Company Material Adverse Effect; (iii) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to the capital stock of the Company; or (iv) any entry into any commitment or transaction material to the Company and its Subsidiaries taken as a whole (including, without limitation, any borrowing or sale of assets) except in the ordinary course of business consistent with past practice.

Section 5.8 LITIGATION.

(a) Except as disclosed in the Company SEC Reports, there is no suit, action or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries which, either alone or in the aggregate, has, or is reasonably likely to have, a Company Material Adverse Effect or would prevent, delay or otherwise interfere with any of the transactions contemplated by this Merger Agreement, nor is there any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator outstanding against the Company or any of its Subsidiaries having, or reasonably likely to have, either alone or in the aggregate, a Company Material Adverse Effect or would prevent, delay or otherwise interfere with any of the transactions contemplated by this Merger Agreement. Schedule 5.8 of the Company Disclosure Schedule sets forth all claims with respect to the Company or any of its Subsidiaries, whether or not accrued for or covered by insurance, where

the amount in controversy exceeds $200,000. Schedule 5.8 of the Company Disclosure Schedule sets forth all claims with respect to Products (as defined in 5.8(b)(i) below) liability that have not been accrued for by the Company in its consolidated financial statements or are not covered by the Company's insurance policies. There has not been any adverse change in the number, type or severity of claims with respect to Products during the last three years. To the knowledge of the Company, none of the Products is the subject of any Recall Campaign (as defined in 5.8(b)(ii) below) and no facts or conditions exist which could reasonably be expected to result in such a Recall Campaign, in each case, where the costs of such a Campaign would exceed $200,000.

(b) For purposes of this Section 5.8, capitalized terms have the following meanings:

(i) "Products" shall mean any and all products currently or at any time previously designed, manufactured, distributed or sold by the Company or its Subsidiaries, or by any predecessor of the Company or its Subsidiaries.

(ii) "Recall Campaign" shall mean any formal action by the Company or its Subsidiaries to order the return of any Product from all known customers for such Product for repair, substitution or replacement.

Section 5.9 INFORMATION IN DISCLOSURE DOCUMENTS. None of the information with respect to the Company or its Subsidiaries to be included or incorporated by reference in the Company Proxy Statement or the Form S-1 (or any other registration statement contemplated to be filed pursuant to the terms of the Transition Agreement) will, in the case of the Company Proxy Statement or any amendments or supplements thereto, and at the time of the Shareholders' Meeting to be held in connection with the Merger, or in the case of Form S-1 (or any other registration statement contemplated to be filed pursuant to the terms of the Transition Agreement), at the time it becomes effective and at the Effective Time contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Company Proxy Statement and the Form S-1 (or any other registration statement contemplated to be filed pursuant to the terms of the Transition Agreement) will comply in all material respects with the Exchange Act (and the rules and regulations promulgated thereunder) and the Securities Act (and the rules and regulations promulgated thereunder).

Section 5.10 EMPLOYEE BENEFIT PLANS. Except as disclosed in the Company SEC Reports or as set forth in Schedule 5.10 of the Company Disclosure Schedule, there are no employee benefit, compensation or severance plans, agreements or arrangements, including "employee benefit plans," as defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and including, but not limited to, plans, agreements or arrangements relating to former employees, including, but not limited to, retiree medical plans or post-employment life insurance plans, maintained by the Company or any of its Subsidiaries or collective bargaining agreements to which the Company or any of its Subsidiaries is a party (together, the "Company Benefit Plans"). To the knowledge of the Company, no default exists with respect to the obligations of the Company or any of its Subsidiaries under such Company Benefit Plans. Since December 31, 1998, there have been no disputes or grievances subject to any grievance procedure, unfair labor practice proceedings, arbitration or litigation occurring or threatened under such Company Benefit Plans, which have not

been finally resolved, settled or otherwise disposed of, nor is there any default, or any condition which, with notice or lapse of time or both, would constitute such a default, under any such Company Benefit Plans, by the Company or its Subsidiaries or, to the knowledge of the Company and its Subsidiaries, any other party thereto. Since December 31, 1998, there have been no strikes, lockouts or work stoppages or slowdowns, or to the knowledge of the Company and its Subsidiaries, jurisdictional disputes or organizing activity occurring or threatened with respect to the business or operations of the Company or its Subsidiaries. Except as disclosed in the Company SEC Reports or as set forth in Schedule 5.10 of the Company Disclosure Schedule, neither the execution of the Merger Agreement nor the consummation of the transactions contemplated hereby will (either alone or upon the occurrence of additional events or acts) result in, cause the accelerated vesting or delivery of, or increase the amount or value of, any payment or benefit to any employee of the Company or any of its Subsidiaries. Notwithstanding anything stated in this Section 5.10 to the contrary, with respect to the severance plans or arrangements for the officers of the Company and its Subsidiaries, Schedule 5.10 of the Disclosure Schedule sets forth to the knowledge of the Company only such plans or arrangements for which the costs will exceed $100,000 per individual plan or arrangement or $500,000 in the aggregate for all such plans or arrangements.

Section 5.11 ERISA. The Company Benefit Plans have been administered in compliance in all material respects with applicable laws and regulations such that no condition exists with respect to the Company Benefit Plans that could have a Company Material Adverse Effect. Each of the Company Benefit Plans which is intended to meet the requirements of Section 401(a) of the Code has been determined by the Internal Revenue Service to be "qualified," within the meaning of such section of the Code, and the Company knows of no fact which is likely to have a material adverse effect on the qualified status of such plans. To the knowledge of the Company, there are not now nor have there been any non-exempt "prohibited transactions," as such term is defined in Section 4975 of the Code or Section 406 of ERISA, involving the Company Benefit Plans which could subject the Company, its Subsidiaries or Parent to the penalty or tax imposed under Section 502(i) of ERISA or Section 4975 of the Code. Except as set forth in Schedule 5.11 of the Company Disclosure Schedule, no Company Benefit Plan which is subject to Title IV of ERISA has been completely or partially terminated, no proceedings to completely or partially terminate any Company Benefit Plan have been instituted within the meaning of Subtitle C of said Title IV of ERISA; and no reportable event, within the meaning of Section 4043(c) of said Subtitle C for which the 30-day notice requirement of ERISA has not been waived, has occurred with respect to any Company Benefit Plan. Neither the Company nor any of its Subsidiaries has made a complete or partial withdrawal, within the meaning of Section 4201 of ERISA, from any multiemployer plan which has resulted in, or is reasonably expected to result in, any withdrawal liability to the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has engaged in any transaction described in Section 4069 of ERISA within the last five (5) years. To the knowledge of the Company, there does not now exist, nor do any circumstances exist that could result in, any material liability of the Company or any of its Subsidiaries (or any entity, trade or business that is or was at any time required to be aggregated with the Company or any of its Subsidiaries under Section 414(b), (c), (m) or (o) of the Code) under Title IV of ERISA, Section 302 of ERISA, Sections 412 and 4971 of the Code, the continuation coverage requirements of Section 601 ET SEQ. of ERISA and Section 4980B of the Code, and similar provisions of foreign laws or regulations, other than such liabilities that arise solely out of, or relate solely to, the Company Benefit Plans, that would have a

Company Material Adverse Effect or a Parent Material Adverse Effect (as defined in Section 10.6) following the Effective Time.

Section 5.12 COMPANY ACTION. The board of directors of the Company (at a meeting duly called and held) has by the requisite vote of directors (a) determined that the Merger is advisable and fair and in the best interests of the Company and its shareholders, (b) approved the Merger in accordance with the provisions of Section 1701.78 of the OGCL, and (c) recommended the approval of this Merger Agreement and the Merger by the holders of the Company Common Stock and directed that the Merger be submitted for consideration by the Company's shareholders entitled to vote thereon at the Shareholders' Meeting.

Section 5.13 FAIRNESS OPINION. The Company has received the opinion of Rhone Group LLC, financial advisor to the Company ("Rhone Group"), dated the date hereof, to the effect that the Cash Consideration and Split-Off Consideration to be received by the holders of shares of Company Common Stock pursuant to the terms of this Merger Agreement are fair from a financial point of view to such holders, a copy of which has been or will be delivered to Parent.

Section 5.14 FINANCIAL ADVISOR. Except for Rhone Group, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Merger Agreement and the Transition Agreement based upon arrangements made by or on behalf of the Company. Schedule 5.14 of the Company Disclosure Schedule contains a true and correct copy of the Company's engagement letter with Rhone Group.

Section 5.15 COMPLIANCE WITH APPLICABLE LAWS. (i) The Company and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals (the "Company Permits") of all courts, administrative agencies or commissions or other governmental authorities or instrumentalities, domestic or foreign (each, a "Governmental Entity") necessary for the operation of the businesses of the Company and its Subsidiaries; (ii) to the knowledge of the Company, the Company and its Subsidiaries are in compliance with the terms of the Company Permits; (iii) except as disclosed in the Company SEC Reports, the businesses of the Company and its Subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity; and (iv) no investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is pending, or threatened, nor has any Governmental Entity indicated an intention to conduct the same.

Section 5.16 LIABILITIES. As of December 31, 1998, neither the Company nor any of its Subsidiaries had any liabilities or obligations (absolute, accrued, contingent or otherwise) of a nature required to be disclosed on a balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP which are not disclosed or provided for in the most recent Company SEC Reports or which could result in a Company Material Adverse Effect. To the knowledge of the Company, there was no basis, as of December 31, 1998, for any claim or liability (absolute, accrued, contingent or otherwise) of a nature required to be disclosed on a balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP which is not reflected in the Company SEC Reports.

Section 5.17 TAXES. Except as otherwise disclosed in Schedule 5.17 of the Company Disclosure Schedule or as reflected in the Company SEC Reports and except for those matters which, either individually or in the aggregate, would not result in a Company Material Adverse Effect:

(a) The Company and each of its Subsidiaries have filed (or have had filed on their behalf) or will file or cause to be filed, all Tax Returns (as defined in Section 5.17(h)(iii) hereof) required by applicable law to be filed by any of them prior to the Effective Time.

(b) The Company and each of its Subsidiaries have paid (or have had paid on their behalf) all Taxes (as defined in Section 5.17(h)(ii) hereof) due with respect to any period ending prior to or as of the Effective Time), or where payment of Taxes is not yet due, have established (or have had established on their behalf and for their sole benefit and recourse), or will establish or cause to be established before the consummation of the Merger, an adequate accrual for the payment of all such Taxes which have accrued prior to the Effective Time other than Taxes directly attributable to the transactions contemplated by the Transition Agreement.

(c) No Audit (as defined in Section 5.17(h)(i)) is pending with respect to any Taxes due from the Company or any Subsidiary. There are no outstanding waivers extending the statutory period of limitations relating to the payment of Taxes due from the Company or any Subsidiary for any taxable period ending prior to the Effective Time which are expected to be outstanding as of the Effective Time.

(d) Neither the Company nor any Subsidiary is a party to, is bound by, or has any obligation under, a tax sharing contract or other agreement or arrangement for the allocation, apportionment, sharing, indemnification, or payment of Taxes, other than the Tax Sharing Agreement.

(e) Neither the Company nor any of its Subsidiaries has made an election under Section 341(f) of the Code.

(f) Neither the Company nor any of its Subsidiaries has received any written notice of deficiency, assessment or adjustment from the Internal Revenue Service or any other domestic or foreign governmental taxing authority that has not been fully paid or finally settled, and any such deficiency, adjustment or assessment shown on such schedule is being contested in good faith through appropriate proceedings and adequate reserves have been established on the Company's financial statements therefor. To the knowledge of the Company, there are no other deficiencies, assessments or adjustments threatened, pending or assessed with respect to the Company or any of its Subsidiaries.

(g) Except as contemplated by this Agreement and the Ancillary Documents or as disclosed in the Company SEC Reports, neither the Company nor any of its Subsidiaries is a party to any agreement, contract or other arrangement that would result, separately or in the aggregate, in the requirement to pay any "excess parachute payments" within the meaning of Section 280G of the

Code or any gross-up in connection with such an agreement, contract or arrangement. Schedule 5.17 of the Company Disclosure Schedule lists any agreement, contract or other arrangement in which the Company or any Retained Subsidiary is a party providing for any such "excess parachute payments" or gross-ups.

(h) For purposes of this Section 5.17, capitalized terms have the following meanings:

(i) "Audit" shall mean any audit, assessment or other examination of Taxes or Tax Returns by the Internal Revenue Service or any other domestic or foreign governmental authority responsible for the administration of any Taxes, proceedings or appeal of such proceedings relating to Taxes.

(ii) "Taxes" shall mean all federal, state, local and foreign income, profits, franchise, gross receipts, payroll, sales, employment, use, property, withholding, excise and other taxes, duties and assessments, charges, or other fees imposed by a governmental authority, together with any interest, additions to tax, or penalties imposed with respect thereto.

(iii) "Tax Returns" shall mean all federal, state, local and foreign tax returns, declarations, statements, reports, schedules, forms and information returns and any amended Tax Return relating to Taxes.

Section 5.18 CERTAIN AGREEMENTS. Except as filed as an exhibit to the Company SEC Reports, neither the Company nor any of its Subsidiaries is a party to or bound by any contract, agreement, arrangement, commitment or understanding (whether written or oral) which as of the date hereof, is a "material contract" (as defined in Item 601(b)(10) of Regulation S-K of the Commission). Schedule 5.18 to the Company Disclosure Schedule contains true and correct copies of all indemnification agreements between the Company and officers, directors and employees of the Company and its Subsidiaries.

Section 5.19 PATENTS, TRADEMARK, ETC. The Company and its Subsidiaries owns or possesses adequate licenses or other valid rights to use all patents, trademarks, trade names, service marks, trade secrets, copyrights and licenses and other proprietary intellectual property rights and licenses ("Intellectual Property Rights") as are necessary in connection with the conduct of the businesses of the Company and its Subsidiaries. The Company does not have any knowledge of any infringement by any other person of the Company's or its Subsidiaries' Intellectual Property Rights and, to the knowledge of the Company, the Company and its Subsidiaries are not infringing the Intellectual Property Rights of another person.

Section 5.20 TITLE TO ASSETS; LIENS. The Company has good and marketable title to all of its inventory, accounts receivable, property, equipment and other assets, and except as disclosed in the Company's SEC Reports such assets are free and clear of any mortgages, liens, charges, encumbrances, or title defects of any nature whatsoever. The Company and its Subsidiaries have valid and enforceable leases for the premises and the equipment, furniture and fixtures purported to be leased by them.

Section 5.21 REQUIRED VOTE. The affirmative vote of the holders of shares of Company Common Stock representing at least two-thirds of the votes entitled to be cast at the Shareholders' Meeting is required to approve this Merger Agreement. No other vote of any class or series of stock of the Company is required by law, the Third Amended Articles of Incorporation or Regulations of the Company or otherwise in order for the Company to consummate the Merger and the transactions contemplated hereby.

Section 5.22 INSURANCE. The Company has previously delivered to Parent a schedule of all policies of property, casualty, worker's compensation, product liability, general liability and other insurance as maintained by the Company and its Subsidiaries. All such policies are valid, outstanding and enforceable and no notice of cancellation or termination has been received with respect to any such policy.

ARTICLE VI
CONDUCT OF BUSINESS PENDING THE MERGER

Section 6.1 CONDUCT OF BUSINESS BY THE COMPANY PENDING THE MERGER. Prior to the Effective Time and except as provided in Section 7.10 or the Transition Agreement, unless Parent shall otherwise agree in writing after written notice provided by the Company specifying in reasonable detail the basis for any action by the Company or its Subsidiaries outside the scope of agreed upon activities set forth in this Section 6.1 and at Parent's election, a meeting with officials from the Company or its Subsidiaries, as the case may be, to discuss the basis for such action:

(i) the Company shall, and shall cause its Subsidiaries to, carry on their respective businesses in the usual, regular and ordinary course in the same manner as heretofore conducted, and shall, and shall cause its Subsidiaries to, use their diligent efforts to preserve intact their present business organizations, keep available the services of their present officers and employees and preserve their relationships with customers, suppliers and others having business dealings with them to the end that their goodwill and ongoing businesses shall be unimpaired at the Effective Time. The Company shall, and shall cause its Subsidiaries to (A) maintain insurance coverages and its books, accounts and records in the usual manner consistent with prior practices; (B) comply in all material respects with all laws, ordinances and regulations of Governmental Entities applicable to the Company and its Subsidiaries; (C) maintain and keep its properties and equipment in good repair, working order and condition, ordinary wear and tear excepted; and (D) perform in all material respects its obligations under all contracts and commitments to which it is a party or by which it is bound, in each case other than where the failure to so maintain, comply or perform, either individually or in the aggregate, would not reasonably be expected to result in a Company Material Adverse Effect;

(ii) the Company shall not and shall not propose to (A) sell or pledge or agree to sell or pledge any capital stock owned by it in any of its Subsidiaries, (B) amend its Third Amended Articles of Incorporation or Regulations, (C) split, combine or reclassify its outstanding capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of capital stock of the Company, or

declare, set aside or pay any dividend or other distribution payable in cash, stock or property (other than dividends declared, set aside or paid in a manner consistent with the Company's past practice), or (D) directly or indirectly redeem, purchase or otherwise acquire or agree to redeem, purchase or otherwise acquire any shares of Company capital stock;

(iii) the Company shall not, nor shall it permit any of its Subsidiaries to, (A) issue, deliver or sell or agree to issue, deliver or sell any additional shares of, or rights of any kind to acquire any shares of, its capital stock of any class, or any option, rights or warrants to acquire, or securities convertible into, shares of capital stock other than issuances of Company Common Stock pursuant to the exercise of Stock Options, (B) except as provided for in the Company's capital expenditure budget for the fiscal year ending September 30, 1999 (the "Capital Expenditure Budget"), acquire, lease or dispose or agree to acquire, lease or dispose of any capital assets in excess of $1,000,000 or any other assets other than in the ordinary course of business, (C) incur additional indebtedness other than in the ordinary course of business for working capital purposes or as provided for in the Capital Expenditure Budget or encumber or grant a security interest in any asset in connection with such indebtedness; or (D) enter into any binding contract, agreement, commitment or arrangement with respect to any of the foregoing;

(iv) the Company shall not, nor shall it permit any of its Subsidiaries to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof; PROVIDED, HOWEVER, that if after notice provided by the Company to Parent, Parent fails to agree to any such merger, consolidation or acquisition and this Agreement is later terminated, Parent and its respective Affiliates shall be precluded from undertaking such merger, consolidation or acquisition for a period of three (3) years following the date of such termination;

(v) except as set forth in Schedule 6.1 of the Company Disclosure Schedule, the Company shall not, nor shall it permit, any of its Subsidiaries to, except as required to comply with applicable law and except as provided in Section 7.4 hereof, (A) adopt, enter into, terminate, expand the applicability of or amend any bonus, profit sharing, compensation, severance, termination, stock option, pension, retirement, deferred compensation, employment or other Company Benefit Plan, agreement, trust, fund or other arrangement for the benefit or welfare of any director, officer or current or former employee, (B) increase in any manner the compensation or fringe benefit of any director, officer or employee (except for normal increases in the ordinary course of business that are consistent with past practice and that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Company and its Subsidiaries relative to the level in effect prior to such amendment), (C) pay any benefit not provided under any existing plan or arrangement, (D) grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or Company Benefit Plan (including, without limitation, the grant of stock options, stock appreciation rights, stock based or stock related awards, performance units or restricted stock, or the removal of existing restrictions in any benefit plans or agreements or awards made thereunder) except in the ordinary course of business

or in a manner consistent with past practice, (E) take any action to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or Company Benefit Plan other than in the ordinary course of business consistent with past practice, or (F) adopt, enter into, amend or terminate any binding contract, agreement, commitment or arrangement to do any of the foregoing; and

(vi) the Company shall not, nor shall it permit any of its Subsidiaries to, make any investments in non-investment grade securities; PROVIDED, HOWEVER, that the Company will be permitted to create new wholly owned Subsidiaries in the ordinary course of business.

Section 6.2 NOTICE OF BREACH. Each party shall promptly give written notice to the other party upon becoming aware of the occurrence or, to its knowledge, impending or threatened occurrence, of any event which would cause or constitute a breach of any of its representations, warranties or covenants contained or referenced in this Merger Agreement and will use its best efforts to prevent or promptly remedy the same. Any such notification shall not be deemed an amendment of the Company Disclosure Schedule or the Parent and Sub Disclosure Schedule.

ARTICLE VII
ADDITIONAL AGREEMENTS

Section 7.1 ACCESS AND INFORMATION; ENVIRONMENTAL AND YEAR 2000 COMPLIANCE.

(a) Upon reasonable notice delivered to and at reasonable times scheduled as soon as practicable following such notice by the Company's Vice President-Finance all in a manner that will minimize disruptions of the business and operations of the Company and its Subsidiaries and that is sensitive to time and resource demands of the peak business periods of the Company's pool equipment segment, (i) between the date of this Agreement and the Cut-Off Date (as defined in Section 7.1(b) below), the Company will give Parent and its authorized representatives, including Dames & Moore Group or another mutually agreed upon nationally recognized environmental consultant ("Parent's Environmental Consultant") and Deloitte & Touche LLP or another mutually agreed upon nationally recognized year 2000 consultant ("Parent's Year 2000 Consultant"), access to all offices and other facilities and to senior management of it and its Subsidiaries, and will cause its officers and those of its Subsidiaries to furnish Parent with (A) such financial, environmental and operating data and other information with respect to the Company and its Subsidiaries as Parent may from time to time reasonably request, or (B) any other financial, environmental and operating data which materially impacts the Company and its Subsidiaries and (ii) between the period beginning on the Cut-Off Date and continuing through the Effective Time, the Company will give Parent full and complete access to the Company's continuing businesses, personnel and records, including, without limitation, a review of business plans, major customers and suppliers, potential synergies and cost savings, post-acquisition management and organizational configuration, key employees, and capital plans. Notwithstanding the foregoing if during the period beginning on the date of this Agreement and ending on the Cut-Off Date, the parties reasonably believe that the Established Claims (as determined in Section 7.1(b) below) will not exceed the Claim Basket (as defined and determined in Section 7.1(b) below), then the Company will accommodate (subject to the notice requirements and sensitivities described above) increased due diligence as contemplated in clause

(ii) above by the Parent prior to the Cut-Off Date. Without limiting the foregoing, between the date of this Merger Agreement and the Effective Time, the Company promptly will provide Parent with monthly management reports, including interim financial statements of the Company, and such other management reports as and when they are available.

(b) In connection with the performance of its due diligence, Parent shall have the right at any time prior to the thirtieth day following the date of this Agreement (the "Cut-Off Date") to deliver to the Company a written claim (the "Claim Notice") specifying an amount reasonably determined to be necessary to indemnify Parent for (i) the Company's Environmental Non-Compliance Costs (as defined in Section 7.1(c)(ii) below), or (ii) the Company's Year 2000 Non-Compliance Costs (as defined in Section 7.1(c)(iv) below); PROVIDED, HOWEVER, that if Parent's Environmental Consultant, based on its initial environmental investigation, reasonably determines that additional environmental investigation is required to assess the Company's Environmental Non-Compliance Conditions (as defined in Section 7.1(c)(i) below), then Parent shall have an additional fifteen (15) day period in which to deliver to the Company a Claim Notice with respect to the Company's Environmental Non-Compliance Conditions and the "Cut-Off Date" shall mean the forty-fifth day following the date of this Agreement. The Claim Notice must set forth in reasonable detail the nature of the claim and be accompanied by reports of Parent's Environmental Consultant and Parent's Year 2000 Consultant with respect to the Company's Environmental Non-Compliance Conditions and Year 2000 Non-Compliance Conditions (as defined in Section 7.1(c)(iii) below) providing reasonable backup for such claims. If the cost of any claim resulting from the Environmental Non-Compliance Conditions at a Company property or location is equal to or exceeds $1,000,000 (an "Extraordinary Claim"), then the Company shall have five (5) days after the Company's receipt of the Claim Notice to provide Parent with a written notice disputing such Extraordinary Claims (a "Counter Notice"). After providing a Counter Notice to Parent, the Company shall have the right to retain Earth Sciences Consultants, Inc. ("Company's Environmental Consultant") to consult, for a period of (15) days after the Company's receipt of the Claim Notice, with Parent's Environmental Consultant as to the appropriateness of, and the amount of costs of remediation associated with, such Extraordinary Claims as set forth in Parent's Environmental Consultant's Report. Within five (5) days after the end of such fifteen (15) day period, Parent shall provide to the Company a revised Claim Notice (the "Final Claim Notice") reflecting any modifications Parent's Environmental Consultant have made, in their sole discretion, to their report after taking into account such consultation with Company's Environmental Consultant. The dollar amount of damages with respect to claims for the Company's Environmental Non-Compliance Conditions and Year 2000 Non-Compliance Conditions (each, an "Established Claim") shall be (i) the dollar amount of damages claimed by Parent as set forth in its Claim Notice in the case of claims for the Company's Year 2000 Non-Compliance Conditions and (ii) the dollar amount of damages claimed by Parent as set forth in its Claim Notice, or if such Claim Notice is disputed by the Company, as set forth in the Final Claim Notice, in the case of claims for the Company's Environmental Non-Compliance Conditions. If, as of ten (10) days after delivery of the Final Claim Notice to the Company, the sum of all Established Claims is less than the amount (the "Claim Basket") equal to (x) $5,000,000 less (y) any Excess Transaction Costs (as determined pursuant to Section 10.3(c)), then Parent agrees to absorb all such costs without further remedy. If, on the other hand, as of ten (10) days after delivery of the Final Claim Notice to the Company, the sum of all Established Claims equals or exceeds the Claim Basket, then each of the Parent and the Company

shall have the right to terminate this Agreement pursuant to Sections 9.1(d)(ii) and 9.1(e)(ii), respectively. Notwithstanding the foregoing, if the dollar amount of damages with respect to claims relating to the Company's Environmental Non-Compliance Conditions and Year 2000 Non-Compliance Conditions, as set forth in either the Claim Notice, or if such Claim Notice is disputed by the Company the Final Claim Notice, equals or exceeds the Claim Basket, then the Company shall have the right to terminate this Agreement pursuant to Section 9.1(d)(ii) immediately upon receipt of such a Claim Notice. This Section 7.1(b) shall constitute Parent's sole and exclusive remedy with regard to the Company's Environmental Non-Compliance Conditions and Year 2000 Non-Compliance Conditions and the Company's sole and exclusive remedy with respect to disputes relating to claims with respect to the Company's Environmental Non-Compliance Conditions and Year 2000 Non-Compliance Conditions.

(c) For purposes of this Section 7.1, capitalized terms have the following meanings:

(i) "Environmental Non-Compliance Condition" shall mean (A) the presence of a hazardous substance discharge at any property owned, leased or previously owned or leased by the Company or its Subsidiaries or their predecessors in interest or at any location where the Company or its Subsidiaries could be held responsible for investigation or cleanup activities resulting from actual or alleged offsite disposal of hazardous substances or (B) non-compliance with any federal, state, local or foreign statute, regulation, administrative order, rule, law, license, permit or ordinance concerning human health or safety or pollution or protection of the environment, including, without limitation, all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, emission, reporting, notification, discharge, release, threatened release, control, or clean-up of any hazardous materials, substances or wastes, including, for the purposes of this Section 7.1(c)(i), actual and reasonably anticipated fines, penalties and forfeitures related to such Environmental Non-Compliance, as such statutes, regulations and ordinances are enacted and in effect on or prior to the Cut-Off Date.

(ii) "Environmental Non-Compliance Costs" shall mean an amount reasonably determined based on good faith estimates and assumptions by Parent and Parent's Environmental Consultant to be necessary to indemnify Parent for any known or reasonably anticipated claims, losses, damages, costs (including attorneys' and consultants' fees and expenses) associated with any action that would need to be taken to evaluate, defend a proceeding, investigate, remediate or otherwise respond to, or liabilities resulting from, an Environmental Non-Compliance Condition, that (i) is the subject of an environmental claim by a third party, (ii) in the opinion of Parent's environmental counsel, imposes upon the Company or its Subsidiaries a duty to act, or (iii) in the opinion of Parent's Environmental Consultant or environmental counsel, is of a nature or severity that it is proper environmental compliance practice or necessary to act to avoid the risk of either non-compliance with environmental law or for the avoidance or mitigation of any environmental claims.

(iii) "Year 2000 Non-Compliance Condition" shall mean (A) with respect to Date Data (as defined below), the failure of such data to be in proper format for all dates in the twentieth and twenty-first centuries, and (B) with respect to Date Sensitive Systems (as

defined below), the inability of each such system to accurately process all Date Data, including for the twentieth and twenty-first centuries, without loss of any functionality or performance, including but not limited to calculating, comparing, sequencing, storing and displaying such Date Data, when used as a stand-alone system or in combination with other software or hardware. As used herein, (x) "Date Data" means any data of the Company of any type that includes date information or which is otherwise derived from, dependent on or related to date information, and (y) "Date Sensitive System" means any software, microcode or hardware system or component or other personal property or equipment, including any electric or electronically controlled system or component, that processes any Date Data and that is installed, in development or on order by the Company or any Subsidiary of the Company for their internal use, or which the Company or any Subsidiary of the Company sells, leases, licenses, assigns or otherwise provides, or the provision or operation of which the Company and any Subsidiary of the Company provides the benefit, to its customers, vendors, suppliers, affiliates or any other third party.

(iv) "Year 2000 Non-Compliance Cost" shall mean an amount reasonably determined to be necessary based on good faith estimates and assumptions by Parent or Parent's Year 2000 Consultant to be necessary to indemnify Parent for any known or reasonably anticipated claims, losses, damages, costs (including attorneys' and consultants' fees and expenses) associated with any actions to avoid disruption of the Company's or its Subsidiaries' business as a result of, or liabilities resulting from a Year 2000 Non-Compliance Condition; except as provided for in, or demonstrated by the Company to be part of, the Capital Expenditure Budget.

Section 7.2 SHAREHOLDERS' MEETING; FILINGS. (a) In connection with the Shareholders' Meeting, the Company shall (i) use its reasonable efforts to obtain the necessary approval by its shareholders of this Merger Agreement and the transactions contemplated hereby and (ii) otherwise comply in all material respects with all legal requirements applicable to such meeting.

(b) Parent and the Company shall make all necessary filings with respect to the Merger, under the Securities Act and the Exchange Act and the rules and regulations thereunder, under applicable blue sky or similar securities laws and shall use all reasonable efforts to obtain required approvals and clearances with respect thereto.

Section 7.3 EMPLOYMENT ARRANGEMENTS. After the Effective Time, Parent shall, or shall cause the Surviving Corporation to, honor in accordance with their terms, all written or announced employment, severance, consulting and other compensation contracts between the Company or any of its Subsidiaries and any current or former director, officer or employee thereof, and all provisions for vested benefits or other vested amounts earned or accrued through the Effective Time under any Company Benefit Plan, each as of the date hereof except for changes thereto which are (i) not material, (ii) permitted by this Merger Agreement, or (iii) otherwise agreed to by the parties hereto.

Section 7.4 EMPLOYEE BENEFITS. Until December 31, 2000, Parent shall provide, or shall cause the Surviving Corporation to provide, generally to the officers and employees of the Surviving Corporation and its Subsidiaries, employee benefits, including, without limitation, pension benefits,

health and welfare benefits, severance arrangements, stock option plans and other executive compensation arrangements, on terms and conditions in the aggregate that are at least as favorable to employees as those provided under the Company Benefit Plans as of the date hereof. To the extent Parent provides employee benefit plans or arrangements maintained by the Parent to employees of the Surviving Corporation and its Subsidiaries, Parent will give full credit for purposes of eligibility and vesting under such employee benefit plans or arrangements for such employees' service with the Company or its Subsidiaries.

Section 7.5 INDEMNIFICATION. (a) From and after the Effective Time, Parent shall indemnify, defend and hold harmless the officers, directors and employees of the Company and its Subsidiaries (the "Indemnified Parties") against all losses, expenses, claims, damages or liabilities (i) arising out of the transactions contemplated by this Merger Agreement or arising as a result thereof or (ii) otherwise arising prior to the Effective Time to the fullest extent, in the case of (i) or (ii), permitted or required under (A) applicable law, (B) any indemnification agreements between the Company and any such person and (C) the Company's Third Amended Articles of Incorporation and Regulations as filed in the Company SEC Reports as of the Effective Time. Notwithstanding the foregoing, Parent shall have no responsibility to indemnify, defend or hold harmless the Indemnified Parties against any losses, expenses, claims, damages or liabilities (x) arising out of the transactions contemplated by the Split-Off and the Transition Agreement (including, without limitation, any liability with respect to the Form S-1 (or any other registration statement filed pursuant to the terms of the Transition Agreement) under the Securities Act) or (y) arising out of the Company Proxy Statement.

(b) From and after the Effective Time, A&S shall indemnify, defend and hold harmless Parent, the Company and their Subsidiaries, officers, directors, employees, agents and representatives against all losses, expenses, claims, damages or liabilities (i) arising out of the Split-Off and the Transition Agreement (including, without limitation, any liability with respect to the Form S-1 (or any other registration statement filed pursuant to the terms of the Transition Agreement) under the Securities Act) or (ii) arising out of the Company Proxy Statement, except, in each case, for materials contained in the Form S-1 (or such other registration statement) or the Company Proxy Statement provided in writing by the Parent to the Company. Notwithstanding the foregoing, A&S shall have no responsibility to indemnify, defend, or hold harmless the Company, its Subsidiaries, the Sub, Parent and each of their respective directors, officers, employees, representatives, advisors, agents and Affiliates with respect to any claims for Taxes arising out of the Split-Off and the Transition Agreement, except to the extent otherwise provided in the Tax Sharing Agreement.

(c) For a period of three (3) years after the Effective Time, Parent agrees to cause the Surviving Corporation to maintain in effect the current policies of directors and officers liability insurance maintained by the Company (provided that Parent may substitute therefor policies with reputable and financially sound carriers of at least the same coverage and amounts containing terms and conditions which are no less advantageous) with respect to claims arising from or related to facts or events which occurred at or before the Effective Time.

(d) In the event that any action, suit, proceeding or investigation relating hereto or to the transactions contemplated by this Merger Agreement is commenced, whether before or after the Effective Time, the parties hereto agree to cooperate and use their respective reasonable efforts to vigorously defend against and respond thereto.

(e) The provisions of this Section 7.5 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

Section 7.6 CONSENTS. Each of the parties shall cooperate and use its reasonable best efforts to make all filings and obtain as promptly as practicable all consents of any Governmental Entity or any other person required in connection with, and waivers of any violations or rights of termination that may be caused by, the consummation of the transactions contemplated by this Agreement. Each of the parties hereto will furnish to the other party such necessary information and reasonable assistance as such other persons may reasonably request in connection with the foregoing.

Section 7.7 ANTITRUST FILINGS.

(a) In addition to and without limiting the agreements of Parent and Sub contained in Section 7.6 hereof, Parent, Sub and the Company will (i) take promptly all actions necessary to make the filings required of Parent, Sub or any of their affiliates under the applicable Antitrust Laws (as defined in Section 7.7(d) hereof), (ii) comply at the earliest practicable date with any request for additional information or documentary material received by Parent, Sub or any of their affiliates from the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the HSR Act and from the Commission or any other Governmental Entity pursuant to Antitrust Laws, and (iii) cooperate with the Company in connection with any filing of the Company under applicable Antitrust Laws and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement or the Ancillary Agreements commenced by any of the Federal Trade Commission, the Antitrust Division of the Department of Justice, state attorneys general, the Commission, or any other Governmental Entity.

(b) In furtherance and not in limitation of the covenants of Parent and Sub contained in Section 7.6 and Section 7.7(a) hereof, Parent, Sub and the Company shall each use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Split-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements under any Antitrust Law. If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted) challenging the Split-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements as violative of any Antitrust Law, Parent, Sub and the Company shall each cooperate to contest and resist any such action or proceeding.

(c) Each of the Company, Parent and Sub shall promptly inform the other party of any material communication received by such party from the Federal Trade Commission, the Antitrust Division of the Department of Justice, the Commission, any state attorney general or any other Governmental Entity regarding any of the transactions contemplated hereby. Parent and/or Sub will promptly advise the Company with respect to any understanding, undertaking or agreement

(whether oral or written) which it proposes to make or enter into with any of the foregoing parties with regard to any of the transactions contemplated hereby.

(d) "Antitrust Law" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Section 7.8 ADDITIONAL AGREEMENTS. (a) Subject to the terms and conditions herein provided (including, without limitation, Section 7.6), each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Merger Agreement, including, without limitation, (i) cooperating in the preparation and filing of the Company Proxy Statement and any amendments thereof and (ii) using all reasonable efforts to obtain all necessary waivers, consents and approvals, to effect all necessary registrations and filings (including, but not limited to, filings with all applicable Governmental Entities) and to lift any injunction or other legal bar to the Merger (and, in such case, to proceed with the Merger as expeditiously as possible), and the Split-Off. Notwithstanding the foregoing, but subject to Section 7.6, there shall be no action required to be taken and no action will be taken in order to consummate and make effective the transactions contemplated by this Merger Agreement or the Transition Agreement if such action, either alone or together with another action, would be reasonably likely to result in a Company Material Adverse Effect or a Parent Material Adverse Effect.

(b) In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Merger Agreement, the proper officers and/or directors of Parent, the Company and the Surviving Corporation shall take all such necessary action.

Section 7.9 NO SOLICITATION. (a) Neither the Company nor any of its Subsidiaries shall, directly or indirectly, take (nor shall the Company authorize or permit its Subsidiaries, officers, directors, employees, representatives, investment bankers, attorneys, accountants or other agents or affiliates, to take) any action to (i) encourage, solicit or initiate the submission of any Acquisition Proposal (as defined below), (ii) enter into any agreement with respect to any Acquisition Proposal or (iii) participate in any way in discussions or negotiations with, or furnish any information to, any person in connection with, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal. The Company will promptly communicate to Parent that such a solicitation or an inquiry has been received by the Company, or that any such information has been requested from it or that such negotiations or discussions have been sought to be initiated with it and will keep Parent reasonably informed of the status and terms of any Acquisition Proposal. As used herein, "Acquisition Proposal" shall mean any proposed (A) merger, consolidation, share exchange or similar transaction involving the Company or its Subsidiaries, (B) sale, lease or other disposition, directly or indirectly, by merger, consolidation, share exchange or otherwise of assets of the Company or its Subsidiaries representing 20% or more of the consolidated assets of the Company and its Subsidiaries (other than

A&S), (C) issue, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase, or securities convertible into, such securities) representing 20% or more of the voting power of the Company, or (D) transaction (including a tender offer or exchange offer) in which any person would acquire beneficial ownership (as such term is defined in Rule 13d-3 under the Exchange Act) of, or the right to acquire beneficial ownership, of (whether itself, as a member of any "group" (as such term is defined under the Exchange Act) or otherwise) 20% or more of any class of equity securities of the Company or its Subsidiaries.

(b) Notwithstanding anything in this Merger Agreement to the contrary (including without limitation clause (a) of this Section 7.9), the Company's board of directors may engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any Person relating to, or otherwise facilitate any effort or attempt to make or implement, a written Acquisition Proposal which was not solicited by the Company or which did not otherwise result in a breach of Section 7.9(a), if and only to the extent that (i) the Company's board of directors determines in good faith after consultation with outside counsel that it is necessary to do so to avoid a breach of its fiduciary duties to the Company or its shareholders under applicable laws, (ii) the Company's board of directors determines in good faith, after consultation with its financial advisors and outside counsel, that such written proposal or indication of interest constitutes a Superior Proposal (as defined below), (iii) the Shareholders' Meeting shall not have occurred and (iv) the Company's board of directors provides prior written notice to Parent of the information referred to in the second sentence of Section 7.9(a). Prior to furnishing nonpublic information to, or entering into discussions or negotiations with, any other Persons, the Company shall obtain from such person or entity an executed confidentiality agreement with terms no less favorable, taken as a whole, to the Company than those contained in the Confidentiality Agreement, dated as of October 21, 1998, between Parent and the Company (the "Confidentiality Agreement"), but which confidentiality agreement shall not include any provision calling for an exclusive right to negotiate with the Company, and the Company shall advise Parent of the nature of such nonpublic information delivered to such person reasonably promptly following its delivery to the requesting party. Nothing in this Section 7.9 shall (x) permit either Parent or the Company to terminate this Merger Agreement (except as specifically provided in Article IX hereof) or (y) affect any other obligation of Parent or the Company under this Merger Agreement.

(c) A "Superior Proposal" means a bona fide written Acquisition Proposal which the Company's board of directors concludes in good faith (after consultation with its financial advisors and outside counsel), taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal, (i) would, if consummated, result in a transaction that is more favorable to the shareholders of the Company than the transactions contemplated by this Merger Agreement and (ii) is reasonably capable of being completed (PROVIDED that for purposes of this definition, the term Acquisition Proposal shall have the meaning assigned to such term in Section 7.9(a) except that the references to "20%" shall be deemed references to "50%").

Section 7.10 SPLIT-OFF OF A&S.

(a) Simultaneously with the execution hereof, the Company and A&S are entering into the Transition Agreement. Immediately prior to the Closing Date, the Company, A&S and certain other parties will enter into the Tax Sharing Agreement. From and after the Effective Time, Parent shall cause the Surviving Corporation to perform any and all obligations and agreements of the Company set forth herein or in the Ancillary Agreements or in any other agreements contemplated herein or therein.

(b) The Company, as promptly as practicable, shall use its best efforts to cause the shares of A&S to be registered pursuant to the Securities Act and thereafter effect the Split-Off in accordance with the terms of the Transition Agreement including, without limitation, by preparing and filing a registration statement on Form S-1 (or any other registration statement contemplated to be filed pursuant to the terms of the Transition Agreement) and using its respective best efforts to cause such registration statement to be declared effective and preparing and making such other filings as may be required under applicable state securities laws. The Company shall promptly provide to Parent copies of all filings made with the Commission in connection with the Split-Off, including, without limitation, the Form S-1 (or any other registration statement contemplated to be filed pursuant to the terms of the Transition Agreement) and any amendments thereto, all comments made by the Commission with respect to such filings and all Company responses to such Commission comments. Prior to making such filings with the Commission or entering into any other agreement with A&S other than the Transition Agreement, the Company shall consult with Parent with respect to such filings and other agreements and provide Parent with a reasonable opportunity to comment on such filings and other agreements.

(c) Parent shall, and shall cause the Surviving Corporation to, treat the Split-Off for purposes of all federal and state taxes as an integral part of the Merger and thus report the Split-Off as a redemption, for purposes of Section 302(a) of the Code, of a number of shares of Company Common Stock equal in value to the value of the A&S Common Stock distributed in the Split-Off.

(d) The treatment of any decrease in the net tax benefit expected to be received by Parent in this Merger as a result of the Split-Off is set forth in Section 4 of the Tax Sharing Agreement and the treatment of any increase in the net tax benefit expected to be received by Parent in this Merger as a result of the Split-Off is set forth in Section 4.1 of the Transition Agreement.

(e) Prior to the Effective Time, the Company and A&S may elect to form a holding company for the ownership of the A&S Common Stock. In such event, (i) the Company shall transfer the shares of A&S Common Stock to the holding company and shares of common stock of the holding company will be issued in substitution of the shares of A&S Common Stock in the Split-Off and (ii) the benefits and obligations of A&S from the transactions contemplated by the Transition Agreement and Tax Sharing Agreement shall inure to and be binding upon the holding company; provided that A&S shall not be released from its obligations under such Agreements.

Section 7.11 CONFIDENTIALITY. Parent, Sub and the Company agree that the provisions of the Confidentiality Agreement shall remain binding and in full force and effect (subject, however,

to the provisions of Section 7.9(b) hereof) and that the terms of the Confidentiality Agreement are incorporated herein by reference.

ARTICLE VIII
CONDITIONS PRECEDENT

Section 8.1 CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) This Merger Agreement and the transactions contemplated hereby shall have been approved and adopted by the requisite vote of the holders of the Company Common Stock.

(b) No statute, rule, regulation, order or decree shall have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits or materially restricts the consummation of the Merger.

(c) The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated and any authorization, consent or approval required under any Antitrust Law shall have been obtained or any waiting period applicable to the review of the transactions contemplated hereby shall have expired or been terminated.

(d) The Split-Off Consideration shall have been deposited with the Depositary.

(e) No preliminary or permanent injunction or other order by any court or other judicial or administrative body of competent jurisdiction which prohibits or prevents the consummation of the Merger shall have been issued and remain in effect (each party, subject to Section 7.6, agreeing to use its best efforts to have any such injunction lifted).

Section 8.2 CONDITIONS TO OBLIGATION OF THE COMPANY TO EFFECT THE MERGER. The obligation of the Company to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the additional following conditions, unless waived by the Company:

(a) Parent and Sub shall have performed in all material respects their agreements contained in this Merger Agreement and the Transition Agreement required to be performed on or prior to the Effective Time.

(b) The representations and warranties of Parent and Sub contained in this Merger Agreement shall be true in all material respects (except that representations and warranties that expressly include a standard of materiality shall be true in all respects) when made and on and as of the Effective Time as if made on and as of such date, except for representations and warranties which are by their express provisions made as of a specific date or dates, which were or will be true in all material respects (except that representations and warranties that expressly include a standard of materiality were or will be true in all respects) at such time or times as stated therein.

(c) The Company shall have received a certificate of the President or Chief Executive Officer or a Vice President of Parent to the effect that each of the conditions specified above in Sections 8.2(a) and (b) is satisfied in all respects.

(d) The Cash Consideration shall have been deposited with the Depositary.

Section 8.3 CONDITIONS TO OBLIGATION OF PARENT AND SUB TO EFFECT THE MERGER. The obligation of Parent and Sub to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the additional following conditions, unless waived by Parent:

(a) The Company and A&S shall have performed in all material respects their agreements contained in this Merger Agreement and the Transition Agreement required to be performed on or prior to the Effective Time.

(b) The representations and warranties of the Company contained in this Merger Agreement shall be true in all material respects (except that representations and warranties that expressly include a standard of materiality shall be true in all respects) when made and on and as of the Effective Time as if made on and as of such date, except for representations and warranties which are by their express provisions made as of a specific date or dates which were or will be true in all material respects (except that representations and warranties that expressly include a standard of materiality were or will be true in all respects) at such date or dates.

(c) Parent and Sub shall have received a certificate of the President and Chief Executive Officer or the Chief Financial Officer of the Company to the effect that each of the conditions specified in Sections 8.3(a) and (b) is satisfied in all respects.

(d) Parent shall be reasonably satisfied with the final form of promissory note referred to in Section 4(b)(v) of the Tax Sharing Agreement, which promissory note shall be prepared by Parent and A&S in a manner consistent with the terms set forth in Exhibit A to the Tax Sharing Agreement.

ARTICLE IX
TERMINATION, AMENDMENT AND WAIVER

Section 9.1 TERMINATION. This Merger Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after approval by the shareholders of the Company:

(a) by mutual consent of the board of directors of Parent and the board of directors of the Company;

(b) by either Parent or the Company if the Merger shall not have been consummated on or before September 30, 1999; PROVIDED, that the terminating party is not otherwise in material breach of its representations, warranties or obligations under this Merger Agreement;

(c) by Parent or the Company if any court of competent jurisdiction in the United States or other United States governmental body shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the consummation of the Split-Off or the Merger and such order, decree, ruling or other action is or shall have become nonappealable;

(d) by the Company (i) if any of the conditions specified in Sections 8.1 and 8.2 have not been met or waived by the Company at such time as such condition is no longer capable of satisfaction or (ii) if the sum of Established Claims exceeds the Claim Basket, PROVIDED, HOWEVER, that prior to the exercise of this right of termination by the Company, Parent shall have the right to waive the Claim Basket and elect to proceed with the transactions contemplated by this Agreement without any adjustment to the Cash Consideration; PROVIDED, FURTHER, that it shall be a condition to termination by the Company pursuant to this Section 9.1(d)(ii) that the Company shall have made all payments to Parent required by Section 10.3(b)(iii)(y);

(e) by Parent (i) if any of the conditions specified in Sections 8.1 and 8.3 have not been met or waived by Parent at such time as such condition is no longer capable of satisfaction or (ii) if the sum of Established Claims exceeds the Claim Basket, PROVIDED, HOWEVER, that prior to the exercise of this right of termination by the Parent, the Company shall have the right to elect to make a financial adjustment to the Cash Consideration in an amount equal to the difference between the sum of Established Claims and the Claim Basket;

(f) by Parent if the Company's board of directors shall have withdrawn, modified in a manner adverse to Parent, or refrained from making its recommendation concerning the Merger referred to in Section 3.5 hereof, or shall have disclosed its intention to change such recommendation; PROVIDED, that (i) Parent is not otherwise in material breach of its representations, warranties or obligations under this Merger Agreement and (ii) Parent has sufficient funds to enable it to finance the consummation of the Merger;

(g) by Parent, if there has been a Company Material Adverse Change other than as a result of the Company's Environmental Non-Compliance Conditions or Year 2000 Non-Compliance Conditions.

(h) by Parent, upon becoming aware that the Company has entered into a definitive agreement (other than a confidentiality agreement) providing for, or if the Company's board of directors approves or recommends, a Superior Proposal pursuant to Section 7.9;

(i) by the Company, at any time prior to the Shareholders' Meeting, upon three business days' notice to Parent, if the Company's Board of Directors shall approve a Superior Proposal; PROVIDED, HOWEVER, that (i) the Company shall have complied with Section 7.9 and (ii) prior to any such termination, the Company shall, and shall cause its financial and legal advisors to, negotiate with Parent to make such adjustments in the terms and conditions of this Merger Agreement as would enable Parent to match or exceed the consideration offered pursuant to such Superior Proposal, net of amounts payable by the Company under Section 10.3(b), in order to proceed with the transactions contemplated hereby; PROVIDED, FURTHER, that it shall be a condition to termination

by the Company pursuant to this Section 9.1(i) that the Company shall have made all payments to Parent required by Section 10.3(b); or

(j) by either Parent or the Company, if the Shareholders' Meeting shall have been concluded without having obtained votes of the Company's shareholders sufficient for the requisite shareholder approval of this Merger Agreement (PROVIDED that the terminating party is not otherwise in material breach of its obligations under this Merger Agreement).

Section 9.2 EFFECT OF TERMINATION. In the event of termination of this Merger Agreement by either Parent or the Company, as provided above, this Merger Agreement shall forthwith become void and (except for the willful breach of this Merger Agreement by any party hereto) there shall be no liability on the part of either the Company, Parent or Sub or their respective officers, directors or shareholders; PROVIDED that Sections 6.1(iv), 7.11, 9.2, 10.3, 10.7 and 10.8 shall survive the termination.

Section 9.3 AMENDMENT. This Merger Agreement may be amended by the parties hereto, by or pursuant to action taken by their respective boards of directors, at any time before or after approval hereof by the shareholders of the Company, but, after such approval, no amendment shall be made which (i) changes the consideration to be received by any class of capital stock of the Company as provided in Section 3.1(c), (ii) alters or changes any term of the Articles of Incorporation of the Surviving Corporation (except for such changes that could otherwise be adopted by the directors of the Surviving Corporation), or (iii) in any way materially adversely affects the rights of such shareholders, without the further approval of such shareholders. This Merger Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.4 WAIVER. At any time prior to the Effective Time, the parties hereto, by or pursuant to action taken by their respective Boards of Directors, may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any documents delivered pursuant hereto, and (iii) waive compliance with any of the agreements or conditions contained herein; PROVIDED, HOWEVER, that if such waiver shall materially adversely affect the rights of the shareholders of the Company, then no such waiver shall be made without the approval of such shareholders. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

ARTICLE X
GENERAL PROVISIONS

Section 10.1 NON-SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. No representations, warranties or agreements in this Merger Agreement shall survive the Merger, except for the agreements contained in Sections 3.3, 3.4, 3.8, 7.3, 7.4, 7.5, 7.6, 7.11, 10.1, 10.3, 10.7 and 10.8.

Section 10.2 NOTICES. All notices or other communications under this Merger Agreement shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, telex, telecopy or other standard form of telecommunications, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) If to the Company, to:

Essef Corporation
c/o Anthony & Sylvan Pools Corporation
220 Park Drive
Chardon, Ohio 44024
Facsimile No.: (440) 286-2206
Attention: Mark E. Brody

with a copy to:

Squire, Sanders & Dempsey L.L.P.
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114
Facsimile No.: (216) 479-8776
Attention: Mary Ann Jorgenson, Esq.

(b) If to Parent or Purchaser, to:

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
Saint Paul, Minnesota 55113-3105
Facsimile No.: (651) 639-5203
Attention: Richard J. Cathcart

with a copy to:

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
Saint Paul, Minnesota 55113-3105
Facsimile No.: (651) 639-5203
Attention: Louis L. Ainsworth, Esq.

with a copy to:

Foley & Lardner
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5367
Facsimile No.: (414) 297-4900
Attention: Benjamin F. Garmer, III, Esq.

or to such other address as any party may have furnished to the other parties in writing in accordance with this Section 10.2.

Section 10.3 FEES AND EXPENSES. (a) Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Merger Agreement and the transactions contemplated by this Merger Agreement shall be paid by the party incurring such expenses.

(b) Parent and the Company agree that (i) if the Company shall terminate this Merger Agreement pursuant to Section 9.1(i); (ii) if (A) Parent or the Company shall terminate this Agreement pursuant to Section 9.1(b), (B) at the time of the event giving rise to such termination the Company shall have received a solicitation or inquiry giving rise to the disclosure obligation set forth in the second sentence of Section 7.9(a) and (C) within 12 months of the termination of this Merger Agreement, the Company enters into a definitive agreement or consummates a merger, consolidation, sale of substantially all of the assets of the Company or other change in control transaction in connection with such solicitation or inquiry; (iii) if (A) Parent or the Company shall terminate this Agreement pursuant to Section 9.1(f) or (h), (B) at the time of the event giving rise to such termination the Company shall have received an Acquisition Proposal and (C) within 12 months of the termination of this Merger Agreement, the Company enters into a definitive agreement with respect to such Acquisition Proposal or consummates a transaction pursuant to such Acquisition Proposal; or (iv) if Parent or the Company shall terminate this Merger Agreement pursuant to Section 9.1(d)(ii) or (e)(ii), as the case may be, then the Company shall pay to an account designated by Parent in immediately available funds an amount equal to (x) 3% of the aggregate Cash Consideration to be paid to holders of Company Common Stock pursuant to Article III in the case of any termination referred to in clauses (i) or (iii) above; (y) 1 1/2% of the aggregate Cash Consideration in the case of any termination referred to in clause (ii) above or (z) an amount equal to the lesser of (1) the actual out-of-pocket costs and expenses incurred by Parent in connection with this Merger Agreement and (2) $500,000 in the case of any termination referred to in clause (iv) above. The Termination Fee shall be paid prior to, and shall be a condition to the effectiveness of,

any termination referred to in clauses (i) or (iv) above. Any payment required to be made pursuant to clauses (ii) and (iii) above shall be made on the next business day after such a transaction pursuant to an Acquisition Proposal is consummated.

(c) To the extent that the fees and expenses incurred after December 31, 1998 by the Company to Rhone Group, Squire, Sanders & Dempsey L.L.P. and other advisers and service providers of the Company or its Subsidiaries relating to the Split-Off and the Merger exceed $4,000,000, the amount of the Claim Basket (as determined pursuant to Section 7.1(b)) shall be reduced by the amount of the difference between (i) the sum of (x) the fees and expenses relating to the Split-Off and the Merger actually incurred after December 31, 1998 and (y) a good faith estimate of the fees and expenses relating to the Split-Off and the Merger yet to be incurred, and (ii) $4,000,000 ("Excess Transaction Fees"). Two business days prior to the Cut-Off Date, the Company shall deliver to Parent a schedule that sets forth the actual fees and expenses relating to the Split-Off and Merger incurred to date after December 31, 1998 and an estimate of the additional fees and expenses to complete the Split-Off and the Merger.

Section 10.4 PUBLICITY. So long as this Merger Agreement is in effect, Parent, Sub and the Company agree to consult with each other before issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Merger Agreement, and none of them shall issue any press release or make any public statement prior to such consultation, except as may be required by law or by obligations pursuant to any listing agreement with any national securities exchange. The commencement of litigation relating to this Merger Agreement or the transactions contemplated hereby or any proceedings in connection therewith shall not be deemed a violation of this Section 10.4.

Section 10.5 SPECIFIC PERFORMANCE. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Merger Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Merger Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

Section 10.6 INTERPRETATION. (a) When a reference is made in this Merger Agreement to subsidiaries of Parent or the Company, the word "Subsidiaries" means corporations more than 50% of whose outstanding voting securities are directly or indirectly owned by Parent or the Company, as the case may be; provided, however, that in the case of the Company, A&S shall not be considered as a Subsidiary. The headings contained in this Merger Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Merger Agreement.

(b) As used in this Merger Agreement, "Parent Material Adverse Effect" shall mean a material adverse effect on the business, properties, assets, financial condition, and results of operations of Parent and its subsidiaries taken as a whole (excluding the effect of a change in general economic conditions).

(c) As used in this Merger Agreement, "Company Material Adverse Effect" shall mean a material adverse effect on the business, properties, assets, financial condition, and results of operations of the Company and its Subsidiaries (other than A&S) taken as a whole (excluding the effect of a change in general economic conditions).

(d) As used in this Merger Agreement, "knowledge" shall mean, with respect to the matter in question, the actual knowledge of such matter by an executive officer, with respect to Parent, and by Thomas B. Waldin, Stuart D. Neidus or Mark E. Brody, with respect to the Company, as applicable.

(e) The inclusion of an item on any schedule to this Merger Agreement shall not be deemed to be indicative of the materiality of such item.

Section 10.7 THIRD PARTY BENEFICIARIES. Except as specifically provided in Section 7.5, this Merger Agreement is not intended to confer upon any other person any rights or remedies hereunder.

Section 10.8 MISCELLANEOUS. This Merger Agreement (including the documents and instruments referred to herein) (a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; (b) shall not be assigned by operation of law or otherwise, except that Sub shall have the right to assign to Parent or any direct wholly owned Subsidiary of Parent any and all rights and obligations of Sub under this Merger Agreement; and (c) shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Ohio (without giving effect to the provisions thereof relating to conflicts of law). This Merger Agreement may be executed in two or more counterparts which together shall constitute a single agreement.

Section 10.9 CURE PERIOD. No party shall have any rights under this Merger Agreement for any actual or threatened breach of a representation, warranty, covenant or agreement contained herein, if such breach is capable of being cured, until (i) the non-breaching party has notified the breaching party of its determination of the existence (or threatened existence) of a basis for termination, and (ii) the breaching party shall have had a reasonable time (considering the nature of the breach and the actions required for cure, but in no event longer than 15 days) to cure such breach.

Section 10.10 VALIDITY. (a) The invalidity or unenforceability of any provision of this Merger Agreement shall not affect the validity or enforceability of the other provisions of this Merger Agreement, which shall remain in full force and effect.

(b) In the event any court of competent jurisdiction holds any provision of this Merger Agreement to be null, void or unenforceable, the parties hereto shall negotiate in good faith the execution and delivery of an amendment to this Merger Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision and the economic effects thereof.

(c) Each party agrees that, should any court of competent jurisdiction hold any provision of this Merger Agreement or part hereof to be null, void or unenforceable, or order any party to take any action inconsistent herewith, or not take any action required herein, the other party shall not be entitled to specific performance of such provision or part hereof or to any other remedy, including but not limited to money damages, for breach thereof or of any other provision of this Merger Agreement or part hereof as the result of such holding or order.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Merger Agreement to be signed by their respective officers thereunder duly authorized all as of the date first written above.

PENTAIR, INC.

By: /s/ Richard J. Cathcart

Name: Richard J. Cathcart

Title: Executive Vice President

NORTHSTAR ACQUISITION COMPANY

By: /s/ Richard J. Cathcart

Name: Richard J. Cathcart

Title: President

ESSEF CORPORATION

By: /s/ Thomas B. Waldin

Name: Thomas B. Waldin

Title: President

EXHIBIT A

TRANSITION AGREEMENT

EXHIBIT B

TAX SHARING AGREEMENT

TRANSITION AGREEMENT

DATED AS OF

APRIL 30, 1999

AMONG

ESSEF CORPORATION,

ANTHONY & SYLVAN POOLS CORPORATION

AND

PENTAIR, INC.

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TRANSITION AGREEMENT

THIS TRANSITION AGREEMENT (this "Agreement"), dated as of April 30, 1999, by and among ESSEF CORPORATION, an Ohio corporation (the "Company"), ANTHONY & SYLVAN POOLS CORPORATION, an Ohio corporation and an indirect wholly-owned subsidiary of the Company ("A&S") and PENTAIR, INC., a Minnesota corporation ("Parent").

RECITALS

WHEREAS, the Board of Directors of the Company has determined to implement certain of the transfers and other transactions contemplated in connection with the Merger (as hereafter defined) and the Split-Off (as hereafter defined);

WHEREAS, the Board of Directors of the Company has also determined to cause the Split-Off of shares of A&S Common Stock (as hereafter defined) to the holders as of the Effective Time (as hereafter defined) of the Company Common Stock (as hereafter defined) and to the holders of certain Stock Options (as hereafter defined) all as part of, and in conjunction with, the Merger;

WHEREAS, the Company and A&S have determined that it is desirable to set forth the principal corporate transactions required to effect such Merger and Split-Off and to set forth certain other agreements that will govern certain other matters prior to or following such Split-Off;

WHEREAS, the Company has entered into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), with Parent and Northstar Acquisition Company, an Ohio corporation and a wholly-owned subsidiary of Parent (the "Purchaser"), providing for the Merger (as hereafter defined), as a result of which the Company, as the corporation surviving the Merger, will become a wholly-owned subsidiary of Parent; and

WHEREAS, in order to induce the parties to enter into this Agreement and in consideration of the Company's willingness to enter into the Merger Agreement, the parties hereto and certain other parties are entering or will enter into the Tax Sharing Agreement (as hereafter defined) providing for certain ongoing relationships among the parties;

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. GENERAL. For convenience and brevity, certain terms used in various parts of this Agreement (including the Disclosure Schedule hereto) are listed in alphabetical order and defined or referred to below (such terms to be equally applicable to both singular and plural forms of the terms defined or referred to):

(a) "ACTION" means any action, claim, suit, arbitration, inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal.

(b) "ADJUSTMENT CALCULATION" shall have the meaning set forth in Section 3.2(a) hereof.

(c) "AFFILIATE" of any specified person or entity means (x) any director or officer of, or any person or entity that beneficially owns at least 50% of the capital stock or other equity interests of, such specified person or entity, or (y) any other person or entity directly or indirectly controlling, controlled by, or under common control with, such specified person or entity, at any time during the period for which the determination of affiliation is being made; provided that the Company and the Retained Subsidiaries, on the one hand, and A&S, on the other hand, shall not, after giving effect to the Split-Off, be deemed to be Affiliates of each other for purposes of this Agreement.

(d) "AGREEMENT" means this Transition Agreement, together with all exhibits and schedules hereto, as the same may be amended from time to time in accordance with the terms hereof.

(e) "ASSERTED LIABILITY" shall have the meaning set forth in Section 5.4(a) hereof.

(f) "A&S" shall have the meaning set forth in the preamble to this Agreement.

(g) "A&S ACTION" shall have the meaning set forth in Section 5.6 hereof.

(h) "A&S ASSETS" means (i) the assets of A&S set forth on the A&S Balance Sheet, as adjusted for transactions occurring in the ordinary course of business in a manner consistent with past practice between December 31, 1998 and the Effective Time; (ii) the assets listed on Schedule 2.1(a) of the Disclosure Schedule; and (iii) all right, title and interest, to the extent held by the Company and its Subsidiaries immediately prior to the Split-Off, with respect to each of the following items: (A) the A&S Names and A&S Proprietary Name Rights (such terms, as defined in Section 6.3 hereof) and (B) any Actions commenced by A&S the subject matter of which is otherwise an A&S Asset or any Action which relates primarily to an A&S Asset (to the extent such Actions constitute assets).

(i) "A&S BALANCE SHEET" means the unaudited consolidated balance of the A&S Business as of December 31, 1998 set forth in Schedule 1.1(i) of the Disclosure Schedule.

(j) "A&S BUSINESS" means each business and each former business which is or was conducted by A&S as of the Effective Time or which is or was included within the A&S Assets.

(k) "A&S COMMON STOCK" means the common stock, without par value, of A&S.

(l) "A&S EMPLOYEES" means (i) those persons who are employed as officers or employees of A&S or otherwise employed by A&S immediately prior to, or effective as of, the Effective Time, (ii) any person employed at the Company's corporate level prior to the Effective Time listed in, or added any time prior to the Effective Time to, Schedule 1.1(l) of the Disclosure Schedule who at the Effective

Time is to become an employee of A&S, and (iii) all former officers and employees of A&S who, immediately prior to the termination of their employment, were employed by A&S. In the event any person shall have been employed by A&S, as well as by the Company or any of the Retained Subsidiaries, such person shall be considered an A&S Employee if at the Effective Time such person's primary employment shall be with A&S or the A&S Business.

(m) "A&S 401(k) PLAN" shall have the meaning set forth in Section 8.2(a) hereof.

(n) "A&S INDEMNIFIED PARTIES" shall have the meaning set forth in Section 5.3(a) hereof.

(o) "A&S LIABILITIES" means (i) all of the Liabilities of A&S to third parties and all Liabilities relating to or arising out of the A&S Assets or the conduct of the A&S Business (in all cases, whether arising before or after the Effective Time); (ii) the liabilities set forth in the A&S Balance Sheet, as adjusted for transactions occurring in the ordinary course of business in a manner consistent with past practice between December 31, 1998 and the Effective Time; (iii) the liabilities listed in Schedule 2.1(b) of the Disclosure Schedule; (iv) any Actions commenced by A&S the subject matter of which is otherwise an A&S Asset or any Action which relates primarily to an A&S Asset (to the extent such Actions constitute Liabilities); (v) except as otherwise provided in Article VIII hereof, the Liabilities of the Company and its subsidiaries, including, without limitation, A&S, in respect of A&S Employees (in all cases, whether arising before or after the Effective Time); and (vi) all Liabilities relating to or arising out of the A&S Assets or the conduct of the A&S Business (in all cases, whether arising before or after the Effective Time) with respect to which the Company or any Retained Subsidiary has agreed, prior to the Effective Time, to indemnify any third party in any manner with respect thereto or has agreed to otherwise be, or is otherwise, liable with respect thereto, except to the extent the Liability relates to or arises out of any product purchased by A&S from the Company or any Retained Subsidiary or is otherwise covered under any warranty provided by the Company or any Retained Subsidiary with respect to such product.

(p) "A&S NAMES" shall have the meaning set forth in Section 6.3 hereof.

(q) "A&S NET ASSETS" means the total assets of A&S minus the total liabilities of A&S as set forth in the Interim Balance Sheet (excluding any indebtedness of A&S to the Company or any of its Subsidiaries other than any liabilities to the Company or any of its Subsidiaries incurred in connection with the purchase by A&S of swimming pool equipment).

(r) "A&S PROPRIETARY NAME RIGHTS" shall have the meaning set forth in Section 6.3 hereof.

(s) "A&S SUBSEQUENT HIRE" shall have the meaning set forth in Section 8.6(b) hereof.

(t) "A&S TRANSFEREE" shall have the meaning set forth in Section 11.6 hereof.

(u) "A&S WELFARE PLANS" shall have the meaning set forth in Section 8.2(b) hereof.

(v) "CASUALTY PROGRAM" means collectively, the series of programs pursuant to which various insurance carriers provide insurance coverage to the Company and its Subsidiaries in respect of claims or occurrences relating to workers' compensation liability, general liability, products liability, automobile liability and employer's liability for all periods up to the Effective Time.

(w) "CLAIM NOTICE" shall have the meaning set forth in Section 5.4(a) hereof.

(x) "CLOSING" shall have the meaning set forth in the Merger Agreement.

(y) "CLOSING BALANCE SHEET" shall have the meaning set forth in Section 3.7 hereof.

(z) "CLOSING DATE" shall have the meaning set forth in the Merger Agreement.

(aa) "COMPANY" shall have the meaning set forth in the preamble to this Agreement.

(ab) "COMPANY COMMON STOCK" means the common stock of the Company, without par value.

(ac) "COMPANY DIVIDEND" shall have the meaning set forth in Section 4.1 hereof.

(ad) "COMPANY NAMES" shall have the meaning set forth in Section 6.3 hereof.

(ae) "COMPANY PROPRIETARY NAME RIGHTS" shall have the meaning set forth in Section 6.3 hereof.

(af) "COMPANY PROXY STATEMENT" means the proxy statement or information statement prepared by the Company for distribution to the holders of the Company's Common Stock in connection with the Merger and Split-Off.

(ag) "COMPANY SUBSEQUENT HIRE" shall have the meaning set forth in Section 8.6(a) hereof.

(ah) "COMPANY WELFARE PLANS" shall have the meaning set forth in Section 8.2(b) hereof.

(ai) "CONFIDENTIALITY AGREEMENT" means the confidentiality agreement dated as of October 21, 1998 between Parent and the Company.

(aj) "CONFIDENTIAL INFORMATION" shall have the meaning set forth in Section 7.5 hereof.

(ak) "CONVEYANCE AND ASSUMPTION INSTRUMENT" means, collectively, the various agreements, instruments and other documents to be entered into to effect the transfer of assets and the assumption of liabilities set forth in Article II hereof.

(al) "COURT ORDER" means any judgment, decree, injunction, order or ruling of any Governmental Entity that is binding on any person or its property under applicable Law.

(am) "CUT-OFF DATE" shall have the meaning set forth in Section 3.2(a) hereof.

(an) "DISCLOSURE SCHEDULE" means the disclosure schedule dated as of the date hereof and attached hereto. References to a particular schedule of the Disclosure Schedule shall only refer or modify the specific Section of this Agreement to which such Schedule relates (i.e., Schedule 2.1(b) of the Disclosure Schedule shall refer to or modify only Section 2.1(b) of this Agreement), unless otherwise expressly set forth herein.

(ao) "EFFECTIVE TIME" shall have the meaning set forth in the Merger Agreement.

(ap) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(aq) "EXCESS NET TAX BENEFIT" shall have the meaning set forth in Section 4.1(a) hereof.

(ar) "FORM S-1" means the registration statement on Form S-1 to be filed by A&S with the SEC to effect the registration of the A&S Common Stock pursuant to the Securities Act.

(as) "GOVERNMENTAL ENTITY" means any United States or any foreign, federal, state or local government, court, administrative agency or commission or other governmental or regulatory body or authority.

(at) "INDEMNIFIABLE LOSSES" means, with respect to any claim by an Indemnified Party for indemnification pursuant to Articles V, VI or VIII hereof, any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, demands, assessments, judgments, settlements and compromises relating thereto and the costs and expenses of attorneys', accountants', consultants' and other professionals', and fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), including direct and consequential damages, but excluding punitive damages (other than punitive damages awarded to any third party against an Indemnified Party) suffered by such Indemnified Party with respect to such claim.

(au) "INDEMNIFIED PARTY" means any party which is seeking indemnification from an Indemnifying Person pursuant to the provisions of Articles V, VI or VIII hereof.

(av) "INDEMNIFYING PARTY" means any party hereto from which any Indemnified Party is seeking indemnification pursuant to the provisions of Articles V, VI or VIII hereof.

(aw) "INFORMATION" shall have the meaning set forth in Section 7.2 hereof.

(ax) "INTERCOMPANY AGREEMENTS" means any contracts or agreements between A&S on the one hand, and the Company or any Retained Subsidiary on the other hand.

(ay) "INTERIM BALANCE SHEET" shall have the meaning set forth in Section 3.2(a) hereof.

(az) "LAW" means any statute, law, rule, regulation, ordinance, order, decree or judgment of any Governmental Entity, including, without limitation, those covering environmental, energy, safety, health, transportation, telecommunications, recordkeeping, zoning, antidiscrimination, antitrust, wage and hour, and price and wage control matters.

(ba) "LIABILITY" means, with respect to any party, except as otherwise expressly provided herein, any direct or indirect liability (whether absolute, accrued, contingent, reflected on a balance sheet (or in the notes thereto) or otherwise, and whether known or unknown), indebtedness, obligation, expense, claim, deficiency, guarantee or endorsement of or by any person (including, without limitation, those arising under any Law or Action or under any award of any court, tribunal or arbitrator of any kind, and those arising under any contract, commitment or undertaking).

(bb) "MERGER" shall have the meaning set forth in the Merger Agreement.

(bc) "MERGER AGREEMENT" shall have the meaning set forth in the recitals to this Agreement.

(bd) "NET ASSET INCREASE ADJUSTMENT" shall have the meaning set forth in Section 3.2(b) hereof.

(be) "NOTICE PERIOD" shall have the meaning set forth in Section 5.4(a) hereof.

(bf) "PARENT" shall have the meaning set forth in the preamble to this Agreement.

(bg) "PARENT EMPLOYEE" shall have the meaning set forth in Section 8.6(a) hereof.

(bh) "PARENT INDEMNIFIED PARTIES" shall have the meaning set forth in Section 5.2(a) hereof.

(bi) "PERSON" or "PERSON" means and includes any individual, partnership, joint venture, corporation, association, joint stock company, trust, unincorporated organization or similar entity and any Governmental Entity.

(bj) "PLAN" shall have the meaning set forth in Section 8.2(c) hereof.

(bk) "PURCHASER" shall have the meaning set forth in the recitals to this Agreement.

(bl) "RETAINED ACTION" shall have the meaning set forth in Section 5.6 hereof.

(bm) "RETAINED BUSINESS" means all businesses of the Company and the Retained Subsidiaries and all business included within the assets, or obligated by the liabilities, of the Company and the Retained Subsidiaries (each as described in the Company's Annual Report on Form 10-K for the year ended September 30, 1998), as conducted by the Company and such Subsidiaries as of the Effective Time and all former businesses of the Company and the Retained Subsidiaries; provided that the term "RETAINED BUSINESS" shall not include the A&S Business, the A&S Assets or the A&S Liabilities.

(bn) "RETAINED EMPLOYEES" shall mean all current and former officers and employees of the Company and its Subsidiaries, other than the A&S Employees.

(bo) "RETAINED SUBSIDIARIES" means all of the Subsidiaries of the Company, other than A&S.

(bp) "SEC" means the U.S. Securities and Exchange Commission.

(bq) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(br) "SPLIT-OFF" means the issuance of the shares of A&S Common Stock to holders of Company Common Stock and to holders of Stock Options in connection with the Merger pursuant to the provisions of the Merger Agreement.

(bs) "SPLIT-OFF CONDITIONS" means each of the conditions set forth in clauses (i) through (vi) of Section 10.1(a) hereof.

(bt) "STOCK OPTIONS" shall have the meaning set forth in the Merger Agreement.

(bu) "SUBSIDIARY" or "SUBSIDIARY" of any party means (i) a corporation, a majority of the voting or capital stock of which is as of the time in question directly or indirectly owned by such party and (ii) any other partnership, joint venture, association, joint stock company, trust, unincorporated organization or similar entity, in which such party, directly or indirectly, owns a majority of the equity interest thereof or has the power to elect or direct the election of a majority of the members of the governing body of such entity or otherwise has control over such entity (e.g., as the managing partner of a partnership).

(bv) "SUIT" shall have the meaning set forth in Section 11.11 hereof.

(bw) "TAX SHARING AGREEMENT" means the Tax Sharing Agreement, in the form of Exhibit B to the Merger Agreement, pursuant to which the Parent, the Company and A&S have provided for certain tax matters, including, without limitation, indemnification, allocation of tax benefits and filing of tax returns.

(bx) "TRANSITION SERVICES" shall have the meaning set forth in Section 4.3 hereof.

(by) "TRANSITION SERVICES PERIOD" shall have the meaning set forth in Section 4.3 hereof.

(bz) "TRANSITION SERVICES INVOICE" shall have the meaning set forth in Section 4.3 hereof.

(ca) "TRANSACTION SUIT" shall have the meaning set forth in Section 6.4 hereof.

Section 1.2. REFERENCES TO TIME. All references in this Agreement to times of the day shall be to Eastern Standard Time.

ARTICLE II
THE RELATED TRANSACTIONS

Section 2.1. TRANSFER OF CERTAIN ASSETS AND LIABILITIES. Subject to the terms and conditions of this Agreement, at the Effective Time,

(a) the Company shall transfer to A&S (and the Company shall cause each of its subsidiaries to transfer to A&S) all of their right, title and interest in and to the assets listed in Schedule 2.1(a) of the Disclosure Schedule; and

(b) A&S shall assume and shall in due course pay, perform and discharge (or shall cause to be assumed and cause in due course to be paid, performed and discharged), the liabilities listed in Schedule 2.1(b) of the Disclosure Schedule.

Section 2.2. METHODS OF TRANSFER AND ASSUMPTION. In connection with the transfers of assets other than capital stock and the assumption of any liabilities, the Company and A&S shall execute or cause to be executed by the appropriate entities any necessary Conveyance and Assumption Instruments in such forms as Parent, the Company and A&S shall reasonably agree.

Section 2.3. COMPANY APPROVAL OF CERTAIN A&S ACTIONS. Unless otherwise provided in this Agreement, the Company shall cooperate with A&S in effecting, and if so requested by A&S, the Company shall cause Pac-Fab, Inc., a wholly-owned subsidiary of the Company and the sole stockholder of A&S, to ratify any actions that are reasonably necessary or desirable to be taken by A&S to effectuate the transactions contemplated by this Agreement, in a manner consistent with the terms of this Agreement, including, without limitation, adopting, preparing and implementing appropriate plans, agreements and arrangements for A&S Employees and A&S non-employee directors (including, without limitation, employee benefit plans, agreements and arrangements (with such changes thereto as the Board of Directors of the Company may approve in its reasonable discretion prior to the Effective Time)).

ARTICLE III
THE SPLIT-OFF

Section 3.1. COOPERATION AND ACTIONS PRIOR TO THE SPLIT-OFF. (a) As promptly as practicable after the date hereof and prior to the Effective Time:

(i) Subject to the provisions of paragraph (ii) below, the Company shall prepare the Company Proxy Statement (which shall set forth appropriate disclosure concerning A&S, the A&S Business, the Merger, the Split-Off and certain other matters) and A&S shall file with the SEC the Form S-1 (or such other form of registration statement determined by the Company to be appropriate to effect the registration of the A&S Common Stock). The Company and A&S shall use their respective reasonable efforts to cause the Form S-1 to be declared effective under the Securities Act, or if the Company shall determine that the registration of the A&S Shares

may not be effected pursuant to a Form S-1, the Company and A&S shall use best efforts to cause the A&S Common Stock to be registered pursuant to the registration statement or form determined to be appropriate to effect such registration. As promptly as practicable following the effectiveness of the Form S-1 (or other registration statement, as the case may be), the Company shall mail the Company Proxy Statement to the holders of the Company Common Stock.

(ii) The Company shall promptly provide to Parent copies of all filings made with the Commission in connection with the Split-Off, including, without limitation, the Form S-1 (or any registration statement referred to in Section 3.1(a) above) and any amendments thereto, all comments made by the Commission with respect to such filings and all Company responses to such Commission comments. Prior to making such filings with the Commission or entering into any other agreement with A&S other than this Agreement, the Company shall consult with Parent with respect to such filings and other agreements and provide Parent with a reasonable opportunity to comment on such filings and other agreements.

(iii) The Company and A&S shall cooperate in preparing, filing with the SEC and causing to become effective any registration statements or amendments thereto which are appropriate to reflect the establishment of, or amendments to, any employee benefit and other plans contemplated by this Agreement.

(iv) The Company and A&S shall take all such action as may be necessary or appropriate under state securities or "Blue Sky" Laws in connection with the transactions contemplated by this Agreement.

(v) The Company and A&S shall prepare, and A&S shall file and seek to make effective, an application to permit listing of the A&S Common Stock either on a national securities exchange or national market system as may be selected by A&S in its sole discretion (to the extent permitted pursuant to the listing requirements of such exchange or national market system).

(vi) In addition to the actions specifically provided for elsewhere in this Agreement and except as otherwise expressly set forth in this Agreement, each of the parties hereto shall use its respective best efforts to take, or cause to be taken, all actions, and, to execute and deliver, or cause to be executed and delivered, such additional documents and instruments, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws and agreements to consummate and make effective the transactions contemplated by this Agreement. Without limiting the generality of the foregoing sentence, each of the parties hereto shall use its respective best efforts to ensure that the conditions set forth in Article X hereof are satisfied (insofar as such matters are within the control of such party). Notwithstanding any other provisions set forth in this Agreement, neither the Company, nor A&S nor any of their respective Affiliates shall, without first obtaining the prior written consent of the Parent, take or commit to take any action, in connection with obtaining any consent, waiver or approval or effecting any of the transactions contemplated in connection with the Split-Off or otherwise, (i)

except as otherwise expressly provided in this Agreement, that would result in the payment of any funds (other than normal and usual filing fees) or the incurrence of any liability by the Company or any Retained Subsidiary, (ii) that would result in the divestiture or holding separate of any assets, businesses or operations of the Company or any of the Retained Subsidiaries, (iii) that might materially limit or impair Parent's or the Company's or any Retained Subsidiary's freedom of action with respect to, or its ability to retain or exercise control over, any assets, businesses or operations of the Company or any Retained Subsidiaries (other than any limitations or restrictions expressly set forth in the Merger Agreement, the Tax Sharing Agreement or any other agreement to be entered into pursuant to this Agreement or the Merger Agreement), or (iv) that might otherwise adversely affect Parent.

(b) Prior to the Effective Time, the Company and A&S may elect to form a holding company for the ownership of the A&S Common Stock. In such event, (i) the Company shall transfer the shares of A&S Common Stock to the holding company and shares of common stock of the holding company will be issued in substitution of the A&S Common Shares in the Split-Off and (ii) the benefits and obligations from the transactions contemplated by this Transition Agreement shall inure to and be binding upon the holding company; provided that A&S shall not be released from its obligations hereunder.

Section 3.2. NET ASSET ADJUSTMENT.

(a) A&S, in consultation with Parent and the Company, shall prepare and deliver to Parent within 15 days prior to the Closing Date and no later than July 31, 1999, a balance sheet ("Interim Balance Sheet") of A&S as of June 30, 1999 ("Cut-Off Date"), together with a calculation of the amount of any adjustment determined under Section 3.2(b) (the "Adjustment Calculation"). A&S shall prepare the Interim Balance Sheet in accordance with generally accepted accounting principles applied on a consistent basis with the accounting principles applied by A&S in preparation of its year-end 1998 financial statements. Representatives of Parent's accountants shall be entitled to review, following execution of mutually agreed upon confidentiality agreements, the work papers, schedules, memoranda and other documents used in the preparation by A&S of the Interim Balance Sheet and the Adjustment Calculation.

(b) If the value of the A&S Net Assets, as determined in the Interim Balance Sheet, shall be greater than $40,836,000, the Company Dividend (as defined in Section 4.1 below) shall be increased by an amount equal to the difference between such amounts ("Net Asset Increase Adjustment"). In addition, if Parent, based on its representatives' review of the Interim Balance Sheet and Adjustment Calculation, determines that A&S's payment of accounts payable was not conducted in compliance with Section 6.5 such that the value of A&S Net Assets (determined assuming compliance with Section 6.5) differs from the value of A&S Net Assets as reflected in the Interim Balance Sheet, then the parties shall mutually agree upon an equitable adjustment to the calculation of the value of A&S Net Assets for purposes of this Section 3.2(b).

Section 3.3. ACTIONS OF A&S PRIOR TO THE CUT-OFF DATE. By the Cut-Off Date or as soon as practicable thereafter, A&S shall have obtained financing upon terms and in such amount reasonably acceptable to A&S to allow A&S to carryout the transactions contemplated by this Agreement, including the payment of the Company Dividend prior to the Closing Date (as provided in Section 4.1 below), and to conduct its business in the ordinary course after the Cut-Off Date. In connection with A&S's obligation to obtain the financing described in the preceding sentence and in particular financing between the Cut-Off Date and the Closing Date, the Company agrees to take such action, including issuing an interim guaranty for such financing, as is necessary to enable A&S to obtain such financing on terms and a rate substantially similar to financing then available to the Company for the period ending on the Closing Date, with the understanding that any such interim guaranty would expire at Closing.

Section 3.4. POST-CUT-OFF DATE OPERATIONS OF A&S. Effective as of the Cut-Off Date, A&S shall operate its business as a stand alone entity (i) entitled to all income realized after the Cut-Off Date and (ii) as provided in the Tax Sharing Agreement, responsible for all taxes on income realized from the activities or operations of A&S after the Cut-Off Date and entitled to any tax benefits attributable to any losses or other tax attributes resulting from the activities or operations of A&S after the Cut-Off Date.

Section 3.5. THE SPLIT-OFF. The Split-Off shall be effected pursuant to the provisions of Article III of the Merger Agreement; provided, however that such Split-Off shall be conditioned on the satisfaction (or waiver, to the extent expressly permitted by the provisions of Section 10.1 hereof) of each of the Split-Off Conditions. All shares of A&S Common Stock issued in the Split-Off shall be duly authorized, validly issued, fully paid, non-assessable and free of preemptive rights.

Section 3.6. TERMINATION OF CERTAIN CLAIMS. Following the Effective Time, A&S shall have no claims against the Company, any Retained Subsidiary or any Affiliate of either based on any breach by the Company, any Retained Subsidiary or any of their respective Affiliates of any obligations under this Agreement that occurred on or prior to the Effective Time, all of such claims being hereby irrevocably waived and terminated as of the Effective Time; provided that the foregoing shall not limit the Company's liability for any breach by the Company or any Retained Subsidiary of any of their respective obligations under this Agreement that occurs following the Effective Time.

Section 3.7. POST-CLOSING PROCEDURES. After the Closing, Parent shall have the right to cause its independent auditors to conduct, at its sole expense, a roll-back audit of A&S's year-end audited financial statements to determine the accuracy of the balance sheet of A&S as of the Closing Date (the "Closing Balance Sheet"). Such audit will be conducted in accordance with procedures to be mutually agreed upon by the auditors of A&S and Parent to verify the appropriateness at, or as of the Cut-Off Date, of (i) the classification of assets and non-interest bearing liabilities between A&S and the Company, (ii) the application of funds by A&S prior to the Cut-Off Date, or (iii) tax allocations and other accruals. In conducting such activities, Parent shall be given the opportunity to discuss A&S's year-end audit with A&S's auditors and review work papers prepared by A&S's auditors in connection with the preparation of A&S's year-end audited financial statements. If Parent's independent auditors determine that inaccuracies existed in the Closing Balance Sheet, then adjustments shall be made to the

calculations, allocations and payments made in connection with the transactions contemplated by this Agreement. If Parent and A&S fail to agree on the resolution of any of the matters in this Section 3.7, then such matter shall be referred to the Accountant (as defined in Section 1(b) of the Tax Sharing Agreement) for a binding determination. Parent and A&S shall deliver to the Accountant copies of any schedules or documentation that may be reasonably required by the Accountant to make its determination. Parent and A&S shall be entitled to make presentations to the Accountant in connection therewith. Parent and A&S shall use all reasonable efforts to cause the Accountant to promptly complete such determination.

ARTICLE IV
INTERCOMPANY TRANSACTIONS AND RELATIONSHIPS

Section 4.1. CASH DIVIDEND.

(a) DECLARATION; AMOUNT. After June 30, 1999 and prior to the Effective Time, A&S shall declare a cash dividend (the "Company Dividend") payable to the Company in an amount equal to $17,000,000 plus any Net Asset Increase Adjustment (as determined pursuant to Section 3.2(b)) and minus the amount by which the Net Tax Benefit (as defined in Section 4(b) of the Tax Sharing Agreement) exceeds $4,200,000 (such excess to be referred to herein as the "Excess Net Tax Benefit").

(b) DISTRIBUTION.

(i) Immediately prior to the Effective Time, A&S shall distribute the Company Dividend in the following manner: (1) by distributing an amount (the "Initial Distribution") calculated in accordance with the formula described in Section 4.1(a), and, for purposes of that calculation, by computing an estimated Excess Net Tax Benefit using as the value of the A&S Common Stock the Pre-Closing A&S Trading Value (as defined in Section 4.1(d)(i) below) two (2) days prior to the Closing Date; (2) by making the distribution referred in clause (1) above subject to an obligation by the Company to return to A&S such part of the Initial Distribution as may exceed an amount equal to the Company Dividend as computed using the Closing A&S Trading Value (as defined in Section 4.1(d)(ii) below); and (3) by distributing to the Company a right to receive an additional distribution from A&S, as soon as possible after the Closing Date, to the extent that the Company Dividend computed using the Closing A&S Trading Value, exceeds the amount of the Initial Distribution.

(ii) Pursuant to the obligation referred to in Section 4.1(b)(i)(2) above or the right referred to in Section 4.1(b)(i)(3) above, as the case may be, the Company shall return to A&S a portion of the Initial Distribution, or A&S shall make an additional distribution to the Company, such that the Initial Distribution as adjusted by this paragraph equals the amount of the Company Dividend computed using the Closing A&S Trading Value. Such amount shall be paid under this Section 4.1 as soon as practicable following the Closing Date.

(c) EFFECT. Upon payment of the Initial Distribution, any remaining intercompany liabilities of A&S other than liabilities incurred in connection with the purchase of swimming pool equipment from the Company and its Subsidiaries shall be converted, and classified as a contribution, to the capital of A&S and thereafter, A&S shall have no further obligation with regard to such liabilities.

(d) DEFINITIONS. As used in this Section 4.1, the capitalized terms used herein and not otherwise defined have the following meanings:

(i) "PRE-CLOSING A&S TRADING VALUE" shall mean the excess of the high and low trading prices of Company Common Stock over $19.09.

(ii) "CLOSING A&S TRADING VALUE" shall mean the value determined pursuant to the provisions of Section 5 of the Tax Sharing Agreement.

Section 4.2. INTERCOMPANY ACCOUNTS. Following the date hereof, (i) no transactions related to intercompany receivables, payables, loans, cash overdrafts and other accounts in existence as of the date of this Agreement between A&S, on the one hand, and the Company or any Retained Subsidiary, on the other hand, shall be entered into except in the ordinary course of business and in a manner consistent with past practice, and (ii) except with the prior written consent of the Parent or for Intercompany Agreements which are on their terms and conditions entered into in the ordinary course of business and in a manner consistent with past practices, neither the Company, any Retained Subsidiary or A&S shall enter into any Intercompany Agreement following the date hereof and prior to the Effective Time.

Section 4.3. TRANSITION SERVICES.

(a) Following the Effective Time and ending on the one (1) year anniversary of the Effective Time (such period, the "Transition Services Period"), the Company shall provide, or make available, to A&S, at such times and in such amounts as may be reasonably requested by A&S, the following services (the "Transition Services") and A&S will pay for such Transition Services on a cost basis as agreed to by the parties:

(i) tax preparation and filing services, including the services of Robert Brunozzi, the Company's current Director of Taxes; provided such director is employed by the Parent at the time such services are requested by A&S;

(ii) legal services, to be provided by the Company's general counsel, Kevan Langner; provided such counsel is employed by the Parent or the Company at the time such services are requested by A&S;

(iii) information and technology support services of the types set forth in Schedule 4.3 of the Disclosure Schedule; and

(iv) such other additional services as may be reasonably requested by A&S; provided that the scope of any services, as well as the time and the manner in which such services are to be provided, shall be mutually agreeable between the parties.

Following the end of the calendar month in which any such Transition Services are performed, the Company shall provide to A&S an invoice (the "Transition Services Invoice") setting forth in summary detail the Transition Services which were provided during such calendar month and the appropriate cost thereof. A&S shall pay to the Company in immediately available funds, in a reasonably prompt manner following the delivery by the Company of a Transition Services Invoice, the amounts due with respect to the Transition Services reflected on such Transition Services Invoice. Notwithstanding anything herein to the contrary, neither Parent nor the Company shall have any liability whatsoever to A&S or A&S's Affiliates or any third party for any loss, liability, damage, cost or deficiency suffered by any such person resulting from, caused by or arising out of the Company's performance of the Transition Services.

(b) In addition to the Transition Services to be provided by the Company, for a period of two (2) months following the Effective Time A&S shall be entitled to occupy and use without charge such office space at 220 Park Drive, Chardon, Ohio 44024 reasonably designated by A&S to be necessary to enable A&S to continue to run its current operations at such location.

ARTICLE V
SURVIVAL AND INDEMNIFICATION

Section 5.1. SURVIVAL OF AGREEMENTS. The obligations under this Article V of A&S, on the one hand, and the Company and the Retained Subsidiaries, on the other hand, shall survive the sale or other transfer by it of any assets or businesses or the assignment by it of any Liabilities. To the extent that A&S transfers directly or indirectly to any other person all or substantially all of the A&S Assets or the A&S Business, A&S will cause the transferee of such A&S Assets or A&S Business to assume specifically its obligations under this Agreement with respect thereto and will cause such transferee to fulfill its obligations related to the A&S Liabilities. Such assumption will not relieve A&S of its obligations in respect thereof. To the extent that the Company or any of the Retained Subsidiaries transfers directly or indirectly to any other person all or substantially all of the Retained Business, the Company will cause the transferee of such Retained Business to assume specifically its obligations under this Agreement with respect thereto and will cause such transferee to fulfill its obligations related to the Retained Liabilities. Such assumption will not relieve the Company of its obligations in respect thereof. A&S, on the one hand, and the Company, on the other hand, agree that such transferee may exercise all of A&S's or the Company's rights hereunder, as the case may be, with respect to such Assets or businesses.

Section 5.2. INDEMNIFICATION BY A&S.

(a) In addition to any indemnification required by Articles VI and VIII hereof, subject to the terms and conditions set forth in this Agreement, from and after the Effective Time, A&S shall indemnify, defend and hold harmless the Company, each Retained Subsidiary, the Purchaser and Parent and each of their respective directors, officers, employees, representatives, advisors, agents and Affiliates (collectively, the "Parent Indemnified Parties") from, against and in respect of any and all Indemnifiable Losses of the Parent Indemnified Parties arising out of, relating to or resulting from, directly or indirectly, (i) any misrepresentation or breach of any warranty in this Agreement made by A&S or, on or prior to the Effective Time, made by the Company, (ii) any breach of any agreement or covenant under this Agreement by A&S or, on or prior to the Effective Time, by the Company, (iii) any and all A&S Liabilities, (iv) the conduct of the A&S Business or any part thereof on or following the Effective Time, (v) any transfer of A&S Assets to, or assumption of A&S Liabilities by, A&S in accordance with this Agreement or otherwise in connection with the Split-Off (other than any costs and expenses which have been expressly assumed by the Company pursuant to the provisions of this Agreement), (vi) any Indemnifiable Loss resulting from any claims that any statements or omissions relating to or describing, directly or indirectly, A&S, the A&S Business, any A&S Asset or any A&S Liability, and which occur on or prior to the Effective Time in the Company Proxy Statement or the Form S-1 (in each case other than with respect to any statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors and other than any statements or omissions which relate solely to the Merger Agreement and this Agreement and the transactions contemplated thereby and hereby), which are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (vii) any Indemnifiable Loss arising out of or relating to Transaction Suits resulting from, directly or indirectly, (a) any statement or omission on the part of A&S or any of their Affiliates in the documents referred to in Section 5.2(a)(vi) above, (b) the A&S Business, A&S Assets and A&S Liabilities or (c) any holder of Company Common Stock exercising appraisal rights under the Ohio General Corporation Law with respect to the value of the Split-Off Consideration (as defined in the Merger Agreement) and (viii) any Indemnifiable Loss resulting from actions the Company or Pac-Fab, Inc. take pursuant to Section 2.3 hereof.

(b) Notwithstanding A&S's obligations to indemnify Parent Indemnified Parties pursuant to Section 5.2(a) hereof, A&S shall be obligated to indemnify the Parent Indemnified Parties only for those Indemnifiable Losses under clause (i) of Section 5.2(a) hereof as to which the Parent Indemnified Parties have given A&S written notice thereof on or prior to the third anniversary of the Effective Time and under clause (vi) of Section 5.2(a) hereof as to which the Parent Indemnified Parties have given A&S written notice thereof on or prior to the expiration of any applicable statute of limitations period (it being understood that there shall be no corresponding time limitation with respect to any Indemnifiable Losses arising under clauses (ii), (iii), (iv), (v), (vii) or (viii) of Section 5.2(a) hereof). Notwithstanding the foregoing, if on or before the expiration of such indemnification period any Parent Indemnified Party has given notice to A&S pursuant to Section 5.4 hereof of any matter which would be the basis for a claim of indemnification by such Parent Indemnified Party pursuant to Section 5.2(a),

such Parent Indemnified Party shall have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

Section 5.3. INDEMNIFICATION BY THE COMPANY.

(a) In addition to any indemnification required by Articles VI and VIII hereof, subject to the terms and conditions set forth in this Agreement, from and after the Effective Time, the Company shall indemnify, defend and hold harmless A&S and each of their respective directors, officers, employees, representatives, advisors, agents and Affiliates (collectively, the "A&S Indemnified Parties") from, against and in respect of any and all Indemnifiable Losses of the A&S Indemnified Parties arising out of, relating to or resulting from, directly or indirectly, (i) any breach of any agreement or covenant under this Agreement by Parent or Purchaser or, following the Effective Time, by the Company, (ii) the conduct of the Retained Business or any part thereof on, prior to or following the Effective Time, and (iii) any Indemnifiable Loss resulting from any claims that any statements or omissions relating to or describing, directly or indirectly, Parent or the Purchaser, and which occur on or prior to the Effective Time in the Company Proxy Statement or the Form S-1 (in each case only to the extent of any statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors), which are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing and anything to the contrary in this Agreement or any other agreement to be entered into pursuant to this Agreement, the Company shall not be required to indemnify, defend and hold harmless any A&S Indemnified Party from and against any Indemnifiable Loss resulting from any claims that the statements included in the Company Proxy Statement and the Form S-1 (in each case other than statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors expressly for use therein) are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Notwithstanding the Company's obligations to indemnify the A&S Indemnified Parties pursuant to Section 5.3(a) hereof, the Company shall be obligated to indemnify the A&S Indemnified Parties only for those Indemnifiable Losses under clause (iii) of Section 5.3(a) hereof as to which the A&S Indemnified Parties have given the Company written notice thereof on or prior to the expiration of any applicable statute of limitations period (it being understood that there shall be no corresponding time limitation with respect to any Indemnifiable Losses arising under clause (i) or (ii) of Section 5.3(a) hereof). Notwithstanding the foregoing, if on or before the expiration of such indemnification period any A&S Indemnified Party has given notice to the Company pursuant to Section 5.4 hereof of any matter which would be the basis for a claim of indemnification by such A&S Indemnified Party pursuant to Section 5.3(a), such A&S Indemnified Party shall have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

Section 5.4. PROCEDURE FOR INDEMNIFICATION. All claims for indemnification under this Article V shall be asserted and resolved as follows:

(a) In the event that any claim or demand, or other circumstance or state of facts which could give rise to any claim or demand, for which an Indemnifying Party may be liable to an Indemnified Party hereunder is asserted against or sought to be collected by a third party (an "Asserted Liability"), the Indemnified Party shall promptly notify the Indemnifying Party in writing of such Asserted Liability, specifying the nature of such Asserted Liability and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "Claim Notice"); provided that no delay on the part of the Indemnified Party in giving any such Claim Notice shall relieve the Indemnifying Party of any indemnification obligation hereunder unless (and then solely to the extent that) the Indemnifying Party is materially prejudiced by such delay. The Indemnifying Party shall have twenty (20) days (or less if the nature of the Asserted Liability requires) from its receipt of the Claim Notice (the "Notice Period") to notify the Indemnified Party whether or not the Indemnifying Party desires, at the Indemnifying Party's sole cost and expense and by counsel of its own choosing, which shall be reasonably satisfactory to the Indemnified Party, to defend against such Asserted Liability; provided that if, under applicable standards of professional conduct a conflict on any significant issue between the Indemnifying Party and any Indemnified Party exists in respect of such Asserted Liability, then the Indemnifying Party shall reimburse the Indemnified Party for the reasonable fees and expenses of one additional counsel to be retained in order to resolve such conflict, promptly upon presentation by the Indemnified Party of invoices or other documentation evidencing such amounts to be reimbursed. If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnifying Party shall control the investigation, defense and settlement thereof; provided that (i) the Indemnifying Party shall use its reasonable efforts to defend and protect the interests of the Indemnified Party with respect to such Asserted Liability, (ii) the Indemnified Party, prior to or during the period in which the Indemnifying Party assumes control of such matter, may take such reasonable actions as the Indemnified Party deems necessary to preserve any and all rights with respect to such matter, without such actions being construed as a waiver of the Indemnified Party's rights to defense and indemnification pursuant to this Agreement, and (iii) the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, consent to any settlement which (A) imposes any Liabilities on the Indemnified Party (other than those Liabilities which the Indemnifying Party agrees to promptly pay or discharge), and (B) with respect to any non-monetary provision of such settlement, would be likely, in the Indemnified Party's reasonable judgment, to have an adverse effect on the business operations, assets, properties or prospects of Parent, the Company or the Retained Business (in the case of a Parent Indemnified Party), A&S or the A&S Business (in the case of an A&S Indemnified Party), or such Indemnified Party. Notwithstanding the foregoing, the Indemnified Party shall have the right to control, pay or settle any Asserted Liability which the Indemnifying Party shall have undertaken to defend so long as the Indemnified Party shall also waive any right to indemnification therefor by the Indemnifying Party. If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the investigation, defense and settlement thereof. If the Indemnified Party desires to participate in any such defense it may do so at its sole cost and expense. If the Indemnifying Party does not undertake within the Notice Period to defend against such Asserted Liability, then the Indemnifying Party shall have the right to participate

in any such defense at its sole cost and expense, but the Indemnified Party shall control the investigation, defense and settlement thereof (provided that the Indemnified Party may not settle any such Asserted Liability without obtaining the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld by the Indemnifying Party; provided that in the event that the Indemnifying Party is in material breach at such time of the provisions of this Section 5.4, then the Indemnified Party shall not be obligated to obtain such prior written consent of the Indemnifying Party) at the reasonable cost and expense of the Indemnifying Party (which shall be paid by the Indemnifying Party promptly upon presentation by the Indemnified Party of invoices or other documentation evidencing the amounts to be indemnified). The Indemnified Party and the Indemnifying Party agree to make available to each other, their counsel and other representatives, all information and documents available to them which relate to such claim or demand (subject to the confidentiality provisions of Section 7.5 hereof); provided that no party hereto shall be obligated to disclose any information which would result in the waiver of any attorney-client, attorney work product or other similar privileges, if the disclosure of such information would be materially prejudicial to such disclosing party. The Indemnified Party and the Indemnifying Party and the Company and its employees also agree to render to each other such assistance and cooperation as may reasonably be required to ensure the proper and adequate defense of such claim or demand.

(b) In the event that an Indemnified Party should have a claim against the Indemnifying Party hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a Claim Notice with respect to such claim to the Indemnifying Party. The Indemnifying Party shall have twenty (20) days from the date such Claim Notice is delivered during which to notify the Indemnified Party in writing of any good faith objections it has to the Indemnified Party's Claim Notice or claims for indemnification, setting forth in reasonable detail each of the Indemnifying Party's objections thereto. If the Indemnifying Party does not deliver such written notice of objection within such 20-day period, the Indemnifying Party shall be deemed to have accepted responsibility for the prompt payment of the Indemnified Party's claims for indemnification, and shall have no further right to contest the validity of such indemnification claims. If the Indemnifying Party does deliver such written notice of objection within such 20-day period, the Indemnifying Party and the Indemnified Party shall attempt in good faith to resolve any such dispute within thirty (30) days of the delivery by the Indemnifying Party of such written notice of objection. If the Indemnifying Party and the Indemnified Party are unable to resolve any such dispute within such 30-day period, then either the Indemnifying Party or the Indemnified Party shall be free to pursue any remedies which may be available to such party under applicable Law.

Section 5.5. MISCELLANEOUS INDEMNIFICATION PROVISIONS.

(a) The Indemnifying Party agrees to indemnify any successors of the Indemnified Party to the same extent and in the same manner and on the same terms and conditions as the Indemnified Party is indemnified by the Indemnifying Party under this Article V. In the event that any claim for indemnification under either Articles V, VI or VIII hereof meets the criteria of more than one of the types of claims for which indemnification is provided for under such provisions, the Indemnified Party, in its sole discretion, shall classify such claim and only be required to include such claim, and the recoveries for indemnification therefrom, in one of such categories. No investigation made by any party hereto shall affect any representation or warranty of the other parties hereto contained in this Agreement, the Disclosure Schedule or any certificate, document or other instrument delivered in connection herewith. The consummation by Parent of the Merger pursuant to the terms and conditions of the Merger Agreement, either with or without knowledge of a breach of warranty or covenant or misrepresentation by any party hereto, shall not constitute a waiver of any claim by any Parent Indemnified Party for Indemnifiable Losses with respect to such breach or misrepresentation. In determining the amount of Indemnifiable Losses to which a Parent Indemnified Party or A&S Indemnified Party (as the case may be) is entitled to indemnification hereunder, an arbitration panel, court or tribunal may take into consideration, where appropriate and without duplication, any diminution in the aggregate value of the Retained Business or the A&S Business (as the case may be). Notwithstanding anything to the contrary contained in this Agreement, the assignment of any party's rights hereunder to any other person or entity shall not limit, affect or prejudice the ability of the assigning party to continue to enforce any rights of indemnification hereunder or other rights hereunder in accordance with the terms and conditions of this Agreement.

(b) In determining the amount of any indemnity payable under this Article V, such amount shall be reduced by (x) any related tax benefits if and when actually realized or received (but only after taking into account any tax benefits (including, without limitation, any net operating losses or other deductions) to which the Indemnified Party would be entitled without regard to such item), except to the extent such recovery has already been taken into account in determining the amount of any indemnity payable under Articles V, VI or VIII hereof, and (y) any insurance recovery if and when actually realized or received, in each case in respect of such Asserted Liability. Any such recovery shall be promptly repaid by the Indemnified Party to the Indemnifying Party following the time at which such recovery is realized or received pursuant to the previous sentence, minus all reasonably allocable costs, charges and expenses incurred by the Indemnified Party in obtaining such recovery. Notwithstanding the foregoing, if (x) the amount of Indemnifiable Losses for which the Indemnifying Party is obligated to indemnify the Indemnified Party is reduced by any tax benefit or insurance recovery in accordance with the provisions of the previous sentence, and (y) the Indemnified Party subsequently is required to repay the amount of any such tax benefit or insurance recovery or such tax benefit or insurance recovery is disallowed, then the obligation of the Indemnifying Party to indemnify with respect to such amounts shall be reinstated immediately and such amounts shall be paid promptly to the Indemnified Party in accordance with the provisions of this Agreement.

(c) In the event that a dispute between any Indemnifying Party and any Indemnified Party concerning the existence of a right or obligation to indemnity under this Agreement is determined by

any arbitration panel or any court or tribunal, the reasonable fees and expenses of the attorneys for the party which is principally prevailing in such action shall be paid by the party which is not principally prevailing in such action.

(d) All amounts owing under this Article V shall bear interest at a fluctuating rate of interest equal to the rate of interest from time to time announced by KeyBank, N.A. in Cleveland, Ohio as its prime lending rate, computed from the time such damage, cost or expense was incurred or suffered to the date of payment therefor.

(e) The remedies provided by this Article V shall be the parties' sole and exclusive remedies for the recovery of any Indemnifiable Losses resulting from, arising out of or related to misrepresentations, breaches of warranties, and non-fulfillment of obligations under this Agreement, except those arising from, arising out of or related to fraud; provided that the provisions of this Section 5.5(e) shall not limit the ability of any party to seek injunctive or similar relief pursuant to Section 11.12 hereof.

Section 5.6. PENDING LITIGATION. Following the Effective Time, (a) A&S shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the A&S Business, the A&S Assets or the A&S Liabilities (each, an "A&S Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the consent of the Company, and (b) the Company shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the Retained Business (each, a "Retained Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the consent of A&S; provided that if both the Company and A&S are named as parties to any A&S Action or Retained Action, neither the Company nor A&S (nor any of their respective Subsidiaries) may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the prior written consent of the other party (which consent may not be unreasonably withheld) if such settlement, compromise or consent to such judgment includes any form of injunctive relief binding upon such other party. A&S shall indemnify, defend and hold harmless each of the Parent Indemnified Parties, and the Company shall indemnify and hold harmless each of the A&S Indemnified Parties, in the manner provided in this Article V, from and against all Indemnifiable Losses arising out of or resulting from each such Action over which such Indemnifying Party has authority and control pursuant to this Section 5.6.

Section 5.7. CONSTRUCTION OF AGREEMENTS. Notwithstanding any other provision in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Article V and the provisions of any other part of this Agreement or any exhibit or schedule hereto, the provisions of this Article V shall control, and in the event and to the extent that there shall be a conflict between the provisions of this Agreement (including, without limitation, the provisions of this Article V) and the provisions of the Tax Sharing Agreement, the provisions of the Tax Sharing Agreement shall control.

ARTICLE VI
CERTAIN ADDITIONAL MATTERS

Section 6.1. REPRESENTATIONS OR WARRANTIES; DISCLAIMERS.

(a) It is the explicit intent of each party hereto that no party to this Agreement or to the Merger Agreement is making any representation or warranty whatsoever, express or implied, in this Agreement or in any other agreement contemplated hereby, except those representations and warranties expressly set forth in this Agreement. Each of the parties hereto agrees, to the fullest extent permitted by Law, that none of them nor any of their Affiliates, agents or representatives shall have any liability or responsibility whatsoever to any such other party hereto or such other party's Affiliates, agents or representatives on any basis (including, without limitation, in contract or tort, under federal or state securities laws or otherwise) based upon any information provided or made available, or statements made, to any such other party or such other party's Affiliates, agents or representatives (or any omissions therefrom), including, without limitation, in respect of the specific representations and warranties set forth in this Agreement and the Merger Agreement and the covenants and agreements set forth in the Merger Agreement, except (i) as and only to the extent expressly set forth in the indemnification provisions of Article V hereof and as otherwise expressly set forth herein (subject to the limitations and restrictions contained herein), and (ii) with respect to breaches of the covenants and agreements set forth in this Agreement.

(b) Without limiting the generality of the foregoing, it is understood and agreed (a) that neither Parent, the Company nor any of the Retained Subsidiaries is, in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting in any way as to the value or freedom from encumbrance of, or any other matter concerning, any A&S Assets, (b) that the A&S Assets are being transferred "as is, where is" and (c) that, subject to the obligations of the Company set forth in Section 6.2 hereof, A&S shall bear the risk that any conveyances of the A&S Assets might be insufficient. Similarly, it is understood and agreed that neither Parent, the Company nor any of the Retained Subsidiaries is, in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting to A&S or any A&S Indemnified Party in any way that the obtaining of the consents and approvals, the execution and delivery of any amendatory agreements and the making of the filings and applications contemplated by this Agreement shall satisfy the provisions of any or all applicable agreements or the requirements of all applicable Laws or judgments.

(c) A&S represents and warrants to the Company that (i) since December 31, 1998, the A&S Business has been conducted in the ordinary course of business consistent with past practice; (ii) neither the Company nor any of the Retained Subsidiaries will, after giving effect to the Split-Off, be liable directly or indirectly, as borrower, surety, guarantor, indemnitor or otherwise, with respect to any of the A&S Liabilities; (iii) except as set forth in Schedule 6.1(c)(iii) of the Disclosure Schedule, there are no Intercompany Agreements in effect as of the date hereof; (iv) there are no A&S Assets which have been used within the Retained Business since December 31, 1998, other than those A&S Assets which are listed on Schedule 6.1(c)(iv) of the Disclosure Schedule; (v) except as set forth in Schedule 6.1(c)(v) of the Disclosure Schedule, A&S shall not immediately after giving effect to the Split-Off, own, hold

or lease, in whole or in part, any of the assets, properties, licenses and rights which are reasonably necessary to carry on the Retained Business as presently conducted; and (vi) except as set forth in Schedule 6.1(c)(vi) of the Disclosure Schedule or as provided in Section 4.2, since December 31, 1998, no other intercompany transfers, dividends or payments have taken, or will take, place outside the ordinary course of business between A&S, on the one hand, and the Company or any Retained Subsidiary, on the other hand.

Section 6.2. FURTHER ASSURANCES; SUBSEQUENT TRANSFERS. Each of the parties hereto will execute and deliver such further instruments of transfer and distribution and will take such other actions as any party hereto may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof.

Section 6.3. USE OF NAMES. Following the Effective Time, A&S shall have the sole and exclusive ownership of and right to use, as between the Company and each of the Retained Subsidiaries, on the one hand, and A&S, on the other hand, the "Anthony & Sylvan Pools Corporation" name and each of the names used (or formerly used) in the A&S Business (the "A&S Names"), and each of the trade marks, trade names, service marks and other proprietary rights exclusively related to such A&S Names (the "A&S Proprietary Name Rights") and any trade marks, trade names, service marks or other proprietary rights mutually agreed among the Parties prior to the Effective Time. Following the Effective Time, the Company and each of the Retained Subsidiaries shall have the sole and exclusive ownership of and right to use, as between A&S, on the one hand, and the Company and each of the Retained Subsidiaries, on the other hand, all names used (or formerly used) by the Company or any of the Retained Subsidiaries as of such date other than the A&S Names (the "Company Names"), and all other trade marks, trade names, service marks and other proprietary rights owned or used by the Company or any of the Retained Subsidiaries as of such date other than the A&S Proprietary Name Rights (the "Company Proprietary Name Rights"). Notwithstanding the foregoing, following the Effective Time, (x) the Company shall, and shall cause its Subsidiaries and other Affiliates to, take all action reasonably necessary to cease using, and change as soon as commercially practicable (including by amending any charter documents), any corporate or other names which are the same as or confusingly similar to any of the A&S Names or any of the A&S Proprietary Name Rights, and (y) A&S shall, and shall cause its Subsidiaries and other Affiliates to, take all action reasonably necessary to cease using, and change as soon as commercially practicable (including by amending any charter documents), any corporate or other names which are the same as or confusingly similar to any of the Company Names or any of the Company Proprietary Name Rights.

Section 6.4. LITIGATION RELATING TO TRANSACTION.

(a) Following the date hereof until the Effective Time, in the event that any Action is commenced against the Company or any of its Subsidiaries (including A&S) challenging either the Merger Agreement, this Agreement or the Tax Sharing Agreement or any of the transactions contemplated therein or herein (any such Action, a "Transaction Suit"), then the Company shall provide promptly to Parent copies of all material pleadings sent or received after the date hereof by the Company or its counsel with respect to any such Transaction Suits. Parent shall be entitled to participate in the defense of each Transaction Suit and to employ counsel at its own expense to assist in the handling of each such Transaction Suit. Neither the Company nor any of its Subsidiaries (including A&S) shall settle or compromise any Transaction Suit or consent to the entry of any judgment with respect to any such Transaction Suit, without the prior written consent of Parent (which consent shall not be unreasonably withheld).

(b) Following the Effective Time, the Company shall provide promptly to A&S copies of all material pleadings sent or received after the Effective Time by the Company or its counsel with respect to any Transaction Suits to which A&S or any of its Affiliates is a party. A&S shall be entitled to participate in the defense of each Transaction Suit to which it or any of its Affiliates is a party, and to employ counsel at its own expense to assist in the handling of each such Transaction Suit. Following the Effective Time, neither the Parent nor the Company nor any of their respective Subsidiaries shall settle or compromise any Transaction Suit to which A&S or any of its Affiliates is a party or consent to the entry of any judgment with respect to any such Transaction Suit, without the prior written consent of A&S (which consent shall not be unreasonably withheld).

Section 6.5. OPERATION PRIOR TO SPLIT-OFF. Prior to the Effective Time, A&S and Company agree to operate their respective businesses in the ordinary course of business and in a manner consistent with past practice. In addition, during the period prior to the Cut-Off Date, A&S shall (i) continue to sweep cash from its various accounts to the Company in the ordinary course of its business in a manner consistent with past practices and (ii) pay its accounts payable and take payment discounts on such accounts payable in the ordinary course of its business in a manner consistent with past practices.

Section 6.6. RESTRICTIONS ON POST-SPLIT-OFF COMPETITIVE ACTIVITIES. As an inducement to the parties hereto to execute this Agreement and complete the transactions contemplated hereby, and in order to preserve the goodwill associated with the A&S Business and the Retained Business, Parent and the Company, on one hand, and A&S, on the other hand, hereby covenant and agree that for a period of three (3) years from the Effective Time, they will not, directly or indirectly: (i) enter, engage in, continue in or carry on (x) in the case of Parent and the Company, the swimming pool installation business, or (y) in the case of A&S, the business of manufacturing water pressure vessels or swimming pool and spa equipment, which as of the date of this Agreement are manufactured by the Company or any Retained Subsidiary; or (ii) engage in any practice the purpose of which is to evade the provisions of this covenant not to compete; provided, however, that the foregoing shall not prohibit the ownership of securities of corporations engaged in the prohibited businesses which are listed on a national securities exchange or traded in the national over-the-counter market in an amount which shall not

exceed 5% of the outstanding shares of any such corporation. The parties agree that the geographic scope of this covenant not to compete shall extend throughout the world. In the event a court of competent jurisdiction determines that the provisions of this covenant not to compete are excessively broad as to duration, geographical scope or activity, it is expressly agreed that this covenant not to compete shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such excessively broad provisions shall be deemed, without further action on the part of any person, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable in such jurisdiction.

ARTICLE VII
ACCESS TO INFORMATION AND SERVICES

Section 7.1. PROVISION OF CORPORATE RECORDS. Except as provided in the following sentence, on or about the Effective Time, the Company shall deliver to A&S all corporate books and records, in its possession, (including all active agreements, active litigation files and government filings) which are corporate records of A&S, including, without limitation, original corporate minute books, stock ledgers and certificates and corporate seals of A&S. Notwithstanding the foregoing and subject to the confidentiality provisions of Section 7.5 hereof, the Company shall have the right to retain copies of any such documents which also relate to the Retained Business.

Section 7.2. ACCESS TO INFORMATION. Subject to the confidentiality provisions of Section 7.5 hereof, from and after the Effective Time (i) A&S shall afford to the Company and its authorized accountants, counsel and other designated representatives reasonable access (including, without limitation, using reasonable efforts to give access to persons or firms possessing Information (as defined below)), subject to any access, disclosure, copying, time or other limitations imposed by applicable law or A&S, to all records, books, contracts, instruments, computer data and other data and information (collectively, "Information") within A&S's possession relating to the A&S Business, insofar as such access is reasonably required by the Company in connection with the operation of the Retained Business, and (ii) the Company shall afford to A&S and its authorized accountants, counsel and other designated representatives reasonable access (including, without limitation, using reasonable efforts to give access to persons or firms possessing Information), subject to any access, disclosure, copying, time or other limitations imposed by applicable law or the Company, to all Information within the Company's possession relating to the Retained Business, insofar as such access is reasonably required by A&S in connection with the operation of the A&S Business. Information may be requested under this Article VII for, without limitation, audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations.

Section 7.3. PRODUCTION OF WITNESSES. From and after the Effective Time, each party shall use reasonable efforts to make available to the other party, upon written request, its officers, directors, employees and agents as witnesses to the extent that any such person may reasonably be required in connection with any legal, administrative or other proceedings in which the requesting party may from time to time be involved.

Section 7.4. RETENTION OF RECORDS. Except as otherwise required by Law or agreed to in writing, A&S and the Company shall each retain, for a period of at least seven (7) years following the Effective Time, all significant Information relating to (i) in the case of the Company, the A&S Business and (ii) in the case of A&S, the Retained Business. Notwithstanding the foregoing, either A&S or the Company may destroy or otherwise dispose of any of such Information at any time, provided that, prior to such destruction or disposal, (a) A&S or the Company, as the case may be, shall provide no less than ninety (90) or more than one hundred twenty (120) days' prior written notice to the other party, specifying the Information proposed to be destroyed or disposed of and (b) if the other party shall request in writing prior to the scheduled date for such destruction or disposal that any of the Information proposed to be destroyed or disposed of be delivered to the other party, A&S or the Company, as the case may be, shall promptly arrange for the delivery of such of the Information as was requested, at the expense of the requesting party.

Section 7.5. CONFIDENTIALITY.

(a) Each party shall hold, and shall cause its officers, employees, agents, consultants and advisors to hold, in strict confidence, unless compelled to disclose by judicial or administrative process or, in the reasonable opinion of its counsel, by other requirements of Law, all confidential, proprietary or other non-public information or trade secrets concerning the other party (or such other party's business operations or the business operations of such other party's Affiliates) which is furnished it by such other party or its representatives (collectively, the "Confidential Information"). None of the parties hereto nor any of their respective Affiliates shall release or disclose to any other person or entity, any such Confidential Information (except, to the extent reasonably required, for disclosure to those of such party's auditors, attorneys and other representatives who agree to be bound by the provisions of this Section 7.5). Notwithstanding the foregoing, in the event any party hereto is requested to disclose any Confidential Information to any third party pursuant to any judicial or administrative process or, in the reasonable opinion of its counsel, any other requirements of Law, the party from whom such disclosure is sought shall (x) notify the other parties hereto as soon as reasonably practicable of such request for disclosure, (y) disclose only that portion of the Confidential Information which it reasonably believes, following the advice of counsel, is necessary in order to comply with such judicial or administrative process or other requirements of Law, and (z) cooperate with the other parties hereto in seeking to narrow the scope of any such third party request for disclosure).

(b) Notwithstanding the foregoing, the term "Confidential Information" shall not include information (i) which is or becomes generally available to the public other than as a result of disclosure of such information by the disclosing party or any of its Affiliates or representatives, (ii) becomes available to the recipient of such information on a non-confidential basis from a source which is not, to the recipient's knowledge, bound by a confidentiality or other similar agreement, or by any other legal, contractual or fiduciary obligation which prohibits disclosure of such information to the other party hereto, or (iii) which can be demonstrated to have been developed independently by the representatives of such recipient which representatives have not had any access to any information which would otherwise be deemed to be "Confidential Information" pursuant to the provisions of this Section 7.5.

ARTICLE VIII
EMPLOYEE MATTERS

Section 8.1. EMPLOYEES. Effective as of the Effective Time, all A&S Employees shall remain or become employees of A&S in the same capacities as then held by such employees (or in such other capacities as A&S shall determine in its sole discretion), and the employment of any A&S Employee by the Company or the Retained Subsidiaries shall cease.

Section 8.2. EMPLOYEE BENEFITS.

(a) A&S 401(k) PLAN. A&S maintains a defined contribution plan and trust intended to qualify under Sections 401(a), 401(k) and 501(a) of the Internal Revenue Code of 1986, as amended (the "A&S 401(k) Plan"), for the benefit of A&S Employees. A&S agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and affiliates from and against any and all Indemnifiable Losses arising out of or relating to the A&S 401(k) Plan, including all benefits accrued by A&S Employees thereunder prior to the Effective Time.

(b) WELFARE BENEFIT PLANS. As of the Effective Time, A&S Employees shall cease to participate in the employee welfare benefit plans (as such term in defined in ERISA) maintained or sponsored by the Company (the "Company Welfare Plans") and shall commence to participate in welfare benefit plans of A&S (the "A&S Welfare Plans"). On and after the Effective Time, the Company shall only be responsible for any claims by A&S Employees for benefits relating to claims incurred prior to the Effective Time. The Company shall use its best efforts to ensure that, except as provided otherwise in the Merger Agreement or this Agreement, the consummation of the transactions contemplated by this Agreement shall not entitle any employee to severance benefits under any severance plan or arrangement of the Company or any of its Subsidiaries. Notwithstanding the foregoing, the Company agrees to permit A&S Employees (and their beneficiaries and dependents) to continue to participate from the Effective Time to and including December 31, 1999 in the Company's group medical plan maintained by the Company in which such persons were participating prior to the Effective Time. A&S agrees to be responsible for the actual costs incurred to provide such continuation of participation and coverage and will promptly reimburse the Company for any costs advanced by it.

(c) DEFERRED COMPENSATION PLANS. A&S agrees to assume the Company's responsibilities under the Company's Deferred Compensation Plan ("Plan") with respect to those employees or directors identified on Schedule 8.2(c) of the Disclosure Schedule and to make all payments required under the terms of such Plan. In consideration for such assumption, the Company agrees to contribute to A&S, immediately prior to the Effective Time, an amount of money equal to the accrued liability of the Company under such Plan as of the Effective Time, reduced by the tax benefit that the Company would otherwise receive as a result of deducting such accrued liability. For purposes of this Agreement, such tax benefit will be deemed to equal 39% of such accrued liability.

(d) CERTAIN LIABILITIES. The Company hereby agrees to indemnify A&S against, and agrees to hold it harmless from any and all Indemnifiable Losses incurred or suffered as a result of any claim

by any Retained Employee which arises under federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, ERISA and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and the Retained Employee, arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) prior to, or after, the Effective Time. A&S hereby agrees to indemnify the Company against and agrees to hold the Company harmless from any and all Indemnifiable Losses incurred or suffered as a result of any claim by any A&S Employee which arises under federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, ERISA and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and/or A&S, on the one hand, and the A&S Employee, on the other hand, arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) prior to, or after, the Effective Time. The indemnification provided for in this Section 8.2 shall be subject to the terms and conditions of the indemnification provisions of Article V hereof.

Section 8.3. OTHER LIABILITIES AND OBLIGATIONS. As of the Effective Time, with respect to claims relating to any employee liability or obligation not otherwise provided for in this Agreement or the Merger Agreement, including, without limitation, accrued holiday, vacation and sick day benefits, (a) the Company shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the A&S Business for all such claims made by Retained Employees and (b) A&S shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the A&S Business for all such claims made by all A&S Employees.

Section 8.4. PRESERVATION OF RIGHTS TO AMEND OR TERMINATE PLANS. No provision of this Agreement, shall be construed as a limitation on the right of the Company or A&S to amend any plan or terminate its participation therein which the Company or A&S would otherwise have under the terms of such plan or otherwise, and no provision of this Agreement shall be construed to create a right in any employee or beneficiary of such employee under a plan that such employee or beneficiary would not otherwise have under the terms of such plan itself.

Section 8.5. REIMBURSEMENT; INDEMNIFICATION. A&S and the Company acknowledge that the Company, on the one hand, and A&S, on the other hand, may incur costs and expenses (including, without limitation, contributions to plans and the payment of insurance premiums) pursuant to any of the employee benefit or compensation plans, programs or arrangements which are, as set forth in this Agreement, the responsibility of the other party. Accordingly, the Company and A&S agree to reimburse each other, as soon as practicable but in any event within thirty (30) days of receipt from the other party of appropriate verification, for all such costs and expenses reduced by the amount of any tax reduction or recovery of tax benefit realized by the Company or A&S, as the case may be, in respect

of the corresponding payment made by it. All liabilities retained, assumed or indemnified by A&S pursuant to this Article VIII shall in each case be deemed to be liabilities of A&S, and all liabilities retained, assumed or indemnified by the Company pursuant to this Article VIII shall in each case be deemed to be liabilities of the Company, and, in each case, shall be subject to the indemnification provisions set forth in Article V hereof.

Section 8.6. NONSOLICITATION OF EMPLOYEES. For a period ending two (2) years after the date of this Agreement,

(a) A&S shall not, directly, or indirectly, (i) solicit or induce, or attempt to solicit or induce, any Retained Employee (other than a Retained Employee employed prior to the Effective Time at the Company's corporate level), any employee of the Company or any Retained Subsidiary hired after the date of this Agreement ("Company Subsequent Hire") or any employee of the Parent or its Subsidiaries ("Parent Employee") to leave the employ of the Company, the Parent or any of their Subsidiaries for any reason whatsoever, or (ii) hire any Retained Employee, any Company Subsequent Hire or Parent Employee; provided however, that the prohibition imposed by this subparagraph (ii) shall not apply to any person whose employment by the Company, Parent or any of their Subsidiaries is terminated by such entity; and

(b) Neither the Company, Parent nor any of their respective Subsidiaries shall, directly or indirectly, (i) solicit or induce, or attempt to solicit or induce, any A&S Employee or any employee of A&S or any subsidiary thereof hired after the date of this Agreement ("A&S Subsequent Hire") to leave the employ of A&S or any subsidiary thereof for any reason whatsoever, or (ii) hire any A&S Employee or any A&S Subsequent Hire; provided however, that the prohibition imposed by this subparagraph (ii) shall not apply to any person whose employment by A&S or any subsidiary thereof is terminated by such entity.

Section 8.7. ACTIONS BY A&S. Any action required to be taken under this Article VIII may be taken by A&S, a Subsidiary of A&S or an entity formed pursuant to the provisions of Section 3.2(b).

ARTICLE IX
INSURANCE

Section 9.1. GENERAL. Except as otherwise agreed in writing between the parties, the Company shall maintain until the Effective Time all policies of liability, fire, extended coverage, fidelity, fiduciary, workers' compensation and other forms of insurance in effect as of the date hereof insuring the products, properties, assets and operations of A&S; provided, however, that coverage of the products, properties, assets and operation of A&S under such policies shall cease as of the Effective Time.

Section 9.2. CERTAIN INSURED CLAIMS. The Company shall (a) use reasonable efforts, upon A&S's written request and at A&S's sole expense, to continue to maintain and renew for the benefit of A&S the insurance policies under the Casualty Program with respect to claims having an occurrence

date (as the term "occurrence date" is customarily defined) prior to the Effective Time, relating to, or arising out of the conduct of, the A&S Business, and (b) use reasonable efforts and cooperate with A&S, upon A&S's written request and at A&S's sole expense, to obtain coverage, recoveries and other benefits under such policies for the benefit of A&S, including, without limitation, by filing and pursuing claims with respect to obtaining such coverage, recoveries and other benefits; provided that in no event shall the Company be obligated to litigate or pursue any other extra-contractual remedies against any insurer; provided further that all claims pursuant to this Section 9.2 shall be submitted, investigated, processed and paid in accordance with the claims handling procedures used by the Company and its Affiliates from time to time with respect to other like claims. The Company will reimburse A&S for any recovery obtained by it pursuant to such claims. The Company shall make available to A&S such of its employees as A&S may reasonably request as witnesses or deponents in connection with A&S's pursuit of claims.

ARTICLE X
CONDITIONS; TERMINATION; AMENDMENTS; WAIVERS

Section 10.1. CONDITIONS TO SPLIT-OFF.

(a) The obligations of each of the Company and A&S to effect the Split-Off (other than those obligations which are normally expected to precede the Split-Off) shall be subject to the satisfaction of the following conditions: (i) the Purchaser shall have notified the Company that it is prepared to immediately accept for payment shares of Company Common Stock pursuant to the terms and conditions of the Merger Agreement, (ii) the Form S-1 (or the registration statement referred to in Section 3.1(a) hereof) shall have been declared effective by the SEC, (iii) no Court Order or Law shall have been enacted, promulgated, issued or entered against any of the parties hereto which (x) prohibits or materially restricts consummation of any of the transactions contemplated by this Agreement and (y) remains in effect as of the date on which the satisfaction of this condition is determined, (iv) the Company and the Retained Subsidiaries (other than A&S) shall have obtained all consents required to be obtained by the Company as a result of or in connection with the transactions contemplated by this Agreement in order to avoid a material default under any material contract or agreement to or by which the Company or any of their respective Subsidiaries is a party or may be bound, or otherwise necessary to permit the Company and each of the Retained Subsidiaries to conduct their business in a manner consistent with its past practices, (v) A&S shall have declared the Company Dividend and paid the Initial Distribution, and (vi) all consents and approvals of, and notices to and filings with, any Governmental Entity or any other person or entity arising out of or relating to the consummation of the transactions contemplated by this Agreement, shall have been obtained or made (as the case may be).

(b) The parties hereto acknowledge and agree that (x) Parent may waive, on behalf of all parties hereto, the conditions set forth in clauses (iii), (iv) and (vi) of Section 10.1(a) above so long as (1) Parent reasonably believes that consummation of the Split-Off at such time will have no material adverse effect on A&S or the A&S Business and (2) Parent agrees to indemnify A&S pursuant to the provisions of Article V hereof with respect to any Indemnifiable Losses which result from any material

adverse effect on A&S or the A&S Business which results directly from such waiver, and (y) the Company may not waive any of the conditions set forth in Sections 10.1(a)(i) through 10.1(a)(vi) above without first obtaining the prior written consent of Parent. The respective obligations of each party hereto to perform those of its obligations which are to be performed following consummation of the Split-Off, shall be conditioned on the consummation of the Split-Off in accordance with the provisions of this Agreement.

Section 10.2. TERMINATION. This Agreement (i) may be terminated and the Split-Off abandoned at any time prior to the Effective Time by the mutual written agreement of each of the parties hereto or (ii) shall be terminated automatically and the Split-Off abandoned upon any termination of the Merger Agreement in accordance with the terms and conditions thereof. In the event that this Agreement shall be terminated pursuant to this Section 10.2, all obligations of the parties hereto under this Agreement shall terminate without further liability or obligation of any party hereto to the other parties hereto under this Agreement or otherwise, except (i) for any breach by such party of the terms and provisions of this Agreement prior to the date of such termination and (ii) as stated in Section 11.3 hereof.

Section 10.3. AMENDMENTS; WAIVERS. This Agreement may be amended, modified or supplemented only by written agreement of each of the parties hereto. Any term or provision of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument executed by such party. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants, agreements or conditions contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by any party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

ARTICLE XI
MISCELLANEOUS

Section 11.1 SURVIVAL OF INDEMNITIES; RELEASE. The representations and warranties made in Section 6.1 of this Agreement shall survive for a period of three years from the Effective Time, but shall not survive any termination of this Agreement; provided that claims with respect to breaches of covenants and agreements set forth in this Agreement shall survive for the applicable statute of limitations period. Except as otherwise expressly provided in this Agreement (including, without limitation, the indemnification provisions of Article V hereof), each of the parties (a) agrees that no claims or causes of action may be brought against the Company, A&S, Parent or the Purchaser or any of their Affiliates, agents or representatives based upon, directly or indirectly, any of the representations and warranties contained in this Agreement after three years following the Effective Time (other than causes of actions commenced after such three-year period to seek recourse for claims asserted during such three-year period that are not resolved by the parties), and (b) hereby waives and releases all other claims and causes of action, that may be asserted or brought against the Company, A&S, Parent or the Purchaser or any of their Affiliates, agents or representatives directly or indirectly based upon or arising under this Agreement or the Merger Agreement, or the transactions contemplated hereby or thereby. Notwithstanding the foregoing, this Section 11.1 shall not limit any covenant or agreement of the parties in this Agreement, the Merger Agreement or the Tax Sharing Agreement which contemplates performance after the Effective Time (including, without limitation, the covenants and agreements set forth in Sections 2.1(b) and 6.2 hereof), except for the covenants and agreements in the Merger Agreement to the extent of their performance prior to the Effective Time.

Section 11.2 ENTIRE AGREEMENT. This Agreement (including the schedules and exhibits and the agreements and other documents referred to herein, including, without limitation, the Merger Agreement, the Tax Sharing Agreement and the Confidentiality Agreement) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior negotiations, commitments, agreements and understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof.

Section 11.3 FEES AND EXPENSES. Except as otherwise provided in this Agreement, the Merger Agreement or the Tax Sharing Agreement and subject to the proviso below, all costs and expenses incurred by the Company and each of the Retained Subsidiaries and by A&S in connection with (x) the preparation, execution and delivery of this Agreement, the Merger Agreement and the Tax Sharing Agreement and (y) consummating such party's obligations hereunder and thereunder (including, without limitation, investment banking, legal, accounting, audit and printing costs and expenses), shall be paid by the Company, upon the submission to the Company of appropriate documentation detailing such costs and expenses.

Section 11.4 GOVERNING LAW. This Agreement shall be governed by and interpreted and enforced in accordance with the substantive laws of the State of Ohio, without giving effect to the choice of law principles thereof.

Section 11.5 NOTICES. All notices and other communications hereunder shall be (and shall be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, telex, telecopy or other standard form of telecommunication, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) If to the Company, to:

Essef Corporation
c/o Anthony & Sylvan Pools Corporation
220 Park Drive
Chardon, Ohio 44024
Facsimile No.: (440) 286-2206
Attention: Mark E. Brody

with a copy to:

Squire, Sanders & Dempsey L.L.P.
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114
Facsimile No.: (216) 479-8776
Attention: Mary Ann Jorgenson, Esq.

(b) If to A&S, to:

Anthony & Sylvan Pools Corporation
220 Park Drive
Chardon, Ohio 44024
Facsimile No.: (440) 286-2206
Attention: Stuart D. Neidus

with a copy to:

Squire, Sanders & Dempsey L.L.P.
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114
Facsimile No.: (216) 479-8776
Attention: Mary Ann Jorgenson, Esq.

(c) If to Parent or Purchaser, to:

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
Saint Paul, Minnesota 55113-3105
Facsimile No.: (651) 639-5203
Attention: Richard J. Cathcart

with a copy to:

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
Saint Paul, Minnesota 55113-3105
Facsimile No.: (651) 639-5203
Attention: Louis L. Ainsworth, Esq.

with a copy to:

Foley & Lardner
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5367
Facsimile No.: (414) 297-4900
Attention: Benjamin F. Garmer, III, Esq.

Section 11.6 SUCCESSORS AND ASSIGNS; NO THIRD PARTY BENEFICIARIES. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto (which consent may not be unreasonably withheld), except that any party shall have the right, without the consent of any other party hereto, to assign all or a portion of its rights, interests and obligations hereunder to one or more direct or indirect subsidiaries, but no such assignment of obligation shall relieve the assigning party from its responsibility therefor. Notwithstanding the foregoing, A&S shall be permitted to assign its rights and obligations under this Agreement to one of its Affiliates (the "A&S Transferee") prior to the Effective Time so long as (x) such assignment shall not relieve A&S from its joint responsibility therefor and (y) such assignment does not adversely affect any of the rights, benefits or obligations of Parent or any of the Parent Indemnified Parties under this Agreement or the Merger Agreement; provided that in the event of any such assignment to the A&S Transferee, all references to A&S shall be automatically deemed to be references to A&S. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, except for the provisions of Section 8.1 hereof, nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies

of any nature whatsoever under or by reason of this Agreement; provided, however, that the Indemnified Parties are intended to be third party beneficiaries of the provisions of Article V hereof, and shall have the right to enforce such provisions as if they were parties hereto.

Section 11.7 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 11.8 INTERPRETATION. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 11.9 SCHEDULES. The Disclosure Schedule shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

Section 11.10 LEGAL ENFORCEABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 11.11 CONSENT TO JURISDICTION. Each of the parties hereto irrevocably and unconditionally (a) agrees that all suits, actions or other legal proceedings arising out of this Agreement or any of the transactions contemplated hereby (a "Suit") shall be brought and adjudicated solely in the United States District Court for the Northern District of Ohio, or, if such court will not accept jurisdiction, in any court of competent civil jurisdiction sitting in Cleveland, Ohio, (b) submits to the non-exclusive jurisdiction of any such court for the purpose of any such Suit and (c) waives and agrees not to assert by way of motion, as a defense or otherwise in any such Suit, any claims that it is not subject to the jurisdiction of the above courts, that such Suit is brought in an inconvenient forum or that the venue of such Suit is improper. Each of the parties hereto also irrevocably and unconditionally consents to the service of any process, summons, pleadings, notices or other papers in a manner permitted by the notice provisions of Section 11.5 hereof and agrees that any such form of service shall be effective in connection with any such Suit; provided that nothing contained in this Section 11.11 shall affect the right of any party to serve process, pleadings, notices or other papers in any other manner permitted by applicable Law.

Section 11.12 SPECIFIC PERFORMANCE. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, each non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties hereto (a) will waive, in any action for specific performance, the defense of adequacy of a remedy at law and (b) shall be entitled, in addition to any other remedy to which they may be entitled at law or in equity, to compel specific performance of this Agreement in any action instituted in any court referred to in Section 11.11 hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers, all as of the date first written above.

ESSEF CORPORATION

By: /s/ Thomas B. Waldin

Name: Thomas B. Waldin

Title: President

ANTHONY & SYLVAN POOLS CORPORATION

By: /s/ Stuart D. Neidus

Name: Stuart D. Neidus

Title: Chief Executive Officer

PENTAIR, INC.

By: /s/ Richard J. Cathcart

Name: Richard J. Cathcart

Title: Executive Vice President

DISCLOSURE SCHEDULE

TAX SHARING AGREEMENT

THIS TAX SHARING AGREEMENT is dated as of the 30th day of April, 1999, by and between Pentair, Inc., a Minnesota corporation ("Pentair"), Essef Corporation, an Ohio corporation ("Essef"), and Anthony & Sylvan Pools Corporation, an Ohio corporation ("A&S").

R E C I T A L S

WHEREAS, Essef currently owns 100 percent of the total voting power and value of the issued and outstanding stock of A&S and is the common parent of an "affiliated group," as defined in Section 1504(a) of the Internal Revenue Code of 1986, as amended ("Code"); and

WHEREAS, Pentair and Essef have executed an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which the shareholders of Essef will receive both cash and shares of A&S in exchange for all of their shares of Essef and, at the conclusion of the merger, Pentair will own 100 percent of the outstanding shares of Essef; and

WHEREAS, A&S has heretofore joined with Essef in filing Consolidated Tax Returns for a consolidated group that includes Essef, A&S, and certain other corporations (the "Essef Group") for a taxable year that ends on September 30, and most recently ended on September 30, 1998, and Essef, A&S, and Pentair consider it in their mutual best interests to provide herein for the allocation of the federal income tax, and state, local, and foreign income, franchise, and other tax liabilities (collectively, "Tax Liabilities") of A&S and the remainder of the Essef Group for taxable years ended prior to the Closing Date of the Merger Agreement (the "Closing Date") and for the taxable year that includes the Closing Date;

NOW, THEREFORE, in consideration of the premises, it is agreed as follows:

1. DEFINITIONS. For purposes of this Agreement:

a. "Consolidated return," "consolidated group," "taxable year," "carryback," and similar terms used herein and bearing on federal income tax liability shall have the respective meanings ascribed to them in the Code and the Treasury Regulations thereunder, and, where applicable, specifically the provisions thereof relating to consolidated federal income tax returns. For state, local, or foreign tax purposes, such terms shall be interpreted and applied in a manner so as to achieve as nearly as possible the intention reflected herein with respect to the federal income tax.

b. "Accountant" means Ernst & Young LLP, or such other United States of America accounting firm as A&S and Essef may mutually agree.

c. "Tax" or "Taxes" means any federal, state, local, foreign, or other tax of any kind whatsoever (together with any interest, penalties, or additions imposed with respect thereto), including, without limitation, income, gross receipts, license, payroll, employment, excise,

severance, stamp, occupation, service, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, rental, lease, ad valorem, or other tax.

d. "Tax Affiliate" means, with respect to any Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with, such Person; provided, however, that for purposes of this Agreement, Tax Affiliates of Essef will not include A&S.

e. "Tax Benefit" means a reduction in the amount of Taxes that would otherwise be payable, whether resulting from a deduction, credit, reduced gain or increased loss from the disposition of an asset, or otherwise; a person will be deemed to have recognized a Tax Benefit at the time the amount of Taxes such person otherwise would pay is reduced;

f. "Tax Returns" means all returns, declarations, reports, claims for refunds, information returns, statements, and other forms required to be filed with respect to any Taxes, including any schedule or attachment thereto, and including any amendments or supplements thereof.

g. "Final Determination" means with respect to any Tax for any period the later of (i) the date on which the statute of limitations for instituting a claim for refund of such Tax has expired, or if such claim was filed, the expiration of the time for instituting suit with respect thereto; and (ii) the date on which all administrative and judicial proceedings with respect to any such assessments or refunds have been finally settled through agreement of the parties to the proceeding or by an administrative or judicial decision from which no appeal can be taken or the time for taking any such appeal has expired.

h. "Income Taxes" means any Tax based on or measured by or with respect to gross or net income (including, without limitation, capital gain taxes, minimum taxes, income taxes collected by withholding and Taxes on Tax preference items) or receipts (together with any interest, penalties, and additions to Tax imposed with respect thereto).

i. "Income Tax Return" means any Tax Return with respect to Income Taxes.

j. "Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated association, a limited liability company, a governmental entity (or any department, agency, or political subdivision thereof), or any other entity.

k. "Split-Off" shall have the same meaning as in the Merger Agreement.

l. "Transition Agreement" means that certain agreement dated April 30, 1999 among Essef, A&S, and Pentair for the purpose of implementing certain of the transfers and other transactions contemplated by the Merger Agreement, and particularly the Split-Off.

2. TAXES ALLOCATED TO PENTAIR AND ESSEF. Pentair and Essef will be responsible for, will pay or cause to be paid, and will indemnify and hold A&S harmless from and against any and all liability for the following Taxes:

a. all Taxes imposed on or asserted against Essef, Pentair, or any of their Tax Affiliates (including any obligations for Tax Liabilities of other Persons that have been assumed, by indemnity or otherwise, by Essef, Pentair, or any of their Tax Affiliates) with respect to any taxable periods, and, subject to Section 4(a) hereof, all Taxes imposed on or asserted against A&S (including any obligations for Tax Liabilities of other Persons that have been assumed, by indemnity or otherwise, by A&S or any of its Tax Affiliates on or before the Closing Date) with respect to all taxable periods that end on or prior to the Closing Date, including any short taxable year of A&S that ends on the Closing Date either by operation of law or pursuant to an election made as provided in Section 3(a) hereof;

b. subject to Section 4(a) hereof, all Taxes imposed on or asserted against A&S arising out of the inclusion of A&S in any consolidated return filed by Essef, Pentair, or any of their Tax Affiliates, including, without limitation, any liability asserted under section 1502-6 of the U.S. Treasury regulations and any similar provisions relating to state, local, or foreign Taxes;

c. subject to the provisions of Section 4(b) hereof, all Taxes imposed on Essef, A&S, or any of their Tax Affiliates as a result of the Split-Off pursuant to the Merger Agreement;

d. all Taxes arising as a result of any election filed under section 338 of the Code, or any similar provision of state, local, or foreign law, as a result of Pentair's acquisition of the shares of Essef pursuant to the Merger Agreement; and

e. all Taxes allocated to Essef, Pentair, or any of their Tax Affiliates pursuant to Section 3 hereof.

3. STRADDLE PERIODS.

a. With respect to any taxable period of A&S that would (absent an election) include, but not end until after, the Closing Date (a "Straddle Period"), Pentair, Essef (including its Tax Affiliates), and A&S will, to the extent permitted by applicable law, elect with the relevant Tax authority to close such Straddle Period as of the close of the Closing Date.

b. Pentair and Essef will be responsible for, will pay or cause to be paid, and will indemnify and hold A&S harmless from and against, any Income Taxes owed by A&S for the portion of any Straddle Period up to and including June 30, 1999. For purposes of this Section 3(b), Income Taxes for the portion of a Straddle Period up to and including June 30, 1999, will be determined based upon an interim closing of the books of A&S as of June 30, 1999, based upon the accounting practices and procedures used by A&S in preparing its Tax Returns.

c. As to any Tax other than an Income Tax (a "Non-Income Tax") for any Straddle Period, Pentair and Essef will be responsible for, will pay or cause to be paid, and will indemnify and hold A&S harmless from and against, (i) with respect to any Non-Income Tax that is determined based upon specific transactions (including, but not limited to, value added, sales and use Taxes), all Non-Income Taxes applicable to transactions that have occurred during the period through June 30, 1999, and (ii) with respect to any Non-Income Tax that is not based upon specific transactions (including, but not limited to, license, real property, personal property, franchise and doing business Taxes), a portion of such Non-Income Tax equal to the full amount of such Non-Income Tax multiplied by a fraction, the numerator of which is the number of days in the Straddle Period ending on June 30, 1999 and the denominator of which is the number of days in the entire Straddle Period; provided that Pentair's and Essef's allocation will be adjusted appropriately to reflect the actual proportionate period of property ownership or the activity of A&S during the Straddle Period, as applicable, for any such Non-Income Taxes imposed with respect to the ownership of specific items of property held by A&S or the activity of A&S, as applicable, during the Straddle Period.

d. Pentair and Essef will pay to A&S the amount of any Tax Benefit recognized by Essef that is attributable to any loss or other Tax attribute that, if the Split-Off had occurred on June 30, 1999, would have been reported by A&S on its own Tax Returns, or that otherwise results from the activities or operations of A&S after June 30, 1999.

4. TAXES ALLOCATED TO A&S.

a. Other than those Taxes for which Pentair or Essef is responsible pursuant to Sections 2 and 3 hereof, A&S will be responsible for, will pay or cause to be paid, and will indemnify and hold Pentair and Essef harmless from and against any and all Taxes imposed on A&S if, in the case of Income Taxes, the taxable income accrued after June 30, 1999, or if, in the case of other Taxes, the event giving rise to the Tax occurred after June 30, 1999.

b. Within 30 calendar days of the Closing Date, A&S will pay to Essef the amount, if any, computed under this subsection, which will be determined as prescribed below.

i. First, calculate the Tax that Essef will owe on the gain recognized as a result of the Split-Off of the A&S stock (the "A&S Stock Tax") pursuant to the Merger Agreement, using (x) an assumed effective tax rate of 39 percent, (y) the stock value determined under Section 5 hereof, and (z) the tax basis reflected in Essef's books and records at the beginning of the Closing Date, as adjusted for the net amount of dividend distributed by A&S pursuant to Section 4.1 of the Transition Agreement, after any adjustments required by the Code and the Treasury regulations.

ii. Second, calculate the Tax Benefit that Essef will recognize because of payments (whether in cash or otherwise) made in satisfaction of compensatory stock options (including options accelerated in connection with the Merger), pursuant to the Merger Agreement (the "Essef Stock Option Tax Benefit"), using an assumed effective tax rate of 39 percent.

iii. Third, calculate the nondeductible cash payments that Essef is obligated to make as a result of the accelerated vesting of compensatory stock options (the "Parachute Cost").

iv. Fourth, calculate the surplus (the "Surplus") or shortfall (the "Shortfall") in the proceeds (the "Proceeds") received by or credited to Essef upon the exercise of the compensatory stock options referenced in (ii) above. The Surplus shall be the amount by which the Proceeds exceed $5.8 million and the Shortfall shall be the amount by which $5.8 million exceeds the Proceeds. However, there shall be no Shortfall for purposes hereof unless the Proceeds are less than $5.55 million and there shall be no Surplus for purposes hereof unless the Proceeds are greater than $6.05 million.

v. To the extent that the excess of (x) the sum of the Essef Stock Option Tax Benefit plus the Surplus over (y) the sum of the A&S Stock Tax plus the Parachute Cost plus the Shortfall (which excess is referred to as the "Net Tax Benefit") is less than $4.2 million, A&S will pay to Essef the amount by which $4.2 million exceeds the Net Tax Benefit. At A&S's option, any amount owing to Essef under this subsection may be satisfied and discharged by A&S's delivering to Essef a promissory note consistent with the terms set forth in Exhibit A hereto.

vi. To the extent that the Net Tax Benefit exceeds $4.2 million, the consequences thereof are not the subject of this Agreement but will be addressed as prescribed in Section 4.1 of the Transition Agreement.

vii. Apart from any amount payable under this Section, A&S will have no obligation to Essef, Pentair, or any of their Tax Affiliates on account of the A&S Stock Tax or the Essef Stock Option Tax Benefit.

viii. The time deadlines prescribed herein will apply notwithstanding any other timing provisions of this Agreement. The calculations contemplated by this subsection will be made initially by A&S within 30 calendar days after the Closing Date and will then promptly be presented to Essef for its review and approval. If Essef disagrees with any of the calculations, it will notify A&S within 30 calendar days of receiving the calculations from A&S. In the event of such a disagreement, representatives of the parties will meet to resolve their differences. If they are unable to resolve all disagreements within 10 calendar days after Essef has notified A&S of the disagreement, any remaining disagreements will be resolved as prescribed in Section 14 hereof. The due date for any payments required under this subsection will be extended by the period of time required to resolve any disagreements between Essef and A&S with regard to the calculations.

5. For purposes of computing the capital gain tax referenced in Sections 2(c) and 4(b) hereof, the parties agree as follows:

a. The A&S stock is expected to be publicly traded, beginning on the Closing Date, on the NASDAQ market. The parties will value the A&S stock at the mean between the high and the low trading prices on the first full day of trading following the Closing, unless, after reviewing the results of the first five trading days following the Closing, either Pentair or A&S, each in its sole discretion, determines that such value does not reflect the value of the A&S shares for tax purposes on the Closing Date.

b. If either Pentair or A&S makes the determination referenced immediately above, the parties will commence discussions and attempt to agree on the value for the A&S stock (the "Value") based upon the trading pattern of the A&S stock and on other relevant facts and circumstances, including an appraisal obtained from Rhone Group of the fair market value of the A&S stock on the Closing Date, which appraisal will reflect in substantial part the trading prices obtained in the public securities market for the Essef stock in the last several days prior to the Closing Date.

c. If after 15 calendar days following the commencement of the discussions referenced above, Pentair and A&S have not agreed on the Value, the question will be referred to binding arbitration by an arbitrator (the "Arbitrator") mutually agreeable to both Pentair and A&S. The Arbitrator shall be either a tax partner in one of the five largest public accounting firms doing business in the United States or a tax partner in a law firm having at least 20 professionals listed firm-wide in the most recent edition of The Tax Directory published by Tax Analysts. In either case, the Arbitrator shall be an individual with expertise in the issues of law and fact that relate to the valuation of corporate stock distributed in corporate spin-offs or split-offs. The Arbitrator shall base his decision on the considerations referenced in Section 5(b).

6. REFUNDS OF INDEMNIFIED TAXES.

a. A&S will promptly remit to Pentair or Essef an amount equal to all refunds (including interest thereon and any amounts applied against a Tax Liability for other taxable periods) of any Taxes for which A&S is indemnified pursuant to this Agreement ("Essef's Refunds").

b. Pentair and Essef will promptly remit (and will cause their Tax Affiliates to promptly remit) to A&S an amount equal to all refunds (including interest thereon and any amounts applied against a Tax Liability for other taxable periods) of any Taxes for which Essef is indemnified pursuant to this Agreement ("A&S's Refunds").

c. Upon the request of Essef, A&S will file claims for Essef's Refunds in such form as Essef may reasonably request. Essef will have the sole right to prosecute any claims for Essef's Refunds (by suit or otherwise) at Essef's expense and with counsel of Essef's choice. A&S will cooperate fully with Essef and its counsel in connection with any claims for Essef's Refunds.

d. Upon the request of A&S, Essef will file claims for A&S's Refunds in such form as A&S may reasonably request. A&S will have the sole right to prosecute any claims for

A&S's Refunds (by suit or otherwise) at A&S's expense and with counsel of A&S's choice. Essef will cooperate fully with A&S and its counsel in connection with any claims for A&S's Refunds.

e. Except as otherwise provided in this Agreement, any refunds of Taxes other than Essef's Refunds or A&S's Refunds will be the property of the payee of such refunds and no other party to this Agreement or its Tax Affiliates will have any right to such refunds.

7. TAX CARRYBACKS

a. If A&S incurs any net operating loss, net capital loss, or other deduction or credit in any taxable period ending after the Closing Date (a "Post-Closing Carryback") that may be carried back to any taxable period ending on or before the Closing Date, Essef and Pentair will cooperate with A&S in filing an appropriate refund claim or amended Tax Return and will assign and promptly remit to A&S the amount of any refund of Tax received by, or Tax Benefit recognized by, Pentair or Essef or any of their Tax Affiliates, as a result of such Post-Closing Carryback.

b. If Pentair or Essef makes any remittance to A&S under Section 7(a) hereof and all or part of such Post-Closing Carryback is subsequently disallowed, then A&S shall promptly pay to Essef or Pentair that portion of the remittance that relates to the portion of the Post-Closing Carryback that is disallowed and, in addition thereto, any other costs or expenses incurred by Pentair or Essef in respect to the disallowed portion of the Post-Closing Carryback, including any interest attributable thereto that is assessed by the taxing authority.

8. NO OBLIGATION TO FILE AMENDED TAX RETURNS. Except as otherwise specifically provided in this Agreement, neither A&S, Pentair, or Essef, nor any of their respective Tax Affiliates, will be obligated to file any amended Tax Return or other Tax refund claim.

9. PREPARATION AND FILING OF TAX RETURNS.

a. Pentair or Essef will prepare or cause to be prepared, and file or cause to be filed (i) all consolidated, combined, or unitary Income Tax Returns of Essef or any of its Tax Affiliates that include A&S and that are listed in Schedule 9(a)(i) hereto, and (ii) all Income Tax Returns required to be filed by or on behalf of A&S for taxable periods ending on or before the Closing Date (including by reason of any election under Section 3 hereof) and that are listed in Schedule 9(a)(ii) hereto, and (iii) all other Tax Returns required to be filed by or on behalf of A&S on or before the Closing Date. Pentair and Essef covenant that, except for the returns referenced in Schedule 9(a)(i) hereto, neither they nor any of their Tax Affiliates will file or cause to be filed any consolidated, combined, or unitary returns that include A&S without giving A&S at least 30 days notice of their intent to do so and obtaining the prior written approval of A&S to being so included.

b. A&S will prepare or cause to be prepared, and file or cause to be filed, all Tax Returns of A&S other than those set forth in Section 9(a) hereof. A&S will prepare all A&S Tax Returns for taxable periods including, but ending after, the Closing Date ("Straddle

Period Returns") in a manner consistent with A&S's past Tax accounting practice and, in the absence thereof, reasonable Tax accounting practices selected by A&S.

c. Neither Pentair, Essef, nor A&S, nor any of their Tax Affiliates, will exercise any election available under section 1.1502-76(b)(2) of the U.S. Treasury regulations or any corresponding provisions of other Tax laws for any Straddle Period.

d. A&S will assist Pentair or Essef in timely obtaining any required signatures or other filing requirements in respect of Tax Returns prepared by Pentair or Essef for A&S pursuant to section 9(a).

e. Upon request of either A&S or Essef, the other party shall make available prior to filing (and after filing) for inspection and copying all Tax Returns and related workpapers with respect to Taxes to the extent that (i) such Tax Return relates to Taxes for which the requesting party may be liable, (ii) such Tax Return relates to Taxes for which the requesting party may be liable in whole or in part for any additional Taxes owing as a result of adjustments to the amount of Taxes reported on such Tax Return, (iii) the requesting party reasonably determines that it must inspect such Tax Return to confirm compliance with the terms of this Agreement. A&S and Essef shall attempt in good faith to resolve any issues arising out of the review of such Tax Returns.

10. PROCEDURES FOR SETTLEMENT OF TAX ALLOCATIONS.

a. This Section 10(a) will govern the settlement as between A&S, on the one hand, and Essef and Pentair, on the other hand, of all Straddle Period Tax allocations for Taxes that are reported on a Straddle Period Return. With respect to each Straddle Period Return that involves Taxes subject to allocation pursuant to Section 3(b) hereof, A&S will, at least sixty (60) days prior to the final due date (including extensions) of such Straddle Period Return, provide to Essef (i) a copy of such Straddle Period Return (including supporting schedules and workpapers) and (ii) a statement (including supporting schedules and workpapers) certifying the amount of Tax shown on such Straddle Period Return that is allocable to Essef pursuant to Section 3(b) hereof reduced by any payments made by A&S prior to the Closing Date, and by Essef and its Tax Affiliates at any time, in respect of such Taxes (whether as estimated Taxes or otherwise) (the "Statement"). Essef and its authorized representatives will have the right to review the Statement for thirty (30) days following its receipt of the Statement (the "30-Day Review Period"). If Essef disagrees with the allocation in the Statement, it will notify A&S in writing of such disagreement prior to the close of the 30-Day Review Period, and Essef and A&S will consult and attempt to resolve in good faith the disagreement. In the event, Essef and A&S are unable to resolve the disagreement within fifteen (15) days following the end of the 30-Day Review Period, Essef and A&S will jointly request that the disagreement be resolved pursuant to the procedures prescribed in Section 14 hereof. Not later than five (5) days after the later of (i) the end of the 30-Day Review Period, or (ii) if there is a disagreement, the date notice is provided to Essef and A&S regarding the resolution of the disagreement pursuant to Section 14, Essef or Pentair shall pay to A&S or A&S will pay to Essef or Pentair, as the case may be, an amount equal to the difference between the Taxes shown on the Statement or in such notice (as the case may be)

as being allocable to Essef pursuant to Section 3(b) hereof, and (ii) any payments made by A&S on or prior to the Closing Date, and by Essef and its Tax Affiliates at any time, in respect of such Taxes (whether as Estimated Taxes or otherwise).

b. This Section 10(b) will govern the settlement as between A&S, on the one hand, and Essef and Pentair, on the other hand, of all Straddle Period Tax allocations for Taxes that are not required to be reported on a Straddle Period Return (e.g., Taxes that are assessed without the filing of a Tax Return). With respect to each such Tax subject to allocation pursuant to Section 3(b) hereof, A&S will, at least thirty (30) days prior to the final due date of such Tax, provide to Essef (i) a copy of the Tax assessment or other supporting schedules and workpapers and (ii) a statement (including supporting schedules and workpapers) certifying the amount of Tax that is allocable to Essef pursuant to Section 3(b) hereof reduced by any payments made by A&S on or prior to the Closing Date, and by Essef and its Tax Affiliates at any time, in respect of such Taxes (whether as estimated Taxes or otherwise) (the "Statement"). Essef and its authorized representatives will have the right to review the Statement for ten (10) days following Essef's receipt of the Statement (the "10-Day Review Period"). If Essef disagrees with the allocation in the Statement, it will notify A&S in writing of such disagreement prior to close of the 10-Day Review Period, and Essef and A&S will consult and attempt to resolve in good faith the disagreement. In the event Essef and A&S are unable to resolve the disagreement within ten (10) days following the end of the 10-Day Review Period, Essef and A&S will jointly request to resolve the disagreement pursuant to Section 14. Not later than five (5) days after the later of (i) the end of the 10-Day Review Period, or (ii) if there is a disagreement, the date notice is provided to Essef and A&S regarding the resolution of the disagreement pursuant to Section 14, Essef or Pentair will pay to A&S or A&S will pay to Essef, as the case may be, an amount equal to the difference between (i) the Taxes shown on the Statement or in such notice (as the case may be) as being allocable to Essef pursuant to Section 3(b) hereof, and (ii) any payments made by the A&S on or prior to the Closing Date, and by Essef and its Tax Affiliates at any time, in respect of such Taxes (whether as estimated Taxes or otherwise).

11. COOPERATION; ACCESS TO INFORMATION; TAX RECORDS.

a. Essef and A&S will cooperate fully with each other with respect to, and will make available to each other, such Tax data and other information as may be reasonably required for (i) the preparation of any Tax Returns required to be prepared by Essef or A&S under this Agreement, (ii) determining the liability for and amount of any Taxes due or the right to and amount of any refund of Taxes, (iii) examinations of Tax Returns, and (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed. Such cooperation shall include making all information and documents in their possession relating to such Tax Returns, Tax Liabilities or refunds, examinations, or administrative or judicial proceedings available to the other party as provided in Section 11(b) hereof. Essef and A&S shall also make available to the other, as reasonably requested and available, personnel (including officers, directors, employees and agents of Essef and A&S and their Tax Affiliates) responsible for preparing, maintaining and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any administrative or judicial

proceedings relating to Taxes. Any information or documents provided under this Section 11, shall be kept confidential by the party receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes.

b. Essef and A&S and their respective Tax Affiliates shall make available to each other for inspection and copying during normal business hours upon reasonable notice all Tax records in their possession to the extent reasonably required by the other party in connection with the preparation of Tax Returns, audits, litigation, or the resolution of items under this Agreement. Essef, A&S, and their respective Tax Affiliates shall preserve and keep such Tax records in their possession until the expiration of any applicable statutes of limitation and as otherwise required by law, but in any event for a period not less than eight (8) years after the Closing Date. Notwithstanding the foregoing, a party or its Tax Affiliates may dispose of records sooner upon ninety (90) days prior notice to the other party. Such notice shall include a list of the records to be disposed of describing in reasonable detail each file, book or other record accumulation being disposed. The notified party shall have the opportunity, at its cost and expense, to copy or remove, within such ninety (90) day period, all or any part of such Tax records. For purposes of this Section 11, Tax records include Tax Returns, journal vouchers, cash vouchers, general ledgers, material contracts, return workpapers, and any other records pertaining to or used in the preparation of Tax Returns.

12. AUDITS.

a. A&S or Essef (the "Notifying Party") will promptly notify the other (the "Notified Party") in writing upon the receipt of notice of any pending or threatened Tax audits or assessments (i) relating to any taxable period of A&S ending on, prior to, or including the Closing Date, or (ii) that may affect the determination of Taxes for which the Notified Party is or may be obligated to indemnify the Notifying Party pursuant to this Agreement. The notice required under this Section 12(a) is referred to in this Agreement as the "Audit Notification."

b. Subject to Section 12(c) hereof, the Notified Party will have the right, at its election, (i) to represent the Notifying Party and to exclusively control the handling of any Tax audit or assessment referred to in Section 12(a) hereof, including in any administrative or court proceeding relating thereto, (ii) to employ counsel of its choice at its expense and to control the conduct of such audit, assessment, or proceeding, including settlement or other disposition thereof and (iii) to settle the contest of any Tax or agree to an adjustment to any Tax referred to in Section 12(a) (the rights under (i), (ii) and (iii) are referred to in this Agreement collectively as the "Representation Right"); PROVIDED, however, that the Representation Right will apply only to any issues or items (x) relating to any taxable period of A&S ending on, prior to, or including the Closing Date, or (y) that may affect the determination of Taxes for which the Notified Party is or may be obligated to indemnify the Notifying Party pursuant to this Agreement. As reasonably necessary, the Notifying Party will fully cooperate, and will cause its Tax Affiliates to fully cooperate, at the Notified Party's expense, with the Notified Party and its counsel in the defense against or compromise

of any claim in any said audit, assessment, or proceeding, such cooperation to include (but not be limited to) the grant of any necessary powers of attorney.

c. To exercise the Representation Right, the Notified Party must first, within a reasonable period following the receipt of the Audit Notification, (i) notify the Notifying Party in writing that the Notified Party intends to exercise the Representation Right, and (ii) deliver to the Notifying Party a written statement acknowledging the Notified Party's obligation to indemnify the Notifying Party in accordance with the terms of this Agreement with respect to the Taxes as to which the Notified Party exercises the Representation Right.

d. The Notifying Party's personnel shall have the right to participate in any administrative or judicial proceedings for which the Notified Party exercises its Representation Right (including assisting with field audits, administrative appeals, and subsequent litigation) in so far as they relate to the Notifying Party, and such participation shall be reflected by the grant of appropriate powers of attorney.

e. A&S and Essef shall have exclusive control of all administrative and judicial proceedings related to their respective Taxes other than those described in Section 12(a).

f. For so long as the Notified Party is exercising its Representation Right, it shall not be required to indemnify the Notifying Party pursuant to Section 13 hereof until there occurs a Final Determination of the liability of A&S for the Tax.

13. PROCEDURES FOR OBTAINING INDEMNIFICATION.

a. If either Essef or A&S (the "Indemnified Party") determines that it or any of its Tax Affiliates is or may be entitled to indemnification by the other party (the "Indemnifying Party") under this Agreement as a result of the allocations of responsibility for Taxes set forth in Sections 2 through 4, the Indemnified Party will promptly deliver to the Indemnifying Party a written notice and demand therefor (the "Notice") specifying the basis for its claim for indemnification, the nature of the claim, and, if known, the amount for which the Indemnified Party reasonably believes it or any of its Tax Affiliates is entitled to be indemnified. The Notice must be received by the Indemnifying Party no later than thirty (30) days before the expiration of the applicable Tax statute of limitations; provided, however, that if the Indemnified Party does not receive notice from the applicable governmental taxing authority ("Government Notice") that an item exists that could give rise to a claim for indemnification hereunder more than thirty (30) days before the expiration of the applicable Tax statute of limitations, then the Notice must be received by the Indemnifying Party immediately after the Indemnified Party receives the Government Notice. Unless the Indemnifying Party objects to the claim for indemnification (in the manner set forth in Section 13(b) hereof), and subject to Section 12(f), the Indemnifying Party will pay the Indemnified Party the amount set forth in the Notice, in cash or other immediately available funds, within thirty (30) days after receipt of the Notice; provided, however, that if the amount for which the Indemnified Party reasonably believes it is entitled to be indemnified is not known at the time of the Notice, the Indemnified Party will deliver to the Indemnifying

Party a further notice specifying such amount as soon as reasonably practicable after such amount is known and payment will then be made as set forth above.

b. The Indemnifying Party may object to the claim for indemnification (or the amount thereof) set forth in any Notice by giving the Indemnified Party, within thirty (30) days following receipt of such Notice, written notice setting forth the Indemnifying Party's grounds for so objecting (the "Objection Notice"). If the Indemnifying Party does not give the Indemnified Party the Objection Notice within such thirty (30)-day period, the Indemnifying Party may exercise any and all of its rights under applicable law to collect such amount.

c. If Essef and A&S are unable to settle any dispute regarding a claim for indemnification within thirty (30) days after receipt of the Objection Notice, they will, in accordance with Section 14, jointly request to resolve the dispute as promptly as possible under the procedures set forth in Section 14.

d. Failure by the Indemnified Party to promptly deliver to the Indemnifying Party a Notice in accordance with Section 13(a) hereof will not relieve the Indemnifying Party of any of its obligations under this Agreement except to the extent the Indemnifying Party is prejudiced by such failure.

e. The indemnification provisions of this Section 13 shall be the exclusive remedy following the Closing Date for the allocation of Taxes pursuant to this Agreement.

14. PROCEDURES FOR RESOLVING DISPUTES. Except as provided in Section 5, if Essef and A&S fail to mutually agree on the resolution of any of the matters in this Agreement that require the agreement of the parties, then such matter shall be referred to the Accountant for a binding determination. Essef and A&S shall deliver to the Accountant copies of any schedules or documentation that may be reasonably required by the Accountant to make its determination. Essef and A&S shall be entitled to make presentations to the Accountant in connection therewith. Essef and A&S shall use all reasonable efforts to cause the Accountant to promptly complete such determination. The determination of the Accountant shall be final and binding on all parties. The costs incurred in retaining the Accountant to make a determination shall be shared equally by Essef and A&S.

15. PAYMENT. If a party (the "Payor") fails to make a payment due and owing under this Agreement to the other party or any of its Tax Affiliates (the "Payee") within 10 business days after the parties hereto agree (or there is a binding determination by the Accountant) that such payment is due and owing, the Payor will pay to the Payee interest on such payment from and including the date the parties reach such agreement (or such binding determination is made) to but excluding the day the Payor makes such payment, at a rate equal to seven percent (7%) per annum.

16. AMENDMENTS. Any amendment, supplement, variation, alternation, or modification to this Agreement must be made in writing and duly executed by an authorized representative or agent of each of the parties hereto.

17. ASSIGNMENT. This Agreement and all the rights and obligations granted hereby shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, it being expressly agreed that this Agreement shall not be assigned nor shall any rights or obligations arising hereunder be transferred by one party without the prior written consent of the other parties. Prior to the Closing Date, Essef and A&S may elect to form a holding company for the ownership of the A&S stock. In that event, (i) Essef will transfer the shares of A&S stock to the holding company and shares of common stock of the holding company will be issued in substitution of the A&S stock in the Split-Off and (ii) the benefits and obligations contemplated by this Tax Sharing Agreement will be binding upon and inure to the holding company, provided that A&S will not be released from its obligations hereunder.

18. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior or contemporaneous understandings, negotiations, or agreements between the parties relating to the transactions contemplated hereby or the subject matter of this Agreement, and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives.

19. NO WAIVER. The failure in any one or more instances of a party to insist upon performance of any of the terms, covenants, or conditions of this Agreement, to exercise any right or privilege conferred in this Agreement, or to waive any breach of any of the terms, covenants, or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights, or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

20. NO DOUBLE RECOVERY. No provision of this Agreement shall be construed to provide an indemnity or other recovery for any Taxes, costs, damages, or other amounts for which the damaged person has been fully compensated under any other provision of this Agreement or under any other agreement or action at law or in equity.

21. SEVERABILITY. Any provisions of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdictions, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any other jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, each party hereby waives any law that renders any provision hereof prohibited or unenforceable in any respect.

22. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and all such counterparts shall be deemed to constitute one and the same instrument.

23. FEES, COSTS AND EXPENSES. Except as otherwise provided herein, each party shall be responsible for its own fees, costs, and expenses incurred by it in connection with this Agreement.

24. THIRD PARTY BENEFICIARIES. Nothing in this Agreement is intended to create, nor shall anything in this Agreement be deemed to create or have created, any third party beneficiary rights.

25. CONSTRUCTION. All references to this Agreement shall include all attachments hereto, and words importing the singular shall include the plural and vice versa, and words importing a gender shall include other genders.

26. HEADINGS. The descriptive section headings contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provision of this Agreement.

27. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, five (5) business days after mailing when mailed by certified mail, return receipt requested, or one (1) business day after sending via Federal Express or similar overnight courier service, or when receipt is confirmed when sent by facsimile. Such notices or other communications shall be sent to the following addresses, unless other addresses are subsequently specified in writing:

a. If to the Essef, to:

Essef Corporation
c/o Anthony & Sylvan Pools Corporation
220 Park Drive
Chardon, Ohio 44024
Facsimile No.: (440) 286-2206
Attention: Mark E. Brody

with a copy to:

Squire, Sanders & Dempsey L.L.P.
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114
Facsimile No.: (216) 479-8776
Attention: Mary Ann Jorgenson, Esq.

b. If to A&S, to:

Anthony & Sylvan Pools Corporation
220 Park Drive
Chardon, Ohio 44024
Facsimile No.: (440) 286-2206
Attention: Stuart D. Neidus

with a copy to:

Squire, Sanders & Dempsey L.L.P.
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114
Facsimile No.: (216) 479-8776
Attention: Mary Ann Jorgenson, Esq.

c. If to Pentair, to:

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
Saint Paul, Minnesota 55113-3105
Facsimile No.: (651) 639-5203
Attention: Richard J. Cathcart

with a copy to:

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
Saint Paul, Minnesota 55113-3105
Facsimile No.: (651) 639-5203
Attention: Louis L. Ainsworth, Esq.

with a copy to:

Foley & Lardner
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5367
Facsimile No.: (414) 297-4900
Attention: Benjamin F. Garmer, III, Esq.

28. GOVERNING LAW. This Agreement shall be governed by and controlled as to its validity, enforcement, interpretation, construction, effect, and in all other respects by the laws of the State of Ohio (without giving effect to any choice or conflict of law provision or rule thereof) applicable to contracts made and to be performed in that State.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives as of the day and year first above written.

ESSEF CORPORATION

By: /s/ Thomas B. Waldin

Name: Thomas B. Waldin

Title: President

ANTHONY & SYLVAN POOLS CORPORATION

By: /s/ Stuart D. Neidus

Name: Stuart D. Neidus

Title: Chief Executive Officer

PENTAIR, INC.

By: /s/ Richard J. Cathcart

Name: Richard J. Cathcart

Title: Executive Vice President

EXHIBIT A

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STOCK PURCHASE AGREEMENT

by and between

FALCON BUILDING PRODUCTS, INC.

and

PENTAIR, INC.

Dated as of August 12, 1999

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT, dated as of August 12, 1999 (the "AGREEMENT"), is by and between Falcon Building Products, Inc., a Delaware corporation ("SELLER"), and Pentair, Inc., a Minnesota corporation ("PURCHASER").

WHEREAS, Seller is the owner of 100% of the issued and outstanding capital stock (the "SHARES") of Falcon Manufacturing, Inc., a Delaware corporation (the "COMPANY");

WHEREAS, the Company is the owner of 100% of the issued and outstanding capital stock of DeVilbiss Air Power Company, a Delaware corporation (the "SUBSIDIARY"); and

WHEREAS, Seller desires to sell to Purchaser the Shares, and Purchaser desires to purchase for the amount provided herein, and on the terms and subject to the conditions set forth in this Agreement, the Shares.

NOW, THEREFORE, in consideration of the mutual terms, conditions and other covenants and agreements set forth herein, the parties hereto hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF THE SHARES

Section 1.1 PURCHASE AND SALE OF THE SHARES. Subject to the terms and conditions hereof, on the Closing Date, Seller shall sell, assign, transfer and deliver to Purchaser, free and clear of all liens, the Shares, and Purchaser shall purchase the Shares from Seller, at the price and in the manner set forth in this Article I.

Section 1.2 PURCHASE PRICE. The aggregate purchase price for the Shares is Four Hundred Sixty Million Dollars ($460,000,000) (the "BASE PURCHASE PRICE"), subject to adjustment as provided in Section 1.4 hereof.

Section 1.3 CLOSING PAYMENT. At the Closing, Purchaser shall deliver to Seller payment, by wire transfer to a bank account designated in writing by Seller at least two business days prior to the Closing Date, of immediately available funds in an amount equal to the Base Purchase Price plus or minus the Estimated Adjustment Amount (as defined herein). The "Estimated Adjustment Amount" means the amount by which the Base Purchase Price would be adjusted pursuant to Section 1.4 hereof based upon an estimated Closing Date balance sheet of the Company and the Subsidiary prepared in good faith by Seller in a manner consistent with the accounting methods and practices followed in the preparation of the March Balance Sheet (as defined in Section 2.5), which balance sheet will be delivered to Purchaser not less than five (5) business days prior to the Closing Date. The Base Purchase Price plus or minus the Estimated Adjustment Amount is referred to herein as the "CLOSING DATE AMOUNT".

Section 1.4 POST CLOSING PURCHASE PRICE ADJUSTMENT.

(a) As soon as practicable after the Closing Date, but in any event not later than the 60th day after the Closing Date, Seller shall prepare and deliver to Purchaser a consolidated balance sheet of the Company and the Subsidiary as of the Closing Date in the form set forth in Schedule 1.4, prepared in a manner consistent with the accounting methods and practices followed in the preparation of the March Balance Sheet (the "CLOSING BALANCE SHEET"), and a certificate of Seller that the Closing Balance Sheet has been prepared in such manner. Purchaser shall assist Seller in the preparation of the Closing Balance Sheet and shall provide Seller and its independent auditors access at all reasonable times to the personnel, properties, books and records of the Company and the Subsidiary for such purpose. Purchaser's independent auditors may participate in the preparation of the Closing Balance Sheet; PROVIDED, HOWEVER, that Purchaser acknowledges that Seller shall have the primary responsibility and authority for preparing the Closing Balance Sheet.

(b) During the 30-day period following Purchaser's receipt of the Closing Balance Sheet, Purchaser and its independent auditors shall be permitted to review the working papers relating to the Closing Balance Sheet. The Closing Balance Sheet shall become final and binding upon the parties on the 30th day following delivery thereof, unless Purchaser gives written notice of its disagreement with the Closing Balance Sheet (a "NOTICE OF DISAGREEMENT") to Seller prior to such date. Any Notice of Disagreement shall (i) specify in reasonable detail the nature of any disagreement so asserted, (ii) only include disagreements based on mathematical errors or based on Net Operating Assets not being calculated in accordance with this Section 1.4 and (iii) be accompanied by a certificate of Purchaser that it has complied with the covenants set forth in Section 1.4(e). If a Notice of Disagreement is received by Seller in a timely manner, then the Closing Balance Sheet (as revised in accordance with this sentence) shall become final and binding upon Seller and Purchaser on the earlier of (A) the date Seller and Purchaser resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (B) the date any disputed matters are finally resolved in writing by the Accounting Firm (as defined herein). During the 30-day period following the delivery of a Notice of Disagreement, Seller and Purchaser shall seek in good faith to resolve any differences that they may have with respect to the matters specified in the Notice of Disagreement. During such period, Seller and its auditors shall have access to the working papers of Purchaser and its auditors prepared in connection with their certification of the Notice of Disagreement. At the end of such 30-day period, Seller and Purchaser shall submit to a nationally recognized independent public accounting firm (the "ACCOUNTING FIRM") for review and resolution any and all matters that remain in dispute and were properly included in the Notice of Disagreement. The Accounting Firm shall be Arthur Andersen or, if such firm is unable or unwilling to act, such other nationally recognized independent public accounting firm as shall be agreed upon by the parties hereto in writing. The scope of the disputes to be resolved by the Accounting Firm shall be limited to whether the calculation of Net Operating Assets was done in accordance with this Section 1.4, and whether there were mathematical errors in such calculation.

The Accounting Firm is not to make any other determination. Seller and Purchaser agree to use reasonable efforts to cause the Accounting Firm to render a decision resolving the matters submitted to the Accounting Firm within 30 days following submission or, if earlier, as soon as reasonably practicable after submission. Judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. The cost of the fees and expenses of the Accounting Firm pursuant to this Section 1.4 shall be borne by Purchaser and Seller in inverse proportion as they may prevail on matters resolved by the Accounting Firm, which proportionate allocations shall also be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matters submitted. Each of Seller and Purchaser shall be responsible for the fees and disbursements of their respective independent auditors incurred as a result of this Section 1.4(b).

(c) The Base Purchase Price shall be increased by the amount by which Net Operating Assets (as finally determined in accordance with this Section 1.4) exceeds $132,353,000 or the Base Purchase Price shall be decreased by the amount by which Net Operating Assets (as finally determined in accordance with this Section 1.4) is less than $132,353,000, as the case may be. The Base Purchase Price as so increased or decreased shall hereinafter be referred to as the "ADJUSTED PURCHASE PRICE". If the Closing Date Amount is less than the Adjusted Purchase Price, Purchaser shall, and if the Closing Date Amount is more than the Adjusted Purchase Price, Seller shall, within five business days after the Closing Balance Sheet becomes final and binding on the parties, make payment by wire transfer in immediately available funds of the amount of such difference, together with interest thereon at a rate of six percent (6%), calculated on the basis of the actual number of days elapsed divided by 365, from the Closing Date to the date of payment. Either party may, in its discretion, make a payment to the other pursuant to this Section 1.4 prior to final determination of the Closing Balance Sheet for purpose of reducing the interest it may be obligated to pay pursuant to such provision.

(d) The term "NET OPERATING ASSETS" means the amount by which the sum of (i) Trade Receivables Net, (ii) Inventories Net, (iii) Other Current Assets and (iv) Property, Plant & Equipment (before Accumulated Depreciation) exceeds the sum of (A) Trade Payables, (B) Other Accounts Payable, (C) Accrued Income Taxes-State, and (D) Other Accrued Expenses as set forth on the Closing Balance Sheet.

(e) During the period of time from and after the Closing Date through the resolution of any adjustment to the Purchase Price contemplated by this Section 1.4, Purchaser shall afford to Seller and any accountants, counsel or financial advisers retained by Seller in connection with any adjustment to the Purchase Price contemplated by this Section 1.4 reasonable access upon advance notice and during normal business hours to all the properties, books, contracts, personnel and records of the Company and the Subsidiary relevant to the adjustment contemplated by this Section 1.4.

Section 1.5 CLOSING. Upon the terms and subject to the conditions contained herein, the closing of the transactions contemplated hereby (the "CLOSING") shall take place at the offices of Gibson, Dunn & Crutcher LLP, 200 Park Avenue, 48th Floor, New York, New York 10166, or any other mutually agreed upon location, at 9:00 a.m. New York City time on the date (the "CLOSING DATE") which is three (3) business days after the conditions set forth in Article V hereof have been satisfied or waived, or any other mutually agreed upon time. At the Closing, the parties will deliver to each other such certificates and other documents as are reasonably agreed upon.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

Section 2.1 ORGANIZATION.

(a) Seller is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted.

(b) Each of the Company and the Subsidiary is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted, and is duly qualified or licensed or in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to have such power or authority or to be qualified or licensed and in good standing would not constitute a Material Adverse Effect (as defined herein). The states in which each of the Company and the Subsidiary is, as of the date hereof, qualified to do business are listed on Schedule 2.1. Except for the Company's ownership of 100% of the capital stock of the Subsidiary, neither the Company nor the Subsidiary owns or controls, directly or indirectly, any other equity interest in any corporation, partnership, joint venture, limited liability company, trust, firm or other entity. The Company has heretofore made available to Purchaser accurate and complete copies of the certificate of incorporation and by-laws, as in effect on the date hereof, of the Company and the Subsidiary.

Section 2.2 CAPITALIZATION.

(a) The authorized capital stock of the Company consists of 1,100 shares of common stock, par value $1.00 per share, of which 1,000 shares are issued and outstanding. All of the issued and outstanding Shares have been validly issued, fully paid and are nonassessable and were not issued in violation of any preemptive rights or rights of any person to acquire such Shares. Except as disclosed on Schedule 2.2(a), all such Shares are owned by Seller free and clear of all liens, charges, security interests, claims or

encumbrances, and there are no subscriptions, options, warrants, calls or other agreements or commitments to which Seller or the Company is a party relating to the issuance, sale, purchase, redemption, conversion, exchange, transfer or voting of any shares of capital stock of the Company, and there are no outstanding stockholder agreements, voting trusts, proxies or other agreements or understandings with respect to or concerning the purchase, sale or voting of any of the equity securities of the Company.

(b) The authorized capital stock of the Subsidiary consists of 3,000 shares of common stock, par value $0.10 per share, of which 100 shares are issued and outstanding. All such shares have been validly issued, fully paid and are non-assessable and were not issued in violation of any preemptive rights or rights of any person to acquire such securities. Except as disclosed on Schedule 2.2(b), all such shares are owned by the Company free and clear of all liens, charges, security interests, claims or encumbrances, and there are no subscriptions, options, warrants, calls or other agreements or commitments to which Seller, the Company or the Subsidiary is a party relating to the issuance, sale, purchase, redemption, conversion, exchange, transfer or voting of any shares of capital stock of the Subsidiary, and there are no outstanding stockholder agreements, voting trusts, proxies or other agreements or understandings with respect to or concerning the purchase, sale or voting of any of the equity securities of the Subsidiary.

Section 2.3 AUTHORITY RELATIVE TO THIS AGREEMENT. Seller has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the other documents and instruments to be executed and delivered by Seller pursuant hereto and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors of Seller. No other corporate approvals are required on the part of Seller, the Company or the Subsidiary or their respective stockholders to authorize the execution and delivery of this Agreement or the other documents and instruments to be executed and delivered by Seller to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Seller and, assuming the due authorization, execution and delivery hereof by Purchaser, constitutes a valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, except that such enforceability (a) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (b) is subject to general principles of equity.

Section 2.4 CONSENTS AND APPROVALS; NO VIOLATIONS.

(a) Except for applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), no filing with, and no permit, authorization, consent or approval of, any governmental body or authority is necessary for the consummation by Seller of the transactions contemplated by this Agreement.

(b) Except as disclosed on Schedule 2.4, the execution and delivery of this Agreement by Seller and the consummation by Seller of the transactions contemplated

hereby and compliance by Seller with any of the provisions hereof will not (i) violate any provision of the certificate of incorporation or by-laws of Seller, the Company or the Subsidiary, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default or give rise to any right of termination, cancellation, material modification or acceleration under, or result in the creation of any lien or encumbrance on any asset of the Company or the Subsidiary under, any note, bond, mortgage, indenture, license, contract, lease, agreement or other instrument or obligation to which Seller, the Company or the Subsidiary is a party or by which any of them or any of their properties or assets may be bound, except for such violations, breaches, defaults, rights, liens and encumbrances that would not, individually or in the aggregate, constitute a Material Adverse Effect or (iii) assuming compliance with the HSR Act, violate any order, writ, injunction, decree, statute, treaty, rule or regulation applicable to Seller, the Company, the Subsidiary or any of their properties or assets.

Section 2.5 FINANCIAL STATEMENTS. Attached as Schedule 2.5 are true and correct copies of the Company's unaudited consolidated balance sheet and statement of income for the year ended December 31, 1998, and the Company's unaudited consolidated balance sheets and statements of income for the three months ended March 31, 1999 (the "MARCH BALANCE SHEET") and the six months ended June 30, 1999 (collectively, the "FINANCIAL Statements"). Except as disclosed on Schedule 2.5, the Financial Statements have been prepared in accordance with generally accepted accounting principles, subject to the Company Accounting Policies (as described in Schedule 2.5), applied on a consistent basis, have been prepared in accordance with the books and records of the Company and the Subsidiary and fairly present in all material respects the consolidated financial position of the Company and the Subsidiary as at the dates thereof and the consolidated results of the Company and the Subsidiary's operations for the periods then ended except, in the case of interim financial statements, for normal year-end adjustments.

Section 2.6 ABSENCE OF CERTAIN CHANGES; NO UNDISCLOSED LIABILITIES. Except as set forth in Schedule 2.6 or as contemplated by this Agreement, since December 31, 1998, the Company and the Subsidiary have conducted their businesses in the ordinary course consistent with past practices and have not (a) suffered any change, condition, event or occurrence which, individually or in the aggregate, is reasonably likely to constitute a Material Adverse Effect, (b) entered into or modified any material transaction, other than according to the ordinary and usual course of such businesses or (c) made any material change in the Company's accounting principles. Except (x) for liabilities or obligations incurred in the ordinary course of business, (y) for liabilities or obligations incurred in connection with the transactions contemplated by this Agreement and (z) as set forth on Schedule 2.6, since December 31, 1998, the Company and the Subsidiary have not incurred any liabilities or obligations (whether absolute, accrued, contingent or otherwise) and, to the knowledge of Seller, there is no basis for any such liability or obligation, that would be required to be reflected or reserved against in a consolidated balance sheet of the Company prepared in accordance with generally accepted accounting principles. None of the liabilities described in clauses (x), (y) or (z) of the preceding sentence has or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 2.7 NO DEFAULT. Except as disclosed on Schedule 2.7, neither the Company nor the Subsidiary is in default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a default or violation) of any term, condition or provision of (a) its certificate of incorporation or its by-laws, (b) any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which the Company or the Subsidiary is now a party or by which it or any of its properties or assets may be bound except in the case of (b) for any defaults or violations which, individually or in the aggregate, have not had and are not reasonably likely to have a Material Adverse Effect.

Section 2.8 LITIGATION. Except as disclosed on Schedule 2.8 there is no action, suit, arbitration, claim, proceeding or governmental investigation pending nor, to the knowledge of Seller, has Seller, the Company or the Subsidiary received any written notice or threat of any action, suit, arbitration, claim, proceeding or governmental investigation involving the Company or the Subsidiary before any court or other governmental or regulatory body which is reasonably likely to result in a liability of the Company or the Subsidiary in excess of $500,000 or have a material adverse effect on the ability of Seller to consummate the transactions contemplated by this Agreement.

Section 2.9 CERTAIN AGREEMENTS. Except as disclosed on Schedule 2.9, and excluding contracts, agreements or commitments for the sale or purchase of products by the Subsidiary in the ordinary course of its business as of the date hereof, neither the Company nor the Subsidiary is a party to or bound by any contract, agreement or commitment (a) with respect to which the aggregate of payments to become due from or to the Company or the Subsidiary are in excess of $1,000,000 or for which the cost to terminate such contract, agreement or commitment is in excess of $1,000,000 or (b) which is otherwise material to the Company and the Subsidiary taken as a whole. Except as disclosed on Schedule 2.9, neither the Company nor the Subsidiary is a party to or bound by any contract, agreement or commitment regarding the employment, services, consulting, termination or severance from employment of any director, officer or employee of the Company or the Subsidiary that provides for payments in excess of $100,000 in any year.

Section 2.10 TAXES. For the purposes of this Agreement, the term "taxes" shall mean all taxes (including without limitation, leasing, franchise, excise, income, gross receipts, sales, use, occupational, tangible and intangible personal property, real property and stamp taxes and taxes imposed under the Internal Revenue Code of 1986, as amended (the "CODE"), payments in lieu of taxes, levies, imposts, duties, assessments, fees (including, without limitation, license, documentation, recording and registration fees), charges and withholdings of any nature whatsoever, together with any penalties, fines, additions to tax, assessments or interest thereon, whether disputed or undisputed, howsoever due and owing to any federal, state, county, local or foreign government or to any governmental agency, subdivision or taxing authority of any of the foregoing by the Company or the Subsidiary or (for any taxable year with respect to which tax liability could be imposed on the Company or the Subsidiary pursuant to Treasury Regulation Section 1.1502-6) each consolidated, combined or affiliated group of which the Company or the Subsidiary is or has been a member. Except as disclosed on Schedule 2.10, the Company, the Subsidiary and each consolidated, combined or affiliated group of which the Company or the

Subsidiary is or has been a member for any taxable year for which tax liability could be imposed on the Company or the Subsidiary (a) have filed all federal, state, foreign and local tax returns in respect of income or similar taxes required to be filed for tax years ended prior to the date of this Agreement and in respect of which such filings have become due, except for those tax returns for which requests for extensions have been filed, and all such returns are complete and correct in all material respects, (b) have paid or accrued all taxes shown to be due and payable on such returns, and (c) have "open" years for federal income tax returns only as disclosed on Schedule 2.10. Except as disclosed on Schedule 2.10, (i) there are no audits or other examinations of the federal and state income tax returns of the Company or the Subsidiary pending or underway by the IRS or the appropriate state taxing authorities, and (ii) neither the Company nor the Subsidiary has received from the IRS or from the taxing authorities of any state, county, local or other jurisdiction any notice of underpayment of income taxes or other deficiency which has not been paid or accrued, nor has any objection been received with respect to any return or report filed by the Company or the Subsidiary. Except as disclosed on Schedule 2.10, neither the Company nor the Subsidiary is a party to any agreement providing for the allocation or sharing of taxes. The provision made for taxes on the March Balance Sheet was sufficient for the payment of all taxes owed as of the date thereof. Since the date of the March Balance Sheet, neither the Company nor the Subsidiary has incurred any taxes other than taxes incurred in the ordinary course of business consistent in type and amount with past practices.

Section 2.11 ENVIRONMENTAL MATTERS. Except as disclosed on Schedule 2.11, to the knowledge of Seller, the properties, assets and operations of the Company and the Subsidiary are in compliance with applicable federal, state and local laws, rules, regulations, orders, decrees, judgments, permits, licenses, common law and other requirements relating to the protection of human health or the environment including those relating to the generation, handling, disposal, transportation, release, threatened release or remediation of Hazardous Materials (as defined herein), other than any such failures to be in compliance which are not, in the aggregate, reasonably likely to constitute a Material Adverse Effect. With respect to such properties, assets and operations, except as disclosed on Schedule 2.11, (a) there are no conditions, circumstances, omissions, actions or plans of the Company or the Subsidiary that are reasonably expected to interfere with, prevent compliance with, impose liability under, or which give rise to any claim under, any applicable Environmental Law, (b) neither the Company nor the Subsidiary has received written notice from any court or governmental or regulatory body that the Company or the Subsidiary is in violation or allegedly in violation of, does not comply or allegedly does not comply with, is responsible or potentially responsible for the investigation or cleanup of Hazardous Materials under, or that there is a basis for liability or alleged liability under, any applicable Environmental Law, (c) there is no civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, investigation, proceeding, order, decree, directive, notice or demand letter pending or outstanding relating to Environmental Laws and relating to the Company or the Subsidiary or any uses, activities or operations at or in connection with the Real Property threatened against the Company or the Subsidiary or the Real Property relating to any Environmental Laws and (d) neither the Company nor the Subsidiary has received written notice of a claim pursuant to any agreement that requires it to pay, reimburse, guaranty, pledge, defend, indemnify or hold harmless any person for or against liabilities or costs arising in connection with Hazardous Materials or under Environmental Laws. "Hazardous Material"

means any substance: (i) the presence of which requires investigation or remediation under any Environmental Law or (ii) which is defined, regulated or designated as a "hazardous waste," "hazardous substance," pollutant, or contaminant under any Environmental Law including, without limitation, asbestos, polychlorinated biphenyls, petroleum, crude oil or natural gas, or fractions thereof.

Section 2.12 EMPLOYEE BENEFIT MATTERS.

(a) All employee benefit plans covering current or former employees of the Company and the Subsidiary or with respect to which the Company or the Subsidiary has liability (excluding any benefit plans referred to in the Agreement, dated October 1, 1994, among the Company, the Pension Benefit Guaranty Corporation (the "PBGC") and the other signatories thereto) are listed on Schedule 2.12(a), except such benefit plans which are not material (the "BENEFIT PLANS"). True and complete copies of the Benefit Plans and material related documents have been made available to Purchaser. Except as provided in Schedule 2.12(a), to the extent applicable, the Benefit Plans comply in all material respects with the requirements of applicable law including, without limitation, the Employment Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code, and any Benefit Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination from the Internal Revenue Service (the "IRS") or such Benefit Plan has been submitted to the IRS for determination of its qualified status. There has been no application for waiver or waiver of the minimum funding standards imposed by Section 412 of the Code and no "accumulated funding deficiency" within the meaning of Section 412(a) of the Code exists with respect to any Benefit Plan. Except as provided in Schedule 2.12(a), neither the Company nor the Subsidiary has incurred any material liability or penalty (i) under Section 4975 of the Code or Section 406 of ERISA with respect to any Benefit Plan, or (ii) to the PBGC (except for PBGC premiums). Except as provided in Schedule 2.12(a), each Benefit Plan has been maintained and administered in all material respects in compliance with its terms and with applicable law including, without limitation, ERISA and the Code to the extent applicable thereto. To the knowledge of Seller and the Company, there are no pending, nor has Seller, the Company or the Subsidiary received notice of any threatened, material claims (other than routine claims for benefits) against or otherwise involving any of the Benefit Plans. All material contributions required to be made as of the date of this Agreement to the Benefit Plans to which the Company or the Subsidiary is required to contribute have been made or provided for.

(b) Except as provided in Schedule 2.12(b), no Benefit Plan provides for post-employment health, life insurance, or other welfare benefit coverage, other than as may be required under "COBRA" pursuant to Part VI of Title I of ERISA. Except as set forth on Schedule 2.12, each Benefit Plan can be amended or terminated at any time without approval from any person (other than the board of directors of the plan sponsor or the plan administrator), without advance notice (other than the notice required by Section 204(h) of ERISA for defined benefit pension plans), and without liability other than for benefits accrued prior to such amendment or termination. Except as disclosed in

Schedule 2.12(b), with respect to each Benefit Plan and any other similar arrangement or plan either currently or previously terminated, maintained, or contributed to by any entity which either is currently or was previously under common control with the Company as determined under Code Section 414 or ERISA Section 4001(a)(14), no event has occurred and no condition exists that after the Closing Date could subject Purchaser, directly or indirectly, to any liability under Section 412, 413, 4971, 4975, or 4980B of the Code or Section 302, 502, 515, 601, 606, or Title IV of ERISA. Except as set forth on Schedule 2.12(b), no agreement, commitment, or obligation exists to increase any benefits under any Benefit Plan or to adopt any new Benefit Plan. No Benefit Plan has any unfunded accrued benefits that are not fully reflected in the Financial Statements to the extent required by generally accepted accounting principles. No Benefit Plan is a multiemployer plan (as defined in ERISA Sections 3(37) or 4001(a)(3). Neither the Company nor the Subsidiary contributes to or maintains any multiple-employer plan within the meaning of Section 413 of the Code.

(c) Seller has provided Purchaser with a list of each Transferred Employee who participates in the SERP (as defined in Section 4.13(i)) and the current level of benefits provided to such SERP participants.

Section 2.13 BROKERS. No broker, finder or investment banker (other than Salomon Smith Barney Inc.) is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Seller, the Company or the Subsidiary.

Section 2.14 LABOR RELATIONS. Except as set forth in Schedule 2.14, as of the date hereof (a) there are no collective bargaining agreements to which either the Company or the Subsidiary is a party or by which it is bound and (b) to the knowledge of Seller, there are no pending or threatened activities regarding the establishment, modification or extension of any such collective bargaining agreement.

Section 2.15 INTELLECTUAL PROPERTY. Set forth on Schedule 2.15 is a complete list of, as of the date thereon, all patents and trademarks owned or licensed by the Company or the Subsidiary. Except as set forth in Schedule 2.15, the Company or the Subsidiary owns or possesses adequate rights to use all patents, trademarks, trade names, inventions, processes, designs, formulas, know-how and other intellectual property rights used by it in the conduct its business as presently conducted. Except as set forth in Schedule 2.15, to the knowledge of the Company, neither the Company nor the Subsidiary has received any written notice or claim since December 31, 1998 asserting that the Company or the Subsidiary has infringed or is infringing the intellectual property rights of any third party.

Section 2.16 REAL PROPERTY.

(a) Set forth on Schedule 2.16(a) is a complete list of all real property (i) owned by the Company or the Subsidiary (the "OWNED PROPERTY"), or in which the Company or the Subsidiary has legal, beneficial or equitable title together with the principal uses for which each such Owned Property is used and (ii) with respect to which the Company or the Subsidiary is lessee, sublessee, licensee or other occupant or user (the "LEASED PROPERTY" and, collectively with the Owned Property, the "REAL PROPERTY"), together with the principal uses for which each Leased Property is used.

(b) Seller has not received written notice of and has no knowledge of any claim of adverse possession or prescriptive rights involving any of the Real Property which has had or is reasonably likely to have a Material Adverse Effect. All of the Real Property is currently being ingressed and egressed by the Company or the Subsidiary to and from the public street systems for all usual street and road purposes. The Company has no knowledge of any order or decree requiring repair, alteration, or correction of any existing condition affecting any Real Property owned by the Company. Neither the Company nor the Subsidiary has received written notice of any material breach or event of default on its part under the lease for any Leased Property which is material to its business and has no knowledge of any material breach or default on the part of any other party to such lease. All material leases for Leased Property are in full force and effect and are valid and enforceable against the parties thereto in accordance with their terms. No material rental or other payments are delinquent under any such leases. Except as set forth on Schedule 2.16(b), the transactions contemplated hereby do not require the consent of any party to, and will not constitute an event of default under or permit any party to terminate or change the existing terms of, any material lease.

(c) Except as disclosed on Schedule 2.16(c), the Company or the Subsidiary, as applicable, has good and marketable title in fee simple to the Owned Property, good leasehold title to the Leased Property, and good title to all assets, businesses, plants, buildings, fixtures and improvements located on the Owned Property, in each case free and clear of any mortgages, deeds of trust, liens, security interests, judgments, options, encroachments, easements, rights-of-way and other imperfections of title. Except as disclosed on Schedule 2.16(c), neither the Company's nor the Subsidiary's assets, business or properties are subject to any restrictions with respect to the transferability thereof, and the Company's and the Subsidiary's title thereto will not be affected in any material way by the transactions contemplated hereby.

Section 2.17 COMPLIANCE WITH LAWS; LICENSES AND PERMITS. Except as set forth on Schedule 2.17, each of the Company and the Subsidiary is in compliance in all material respects with, and has for the past two years complied in all material respects with, all applicable laws, regulations and orders. Except as set forth on Schedule 2.17, neither the Company nor the Subsidiary has received written notice from any governmental or regulatory body of any violation or alleged violation of, or is subject to material liability for past or continuing violation of, any applicable laws, regulations and orders. The Company and the Subsidiary have all

material licenses, permits, approvals, authorizations and consents of all governmental or regulatory bodies and all certification organizations required, and all exemptions from requirements to obtain or apply for any of the foregoing, for the conduct of the business and the operation of the Company's and the Subsidiary's facilities. Except as set forth in Schedule 2.17, the Company and the Subsidiary are and have been in compliance, in all material respects, with all such permits, licenses, approvals, authorizations and consents.

Section 2.18 PRODUCT WARRANTY AND PRODUCT LIABILITY. Schedule 2.18 contains a true, correct and complete copy of the standard warranty or warranties of the Subsidiary for sales of Products and, except as expressly identified therein, there are no warranties, deviations from standard warranties, commitments or obligations with respect to the return, repair or replacement of Products. Schedule 2.18 sets forth the provision for warranty expense reflected on the Subsidiary's financial statements for the years ending December 31, 1997 and December 31, 1998 and for the six months ending June 30, 1999. Schedule 2.18 also contains a description of all pending product warranty and product liability claims. There are no defects in design, construction or manufacture of Products that would adversely affect performance or create an unusual risk of injury to persons or property. Except as set forth on Schedule 2.18, since June 17, 1997 none of the Products has been the subject of any replacement, field fix, retrofit, modification or recall campaign and, to the Subsidiary's knowledge, no facts or conditions exist which could reasonably be expected to result in such a recall campaign. All Products have been designed, manufactured and labeled so as to meet and comply in all material respects with all governmental standards and specifications and all applicable laws currently in effect, and have received all governmental approvals necessary to allow their sale and use. "PRODUCTS" means any and all products currently or at any time previously designed, manufactured, distributed or sold by the Subsidiary or any predecessor under any brand name or mark under which products are or have been manufactured, distributed or sold by the Subsidiary.

Section 2.19 EMPLOYMENT COMPENSATION. Schedule 2.19 contains a true and correct list of all employees to whom the Company or the Subsidiary is paying compensation, including bonuses and incentives, at an annual rate in excess of $100,000 for services rendered or otherwise.

Section 2.20 CERTAIN RELATIONSHIPS. Schedule 2.20 describes each lease, contract, agreement or other commitment between the Company or the Subsidiary, on the one hand, and any Affiliate or officer or director of the Company or the Subsidiary, on the other hand, obligating the Company or the Subsidiary to make payments to such Affiliate or officer or director other than agreements related to the employment of any such officer or director. No Affiliate or officer or director of the Subsidiary has any direct or indirect interest in (a) any entity that does business with the Company or the Subsidiary in connection with the operation of, or is competitive with, the business of the Company and the Subsidiary or (b) any property, asset or right that is used by the Company or the Subsidiary in the conduct of its business. "AFFILIATE" means the Company or the Subsidiary and any entity of which the Company or the Subsidiary owns, directly or indirectly, a 10% or greater equity interest.

Section 2.21 YEAR 2000. Except as identified on Schedule 2.21, to the Company's and the Subsidiary's knowledge, none of the Products and none of the personal property, equipment or assets owned or leased by the Company or the Subsidiary, including but not limited to computer software, databases, hardware, controls and peripherals, has characteristics or qualities that may cause it to fail to operate and produce data on and after January 1, 2000 (including taking into effect that such year is a leap year), or use data based on time periods on or after January 1, 2000 (including taking into effect that such year is a leap year), or use data based on time periods on or after January 1, 2000 (including taking into effect that such year is a leap year) accurately and without delay, interruption or error solely as a result of the fact that the time at which and the date on which such software is operating is on or after 12:00 a.m. on January 1, 2000 (including taking into effect that such year is a leap year) (a "YEAR 2000 DEFECT")). Except as identified on Schedule 2.21, to the Company's and the Subsidiary's knowledge, none of the property or assets owned or leased by the Company or the Subsidiary will fail to perform in any material respect or require any material repair, rewrite, conversion or other adaptation because of a Year 2000 Defect. To the Company's and the Subsidiary's knowledge, no software licensed by the Company or the Subsidiary contains a Year 2000 Defect. The Company and the Subsidiary have no obligations under warranty or service or other agreements to rectify a Year 2000 Defect of any person or to indemnify any person in the event the Company or the Subsidiary experience a Year 2000 Defect.

Section 2.22 INSURANCE. Schedule 2.22 sets forth a complete list and description of all policies (including the carrier, a description of coverage and the years for which such policies are applicable) of workers' compensation, general and product liability, automotive liability and umbrella or excess liability insurance for which the Company or the Subsidiary are named insureds (collectively, the "INSURANCE POLICIES").

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

Section 3.1 ORGANIZATION. Purchaser is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and is duly qualified or licensed or in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to have such power or authority or to be qualified or licensed and in good standing would not, individually or in the aggregate, have a Material Adverse Effect. Purchaser has heretofore made available to Seller accurate and complete copies of its certificate or articles of incorporation and by-laws, or equivalent organizational documents, and such documents have not been amended to date.

Section 3.2 AUTHORITY RELATIVE TO THIS AGREEMENT. Purchaser has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of Purchaser are necessary to authorize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming the due authorization, execution and delivery hereof by Seller, constitutes a valid and binding agreement of Purchaser, enforceable against it in accordance with its terms, except that such enforceability (a) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (b) is subject to general principles of equity.

Section 3.3 CONSENTS AND APPROVALS; NO VIOLATIONS.

(a) Except for applicable requirements of the HSR Act, no filing with, and no permit, authorization, consent or approval of any governmental body or authority is necessary for the consummation by Purchaser of the transactions contemplated by this Agreement.

(b) The execution and delivery of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby and compliance by Purchaser with any of the provisions hereof will not (i) violate any provision of the certificate or articles of incorporation or by-laws, or equivalent organizational documents, of Purchaser, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default or give rise to any right of termination, cancellation, material modification or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, agreement or other instrument or obligation to which Purchaser is a party or by which Purchaser or any of its properties or assets may be bound, except for such violations, conflicts and breaches that would not, individually or in the aggregate, constitute a Material Adverse Effect or (iii) assuming compliance with the HSR Act, violate any order, writ, injunction, decree, statute, rule or regulation applicable to Purchaser or any of its properties or assets.

Section 3.4 BROKERS. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

Section 3.5 FUNDS AVAILABLE. Purchaser will have available to it as of the Closing immediately available funds necessary to consummate the transactions contemplated hereby. To the extent such funds are to be provided by third parties, Purchaser has provided the Company with complete and correct copies of all documents relating to the provision of such funds.

Section 3.6 ABSENCE OF PROCEEDINGS. There is no action, suit, proceeding or investigation pending, or to the knowledge of Purchaser, threatened, against Purchaser which

might adversely affect or restrict Purchaser's ability to consummate the transactions contemplated by this Agreement.

Section 3.7 INVESTMENT INTENT. Purchaser is purchasing the Shares hereunder solely for its own account and with no intention of distributing or reselling the Shares or any part thereof, or interest therein, in any transaction that would be in violation of the Securities Act of 1933, as amended (the "SECURITIES ACT"), or any other securities laws of the United States of America or any state thereof.

Section 3.8 STATUS AS ACCREDITED INVESTOR. Purchaser is an "ACCREDITED INVESTOR" (as that term is defined in Rule 501 of Regulation D under the Securities Act). Purchaser has such knowledge and experience in business and financial matters so that Purchaser is capable of evaluating the merits and risks of an investment in the Shares. Purchaser understands the full nature and risk of an investment in the Shares. Purchaser further acknowledges that it has had access to the books and records of the Company and the Subsidiary, is generally familiar with the business being conducted by the Company and the Subsidiary and has had an opportunity to ask questions concerning the Company and the Subsidiary and the Shares; PROVIDED, HOWEVER, that nothing herein shall affect the representations and warranties of Seller hereunder.

Section 3.9 NO OUTSIDE RELIANCE. Purchaser has not relied and is not relying upon any statement or representation not made in this Agreement or a Schedule hereto or any document required to be provided by Seller pursuant to this Agreement.

ARTICLE IV

COVENANTS

Section 4.1 CONDUCT OF BUSINESS OF THE COMPANY. Except as contemplated by this Agreement, during the period from the date of this Agreement to the Closing, Seller will cause the Company to, and the Company will cause the Subsidiary to, conduct its operations according to its ordinary and usual course of business and consistent with past practices, and Seller will cause the Company to, and the Company will cause the Subsidiary to, use its commercially reasonable best efforts, consistent with prudent business judgment, to preserve intact its business organization, to keep available the services of its officers and employees and to maintain satisfactory relationships with licensors, suppliers, contractors, distributors, customers and others having business relationships with it. Without limiting the generality of the foregoing, and except as otherwise contemplated in Schedule 4.1 or elsewhere in this Agreement, prior to the Closing, Seller will cause the Company not to, and the Company will cause the Subsidiary not to, without the prior written consent of Purchaser (not to be unreasonably withheld):

(a) amend its certificate of incorporation or by-laws;

(b) issue, sell, encumber or deliver or agree or commit to issue, sell, encumber or deliver any shares of capital stock, or issue any securities convertible into, exchangeable for or representing a right to purchase or receive, or enter into any contract or arrangement with respect to the issuance of, shares of capital stock;

(c) split, combine or reclassify any shares of its capital stock; declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock; or redeem or otherwise acquire any of its securities or any securities of the Subsidiary;

(d) incur or guarantee any additional indebtedness for borrowed money other than (i) through intercompany borrowings from Seller in the ordinary course of business or (ii) borrowings under Seller's existing revolving credit facility and accounts receivable facility in the ordinary course;

(e) enter into, amend any existing, or adopt any new bonus, pension, change of control, deferred compensation, health, plant closing, profit sharing, severance or other employee benefit agreements that increase the total compensation of any officer, director or employee of the Company or the Subsidiary, increase the compensation or fringe benefits of any director, officer or employee of the Company or the Subsidiary, or enter into any contract, agreement, commitment or arrangement to do any of the foregoing, except for any of the foregoing with respect to employees of the Company or the Subsidiary which are (i) implemented in the ordinary course of business consistent with past practice and will not result in a material increase in benefits or compensation expense to the Company or the Subsidiary or (ii) to be paid by Seller in cancellation of any outstanding options to purchase Seller's capital stock;

(f) except for capital expenditures contemplated by clause (g) below and except in connection with the manufacture and sale of products in the ordinary course of business consistent with past practice, acquire (whether by merger, consolidation or otherwise), sell (whether by merger, consolidation or otherwise), lease, encumber, transfer or dispose of in excess of $500,000 of assets;

(g) make or commit to make any capital expenditures other than (i) consistent with the amended capital spending plan for the Subsidiary in 1999 attached as Schedule 4.1(g) and (ii) additional capital expenditures not exceeding $250,000 individually and not exceeding $2.0 million in the aggregate;

(h) make any material tax elections (except in the ordinary course of business consistent with past practice) or settle or compromise any material federal, state or local income tax liability in excess of any amounts that may have been reserved therefor, or waive or extend the statute of limitations in respect of any such taxes;

(i) (i) materially modify, amend or terminate any material contract or agreement to which it is a party or waive, release or assign any material rights or claims thereunder or (ii) settle any material suit or claim of liability against the Company;

(j) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles, methods or practices used by it;

(k) adopt a plan of complete or partial liquidation, dissolution, consolidation, restructuring, recapitalization, reorganization or merger;

(l) enter into an agreement or make a commitment (other than agreements or commitments under existing purchase arrangements) for the purchase or supply of products or components of products, which involves consideration or other expenditure, or to which the aggregate of payments to become due from or to the Company or the Subsidiary are, in excess of $1.0 million;

(m) directly or indirectly (through a representative or otherwise) solicit or furnish any information to any prospective buyer, commence, or conduct presently ongoing, negotiations with any other party or enter into any agreement with any other party concerning the sale of the Company, the Subsidiary, the Company's or the Subsidiary's assets or business or any part thereof, or any equity securities of the Company or the Subsidiary (an "ACQUISITION PROPOSAL"), and Seller shall immediately advise Purchaser of the receipt of any Acquisition Proposal; or

(n) enter into an agreement binding the Company or the Subsidiary to do any of the foregoing.

Section 4.2 ACCESS TO INFORMATION. From the date of this Agreement to the Closing, upon reasonable notice and to the extent permitted by applicable law, Seller will cause the Company to cause, and the Company will cause the Subsidiary to cause, their respective officers, directors, employees and auditors and agents to (a) give Purchaser and its accountants, counsel and other authorized representatives, reasonable access during normal business hours to the plants, offices, warehouses and other facilities, to Company and Subsidiary management, and to the books and records of the Company and the Subsidiary, (b) permit Purchaser and its authorized representatives to make such reasonable inspections as they may require and (c) furnish to Purchaser and its authorized representatives such financial and operating data and other information with respect to the business and properties of the Company and the Subsidiary as Purchaser may from time to time reasonably request. Without limiting the foregoing, Seller will cause the Company to, and the Company will cause the Subsidiary to, provide Purchaser with interim monthly financial statements of the Company and the Subsidiary as and when they are available.

Section 4.3 GOVERNMENT APPROVALS. Each of the parties hereto agrees to use its commercially reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement, including without limitation compliance with the HSR Act.

Section 4.4 THIRD PARTY CONSENTS. The Company and the Subsidiary will use commercially reasonable efforts prior to the Closing to obtain all consents, approvals and agreements of, and to give all notices and make all filings with, any third parties necessary to authorize, approve or permit the consummation of the transactions contemplated by this Agreement.

Section 4.5 PUBLIC ANNOUNCEMENTS. Prior to the Closing, neither party to this Agreement shall issue or seek the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without the consent of the other party, except as agreed by the parties or where such release or announcement is required by law or by the rules of the New York Stock Exchange; provided that, prior to making any permitted announcement, such party will seek advice of counsel as to the need for such announcement and will utilize its commercially reasonable best efforts to give the other party notice thereof and to consult with the other party regarding the timing and terms thereof.

Section 4.6 DIRECTORS' AND OFFICERS' INDEMNIFICATION.

(a) Purchaser acknowledges and agrees that all rights to indemnification now existing in favor of the directors, officers, employees and agents of the Company and the Subsidiary (the "INDEMNIFIED PARTIES") as provided in their respective certificates of incorporation or by-laws or by contract or otherwise as in effect on the date hereof with respect to matters occurring prior to the Closing shall survive the Closing and shall continue in full force and effect for a period of not less than six years from the Closing.

(b) Notwithstanding anything herein to the contrary, if any claim, action, suit, proceeding or investigation (whether arising before, at or after the Closing) is made or threatened against any Indemnified Party, on or prior to the sixth anniversary of the Closing, the provisions of this Section 4.6 shall continue in effect until the final disposition of such claim, action, suit, proceeding or investigation.

(c) This covenant is intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties and their respective heirs and legal representatives. The Indemnification provided for herein shall not be deemed exclusive of any other rights to which an Indemnified Party is entitled, whether pursuant to law, contract or otherwise. The Company or Subsidiary shall pay all expenses, including attorneys' fees, that may be incurred by any Indemnified Party in enforcing his or her indemnification rights.

Section 4.7 EMPLOYEE CONTRACTS. Purchaser agrees to honor, and from and after the Closing shall cause the Company and the Subsidiary to honor, in accordance with their respective terms as in effect on the date hereof, all of the employment, termination, severance, indemnity and bonus agreements and arrangements to which the Company or the Subsidiary is a party and which are set forth on Schedule 4.7. In the event that the Company, the Subsidiary or Purchaser or any of their respective successors or assigns (a) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (b) transfers or conveys all or substantially all of its properties and assets to any person, then, and in each such case, to the extent necessary to effectuate the purpose of this Section 4.7, proper provision shall be made so that the successors and assigns of the Company, the Subsidiary or Purchaser shall succeed to the obligations set forth in this Section 4.7 and none of the actions described in clauses (a) or (b) shall be taken until such provision is made.

Section 4.8 RESIGNATION OF DIRECTORS. Prior to the Closing, Seller will cause the Company to deliver to Purchaser evidence satisfactory to Purchaser of the resignation of all directors of the Company and the Subsidiary, effective upon the Closing.

Section 4.9 NOTIFICATION OF CERTAIN MATTERS. Seller shall give prompt notice to Purchaser, and Purchaser shall give prompt notice to Seller, of (a) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of either party contained in this Agreement to be untrue or inaccurate and (b) any failure of Seller or Purchaser to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by either party hereunder; provided, however, that the delivery of any notice pursuant to this Section 4.9 shall not limit or otherwise affect the remedies available hereunder to the party giving or receiving such notice.

Section 4.10 SETTLEMENT OF INTERCOMPANY ACCOUNTS. At or prior to the Closing, Seller shall cause to be settled or canceled all intercompany advances and loans between the Company and the Subsidiary, on the one hand, and Seller, on the other hand.

Section 4.11 RECEIVABLES SECURITIZATION PROGRAM. At or prior to the Closing, the Subsidiary shall acquire from Seller's receivables securitization program, or Seller shall otherwise permit Purchaser to acquire, all of the receivables in such program that originated from sales of product by the Subsidiary.

Section 4.12 STRADDLE PERIOD TAX PROVISIONS.

(a) Purchaser shall timely prepare and file with the appropriate authorities all tax returns required to be filed by the Company or the Subsidiary for any taxable period that includes (but does not end on) the Closing Date, and for any taxable period of the Company or the Subsidiary that ends on or before the Closing Date with respect to which the due date (including extensions) for the timely filing of a return has not passed, and will pay all taxes due with respect to such returns, reports and forms (other than returns or reports in respect of (i) United States federal income taxes, or (ii) income or similar taxes of any state in which the Company is included in a combined report or consolidated return with Seller for such period, which returns or reports shall be filed by Seller). Purchaser and Seller agree to cause the Company and the Subsidiary to file all tax returns for the period including the Closing Date on the basis that (x) the Closing occurred as of 5:00 p.m. on the Closing Date, and (y) the relevant taxable period ended as of the close of business on the Closing Date, unless the relevant taxing authority will not accept a return, report or form filed on that basis. In the case of any taxable period including, but not ending on, the Closing Date, the income of the Company and the Subsidiary will be apportioned to the period up to and including the Closing Date and the period after the Closing Date by closing the books of the Company and the Subsidiary as of the end of the Closing Date.

(b) Seller, the Company, the Subsidiary and Purchaser shall reasonably cooperate, and shall cause their respective affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all returns, reports

and forms relating to taxes (including amended returns and claims for refund), including maintaining and making available to each other all records necessary in connection with taxes and in resolving all disputes and audits with respect to all taxable periods relating to taxes. Purchaser and Seller recognize that Seller and its affiliates will need access, from time to time, after the Closing Date, to certain accounting and tax records and information held by the Company and the Subsidiary to the extent such records and information pertain to events occurring prior to the Closing Date; therefore, Purchaser agrees, and agrees to cause the Company and the Subsidiary, to (i) use their best efforts to properly retain and maintain such records until such time as Seller agrees that such retention and maintenance is no longer necessary, and (ii) allow Seller and its agents and representatives (and agents or representatives of any of its affiliates), at time and dates mutually acceptable to the parties, to inspect, review and make copies of such records as Seller may deem necessary or appropriate from time to time, such activities to be conducted during normal business hours and at Seller's expense.

(c) All transfer, documentary, sales, use, registration and other such taxes incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by Purchaser, and Seller and Purchaser shall cooperate in timely making all filings, returns, reports and forms as may be required to comply with the provisions of such tax laws.

(d) Seller hereby indemnifies and holds harmless Purchaser from and against all taxes, liabilities, costs and expenses incurred by Purchaser, the Company or the Subsidiary resulting from or arising out of any liability of the Company or the Subsidiary for taxes of any person other than the Company or the Subsidiary under Treasury Regulation Section 1.1502-6 (or any similar provision of any state, local or foreign regulation).

Section 4.13 PENSION AND SAVINGS PLANS.

(a) Each employee of the Subsidiary who is a current participant in the Falcon Building Products, Inc. Employee Savings Plan (the "SAVINGS PLAN") (i) shall have his or her accrued benefit under the Savings Plan become 100% vested and nonforfeitable as of the Closing Date and (ii) shall be entitled to receive an allocation of any and all employer contributions made to the Savings Plan for the plan year which includes the Closing Date, including the contributions required to be made pursuant to paragraph (f) of this Section 4.13. Each employee of the Subsidiary who is a current participant in the Falcon Building Products, Inc. Cash Balance Pension Plan (the "CASH BALANCE PLAN") shall have his or her accrued benefit under the Cash Balance Plan become 100% vested and nonforfeitable.

(b) Seller shall transfer, or cause the trustee of the Cash Balance Plan to transfer, to the trustee of a qualified defined benefit pension plan maintained by Purchaser or any entity required by Section 414 of the Code to be treated as a single employer with Purchaser (an "ERISA AFFILIATE") (either currently existing or hereinafter established by

Purchaser or such ERISA Affiliate) (the "TRANSFEREE PENSION PLAN") such amounts (in cash or in marketable securities at market values determined by the plan trustee) under the Cash Balance Plan as are required by Section 414(1) of the Code for each employee of the Subsidiary on the Closing Date (the "TRANSFERRED EMPLOYEES"). The transferred amount shall be calculated as of the Closing Date by Seller's actuaries, and agreed to by Purchaser's actuaries (such agreement not to be unreasonably withheld), using service and compensation for service to the Closing Date, and on the basis of the actuarial assumptions set forth in Schedule 4.13(b), together with interest thereon at the rate of six percent (6%), calculated on the basis of the actual number of days elapsed divided by 365, from the Closing Date to the date of transfer, and considering (i) as plan assets actual and receivable contributions through the Closing Date and (ii) as plan liabilities benefits accrued through the Closing Date. Unless otherwise agreed to in writing by Purchaser and Seller, the transfer date shall occur within 60 days after Purchaser obtains and presents to Seller evidence satisfactory to Seller that the Transferee Pension Plan is qualified under the applicable provisions of the Code. Such evidence of qualification shall be supplied by Purchaser within 90 days of the Closing Date.

(c) Seller shall transfer, or cause the trustee of the Savings Plan to transfer, to the trustee of a qualified defined contribution pension plan maintained by Purchaser (either currently existing or hereinafter established by Purchaser or an ERISA Affiliate of Purchaser) (the "TRANSFEREE SAVINGS PLAN"), in cash or in marketable securities at market values determined by the plan trustee, the entire value of each Transferred Employee's accounts under the Savings Plan as determined under the provisions of the Savings Plan. Unless otherwise agreed by Seller and Purchaser, the transfer shall occur within 60 days after Purchaser presents to Seller evidence satisfactory to Seller that the Transferee Savings Plan is qualified under the applicable provisions of the Code. Such evidence of qualification shall be provided by Purchaser within 90 days of the Closing Date.

(d) After the transfers described above, none of Seller, the Cash Balance Plan or the Savings Plan, or any fiduciary of such plans, shall have any liability or obligation to pay or otherwise provide to the Transferred Employees any benefits accrued or provided for under the Cash Balance Plan or the Savings Plan, and Purchaser, the Transferee Pension Plan and the Transferee Savings Plan shall assume full liability for such benefits, and shall indemnify and hold harmless Seller, the Cash Balance Plan, the Savings Plan and the fiduciaries of such plans from and against the same.

(e) The Transferee Pension Plan and Transferee Savings Plan (i) shall provide respectively, for the payment of all benefits accrued under the Cash Balance Plan and the Savings Plan (within the meaning of Section 411 and other sections of the Code) prior to the Closing Date by the Transferred Employees; and (ii) shall recognize, respectively, the service, prior to the Closing Date, of the Transferred Employees who participated in the Cash Balance Plan and the Savings Plan immediately prior to the Closing Date for eligibility, vesting and benefit accrual purposes under the Transferee Pension Plan and Transferee Savings Plan to the same extent that such service is recognized for such

purposes under the Cash Balance Plan and the Savings Plan prior to the Closing Date (subject to the 100% vesting set forth in Section 4.13(a) above).

(f) At Closing, Seller shall cause the Company or the Subsidiary to pay over to the Savings Plan all employer and employee contributions of the Company and the Subsidiary to the Savings Plan not made as of the Closing Date for all calendar months ending on or prior to the Closing Date and for the portion of the calendar month in which the Closing Date occurs. For purposes of this paragraph, the employee contributions shall be those amounts withheld or required to be withheld from employees' compensation for the period prior to and including the Closing Date, and employer contributions shall be the employer contributions that would be required to be made with respect to such employee contributions.

(g) At Closing, Seller shall cause the Company or the Subsidiary to pay over to the Cash Balance Plan the sum of (i) all contributions of the Company and the Subsidiary to the Cash Balance Plan for the plan years of the plan ending prior to the Closing Date remaining uncontributed, and (ii) a pro rata portion of the Company's and/or Subsidiary's annual contribution for the portion of the plan year in which the Closing Date occurs, such pro-rata portion to be based solely on service and compensation for services through the Closing Date. In each case, the annual contribution shall be the amount necessary to meet the minimum funding standards of ERISA Section 302 and Section 412 of the Code, determined in accordance with the most recent actuarial valuation for the Plan.

(h) The Company and the Subsidiary shall continue to make contributions to the Savings Plan and the Cash Balance Plan in accordance with their respective historical business practices through the Closing Date.

(i) As of the Closing Date, Purchaser shall assume and shall continue, with respect to and for the benefit of all Transferred Employees, the Falcon Building Products, Inc. Supplemental Retirement Plan ("SERP") in accordance with Section 9.5 thereof. Purchaser shall furthermore assume all liability under the SERP relating to the Transferred Employees, and shall indemnify and hold Seller and the SERP harmless from and against any and all liability relating thereto.

Section 4.14 INSURANCE. Prior to the Closing, Seller shall cause the counter parties to the indemnity agreements and claims handling agreements related to the Insurance Policies (including self-insured, deductible, retrospective and guaranteed cost insurance plans) to enter into agreements, on customary terms and conditions (including but not limited to posting customary letters of credit or other security or collateral), with the Company and/or the Subsidiary (or Purchaser) which shall either novate or amend such indemnity agreements and claims handling agreements thereby transferring to the Company and/or the Subsidiary (or Purchaser) the assumed worker's compensation, general and automobile plan liabilities that relate to or arise out of the Company and the Subsidiary's operations. Following the Closing, (a) Seller shall continue to provide the Company and the Subsidiary full access to coverage under

the Insurance Policies, and (b) Seller shall not take any action (other than submission of claims) in with respect to the Insurance Policies that would have an adverse effect on the Company's or the Subsidiary's ability to avail themselves of the coverage under the Insurance Policies.

Section 4.15 CERTAIN AGREEMENTS. From and after the Closing, Seller shall not take any actions with respect to the agreements listed in Items 15, 26, 27, 28 or 29 of Schedule 2.9 that adversely effects the Subsidiary without the prior written consent of Purchaser.

ARTICLE V

CONDITIONS TO CLOSING

Section 5.1 CONDITIONS TO PURCHASER'S OBLIGATIONS. The obligation of Purchaser to purchase the Shares and effect the Closing shall be subject to the satisfaction or waiver at or prior to the Closing of the following:

(a) no statute, rule, regulation, order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which makes illegal the purchase and sale of the Shares or otherwise prohibits the consummation of the transactions contemplated hereby;

(b) any waiting period applicable to the purchase and sale of the Shares under the HSR Act shall have terminated or expired;

(c) there shall have been no material breach by Seller in the performance of any of its covenants, agreements or obligations herein; none of the representations and warranties of Seller contained or referred to in Article II shall fail to be true and correct as of the date hereof and on the Closing Date as though made on such date, except for (i) representations and warranties that speak as of a specific date other than the Closing Date (which need only be true and correct as of such date), (ii) representations and warranties which are not qualified by Material Adverse Effect or otherwise by material adversity (which need be true and correct except for such inaccuracies as in the aggregate (together with the inaccuracies referred to in the following clause (iii)) would not have a Material Adverse Effect), (iii) representations and warranties which are qualified by Material Adverse Effect or otherwise by material adversity shall also be true and correct without regard to such qualification except for such inaccuracies as in the aggregate (together with the inaccuracies referred to in the preceding clause (ii)) would not have a Material Adverse Effect and (iv) changes therein specifically permitted by this Agreement or resulting from any transaction expressly consented to in writing by Purchaser; and there shall have been delivered to Purchaser a certificate to such effect, dated the Closing Date and signed by the President or other senior executive officer of Seller;

(d) Seller shall have performed in all material respects all agreements herein required to be performed by it on or prior to the Closing; and

(e) all consents under or pursuant to the agreements listed on Schedule 5.1(e) shall have been obtained.

Section 5.2 CONDITIONS TO SELLER'S OBLIGATIONS. The obligation of Seller to sell the Shares and effect the Closing shall be subject to the satisfaction or waiver at or prior to the Closing of the following:

(a) no statute, rule, regulation, order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which makes illegal the purchase and sale of the Shares or otherwise prohibits the consummation of the transactions contemplated hereby;

(b) any waiting period applicable to the purchase and sale of the Shares under the HSR Act shall have terminated or expired;

(c) there shall have been no material breach by Purchaser in the performance of any of its covenants, agreements or obligations herein; none of the representations and warranties of Purchaser contained or referred to in Article III shall fail to be true and correct as of the date hereof and on the Closing Date as though made on such date, except for (i) representations and warranties that speak as of a specific date other than the Closing Date (which need only be true and correct as of such date), (ii) representations and warranties which are not qualified by Material Adverse Effect or otherwise by material adversity (which need be true and correct except for such inaccuracies as in the aggregate (together with the inaccuracies referred to in the following clause (iii)) would not have a Material Adverse Effect), (iii) representations and warranties which are qualified by Material Adverse Effect or otherwise by material adversity shall also be true and correct without regard to such qualification except for such inaccuracies as in the aggregate (together with the inaccuracies referred to in the preceding clause (ii)) would not have a Material Adverse Effect and (iv) changes therein specifically permitted by this Agreement or resulting from any transaction expressly consented to in writing by Seller; and there shall have been delivered to Seller a certificate to such effect, dated the Closing Date and signed by the President or other senior executive officer of Purchaser;

(d) Purchaser shall have performed in all material respects all agreements herein required to be performed by it on or prior to the Closing; and

(e) all consents under or pursuant to the agreements listed on Schedule 5.1(f) shall have been obtained.

ARTICLE VI

TERMINATION; AMENDMENT; WAIVER

Section 6.1 TERMINATION. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(a) by mutual written consent of Purchaser and Seller;

(b) by Purchaser or Seller if the Closing shall not have occurred on or before September 30, 1999; provided, however, that the right to terminate the Agreement under this Section 6.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date; or

(c) by Purchaser or Seller if any court of competent jurisdiction in the United States or other governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the purchase and sale of the Shares and such order, decree, ruling or other action shall have become final and nonappealable.

Section 6.2 EFFECT OF TERMINATION. Nothing contained in Section 6.1 shall relieve any party from liability for any breach of this Agreement. In the event of the termination of this Agreement, the confidentiality agreement previously entered into between Seller and Purchaser (the "CONFIDENTIALITY AGREEMENT") shall survive and be in full force and effect.

Section 6.3 AMENDMENT. This Agreement may be amended by action taken by Seller and Purchaser at any time. No such amendment shall be effective unless it is in writing signed on behalf of each of the parties.

Section 6.4 EXTENSION; WAIVER. At any time prior to the Closing, either party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document, certificate or writing delivered by the other parties pursuant hereto or (c) waive compliance by the other party with any of the agreements or conditions contained herein. Any agreement on the part of any party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE VII

MISCELLANEOUS

Section 7.1 NON-SURVIVAL OF REPRESENTATIONS AND WARRANTIES; AGREEMENTS. The representations and warranties made herein shall terminate upon the Closing; PROVIDED, HOWEVER, that the representations and warranties provided in Section 2.2 shall survive until the sixth anniversary of the Closing Date; PROVIDED, FURTHER, however, that in the case of the representations and warranties provided in Section 2.10, to the extent the breach thereof results in the Company or the Subsidiary being liable for taxes of any person other than the Company or the Subsidiary pursuant to Treasury Regulation Section 1.1502-6, such representations and warranties shall survive until 60 days following the expiration of the applicable statute of limitations. All covenants and agreements set forth in this Agreement shall survive in accordance with their terms.

Section 7.2 ENTIRE AGREEMENT; ASSIGNMENT. This Agreement (a) together with the Confidentiality Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, (b) may not be assigned by a party, by operation of law or otherwise, without the prior written consent of the other party and (c) shall be binding upon the parties hereto and their respective successors and permitted assigns.

Section 7.3 NOTICES. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) upon receipt if given by delivery by hand, (b) upon transmission if given by facsimile (receipt confirmed), (c) one business day after being sent by prepaid overnight carrier with guaranteed delivery (with record of receipt) or (d) five business days after being deposited in the mail by registered or certified mail (postage prepaid, return receipt requested) to the respective parties as follows:

if to Purchaser:

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
Saint Paul, Minnesota 55113-3105
Facsimile: (651) 639-5203
Telephone: (651) 639-5228
Attention: Louis L. Ainsworth, Esq.

with a copy to:

Foley & Lardner
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
Facsimile: (414) 297-4900
Telephone: (414) 271-2400
Attention: Benjamin F. Garmer, III, Esq.

if to Seller:

Falcon Building Products, Inc.
233 S. Wacker Drive, Suite 3500
Chicago, Illinois 60606
Facsimile: (312) 575-1432
Telephone: (312) 906-9700
Attention: Gus J. Athas, Esq.

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166
Facsimile: (212) 351-4035
Telephone: (212) 351-4000
Attention: E. Michael Greaney, Esq.

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 7.4 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 7.5 DESCRIPTIVE HEADINGS. The table of contents and descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 7.6 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall he deemed to be an original, but all of which shall constitute one and the same agreement.

Section 7.7 FEES AND EXPENSES. Each party hereto shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby.

Section 7.8 MISCELLANEOUS.

(a) "MATERIAL ADVERSE EFFECT" means, with respect to the Company and the Subsidiary, any material adverse effect on the financial condition, business or results of operations of the Company and the Subsidiary, taken as a whole, excluding in all cases any such effect resulting from one or more of the following: (i) any events or conditions generally affecting the industry in which the Company and the Subsidiary operate or from changes in general business or economic conditions; (ii) the announcement of the transactions contemplated by this Agreement or Purchaser's plans with respect to the business conducted by the Subsidiary; (iii) compliance by Seller, the Company or the Subsidiary with the terms of this Agreement; and (iv) the death or disability of any executive officer of the Company or the Subsidiary.

(b) "MATERIAL ADVERSE EFFECT" means, with respect to Purchaser, any effect that is materially adverse to the ability of Purchaser to consummate the purchase of the Shares.

(c) In each provision of this Agreement in which a representation or warranty is qualified to the "KNOWLEDGE" of a party or by reference to whether a party has received notice of any matter, unless otherwise stated in such provision, such phrase means that such party does not have actual knowledge of any state of facts which is different from the facts described in the representation or warranty or actual knowledge of receipt of the notice described in the representation and warranty. With respect to Seller, the Company and the Subsidiary, such knowledge shall refer solely to the "knowledge" of any of the individuals identified on Schedule 7.8(c).

Section 7.9 SPECIFIC PERFORMANCE. The parties acknowledge and agree that any breach of the terms of this Agreement would give rise to irreparable harm for which money damages would not be an adequate remedy and accordingly the parties agree that, in addition to any other remedies, each shall be entitled to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be duly executed as of the day and year first above written.

FALCON BUILDING PRODUCTS, INC.

By: /s/ GUS J. ATHAS

Name: Gus J. Athas
Title: Executive Vice President

PENTAIR, INC.

By: /s/ LOUIS L. AINSWORTH

Name: Louis L. Ainsworth
Title: Senior Vice President
and General Counsel

FIRST AMENDMENT

THIS FIRST AMENDMENT dated as of August 13, 1999 (this "Amendment") amends the Amended and Restated Credit Agreement dated as of August 1, 1997 (the "Credit Agreement") among PENTAIR, INC., EUROPENTAIR GMBH, PENTAIR CANADA, INC., BANK OF AMERICA, N.A. (formerly Bank of America National Trust and Savings Association) as U.S. Dollar Administrative Agent, U.S. BANK NATIONAL ASSOCIATION, as a Bank and as Overnight Administrative Agent, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Bank and as a G-7 Currency Administrative Agent, and NBD BANK, THE BANK OF TOKYO-MITSUBISHI, LTD, ABN AMRO BANK N.V. and DRESDNER BANK AG, as Banks, and various affiliates of the Banks which are parties to the Canadian Facility. Terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

WHEREAS, the Borrowers, the Banks and the Agents have entered into the Credit Agreement; and

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as more fully set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 AMENDMENTS. Effective on (and subject to the occurrence of) the First Amendment Effective Date (as defined below), the Credit Agreement shall be amended as set forth below:

1.1 ADDITION OF DEFINITIONS. The following definitions are added to Section 1.1 in appropriate alphabetical sequence:

"DAILY PRICING MARGIN" - see the attached Pricing Grid.

"EBITDA" means, for any period, the sum of the consolidated net income of Pentair for such period excluding the effect of (i) the special $38,000,000 restructuring charge taken in the first fiscal quarter of 1999 and (ii) any extraordinary or non-recurring gains and any extraordinary or non-recurring non-cash losses in such period PLUS, to the extent deducted in determining such consolidated net income, Interest Expense, income tax expense, depreciation and amortization for such period.

"INTEREST COVERAGE RATIO" means, for any period, the ratio of (i) EBITDA plus rent expense for such period to (ii) Interest Expense plus rent expense for such period.

"FACILITY FEE RATE" - see the attached Pricing Grid.

"LEVERAGE RATIO" means, as of any date, the ratio of (a) the sum (without duplication) of (i) all Debt of Pentair and its Consolidated Subsidiaries, plus (ii) all Synthetic Lease Obligations of Pentair and its Consolidated Subsidiaries, plus (iii) the outstanding investments in all receivables sold pursuant to Sales of Receivables, all determined on a consolidated basis, to (b) EBITDA for the period of four consecutive fiscal quarters most recently ended on or before such date for which financial statements have been delivered pursuant to Section 12.1; PROVIDED that for purposes of calculating EBITDA pursuant to this CLAUSE (B), the consolidated net income of any Person or business unit acquired by the Company or any Subsidiary during such period (plus, to the extent deducted in determining such consolidated net income, interest expense, income tax expense, depreciation and amortization of such Person or business unit) shall be included on a PRO FORMA basis for such period (assuming the consummation of each such acquisition and the incurrence or assumption of any Debt in connection therewith occurred on the first day of such period) in accordance with Article 11 of Regulation S-X of the Securities and Exchange Commission.

"SYNTHETIC LEASE OBLIGATIONS" means obligations under operating leases (as determined pursuant to Statement of Financial Accounting Standards No. 13) of properties which are reported for United States income tax purposes as owned by Pentair or a Consolidated Subsidiary, capitalized as if such operating leases were capital leases in accordance with generally accepted accounting principles.

1.2 AMENDMENT TO DEFINITION OF CD MARGIN. The definition of CD Margin is amended in its entirety to read as follows:

"CD MARGIN" - see the attached Pricing Grid.

1.3 AMENDMENT TO DEFINITION OF DAILY PRICING RATE. The definition of Daily Pricing Rate is amended in its entirety to read as follows:

"DAILY PRICING RATE" means for any day a rate per annum (rounded upward, if necessary, to the nearest 1/16 of 1%) determined pursuant to the following formula, which rate shall continue in effect until the next succeeding Business Day:

```
        Daily              LIBO Rate
- -----  Pricing   =     100 - Eurocurrency     PLUS    Daily
        Rate          Reserve Percentage
                        Pricing Margin
```

1.4 Amendment to Definition of Eurocurrency Margin. The definition of Eurocurrency Margin is amended in its entirety to read as follows:

"EUROCURRENCY MARGIN" - see that attached Pricing Grid.

1.5 DELETION OF DEFINITIONS. The definitions of "Adjusted Debt to Total Capital Ratio" and "Debt to Total Capital Ratio" are deleted from Section 1.1.

1.6 AMENDMENT TO FACILITY FEE RATE. Clause (a) of Section 2.6 is amended in its entirety to read as follows:

(a) During the term of this Agreement, the Borrowers shall pay to the U.S. Dollar Administrative Agent for the account of each Bank a Facility Fee on such Bank's Commitment in U.S. Dollars at a rate per annum equal to the Facility Fee Rate.

1.7 ADJUSTMENTS TO PRICING. Section 2.14 is amended in its entirety to read as follows:

SECTION 2.14 ADJUSTMENTS TO MARGINS AND FACILITY FEES. Beginning on the date of the effectiveness of the First Amendment to this Agreement, the CD Margin shall be 0.675%, the Daily Pricing Margin shall be 0.575%, the Eurocurrency Margin shall be 0.55% and the Facility Fee Rate shall be 0.20%. Thereafter, each of the foregoing shall be adjusted, to the extent applicable, in accordance with the attached Pricing Grid, 50 days (or, in the case of the last fiscal quarter of any fiscal year, 95 days) after the end of each fiscal quarter of Pentair based on the Leverage Ratio as of the last day of such fiscal quarter; PROVIDED that if Pentair fails to deliver the financial statements and compliance certificate required by Section 12.1(a) or (b) and Section 12.1(c) by the 50th (or, if applicable, the 95th) day after any fiscal quarter, the Leverage Ratio shall be deemed to be greater than 3.5 to 1 until such statements and certificate are delivered; PROVIDED, FURTHER, that if Pentair has received a rating on its senior, unsecured long-term debt from both Moody's Investors Service, Inc. and Standard & Poor's Ratings Group, THEN the CD Margin, the Daily Pricing Margin, the Eurocurrency Margin and the Facility Fee Rate, (collectively the "Pricing") shall be determined on a daily basis in accordance with the attached Pricing Grid by reference to such ratings (and if there is a split in such ratings, the Pricing shall be determined based on the lower of such ratings (unless Level IV on the attached Pricing Grid applies)).

1.8 LEVERAGE RATIO. Section 12.2 is amended in its entirety to read as follows:

SECTION 12.2 MAXIMUM LEVERAGE RATIO. Pentair shall not at any time permit the Leverage Ratio to exceed the applicable ratio set forth below during any period set forth below:

FISCAL QUARTER ENDING:	LEVERAGE RATIO
Prior to 6/29/00	3.90 to 1.0
6/30/00 through 12/30/00	3.25 to 1.0
12/31/00 and thereaftera	3.00 to 1.0.

1.9 INTEREST COVERAGE RATIO. Section 12.4 is amended in its entirety to read as follows:

SECTION 12.4 MINIMUM INTEREST COVERAGE RATIO. Pentair shall not permit the Interest Coverage Ratio (i) for any Computation Period ending prior to March 31, 2000 to be less than 2.50 to 1 and (ii) for any Computation Period ending on or after March 31, 2000 to be less than 3.00 to 1. For purposes of the foregoing, a "Computation Period" is any period of four consecutive fiscal quarters of Pentair ending on the last day of a fiscal quarter.

1.10 PRICING GRID. The Pricing Grid attached hereto is added to the Credit Agreement as an attachment thereto.

SECTION 2 REPRESENTATIONS AND WARRANTIES. Each Borrower represents and warrants to the Banks that (a) each of the representations and warranties set forth in the Credit Agreement is true and correct as of the date of the execution and delivery of this Amendment by the Borrowers, with the same effect as if made on such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date), (b) the execution and delivery by each Borrower of this Amendment and the performance by each Borrower of its obligations under the Credit Agreement, as amended hereby (as so amended, the "Amended Credit Agreement"), (i) are within the powers of the Borrowers, (ii) have been duly authorized by all necessary action on the part of the Borrowers, (iii) have received all necessary governmental approval and (iv) do not and will not contravene or conflict with (A) any provision of law or the certificate of incorporation or by-laws or other organizational documents of any Borrower or (B) any agreement, judgment, injunction, order, decree or other instrument binding upon any Borrower or any Subsidiary of Pentair and (c) the Amended Credit Agreement is the legal, valid and binding obligation of the Borrowers enforceable against the Borrowers in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies..

SECTION 3 EFFECTIVENESS. This Amendment shall become effective on the date (the "First Amendment Effective Date") when the U.S. Dollar Administrative Agent shall have

received each of the following documents:

(a) counterparts of this Amendment executed by each of the Borrowers, the U.S. Dollar Administrative Agent, the G-7 Currency Administrative Agent, the Overnight Administrative Agent and the Required Banks;

(b) a certificate of the secretary or an assistant secretary of each of the Borrowers as to:

(i) resolutions of the board of directors of each of the Borrowers authorizing the execution and delivery of this Amendment and the performance by each of the Borrowers of its obligations under the Amended Credit Agreement; and

(ii) the incumbency and signatures of those of its officers authorized to execute and deliver this Amendment;

(c) the legal opinion of Henson & Efron, counsel for the Borrowers, substantially in the form of EXHIBIT A hereto; and

(d) such other documents as the Banks may reasonably request.

SECTION 4 MISCELLANEOUS.

4.1 CONTINUING EFFECTIVENESS, ETC. As herein amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the First Amendment Effective Date, all references in the Credit Agreement and the Notes to "Credit Agreement", "Agreement" or similar terms shall refer to the Amended Credit Agreement.

4.2 COUNTERPARTS. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

4.3 EXPENSES. The Borrowers agree to pay the reasonable costs and expenses of the Agents (including attorney's fees and expenses) in connection with the preparation, execution and delivery of this Amendment.

4.4 GOVERNING LAW. This Amendment shall be a contract made under and governed by the internal laws of the State of Minnesota applicable to contracts made and to be performed entirely within such State.

4.5 SUCCESSORS AND ASSIGNS. This Amendment shall be binding upon the Borrowers,

the Banks and the Agents and their respective successors and assigns, and shall inure to the benefit of the Borrowers, the Banks and the Agents and the respective successors and assigns of the Banks and the Agents.

Delivered at Minneapolis, Minnesota as of the day and year first above written.

PENTAIR, INC., for itself, as guarantor and as agent for the Borrowers

By: /s/ Richard W. Ingman

Title: CFO

PENTAIR CANADA, INC.

By: /s/ Roy T. Rueb

Title: Secretary

EUROPENTAIR GmbH

By: /s/ Roy T. Rueb

Title: Drokurist

BANK OF AMERICA, N.A.,
as U.S. Dollar Administrative Agent

By: /s/ Gary Flieger

Title: Vice President

U.S. BANK NATIONAL ASSOCIATION,
as Overnight Administrative Agent

By: /s/ Mark R. Olmon

Title: Senior Vice President

MORGAN GUARANTY TRUST

COMPANY
OF NEW YORK, as G-7 Currency
Administrative
Agent

By: /s/ Robert Bottamedi

Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ Valerie C. Mills

Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Mark R. Olmon

Title: Senior Vice President

MORGAN GUARANTY TRUST
COMPANY
OF NEW YORK

By: /s/ Robert Bottamedi

Title: Vice President

NBD BANK

By: /s/ Mike A. Basak

Title: Sr. Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.,
CHICAGO BRANCH

By: /s/ Jeffrey Arnold

Title: Vice President and Manager

ABN AMRO BANK N.V., CHICAGO BRANCH

By: n/a

Title:

By: n/a

Title:

DRESDNER BANK AG CHICAGO
AND GRAND CAYMAN BRANCHES

By: n/a

Title:

By: n/a

Title:

Execution Copy

CREDIT AGREEMENT

Dated as of August 13, 1999

Among

PENTAIR, INC.

THE BANKS
as defined herein

and

U.S. BANK NATIONAL ASSOCIATION
as a Bank and as Agent

REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT, dated as of August 13, 1999, is by and between PENTAIR, INC., a Minnesota corporation (the "Borrower"), the banks or financial institutions listed on the signature pages hereof or which hereafter become parties hereto by means of assignment and assumption as hereinafter described (individually referred to as a "Bank" or collectively as the "Banks"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as agent for the Banks (in such capacity, the "Agent").

ARTICLE I DEFINITIONS AND ACCOUNTING TERMS

Section 1.1 DEFINED TERMS. In addition to the terms defined elsewhere in this Agreement, the following terms shall have the following respective meanings (and such meanings shall be equally applicable to both the singular and plural form of the terms defined, as the context may require):

"ADVANCE": The portion of the outstanding Loans bearing interest at an identical rate for an identical Interest Period, provided that all Reference Rate Advances shall be deemed a single Advance. An Advance may be a "Daily Pricing Advance", "Eurodollar Advance", or "Reference Rate Advance" (each, a "type" of Advance).

"AGENT": U.S. Bank National Association, as agent for the Banks hereunder and each successor, as provided in SECTION 10.8, who shall act as Agent.

"AGREEMENT": This Credit Agreement, as it may be amended, modified, supplemented, restated or replaced from time to time.

"ALTERNATIVE APPLICABLE MARGIN": The margin added to the Eurodollar Rate (Reserve Adjusted) or equivalent base rate to obtain the rate of interest on borrowings under the New Syndicated Agreement, or any commitment accepted by the Borrower to enter into the New Syndicated Agreement, if higher than the Applicable Margin as determined below.

"APPLICABLE MARGIN" and "APPLICABLE FACILITY FEE RATE": The following percentages when the following Levels apply:

Applicable Level:	Percentage for Applicable Margin:	Percentage for Applicable Facility Fee Rate:
Level I	0.375%	0.125%
Level II	0.475%	0.150%
Level III	0.575%	0.175%
Level IV	0.6875%	0.1875%
Level V	0.80%	0.20%
Level VI	1.025%	0.225%

Level VII	1.225%	0.275%

The applicable level shall be determined as follows:

LEVEL I shall apply if the Borrower's Long Term Debt Rating is A- or better (S&P) and A3 or better (Moody's).

LEVEL II shall apply if the Borrower's Long Term Debt Rating is BBB+ or better (S&P) and Baa1 or better (Moody's) but no numerically lower Level applies.

LEVEL III shall apply if the Borrower's Long Term Debt Rating is BBB or better (S&P) and Baa2 or better (Moody's) but no numerically lower Level applies.

LEVEL IV shall apply if the Borrower's Long Term Debt Rating is BBB or better (S&P) and Baa3 or better (Moody's) OR if the Borrower's Long Term Debt Rating is BBB- or better (S&P) and Baa2 or better (Moody's) but no numerically lower Level applies.

LEVEL V shall apply if the Borrower's Long Term Debt Rating is BBB- or better (S&P) and Baa3 or better (Moody's) but no numerically lower Level applies.

LEVEL VI shall apply if the Borrower's Long Term Debt Rating is BB+ or better (S&P) and Ba1 or better (Moody's) but no numerically lower Level applies.

LEVEL VII shall apply if no other level shall apply.

As used herein:

"LONG TERM DEBT RATING" means the rating assigned by S&P and Moody's to the long term, unsecured, senior indebtedness of the Borrower.

"MOODY'S" means Moody's Investors Service, Inc.

"S&P" means Standard & Poor's Ratings Group.

"BUSINESS DAY": Any day (other than a Saturday, Sunday or legal holiday in the State of Minnesota) on which national banks are permitted to be open in Minneapolis, Minnesota and, with respect to Eurodollar Advances, a day on which dealings in Dollars may be carried on by the Agent in the interbank eurodollar market.

"COMMITMENT": The maximum unpaid principal amount of the Loans of all Banks which may from time to time be outstanding hereunder, being initially $100,000,000, as the same may be reduced from time to time pursuant to SECTION 4.3 , or, if so indicated, the maximum unpaid principal amount of Loans of any Bank (which amounts are set forth on the signature pages hereof or in the relevant Assignment and Assumption Agreement for such Bank) and, as the context may require, the agreement of each Bank to make Loans to the Borrower subject to the terms and conditions of this Agreement up to its Commitment.

"DAILY PRICING ADVANCE": An Advance designated as such in a notice of borrowing under SECTION 2.3 or a notice of continuation or conversion under SECTION 2.4.

"DEFAULT": Any event which, with the giving of notice to the Borrower or lapse of time, or both, would constitute an Event of Default.

"EURODOLLAR ADVANCE": An Advance designated as such in a notice of borrowing under SECTION 2.3 or a notice of continuation or conversion under SECTION 2.4.

"EURODOLLAR INTERBANK RATE": The offered rate for deposits in United States Dollars (rounded upwards, if necessary, to the nearest 1/16 of 1%), for delivery of such deposits on the first day of an Interest Period of a Eurodollar Advance, for the number of days comprised therein, or for Daily Pricing Advances an Interest Period of one month, which appears on Page 3750 of the Dow Jones Markets (Telerate) screen as of 11:00 a.m., London time, on the day that is two Banking Days preceding the first day of the Interest Period of such Eurodollar Advance (or in the case of Daily Pricing Advances, on each Business Day, without giving effect to the two-day forward convention), or the rate for such deposits determined by the Bank at such time based on such other published service of general application as shall be selected by the Bank for such purpose; PROVIDED, that in lieu of determining the rate in the foregoing manner, the Bank may determine the rate based on rates offered to the Bank for deposits in United States Dollars (rounded upwards, if necessary, to the nearest 1/16 of 1%) in the interbank eurodollar market at such time for delivery on the first day of the Interest Period for the number of days comprised therein.

"EURODOLLAR RATE (RESERVE ADJUSTED)": A rate per annum (rounded upward, if necessary, to the nearest 1/16th of 1%) calculated for the Interest Period of a Eurodollar Advance (or in the case of Daily Pricing Advances, determined on each Business Day, which rate shall apply until the next-following Business Day) in accordance with the following formula:

$$\text{ERRA} = \frac{\text{Eurodollar Interbank Rate}}{1.00 - \text{ERR}}$$

In such formula, "ERR" means "Eurodollar Reserve Rate" and "ERRA" means "Eurodollar Rate (Reserve Adjusted)", in each instance determined by the Agent for the applicable Interest Period. The Agent's determination of all such rates for any Interest Period shall be conclusive in the absence of manifest error.

"EURODOLLAR RESERVE RATE": A percentage equal to the daily average during such Interest Period of the aggregate maximum reserve requirements (including all basic, supplemental, marginal and other reserves), as specified under Regulation D of the Federal Reserve Board, or any other applicable regulation that prescribes reserve requirements applicable to Eurocurrency liabilities (as presently defined in Regulation D) or applicable to extensions of credit by the Agent the rate of interest on which is determined with regard to rates applicable to Eurocurrency liabilities. Without limiting the generality of the foregoing, the Eurocurrency Reserve Requirement shall reflect any reserves required to be maintained by the Agent against (i) any category of liabilities that includes deposits by reference to

which the Eurodollar Interbank Rate is to be determined, or (ii) any category of extensions of credit or other assets that includes Eurodollar Advances.

"EVENT OF DEFAULT": Any event described in ARTICLE X.

"EXISTING CREDIT AGREEMENT": That certain Credit Agreement, dated as of November 15, 1996, as amended and restated as of August 13, 1999, and as further amended, between the Borrower and U.S. Bank National Association, formerly known as First Bank National Association.

"FEDERAL RESERVE BOARD": The Board of Governors of the Federal Reserve System or an successor thereto.

"INTEREST PERIOD": Either (a) for any Eurodollar Advance, the period commencing on the borrowing date of such Eurodollar Advance or the date a Reference Rate Advance is converted into such Eurodollar Advance, or the last day of the preceding Interest Period for such Eurodollar Advance, as the case may be, and ending on the numerically corresponding day one, two or three months thereafter, as selected by the Borrower pursuant to SECTION 2.3 or SECTION 2.4; provided, that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day unless such next succeeding Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Termination Date; or

(b) for each Daily Pricing Advance, a period lasting until the next-following Business Day (provided, that the Eurodollar Interbank Rate shall be determined based on an interest period of one month, as provided in the definition thereof).

"INTEREST STEP-UPS": The following percentages, added as provided in the definition of Applicable Margin, if the following events apply:

Event:	Amount of Interest Step-Up:
(a) If on October 1, 1999, the Commitment shall be $50,000,000 or less, giving effect to all reductions under SECTION 4.3:	0.25%
(b) If on October 1, 1999, the Commitment is more than $50,000,000, giving effect	

to all reductions under SECTION 4.3: 0.50%

(c) If the Termination Date has not occurred on or before December 1, 1999: 1.00%

The Interest Step-Up under (a) and (b) shall be determined, and if (c) shall apply, the Interest Step-Up under (c) shall be added to that determined under (a) or (b) on and after December 1, 1999 (for example, if (a) applied, on and after December 1, 1999, the total Interest Step-Up added as provided in the definition of Applicable Margin shall be 1.25%).

"LOAN DOCUMENTS": This Agreement, the Notes, the fee letter described in SECTION 3.5, and each other instrument, document, guaranty, security agreement, mortgage, or other agreement executed and delivered by the Borrower or any guarantor or party granting security interests in connection with this Agreement, the Loans or any collateral for the Loans.

"MULTI-FACILITY CREDIT AGREEMENT": That certain Amended and Restated Credit Agreement, dated as of August 1, 1997 (amending and restating the Multi-Facility Credit Agreement dated as of November 15, 1996), among the Borrower, certain Subsidiaries of the Borrower, the Agents, and the Banks listed therein, as the same has been and shall hereafter be amended from time to time after such date.

"NEW PLACEMENT AGREEMENT": Any new agreement or agreements entered by the Borrower after the date hereof under which the Borrower will issue debt securities with a maturity exceeding one year, common or preferred equity, equity equivalent securities, convertible debt or other debt securities or equities.

"NEW SYNDICATED AGREEMENT": Any new credit agreement entered by the Borrower after the date hereof except for (a) the Other Bridge Loan Agreements, (b) any agreements pertaining to synthetic lease obligations of the Borrower and its Subsidiaries, and (c) any agreements pertaining to sale of receivables by the Borrower and its Subsidiaries.

"OTHER BRIDGE LOAN AGREEMENTS": Other separate credit agreements between the Borrower and Morgan Guaranty Trust Company and Bank of America, to be dated on or about the date of this Agreement, which are anticipated to be replaced by and refunded from the proceeds of the New Syndicated Agreement or New Placement Agreement.

"PAYMENT DATE": The Termination Date, plus (a) the last day of each Interest Period for each Eurodollar Advance; and (b) the last day of each month of each year for each Daily Pricing Advances and Reference Rate Advance and for any fees including, without limitation, the Facility Fees.

"PERCENTAGE": As to any Bank the proportion, expressed as a percentage, that such Bank's Commitment bears to the total Commitments of all Banks.

"PERSON": Any natural person, corporation, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or

political subdivision or any other entity, whether acting in an individual, fiduciary or other capacity.

"REFERENCE RATE": The rate of interest from time to time publicly announced by the Agent as its "reference rate." The Agent may lend to its customers at rates that are at, above or below the Reference Rate. For purposes of determining any interest rate which is based on the Reference Rate, such interest rate shall change on the effective date of any change in the Reference Rate.

"REFERENCE RATE ADVANCE": An Advance designated as such in a notice of borrowing under SECTION 2.3 or a notice of continuation or conversion under SECTION 2.4.

"REQUIRED BANKS": Those Banks whose total Percentage exceeds 50%, or if no Commitments remain in effect, whose share of principal of the Loans exceeds 50% of the aggregate outstanding principal of all Loans.

"SUBSIDIARY": Any Person of which or in which the Borrower and its other Subsidiaries own directly or indirectly 50% or more of: (a) the combined voting power of all classes of stock having general voting power under ordinary circumstances to elect a majority of the board of directors of such Person, if it is a corporation, (b) the capital interest or profit interest of such Person, if it is a partnership, joint venture or similar entity, or (c) the beneficial interest of such Person, if it is a trust, association or other unincorporated organization.

"TERMINATION DATE": The earliest of (a) March 30, 2000, (b) the date on which the Commitments are terminated pursuant to SECTION 9.4 hereof or (c) the date on which the Commitments are reduced to zero pursuant to SECTION 4.3 or 4.4 hereof.

Section 1.2 COMPUTATION OF TIME PERIODS. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise stated the word "from" means "from and including" and the word "to" or "until" each means "to but excluding."

Section 1.3 OTHER DEFINITIONAL TERMS. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Sections, Exhibits, schedules and like references are to this Agreement unless otherwise expressly provided.

ARTICLE II TERMS OF LENDING

Section 2.1 THE COMMITMENTS. Subject to the terms and conditions hereof and in reliance upon the warranties of the Borrower herein, each Bank agrees, severally and not jointly, to make loans (each, a "Loan" and, collectively, the "Loans") to the Borrower from time to time from the date hereof until the Termination Date, during which period the Borrower may repay and reborrow in accordance with the provisions hereof, provided, that the aggregate unpaid principal amount of the Loans of any Bank at any one time

outstanding shall not exceed its Commitment. The Loans shall be made by the Banks on a pro rata basis, calculated for each Bank based on its Percentage.

Section 2.2 ADVANCE OPTIONS. The Loan shall be constituted of Daily Pricing Advances, Eurodollar Advances and Reference Rate Advances, as shall be selected by the Borrower, except as otherwise provided herein. Any combination of types of Advances may be outstanding at the same time, except that the total number of outstanding Daily Pricing Advances and Eurodollar Advances shall not exceed 6 at any one time. Each Eurodollar Advance shall be in a minimum amount of $500,000 or in an integral multiple of $100,000 above such amount. Each Daily Pricing Advance and Reference Rate Advance shall be in an amount that is an integral multiple of $100,000. The Loans may not be made as, or converted into or continued as, Daily Pricing Advances after September 30, 1999.

Section 2.3 BORROWING PROCEDURES.

(a) REQUEST BY BORROWER. Any request by the Borrower for a Loan shall be in writing, or by telephone promptly confirmed in writing, and must be given so as to be received by the Agent not later than:

(i) 10:00 a.m., Minneapolis time, on the date of the requested Loan, if the Loan shall be comprised of Daily Pricing Advances or Reference Rate Advances; or

(ii) 12:00 noon, Minneapolis time, three Business days prior to the date of the requested Loan, if the Loan shall be, or shall include, a Eurodollar Advance.

Each request for a Loan shall specify (1) the borrowing date (which shall be a Business Day), (2) the amount of such Loan and the type or types of Advances comprising such Loan, and (3) if such Loan shall include Eurodollar Advances, the initial Interest Periods for such Advances.

(b) FUNDING OF AGENT. The Agent shall promptly notify each other Bank of the receipt of such request, the matters specified therein, and of such Bank's Percentage of the requested Loans. On the date of the requested Loans, each Bank shall provide its share of the requested Loans to the Agent in immediately available funds not later than 11:00 a.m., Minneapolis time. Unless the Agent determines that any applicable condition specified in ARTICLE VI has not been satisfied, the Agent will make the requested Loans available to the Borrower at the Agent's principal office in Minneapolis, Minnesota in immediately available funds not later than 5:00 p.m. (Minneapolis time) on the lending date so requested. If the Agent has made a Loan to the Borrower on behalf of a Bank but has not received the amount of such Loan from such Bank by the time herein required, such Bank shall pay interest to the Agent on the amount so advanced at the overnight Federal Funds rate from the date of such Loan to the date funds are received by the Agent from such Bank, such interest to be payable with such remittance from such Bank of the principal amount of such Loan (provided, however, that the Agent shall not make any Loan on behalf of a Bank if the Agent has received prior notice from such Bank that it will not make

such Loan). If the Agent does not receive payment from such Bank by the next Business Day after the date of any Loan, the Agent shall be entitled to recover such Loan, with interest thereon at the rate then applicable to the such Loan, on demand, from the Borrower, without prejudice to the Agent's and the Borrower's rights against such Bank. If such Bank pays the Agent the amount herein required with interest at the overnight rate before the Agent has recovered from the Borrower, such Bank shall be entitled to the interest payable by the Borrower with respect to the Loan in question accruing from the date the Agent made such Loan.

2.4 CONTINUATION OR CONVERSION OF LOANS. The Borrower may elect to (i) continue any outstanding Eurodollar Advance from one Interest Period into a subsequent Interest Period to begin on the last day of the earlier Interest Period, or (ii) convert any outstanding Advance into another type of Advance (on the last day of an Interest Period only, in the instance of a Eurodollar Advance), by giving the Agent notice in writing, or by telephone promptly confirmed in writing, given so as to be received by the Agent not later than:

(a) 10:00 a.m., Minneapolis time, on the date of the requested continuation or conversion, if the continuing or converted Advance shall be a Daily Pricing Advance or Reference Rate Advance; or

(b) 12:00 noon, Minneapolis time, three Business days prior to the date of the requested continuation or conversion, if the continuing or converted Advance shall be a Eurodollar Advance.

Each notice of continuation or conversion of an Advance shall specify (i) the effective date of the continuation or conversion date (which shall be a Business Day), (ii) the amount and the type or types of Advances following such continuation or conversion (subject to the limitation on amount set forth in SECTION 2.2), and (iii) for continuation as, or conversion into, Eurodollar Advances, the Interest Periods for such Advances. Absent timely notice of continuation or conversion, each Eurodollar Advance shall automatically convert into a Reference Rate Advance on the last day of an applicable Interest Period, unless paid in full on such last day. No Advance shall be continued as, or converted into, a Eurodollar Advance if the shortest Interest Period for such Advance may not transpire prior to the Termination Date or if a Default or Event of Default shall exist.

Section 2.5 THE NOTES. The Loans of each Bank shall be evidenced by a promissory note of the Borrower (the "Notes"), substantially in the form of EXHIBIT A hereto, in the amount of such Bank's Commitment originally in effect and dated as of the date of this Agreement. The Banks shall enter in their respective records the amount of each Loan and Advance, the rate of interest borne by each Advance and the payments made on the Loans, and such records shall be deemed conclusive evidence of the subject matter thereof, absent manifest error.

Section 2.6 FUNDING LOSSES. The Borrower will indemnify each Bank upon demand against any loss or expense which such Bank may sustain or incur (including, without limitation, any loss or expense sustained or incurred in obtaining, liquidating or employing deposits or other funds acquired to effect, fund, or maintain any Advance) as a consequence of (i) any failure of the Borrower to make any payment when due of any

amount due hereunder or under the Note, (ii) any failure of the Borrower to borrow, continue or convert an Advance on a date specified therefor in a notice thereof, or (iii) any payment (including, without limitation, any payment pursuant to SECTION 4.2, 4.3 or 10.2), prepayment or conversion of any Eurodollar Advance on a date other than the last day of the Interest Period for such Advance. Determinations by each Bank for purposes of this SECTION 2.6 of the amount required to indemnify such Bank shall be conclusive in the absence of manifest error.

ARTICLE III INTEREST AND FEES

Section 3.1 INTEREST.

(a) EURODOLLAR ADVANCES. The unpaid principal amount of each Eurodollar Advance shall bear interest prior to maturity at a rate per annum equal to the Eurodollar Rate (Reserve Adjusted) in effect for each Interest Period for such Eurodollar Advance plus the higher of (i) the Applicable Margin PLUS any applicable Interest Step-Ups, or (ii) the Alternative Applicable Margin.

(b) DAILY PRICING ADVANCES. The unpaid principal amount of each Daily Pricing Advance shall bear interest prior to maturity at a rate per annum equal to the Eurodollar Rate (Reserve Adjusted) in effect for each Business Day plus the higher of (i) the Applicable Margin PLUS any applicable Interest Step-Ups, or (ii) the Alternative Applicable Margin.

(c) REFERENCE RATE ADVANCES. The unpaid principal amount of each Reference Rate Advance shall bear interest prior to maturity at a rate per annum equal to the Reference Rate.

(d) INTEREST AFTER MATURITY. Any amount of the Loans not paid when due, whether at the date scheduled therefor or earlier upon acceleration, shall bear interest until paid in full at a rate per annum equal to the greater of (i) 1.00% in excess of the rate applicable to the unpaid principal amount immediately before it became due, or (ii) 1.00% in excess of the Reference Rate in effect from time to time.

Section 3.2 FACILITY FEE. The Borrower shall pay fees (the "Facility Fees") to the Agent for the account of the Banks in an amount determined by applying a rate of the Applicable Facility Fee Rate per annum to the average daily amount of the Commitments of the respective Banks (whether used or unused) for the period from the date hereof to the Termination Date.

Section 3.3 COMPUTATION. Interest and Facility Fees shall be computed on the basis of actual days elapsed and a year of 360 days.

Section 3.4 PAYMENT DATES. Accrued interest under SECTION 3.1(a), (b) and (c) and Facility Fees shall be payable on the applicable Payment Dates. Accrued interest under SECTION 3.1(d) shall be payable on demand.

Section 3.5 AGENT'S FEE LETTER. The Borrower shall pay to the Agent the fees described in a letter dated as of August 13, 1999 by the Agent, accepted by the Borrower.

ARTICLE IV PAYMENTS, PREPAYMENTS, REDUCTION OR TERMINATION OF THE CREDIT AND SETOFF

Section 4.1 REPAYMENT. Principal of the Loans, together with all accrued and unpaid interest thereon, shall be due and payable on the Termination Date.

Section 4.2 OPTIONAL PREPAYMENTS. The Borrower may prepay the Loans, in whole or in part, at any time subject to the provisions of SECTION 2.6, without any other premium or penalty. Any such prepayment must be accompanied by accrued and unpaid interest on the amount prepaid. Each partial prepayment shall be in an amount of $500,000 or an integral multiple thereof.

Section 4.3 OPTIONAL REDUCTION OR TERMINATION OF COMMITMENTS. The Borrower may, at any time, upon no less than 3 Business Days prior written or telephonic notice received by the Agent, reduce the Commitments of all Banks, such reduction to be in a minimum amount of $1,000,000 or an integral multiple thereof and to be applied ratably to the Commitments of the respective Banks. Upon any reduction in the Commitments pursuant to this Section, the Borrower shall pay to the Agent for the account of the Banks the amount, if any, by which the aggregate unpaid principal amount of outstanding Loans exceeds the total Commitments of all Banks as so reduced. Amounts so paid cannot be reborrowed. The Borrower may, at any time, upon not less than 3 Business Days prior written notice to the Agent, terminate the Commitments in their entirety. Upon termination of the Commitments pursuant to this Section, the Borrower shall pay to the Agent for the account of the Banks the full amount of all outstanding Loans, all accrued and unpaid interest thereon, all unpaid Facility Fees accrued to the date of such termination and all other unpaid obligations of the Borrower to the Banks hereunder. All payment described in this Section is subject to the provisions of SECTION 2.6.

Section 4.4 MANDATORY REDUCTION OF COMMITMENTS. If the Termination Date has not occurred sooner, the Commitments shall be reduced by (a) $50,000,000 upon the closing of the New Syndicated Agreement, and (b) $50,000,000 upon the closing of any New Placement Agreement (provided that any reduction of the Commitments under SECTION 4.3 shall be applied ratably to reduce the dollar amounts of such mandatory reductions). Upon any reduction in the Commitments pursuant to this Section, the Borrower shall pay to the Agent for the account of the Banks the amount, if any, by which the aggregate unpaid principal amount of outstanding Loans exceeds the total Commitments of all Banks as so reduced.

Section 4.5 PAYMENTS. Payments and prepayments of principal of, and interest on, the Notes and all fees, expenses and other obligations under the Loan Documents shall be made without set-off or counterclaim in immediately available funds not later than 2:00 p.m., Minneapolis time, on the dates due at the main office of the Agent in Minneapolis, Minnesota. Funds received on any day after such time shall be deemed to have been received on the next Business Day. The Agent shall promptly distribute in like funds to

each Bank its Percentage share of each such payment of principal, interest and Facility Fees. Subject to the definition of the term "Interest Period", whenever any payment to be made hereunder or on the Notes shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of any interest or fees.

Section 4.6 PRORATION OF PAYMENTS. If any Bank or other holder of a Loan shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset, pursuant to the guaranty hereunder, or otherwise) on account of principal of, interest on, or fees with respect to any Loan, or payment of any Letter of Credit Obligations, in any case in excess of the share of payments and other recoveries of other Banks or holders, such Bank or other holder shall purchase from the other Banks or holders, in a manner to be specified by the Agent, such participations in the Loans held by such other Banks or holders as shall be necessary to cause such purchasing Bank or other holder to share the excess payment or other recovery ratably with each of such other Banks or holders; PROVIDED, HOWEVER, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Bank or holder, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

ARTICLE V ADDITIONAL PROVISIONS RELATING TO LOANS

Section 5.1 INCREASED COSTS. If, as a result of any law, rule, regulation, treaty or directive, or any change therein or in the interpretation or administration thereof, or compliance by the Banks with any request or directive (whether or not having the force of law) from any court, central bank, governmental authority, agency or instrumentality, or comparable agency:

(a) any tax, duty or other charge with respect to any Loan, the Notes or the Commitments is imposed, modified or deemed applicable, or the basis of taxation of payments to any Bank of interest or principal of the Loans or of the Facility Fees (other than taxes imposed on the overall net income of such Bank by the jurisdiction in which such Bank has its principal office) is changed;

(b) any reserve, special deposit, special assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank is imposed, modified or deemed applicable;

(c) any increase in the amount of capital required or expected to be maintained by any Bank or any Person controlling such Bank is imposed, modified or deemed applicable; or

(d) any other condition affecting this Agreement or the Commitments is imposed on any Bank or the relevant funding markets;

and such Bank determines that, by reason thereof, the cost to such Bank of making or maintaining the Loans, issuing or participating in the Letters of Credit or extending its Commitment is increased, or the amount of any sum receivable by such Bank hereunder or under the Notes in respect of any Loan is reduced;

THEN, the Borrower shall pay to such Bank upon demand such additional amount or amounts as will compensate such Bank (or the controlling Person in the instance of (c) above) for such additional costs or reduction (provided that the Banks have not been compensated for such additional cost or reduction in the calculation of the Eurodollar Reserve Rate). Determinations by each Banks for purposes of this SECTION 5.1 of the additional amounts required to compensate such Bank shall be conclusive in the absence of manifest error. In determining such amounts, the Banks may use any reasonable averaging, attribution and allocation methods.

Section 5.2 DEPOSITS UNAVAILABLE OR INTEREST RATE UNASCERTAINABLE OR INADEQUATE; IMPRACTICABILITY. If the Agent determines (which determination shall be conclusive and binding on the parties hereto) that:

(a) deposits of the necessary amount for the relevant Interest Period for any Eurodollar Advance are not available in the relevant markets or that, by reason of circumstances affecting such market, adequate and reasonable means do not exist for ascertaining the Eurodollar Interbank Rate for such Interest Period;

(b) the Eurodollar Rate (Reserve Adjusted) will not adequately and fairly reflect the cost to the Banks of making or funding the Daily Pricing Advances or the Eurodollar Advance for a relevant Interest Period; or

(c) the making or funding of the Daily Pricing Advances or the Eurodollar Advances has become impracticable as a result of any event occurring after the date of this Agreement which, in the opinion of the Agent, materially and adversely affects such Advances or any Bank's Commitment or the relevant market;

the Agent shall promptly give notice of such determination to the Borrower, and (i) any notice of a new Daily Pricing Advances or Eurodollar Advance previously given by the Borrower and not yet borrowed or converted shall be deemed to be a notice to make a Reference Rate Advance, and (ii) the Borrower shall be obligated to either prepay in full any outstanding Daily Pricing Advances or Eurodollar Advances, without premium or penalty on the last day of the current Interest Period with respect thereto or convert any such Daily Pricing Advances or Eurodollar Advance to a Reference Rate Advance on such last day.

Section 5.3 CHANGES IN LAW RENDERING EURODOLLAR ADVANCES UNLAWFUL. If at any time due to the adoption of any law, rule, regulation, treaty or directive, or any change therein or in the interpretation or administration thereof by any court, central bank, governmental authority, agency or instrumentality, or comparable agency charged with the interpretation or administration thereof, or for any other reason arising subsequent to the date of this Agreement, it shall become unlawful or impossible for any Bank to make or fund any Daily Pricing Advances or Eurodollar Advance, the obligation of such Bank to provide such Advance shall, upon the happening of such event, forthwith be suspended for the duration of such illegality or impossibility. If any such event shall make it unlawful or impossible for the Bank to continue any Daily Pricing Advances or Eurodollar Advance previously made by it hereunder, such Bank shall, upon the happening of such event, notify the Agent and the Borrower thereof in writing, and the Borrower shall, at the time notified

by such Bank, either convert each such unlawful Advance to a Reference Rate Advance or repay such Advance in full, together with accrued interest thereon, subject to the provisions of SECTION 2.6.

Section 5.4 DISCRETION OF THE BANKS AS TO MANNER OF FUNDING. Notwithstanding any provision of this Agreement to the contrary, each Bank shall be entitled to fund and maintain its funding of all or any part of the Loans in any manner it elects; it being understood, however, that for purposes of this Agreement, all determinations hereunder shall be made as if the Banks had actually funded and maintained each Daily Pricing Advances and Eurodollar Advance during the Interest Period for such Advance through the purchase of deposits having a term corresponding to such Interest Period and bearing an interest rate equal to the Eurodollar Interbank Rate for such Interest Period (whether or not any Bank shall have granted any participations in such Advances).

ARTICLE VI CONDITIONS PRECEDENT

Section 6.1 CONDITIONS OF INITIAL LOAN. The obligation of the Banks to make the initial Loan hereunder shall be subject to the satisfaction of the conditions precedent, in addition to the applicable conditions precedent set forth in SECTION 6.2 below, that the Agent shall have received all of the following, in form and substance satisfactory to the Agent, each duly executed and certified or dated the date of the initial Loan or such other date as is satisfactory to the Agent:

(a) The Notes executed by a duly authorized officer (or officers) of the Borrower.

(b) A certificate or certificates of the Secretary or an Assistant Secretary of the Borrower, attesting to and attaching (i) a copy of the corporate resolution of the Borrower authorizing the execution, delivery and performance of the Loan Documents, (ii) an incumbency certificate showing the names and titles, and bearing the signatures of, the officers of the Borrower authorized to execute the Loan Documents, (iii) a copy of the Articles or Certificate of Incorporation of the Borrower with all amendments thereto, and (iv) a copy of the By-Laws of the Borrower with all amendments thereto.

(c) A Certificate of Good Standing for the Borrower in the jurisdiction of its incorporation, certified by the appropriate governmental officials.

(d) An opinion of counsel to the Borrower, addressed to the Bank, in substantially the form of EXHIBIT B.

Section 6.2 CONDITIONS PRECEDENT TO ALL LOANS. The obligation of the Banks to make any Loan hereunder (including the initial Loan) shall be subject to the satisfaction of the following conditions precedent (and any request for a Loan shall be deemed a representation and warranty by the Borrower that the following have been satisfied):

(a) Before and after giving effect to such Loan, the representation and warranties contained in ARTICLE VII shall be true and correct, as though made on the date of such Loan.

(b) Before and after giving effect to such Loan, no Default or Event of Default shall have occurred and be continuing.

ARTICLE VII REPRESENTATIONS AND WARRANTIES

Section 7.1 MULTI-FACILITY CREDIT AGREEMENT. To induce the Agent and the Banks to enter into this Agreement, to grant the Commitments and to make Loans hereunder, the hereby makes the representations and warranties contained in ARTICLE XI of the Multi-Facility Credit Agreement, which provisions, together with the related definitions, as in effect on the date hereof are hereby incorporated herein by reference (MUTATIS MUTANDIS) for the benefit of the Agent and the Banks hereunder and shall continue for the purposes of this Article VII regardless of the termination of the Multi-Facility Credit Agreement or the Agent's participation therein; PROVIDED that (a) the date "December 31, 1995" contained in Section 11.4 of the Multi-Facility Credit Agreement shall be deemed to mean "December 31, 1998"; (b) references in ARTICLE XI of the Multi-Facility Credit Agreement to the (i) "Agreement" and "Loan Documents," (ii) "Banks," (iii) "Loans" and (iv) "Administrative Agent" shall be deemed to mean this Agreement, the Loan Documents as defined hereunder, the Banks, the Agent and the Loans, each hereunder, respectively; and (c) all amendments to the Multi-Facility Credit Agreement before or after the date hereof shall be given effect of purposes of this Article VII.

Section 7.2 NEW SYNDICATED AGREEMENT. Upon the closing of the New Syndicated Agreement, if the Commitment or Loans remain outstanding hereunder, the Agent, upon direction of the Required Banks given at their discretion, may elect to have the representations and warranties set forth in the New Syndicated Agreement incorporated into this Agreement in place of those of the Multi-Facility Credit Agreement incorporated as provided in SECTION 7.1 above, and the Agent shall give notice to the Borrower of such election, together with any conforming drafting provisions reasonably necessary for such incorporation.

Section 7.3 ADDITIONAL REPRESENTATION. The Borrower hereby makes the following additional representation, which shall be deemed an representation under such Article XI for purpose of the references thereto in Article X hereof:

> The Borrower is in the process of reviewing its operations and those of its Subsidiaries and has requested from third parties with which the Borrower of any of its Subsidiaries has a material relationship a certification of compliance, in order to evaluate the extent to which the business or operations of the Borrower and its Subsidiaries will be affected by the Year 2000 problem. As a result of such review, the Borrower has no reason to believe and does not believe that the Year 2000 problem will have a material adverse effect on the business, consolidated financial position, stockholders' equity or results of operations of the Borrower and its Subsidiaries, taken as a whole.

ARTICLE VIII COVENANTS

Section 8.1 MULTI-FACILITY CREDIT AGREEMENT. So long as this Agreement shall remain in effect and until the Commitments have been terminated and all amounts owing hereunder shall have been paid in full, the Borrower shall comply with and be bound by the covenants contained in ARTICLE XII of the Multi-Facility Credit Agreement and will provide all of the information and notice required by such Article, which provisions, together with the related definitions, as in effect on the date hereof are hereby incorporated herein by reference (MUTATIS MUTANDIS) for the benefit of the Agent and the Banks hereunder and shall continue for the purposes of this Article VIII regardless of the termination of the Multi-Facility Credit Agreement or the Agent's participation therein; PROVIDED, that (i) references to the "Agent," "Banks" or the "Required Banks" shall be deemed to mean the Agent, Banks and Required Banks, hereunder; and (ii) references to "Default" or "Event of Default" shall be deemed to mean a Default or Event of Default hereunder; and (ii) all amendments to the Multi-Facility Credit Agreement before or after the date hereof shall be given effect of purposes of this Article VIII.

Section 8.2 NEW SYNDICATED AGREEMENT. Upon the closing of the New Syndicated Agreement, if the Commitment or Loans remain outstanding hereunder, the Agent, upon direction of the Required Banks given at their discretion, may elect to have the covenants set forth in the New Syndicated Agreement incorporated into this Agreement in place of those of the Multi-Facility Credit Agreement incorporated as provided in SECTION 8.1 above, and the Agent shall give notice to the Borrower of such election, together with any conforming drafting provisions reasonably necessary for such incorporation.

Section 8.3 INFORMATION. The Borrower has also agreed to provide to the Agent all information required by the Agent to determine the Applicable Margin and Alternative Applicable Margin, certified by the appropriate officer of the Borrower if so requested by the Bank.

ARTICLE IX EVENTS OF DEFAULT

Section 9.1 MULTI-FACILITY CREDIT AGREEMENT. If any of the events described in ARTICLE XIII of the Multi-Facility Credit Agreement (each an "EVENT OF DEFAULT") (which provisions, together with the related definitions, as in effect on the date hereof are hereby incorporated herein by reference (MUTATIS MUTANDIS) for the benefit of the Banks and the Agent hereunder and shall continue for the purposes of this Article IX regardless of the termination of the Multi-Facility Credit Agreement or the Agent's participation therein, or any amendment of, or any consent to any deviation from or other modification of, the Multi-Facility Credit Agreement; PROVIDED that (a) references to (i) any "document delivered pursuant to this Agreement," (ii) "Loan" or (iii) "Fee" shall be deemed to mean this Agreement, the Loan Documents as defined hereunder, the Loans hereunder and the Facility Fee hereunder, respectively; (b) references to Sections in ARTICLE XIII shall be deemed to be references to such clauses as incorporated herein by reference; and (c) all amendments to the Multi-Facility Credit Agreement before or after the date hereof shall be given effect of purposes of this Article IX.

Section 9.2 NEW SYNDICATED AGREEMENT. Upon the closing of the New Syndicated Agreement, if the Commitment or Loans remain outstanding hereunder, the Agent, upon direction of the Required Banks given at their discretion, may elect to have the events of default set forth in the New Syndicated Agreement incorporated into this Agreement in place of those of the Multi-Facility Credit Agreement incorporated as provided in SECTION 9.1 above, and the Agent shall give notice to the Borrower of such election, together with any conforming drafting provisions reasonably necessary for such incorporation.

Section 9.3 EXISTING CREDIT AGREEMENT. Any Event of Default under the Existing Credit Agreement shall constitute an Event of Default hereunder.

Section 9.4 REMEDIES. If (a) any Event of Default under which termination of the relevant commitments and acceleration of loans occurs automatically without notice (for example, an Event of Default under SECTIONS 13.1(2) of the Multi-Facility Credit Agreement) shall occur, the Commitments shall automatically terminate and the outstanding unpaid principal balance of the Notes, the accrued interest thereon and all other obligations of the Borrower to the Banks and the Agent under the Loan Documents shall automatically become immediately due and payable; or (b) any other Event of Default shall occur and be continuing, then the Agent may take any or all of the following actions (and shall take any or all of the following actions on direction of the Required Banks): (i) declare the Commitments terminated, whereupon the Commitments shall terminate, (ii) declare that the outstanding unpaid principal balance of the Notes, the accrued and unpaid interest thereon and all other obligations of the Borrower to the Banks and the Agent under the Loan Documents to be forthwith due and payable, whereupon the Notes, all accrued and unpaid interest thereon and all such obligations shall immediately become due and payable, in each case without demand or notice of any kind, all of which are hereby expressly waived, anything in this Agreement or in the Notes to the contrary notwithstanding, (iii) exercise all rights and remedies under any other instrument, document or agreement between the Borrower and the Agent or the Banks, and (iv) enforce all rights and remedies under any applicable law.

In addition to the remedies set forth in the foregoing paragraph, upon the occurrence of any Event of Default or at any time thereafter while such Event of Default continues, each Bank or any other holder of the Note may offset any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies of the Borrower then or thereafter with such Bank or such other holder, or any obligations of such Bank or such other holder of the Note, against the Indebtedness then owed by the Borrower to such Bank.

ARTICLE X THE AGENT

Section 10.1 APPOINTMENT AND GRANT OF AUTHORITY. Each Bank hereby appoints the Agent, and the Agent hereby agrees to act, as agent under this Agreement. The Agent shall have and may exercise such powers under this Agreement as are specifically delegated to the Agent by the terms hereof and thereof, together with such other powers as are reasonably

incidental thereto. Each Bank hereby authorizes, consents to, and directs the Borrower to deal with the Agent as the true and lawful agent of such Bank to the extent set forth herein.

Section 10.2 NON RELIANCE ON AGENT. Each Bank agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The Agent shall not be required to keep informed as to the performance or observance by the Borrower of this Agreement and the Loan Documents or to inspect the properties or books of the Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Borrower (or any of its related companies) which may come into the Agent's possession.

Section 10.3 RESPONSIBILITY OF THE AGENT AND OTHER MATTERS.

(a) The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and those duties and liabilities shall be subject to the limitations and qualifications set forth in this Section. The duties of the Agent shall be mechanical and administrative in nature.

(b) Neither the Agent nor any of its directors, officers or employees shall be liable for any action taken or omitted (whether or not such action taken or omitted is within or without the Agent's responsibilities and duties expressly set forth in this Agreement) under or in connection with this Agreement, or any other instrument or document in connection herewith, except for gross negligence or willful misconduct. Without limiting the foregoing, neither the Agent nor any of its directors, officers or employees shall be responsible for, or have any duty to examine:

(i) the genuineness, execution, validity, effectiveness, enforceability, value or sufficiency of (a) this Agreement, or the Notes, or (b) any document or instrument furnished pursuant to or in connection with this Agreement or the Notes;

(ii) the collectibility of any amounts owed by the Borrower;

(iii) any recitals or statements or representations or warranties in connection with this Agreement or the Notes;

(iv) any failure of any party to this Agreement to receive any communication sent; or

(v) the assets, liabilities, financial condition, results of operations, business or creditworthiness of the Borrower.

(c) The Agent shall be entitled to act, and shall be fully protected in acting upon, any communication in whatever form believed by the Agent in good faith to be genuine and correct and to have been signed or sent or made by a proper person or persons or entity. The Agent may consult counsel and shall be entitled to act, and shall be fully protected in-any action taken in good faith, in accordance with advice given by counsel. The Agent may employ agents and attorneys-in-fact and shall not be liable for the default or misconduct of any such agents or attorneys-in-fact selected by the Agent with reasonable care. The Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, provisions or conditions of this Agreement or the Notes on the Borrower's part.

Section 10.4 ACTION ON INSTRUCTIONS. The Agent shall be entitled to act or refrain from acting, and in all cases shall be fully protected in acting or refraining from acting under this Agreement or the Notes or any other instrument or document in connection herewith or therewith in accordance with instructions in writing from (i) the Required Banks except for instructions which under the express provisions hereof must be received by the Agent from all the Banks, and (ii) in the case of such instructions, from all the Banks.

Section 10.5 INDEMNIFICATION. To the extent the Borrower does not reimburse and save the Agent harmless according to the terms hereof for and from all costs, expenses and disbursements in connection herewith or with the other Loan Documents, such costs, expenses and disbursements to the extent reasonable shall be borne by the Banks ratably in accordance with their Percentages and the Banks hereby agree on such basis (a) to reimburse the Agent for all such reasonable costs, expenses and disbursements on request and (b) to indemnify and save harmless the Agent against and from any and all losses, obligations, penalties, actions, judgments and suits and other reasonable costs, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent, other than as a consequence of actual gross negligence or willful misconduct on the part of the Agent, arising out of or in connection with this Agreement or the Notes or any instrument or document in connection herewith or therewith, or any request of the Banks, including without limitation the reasonable costs, expenses and disbursements in connection with defending itself against any claim or liability, or answering any subpoena, related to the exercise or performance of any of its powers or duties under this Agreement or the other Loan Documents or the taking of any action under or in connection with this Agreement or the Notes.

Section 10.6 U.S. BANK NATIONAL ASSOCIATION AND AFFILIATES. With respect to U.S. Bank National Association's Commitment and any Loans by U.S. Bank National Association under this Agreement and any Note and any interest of U.S. Bank National Association in any Note, U.S. Bank National Association shall have the same rights, powers and duties under this Agreement and such Note as any other Bank and may exercise the same as though it were not the Agent. U.S. Bank National Association and its affiliates may accept deposits from, lend money to, and generally engage, and continue to engage, in any kind of business with the Borrower as if U.S. Bank National Association were not the Agent.

Section 10.7 NOTICE TO HOLDER OF NOTES. The Agent may deem and treat the payees of the Notes as the owners thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof has been filed with the Agent. Any request, authority or

consent of any holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note.

Section 10.8 SUCCESSOR AGENT. The Agent may resign at any time by giving at least 30 days written notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving notice of resignation, then the retiring Agent may, but shall not be required to, on behalf of the Banks, appoint a successor Agent.

ARTICLE XI MISCELLANEOUS

Section 11.1 NO WAIVER AND AMENDMENT. No failure on the part of the Banks or the holder of the Notes to exercise and no delay in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The remedies herein and in any other instrument, document or agreement delivered or to be delivered to the Banks hereunder or in connection herewith are cumulative and not exclusive of any remedies provided by law. No notice to or demand on the Borrower not required hereunder or under the Notes shall in any event entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Banks or the holder of the Notes to any other or further action in any circumstances without notice or demand.

Section 11.2 AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Agent upon direction of the required Banks and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, HOWEVER, that no amendment, waiver or consent shall, unless agreed to by the Agent and all of the Banks:

(a) increase the amounts of or extend the terms of the Commitments or subject the Banks to any additional obligations;

(b) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder;

(c) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder;

(d) change the definition of Required Banks or amend this SECTION 11.2

PROVIDED, FURTHER that amendments, waivers or consents affecting the rights of the Agent shall also require the consent of the Agent.

Section 11.3 ASSIGNMENTS AND PARTICIPATIONS.

(a) ASSIGNMENTS. Each Bank shall have the right, subject to the further provisions of this SECTIONS 11.3, to sell or assign all or any part of its Commitments, Loans, Notes, and other rights and obligations under this Agreement and related documents (such transfer, and "Assignment") to any commercial lender, other financial institution or other entity (an "Assignee"). Upon such Assignment becoming effective as provided in SECTION 11.3(b), the assigning Bank shall be relieved from the portion of its Commitment, obligations to indemnify the Agent and other obligations hereunder to the extent assumed and undertaken by the Assignee, and to such extent the Assignee shall have the rights and obligations of a "Bank" hereunder. Notwithstanding the foregoing, unless otherwise consented to by the Borrower and the Agent, each Assignment shall be in the initial principal amount of not less than $5,000,000 in the aggregate for all Loans and Commitments assigned, or an integral multiple of $1,000,000 if above such amount. Each Assignment shall be documented by an agreement between the assigning Bank and the Assignee (an "Assignment and Assumption Agreement") in form and substance satisfactory to the Agent.

(b) EFFECTIVENESS OF ASSIGNMENTS. An Assignment shall become effective hereunder when all of the following shall have occurred: (i) the Agent and the Borrower shall have been given notice of the Assignment and shall have given prior written consent to such Assignment, unless the Assignee is already a Bank under this Agreement, provided, that consent by the Borrower shall not be unreasonably withheld and that the Borrower's consent shall not be required if an Event of Default shall have occurred and continued hereunder, (ii) either the assigning Bank or the Assignee shall have paid a processing fee of $3,500 to the Agent for its own account, (iii) the Assignee shall have submitted the assignment document in form satisfactory to the Agent, in which the Assignee shall have agreed in writing to have irrevocably assumed and undertaken the transferred portion of the assigning Bank's obligations hereunder (including without limitation the obligations to indemnify the Agent hereunder), to the Agent with a copy for the Borrower, and shall have provided to the Agent information the Agent shall have reasonably requested to make payments to the Assignee, and (iv) the assigning Bank and the Agent shall have agreed upon a date upon which the Assignment shall become effective. Upon the Assignment becoming effective, (x) if requested by the assigning Bank, the Agent and the Borrower shall make appropriate arrangements so that new Notes are issued to the assigning Bank and the Assignee; and (y) the Agent shall forward all payments of interest, principal, fees and other amounts that would have been made to the assigning Bank, in proportion to the percentage of the assigning Bank's rights transferred, to the Assignee.

(c) PARTICIPATIONS. Each Bank shall have the right, subject to the further provisions of this SECTION 11.3, to grant or sell a participation in all or any part of its Loans, Notes and Commitments (a "Participation") to any commercial lender, other financial institution or other entity (a "Participant") without the consent of the Borrower, the Agent of any other party hereto. The Borrower agrees that if amounts outstanding under this agreement and the Notes are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its

Participation in amounts owing under this Agreement and any Note to the same extent as if the amount of its Participation were owing directly to it as a Bank under this agreement or any note; provided, that such right of setoff shall be subject to the obligation of such Participant to share with the Banks, and the Banks agree to share with such Participant, as provided in SECTION 4.5 hereof. The Borrower also agrees that each Participant shall be entitled to the benefits of ARTICLE V with respect to its Participation, provided, that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Bank would have been entitled to receive in respect of the amount of the Participation transferred by such transferor Bank to such Participant had no such transfer occurred.

(d) LIMITATION OF RIGHTS OF ANY ASSIGNEE OR PARTICIPANT. Notwithstanding anything in the foregoing to the contrary, except in the instance of an Assignment that has become effective as provided in SECTION 11.3(b), (i) no Assignee or Participant shall have any direct rights hereunder, (ii) the Borrower, the Agent and the Banks other than the assigning or selling Bank shall deal solely with the assigning or selling Bank and shall not be obligated to extend any rights or make any payment to, or seek any consent of, the Assignee or Participant, (iii) no Assignment or Participation shall relieve the assigning or selling Bank from its Commitment to make Loans hereunder or any of its other obligations hereunder and such Bank shall remain solely responsible for the performance hereof, the (iv) no Assignee or Participant, other than an affiliate of the assigning or selling Bank, shall be entitled to require such Bank to take or omit to take any action hereunder, except that such Bank may agree with such Assignee or Participant that such Bank will not, without such Assignee's or Participant's consent, take any action which would, in the case of any principal, interest or fee in which the Assignee or Participant has an ownership or beneficial interest: (w) extend the final maturity of any Loans or extend the Termination Date, (x) reduce the interest rate on the Loans or the rate of Facility Fees, (y) forgive any principal of, or interest on, the Loans or any fees, or (z) release all or substantially all of the Collateral for the Loans.

(e) TAX MATTERS. No Bank shall be permitted to enter into any Assignment or Participation with any Assignee or Participant who is not a United States Person unless such Assignee or Participant represents and warrants to such Bank that, as at the date of such Assignment or Participation, it is entitled to receive interest payments without withholding or deduction of any taxes and such Assignee or Participant executes and delivers to such Bank on or before the date of execution and delivery of documentation of such Participation or Assignment, a United States Internal Revenue Service Form 1001 or 4224, or any successor to either of such forms, as appropriate, properly completed an claiming complete exemption from withholding and deduction of all Federal Income Taxes. A "United States Person" means any citizen, national or resident of the United States, any corporation or other entity created or organized in or under the laws of the United States or any political subdivision hereof or any estate or trust, in each case that is not subject to withholding of United States Federal income taxes or other taxes on payment of interest, principal of fees hereunder.

(f) INFORMATION. Each Bank may furnish any information concerning the Borrower in the possession of such Bank from time to time to Assignees and Participants and potential Assignees and Participants.

(g) FEDERAL RESERVE BANK. Nothing herein stated shall limit the right of any Bank to assign any interest herein and in any Note to a Federal Reserve Bank.

Section 11.4 COSTS, EXPENSES AND TAXES. The Borrower agrees, whether or not any Loan is made hereunder, to pay on demand (without duplication) all costs and expenses of the following persons (including the reasonable fees and expenses of counsel and paralegals for such persons who may be employees of such persons), incurred in connection with the following matters: (i) the Agent in connection with the preparation, execution and delivery of the Loan Documents and the preparation, negotiation and execution of any and all amendments to each thereof and (ii) the Agent and the Banks in connection with the enforcement of the Loan Documents. The Borrower agrees to pay, and save the Banks harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of the Loan Documents. The Borrower agrees to indemnify and hold the Banks harmless from any loss or expense which may arise or be created by the acceptance of telephonic or other instructions for making Loans or disbursing the proceeds thereof. The obligations of the Borrower under this SECTION 11.4 shall survive any termination of this Agreement.

Section 11.5 NOTICES. Except when telephonic notice is expressly authorized by this Agreement, any notice or other communication to any party in connection with this Agreement shall be in writing and shall be sent by manual delivery, telegram, telex, facsimile transmission, overnight courier or United States mail (postage prepaid) addressed to such party at the address specified on the signature page hereof, or at such other address as such party shall have specified to the other party hereto in writing. All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by telegram, telex or facsimile transmission, from the first Business Day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed; PROVIDED, HOWEVER, that any notice to the Agent under ARTICLE II hereof shall be deemed to have been given only when received by the Agent.

Section 11.6 SUCCESSORS. This Agreement shall be binding upon the Borrower, the Banks and the Agent and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Banks and the Agent and the successors and assigns of the Banks. The Borrower shall not assign its rights or duties hereunder without the written consent of the Banks.

Section 11.7 SEVERABILITY. Any provision of the Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 11.8 SUBSIDIARY REFERENCES. The provisions of this Agreement relating to Subsidiaries shall apply only during such times as the Borrower has one or more Subsidiaries.

Section 11.9 CAPTIONS. The captions or headings herein and any table of contents hereto are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

Section 11.10 ENTIRE AGREEMENT. The Loan Documents embody the entire agreement and understanding between the Borrower, the Banks and the Agent with respect to the subject matter hereof and thereof. This Agreement supersedes all prior agreements and understandings relating to the subject matter hereof.

Section 11.11 COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and either of the parties hereto may execute this Agreement by signing any such counterpart.

Section 11.12 GOVERNING LAW. THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF MINNESOTA, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF, BUT GIVING EFFECT TO FEDERAL LAWS OF THE UNITED STATES APPLICABLE TO NATIONAL BANKS.

Section 11.13 CONSENT TO JURISDICTION. AT THE OPTION OF THE BANKS, THIS AGREEMENT AND THE NOTES MAY BE ENFORCED IN ANY FEDERAL COURT OR MINNESOTA STATE COURT SITTING IN MINNEAPOLIS OR ST. PAUL, MINNESOTA; AND THE BORROWER CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT THE BORROWER COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT, THE BANKS AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

Section 11.14 WAIVER OF JURY TRIAL. THE BORROWER, THE BANKS AND THE AGENT EACH WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (a) UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR (b) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above.

PENTAIR, INC.

By: /s/ Richard W. Ingman

Title: CFO

Waters Edge Plaza
1500 County Road B2 West
St. Paul, Minnesota 55113
Attention: Chief Financial Officer
Telecopy: (651) 639-5209
Telephone: (651) 636-7920

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Mark R. Olmon

Title: Senior Vice President

601 2nd Ave. S.
Minneapolis, MN 55402-4302
Attention: Mark R. Olmon
Telephone: (612) 973-1085
Fax: (612) 973-0825

Execution Copy

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CREDIT AGREEMENT

Dated as of November 15, 1996
as amended and restated as of August 13, 1999

between

PENTAIR, INC.,

and

U.S. BANK NATIONAL ASSOCIATION,

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of November 15, 1996, as amended and restated as of August 13, 1999, is by and between PENTAIR, INC., a Minnesota corporation (the "Borrower") and U.S. BANK NATIONAL ASSOCIATION, a national banking association, formerly known as First Bank National Association (the "Bank").

Preliminary Statement

The Borrower and the Bank have entered into a Credit Agreement, dated as of November 15, 1996, and desire to amend the Credit Agreement. For the convenience of the parties, the Borrower and the Bank have agreed to restate the Credit Agreement in its entirety in the form of this Agreement.

ARTICLE I DEFINITIONS AND ACCOUNTING TERMS

Section 1.1 DEFINED TERMS. In addition to the terms defined elsewhere in this Agreement, the following terms shall have the following respective meanings (and such meanings shall be equally applicable to both the singular and plural form of the terms defined, as the context may require):

"ADVANCE": The portion of the outstanding Loans bearing interest at an identical rate for an identical Interest Period, provided that all Reference Rate Advances shall be deemed a single Advance. An Advance may be a "Daily Pricing Advance", "Eurodollar Advance", or "Reference Rate Advance" (each, a "type" of Advance).

"AGREEMENT": This Credit Agreement, as it may be amended, modified, supplemented, restated or replaced from time to time.

"APPLICABLE MARGIN" and "APPLICABLE FACILITY FEE RATE": The following percentages when the following Levels apply:

Applicable Level:	Percentage for Applicable Margin:	Percentage for Applicable Facility Fee Rate:
Level I	0.375%	0.125%
Level II	0.475%	0.150%
Level III	0.575%	0.175%
Level IV	0.6875%	0.1875%
Level V	0.80%	0.20%
Level VI	1.025%	0.225%
Level VII	1.225%	0.275%

The applicable level shall be determined as follows:

LEVEL I shall apply if the Borrower's Long Term Debt Rating is A- or better (S&P) and A3 or better (Moody's).

LEVEL II shall apply if the Borrower's Long Term Debt Rating is BBB+ or better (S&P) and Baa1 or better (Moody's) but no numerically lower Level applies.

LEVEL III shall apply if the Borrower's Long Term Debt Rating is BBB or better (S&P) and Baa2 or better (Moody's) but no numerically lower Level applies.

LEVEL IV shall apply if the Borrower's Long Term Debt Rating is BBB or better (S&P) and Baa3 or better (Moody's) OR if the Borrower's Long Term Debt Rating is BBB- or better (S&P) and Baa2 or better (Moody's) but no numerically lower Level applies.

LEVEL V shall apply if the Borrower's Long Term Debt Rating is BBB- or better (S&P) and Baa3 or better (Moody's) but no numerically lower Level applies.

LEVEL VI shall apply if the Borrower's Long Term Debt Rating is BB+ or better (S&P) and Ba1 or better (Moody's) but no numerically lower Level applies.

LEVEL VII shall apply if no other level shall apply.

As used herein:

"LONG TERM DEBT RATING" means the rating assigned by S&P and Moody's to the long term, unsecured, senior indebtedness of the Borrower.

"MOODY'S" means Moody's Investors Service, Inc.

"S&P" means Standard & Poor's Ratings Group.

"BUSINESS DAY": Any day (other than a Saturday, Sunday or legal holiday in the State of Minnesota) on which national banks are permitted to be open in Minneapolis, Minnesota and, with respect to Eurodollar Advances, a day on which dealings in Dollars may be carried on by the Bank in the interbank eurodollar market.

"COMMITMENT": The maximum unpaid principal amount of the Loans of the Bank which may from time to time be outstanding hereunder, being initially $25,000,000, as the same may be reduced from time to time pursuant to SECTION 4.3, or, if so indicated, the maximum unpaid principal amount of Loans of the Bank and, as the context may require, the agreement of the Bank to make Loans to the Borrower subject to the terms and conditions of this Agreement up to its Commitment.

"DAILY PRICING ADVANCE": An Advance designated as such in a notice of borrowing under SECTION 2.3 or a notice of continuation or conversion under SECTION 2.4.

"DEFAULT": Any event which, with the giving of notice to the Borrower or lapse of time, or both, would constitute an Event of Default.

"EURODOLLAR ADVANCE": An Advance designated as such in a notice of borrowing under SECTION 2.3 or a notice of continuation or conversion under SECTION 2.4.

"EURODOLLAR INTERBANK RATE": The offered rate for deposits in United States Dollars (rounded upwards, if necessary, to the nearest 1/16 of 1%), for delivery of such deposits on the first day of an Interest Period of a Eurodollar Advance, for the number of days comprised therein, or for Daily Pricing Advances an Interest Period of one month, which appears on Page 3750 of the Dow Jones Markets (Telerate) screen as of 11:00 a.m., London time, on the day that is two Banking Days preceding the first day of the Interest Period of such Eurodollar Advance (or in the case of Daily Pricing Advances, on each Business Day, without giving effect to the two-day forward convention), or the rate for such deposits determined by the Bank at such time based on such other published service of general application as shall be selected by the Bank for such purpose; PROVIDED, that in lieu of determining the rate in the foregoing manner, the Bank may determine the rate based on rates offered to the Bank for deposits in United States Dollars (rounded upwards, if necessary, to the nearest 1/16 of 1%) in the interbank eurodollar market at such time for delivery on the first day of the Interest Period for the number of days comprised therein.

"EURODOLLAR RATE (RESERVE ADJUSTED)": A rate per annum (rounded upward, if necessary, to the nearest 1/16th of 1%) calculated for the Interest Period of a Eurodollar Advance (or in the case of Daily Pricing Advances, determined on each Business Day, which rate shall apply until the next-following Business Day) in accordance with the following formula:

$$ERRA = \frac{\text{Eurodollar Interbank Rate}}{1.00 - ERR}$$

In such formula, "ERR" means "Eurodollar Reserve Rate" and "ERRA" means "Eurodollar Rate (Reserve Adjusted)", in each instance determined by the Bank for the applicable Interest Period. The Bank's determination of all such rates for any Interest Period shall be conclusive in the absence of manifest error.

"EURODOLLAR RESERVE RATE": A percentage equal to the daily average during such Interest Period of the aggregate maximum reserve requirements (including all basic, supplemental, marginal and other reserves), as specified under Regulation D of the Federal Reserve Board, or any other applicable regulation that prescribes reserve requirements applicable to Eurocurrency liabilities (as presently defined in Regulation D) or applicable to extensions of credit by the Bank the rate of interest on which is determined with regard to rates applicable to Eurocurrency liabilities. Without limiting the generality of the foregoing, the Eurocurrency Reserve Requirement shall reflect any reserves required to be maintained by the Bank against (i) any category of liabilities that includes deposits by reference to which the Eurodollar Interbank Rate is to be determined, or (ii) any category of extensions of credit or other assets that includes Eurodollar Advances.

"EVENT OF DEFAULT": Any event described in ARTICLE X.

"FEDERAL RESERVE BOARD": The Board of Governors of the Federal Reserve System or an successor thereto.

"INTEREST PERIOD" Either (a) for any Eurodollar Advance, the period commencing on the borrowing date of such Eurodollar Advance or the date a Reference Rate Advance is converted into such Eurodollar Advance, or the last day of the preceding Interest Period for such Eurodollar Advance, as the case may be, and ending on the numerically corresponding day one, two or three months thereafter, as selected by the Borrower pursuant to SECTION 2.3 or SECTION 2.4; PROVIDED, that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day unless such next succeeding Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Termination Date; or

(b) for each Daily Pricing Advance, a period lasting until the next-following Business Day (provided, that the Eurodollar Interbank Rate shall be determined based on an interest period of one month, as provided in the definition thereof).

"INTEREST STEP-UPS": The following percentages, added as provided in the definition of Applicable Margin, if the following events apply:

EVENT:	Amount of Interest Step-Up:
(a) If on October 1, 1999, the Commitment shall be $50,000,000 or less, giving effect to all reductions under SECTION 4.3:	0.25%
(b) If on October 1, 1999, the Commitment is more than $50,000,000, giving effect to all reductions under SECTION 4.3:	0.50%
(c) If the Termination Date has not occurred on or before December 1, 1999:	1.00%

The Interest Step-Up under (a) and (b) shall be determined, and if (c) shall apply, the Interest Step-Up under (c) shall be added to that determined under (a) or (b) on and after December

1, 1999 (for example, if (a) applied, on and after December 1, 1999, the total Interest Step-Up added as provided in the definition of Applicable Margin shall be 1.25%).

"LOAN DOCUMENTS": This Agreement, the Note and each other instrument, document, guaranty, security agreement, mortgage, or other agreement executed and delivered by the Borrower or any guarantor or party granting security interests in connection with this Agreement, the Loans or any collateral for the Loans.

"MULTI-FACILITY CREDIT AGREEMENT": That certain Amended and Restated Credit Agreement, dated as of August 1, 1997 (amending and restating the Multi-Facility Credit Agreement dated as of November 15, 1996), among the Borrower, certain Subsidiaries of the Borrower, the Agents, and the Banks listed therein, as the same has been and shall hereafter be amended from time to time after such date.

"NEW CREDIT AGREEMENT": That certain Revolving Credit Agreement, dated as of August 13, 1999, as thereafter amended, between the Borrower and U.S. Bank National Association, as Agent and as sole Bank.

"NEW PLACEMENT AGREEMENT": Any new agreement or agreements entered by the Borrower after the date hereof under which the Borrower will issue debt securities with a maturity exceeding one year, common or preferred equity, equity equivalent securities, convertible debt or other debt securities or equities.

"NEW SYNDICATED AGREEMENT": Any new credit agreement entered by the Borrower after the date hereof except for (a) the Other Bridge Loan Agreements, (b) any agreements pertaining to synthetic lease obligations of the Borrower and its Subsidiaries, and (c) any agreements pertaining to sale of receivables by the Borrower and its Subsidiaries.

"OTHER BRIDGE LOAN AGREEMENTS": Other separate credit agreements between the Borrower and (a) Morgan Guaranty Trust Company to be entered in August, 1999, (b) Bank of America to be entered in August, 1999, and (c) the New Credit Agreement, which are anticipated to be replaced by and refunded from the proceeds of the New Syndicated Agreement or New Placement Agreement.

"PAYMENT DATE": The Termination Date, plus (a) the last day of each Interest Period for each Eurodollar Advance; and (b) the last day of each month of each year for each Daily Pricing Advances and Reference Rate Advance and for any fees including, without limitation, the Facility Fees.

"PERSON": Any natural person, corporation, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision or any other entity, whether acting in an individual, fiduciary or other capacity.

"REFERENCE RATE": The rate of interest from time to time publicly announced by the Bank as its "reference rate." The Bank may lend to its customers at rates that are at, above or below the Reference Rate. For purposes of determining any interest rate which is based

on the Reference Rate, such interest rate shall change on the effective date of any change in the Reference Rate.

"REFERENCE RATE ADVANCE": An Advance designated as such in a notice of borrowing under SECTION 2.3 or a notice of continuation or conversion under SECTION 2.4.

"SUBSIDIARY": Any Person of which or in which the Borrower and its other Subsidiaries own directly or indirectly 50% or more of: (a) the combined voting power of all classes of stock having general voting power under ordinary circumstances to elect a majority of the board of directors of such Person, if it is a corporation, (b) the capital interest or profit interest of such Person, if it is a partnership, joint venture or similar entity, or (c) the beneficial interest of such Person, if it is a trust, association or other unincorporated organization.

"TERMINATION DATE": The earliest of (a) March 30, 2000, (b) the date on which the Commitments are terminated pursuant to SECTION 9.3 hereof or (c) the date on which the Commitments are reduced to zero pursuant to SECTION 4.3 or 4.4 hereof.

Section 1.2 COMPUTATION OF TIME PERIODS. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise stated the word "from" means "from and including" and the word "to" or "until" each means "to but excluding."

Section 1.3 OTHER DEFINITIONAL TERMS. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Sections, Exhibits, schedules and like references are to this Agreement unless otherwise expressly provided.

ARTICLE II TERMS OF LENDING

Section 2.1 THE COMMITMENTS. Subject to the terms and conditions hereof and in reliance upon the warranties of the Borrower herein, the Bank agrees to make loans (each, a "Loan" and, collectively, the "Loans") to the Borrower from time to time from the date hereof until the Termination Date, during which period the Borrower may repay and reborrow in accordance with the provisions hereof, provided, that the aggregate unpaid principal amount of the Loans of the Bank at any one time outstanding shall not exceed its Commitment.

Section 2.2 ADVANCE OPTIONS. The Loan shall be constituted of Daily Pricing Advances, Eurodollar Advances and Reference Rate Advances, as shall be selected by the Borrower, except as otherwise provided herein. Any combination of types of Advances may be outstanding at the same time, except that the total number of outstanding Daily Pricing Advances and Eurodollar Advances shall not exceed 6 at any one time. Each Eurodollar Advance shall be in a minimum amount of $500,000 or in an integral multiple of $100,000 above such amount. Each Daily Pricing Advance and Reference Rate Advance shall be in an amount that is an integral multiple of $100,000. The Loans may not be made as, or converted into or continued as, Daily Pricing Advances after September 30, 1999.

Section 2.3 BORROWING PROCEDURES. Any request by the Borrower for a Loan shall be in writing, or by telephone promptly confirmed in writing, and must be given so as to be received by the Bank not later than:

(a) 10:00 a.m., Minneapolis time, on the date of the requested Loan, if the Loan shall be comprised of Daily Pricing Advances or Reference Rate Advances; or

(b) 12:00 noon, Minneapolis time, three Business days prior to the date of the requested Loan, if the Loan shall be, or shall include, a Eurodollar Advance.

Each request for a Loan shall specify (1) the borrowing date (which shall be a Business Day), (2) the amount of such Loan and the type or types of Advances comprising such Loan, and (3) if such Loan shall include Eurodollar Advances, the initial Interest Periods for such Advances.

2.4 CONTINUATION OR CONVERSION OF LOANS. The Borrower may elect to (i) continue any outstanding Eurodollar Advance from one Interest Period into a subsequent Interest Period to begin on the last day of the earlier Interest Period, or (ii) convert any outstanding Advance into another type of Advance (on the last day of an Interest Period only, in the instance of a Eurodollar Advance), by giving the Agent notice in writing, or by telephone promptly confirmed in writing, given so as to be received by the Bank not later than:

(a) 10:00 a.m., Minneapolis time, on the date of the requested continuation or conversion, if the continuing or converted Advance shall be a Daily Pricing Advance or Reference Rate Advance; or

(b) 12:00 noon, Minneapolis time, three Business days prior to the date of the requested continuation or conversion, if the continuing or converted Advance shall be a Eurodollar Advance.

Each notice of continuation or conversion of an Advance shall specify (i) the effective date of the continuation or conversion date (which shall be a Business Day), (ii) the amount and the type or types of Advances following such continuation or conversion (subject to the limitation on amount set forth in SECTION 2.2), and (iii) for continuation as, or conversion into, Eurodollar Advances, the Interest Periods for such Advances. Absent timely notice of continuation or conversion, each Eurodollar Advance shall automatically convert into a Reference Rate Advance on the last day of an applicable Interest Period, unless paid in full on such last day. No Advance shall be continued as, or converted into, a Eurodollar Advance if the shortest Interest Period for such Advance may not transpire prior to the Termination Date or if a Default or Event of Default shall exist.

Section 2.5 THE NOTE. The Loans shall be evidenced by a promissory note of the Borrower (the "Note"), substantially in the form of EXHIBIT A hereto, in the amount of the Commitment originally in effect and dated as of the date of this Agreement. The Bank shall enter in its records the amount of each Loan and Advance, the rate of interest borne by each Advance and the payments made on the Loans, and such records shall be deemed conclusive evidence of the subject matter thereof, absent manifest error.

Section 2.6 FUNDING LOSSES. The Borrower will indemnify the Bank upon demand against any loss or expense which the Bank may sustain or incur (including, without limitation, any loss or expense sustained or incurred in obtaining, liquidating or employing deposits or other funds acquired to effect, fund, or maintain any Advance) as a consequence of (i) any failure of the Borrower to make any payment when due of any amount due hereunder or under the Note, (ii) any failure of the Borrower to borrow, continue or convert an Advance on a date specified therefor in a notice thereof, or (iii) any payment (including, without limitation, any payment pursuant to SECTION 4.2, 4.3 or 10.2), prepayment or conversion of any Eurodollar Advance on a date other than the last day of the Interest Period for such Advance. Determinations by the Bank for purposes of this SECTION 2.6 of the amount required to indemnify the Bank shall be conclusive in the absence of manifest error.

ARTICLE III INTEREST AND FEES

Section 3.1 INTEREST.

(a) EURODOLLAR ADVANCES. The unpaid principal amount of each Eurodollar Advance shall bear interest prior to maturity at a rate per annum equal to the Eurodollar Rate (Reserve Adjusted) in effect for each Interest Period for such Eurodollar Advance PLUS the Applicable Margin PLUS any applicable Interest Step-Ups.

(b) DAILY PRICING ADVANCES. The unpaid principal amount of each Daily Pricing Advance shall bear interest prior to maturity at a rate per annum equal to the Eurodollar Rate (Reserve Adjusted) in effect for each Business Day PLUS the Applicable Margin PLUS any applicable Interest Step-Ups.

(c) REFERENCE RATE ADVANCES. The unpaid principal amount of each Reference Rate Advance shall bear interest prior to maturity at a rate per annum equal to the Reference Rate.

(d) INTEREST AFTER MATURITY. Any amount of the Loans not paid when due, whether at the date scheduled therefor or earlier upon acceleration, shall bear interest until paid in full at a rate per annum equal to the greater of (i) 1.00% in excess of the rate applicable to the unpaid principal amount immediately before it became due, or (ii) 1.00% in excess of the Reference Rate in effect from time to time.

Section 3.2 FACILITY FEE. The Borrower shall pay fees (the "Facility Fees") to the Bank in an amount determined by applying a rate of the Applicable Facility Fee Rate per annum to the average daily amount of the Commitment of the Bank (whether used or unused) for the period from the date hereof to the Termination Date.

Section 3.3 COMPUTATION. Interest and Facility Fees shall be computed on the basis of actual days elapsed and a year of 360 days.

Section 3.4 PAYMENT DATES. Accrued interest under SECTION 3.1(a), (b) and (c) and Facility Fees shall be payable on the applicable Payment Dates. Accrued interest under SECTION 3.1(d) shall be payable on demand.

ARTICLE IV PAYMENTS, PREPAYMENTS, REDUCTION OR TERMINATION OF THE CREDIT AND SETOFF

Section 4.1 REPAYMENT. Principal of the Loans, together with all accrued and unpaid interest thereon, shall be due and payable on the Termination Date.

Section 4.2 OPTIONAL PREPAYMENTS. The Borrower may prepay the Loans, in whole or in part, at any time subject to the provisions of SECTION 2.6, without any other premium or penalty. Any such prepayment must be accompanied by accrued and unpaid interest on the amount prepaid. Each partial prepayment shall be in an amount of $500,000 or an integral multiple thereof.

Section 4.3 OPTIONAL REDUCTION OR TERMINATION OF COMMITMENTS. The Borrower may, at any time, upon no less than 3 Business Days prior written or telephonic notice received by the Bank, reduce the Commitment of the Bank, such reduction to be in a minimum amount of $1,000,000 or an integral multiple thereof. Upon any reduction in the Commitments pursuant to this Section, the Borrower shall pay to the Bank the amount, if any, by which the aggregate unpaid principal amount of outstanding Loans exceeds the Commitment of the Bank as so reduced. Amounts so paid cannot be reborrowed. The Borrower may, at any time, upon not less than 3 Business Days prior written notice to the Bank, terminate the Commitment. Upon termination of the Commitment pursuant to this Section, the Borrower shall pay to the Bank the full amount of all outstanding Loans, all accrued and unpaid interest thereon, all unpaid Facility Fees accrued to the date of such termination and all other unpaid obligations of the Borrower to the Bank hereunder. All payment described in this Section is subject to the provisions of SECTION 2.6.

Section 4.4 MANDATORY REDUCTION OF COMMITMENTS. If the Termination Date has not occurred sooner, the Commitments shall be reduced to $0 upon the closing of the New Syndicated Agreement. Upon any reduction in the Commitments pursuant to this Section, the Borrower shall pay to the Bank the amount, if any, by which the aggregate unpaid principal amount of outstanding Loans exceeds the Commitment as so reduced.

Section 4.5 PAYMENTS. Payments and prepayments of principal of, and interest on, the Note and all fees, expenses and other obligations under the Loan Documents shall be made without set-off or counterclaim in immediately available funds not later than 2:00 p.m., Minneapolis time, on the dates due at the main office of the Bank in Minneapolis, Minnesota. Funds received on any day after such time shall be deemed to have been received on the next Business Day. Subject to the definition of the term "Interest Period", whenever any payment to be made hereunder or on the Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of any interest or fees.

ARTICLE V ADDITIONAL PROVISIONS RELATING TO LOANS

Section 5.1 INCREASED COSTS. If, as a result of any law, rule, regulation, treaty or directive, or any change therein or in the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) from any court, central bank, governmental authority, agency or instrumentality, or comparable agency:

(a) any tax, duty or other charge with respect to any Loan, the Note or the Commitments is imposed, modified or deemed applicable, or the basis of taxation of payments to the Bank of interest or principal of the Loans or of the Facility Fees (other than taxes imposed on the overall net income of the Bank by the jurisdiction in which the Bank has its principal office) is changed;

(b) any reserve, special deposit, special assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Bank is imposed, modified or deemed applicable;

(c) any increase in the amount of capital required or expected to be maintained by the Bank or any Person controlling the Bank is imposed, modified or deemed applicable; or

(d) any other condition affecting this Agreement or the Commitments is imposed on the Bank or the relevant funding markets;

and the Bank determines that, by reason thereof, the cost to the Bank of making or maintaining the Loans, issuing or participating in the Letters of Credit or extending its Commitment is increased, or the amount of any sum receivable by the Bank hereunder or under the Note in respect of any Loan is reduced;

THEN, the Borrower shall pay to the Bank upon demand such additional amount or amounts as will compensate the Bank (or the controlling Person in the instance of (c) above) for such additional costs or reduction (provided that the Bank has not been compensated for such additional cost or reduction in the calculation of the Eurodollar Reserve Rate). Determinations by the Bank for purposes of this SECTION 5.1 of the additional amounts required to compensate the Bank shall be conclusive in the absence of manifest error. In determining such amounts, the Bank may use any reasonable averaging, attribution and allocation methods.

Section 5.2 DEPOSITS UNAVAILABLE OR INTEREST RATE UNASCERTAINABLE OR INADEQUATE; IMPRACTICABILITY. If the Bank determines (which determination shall be conclusive and binding on the parties hereto) that:

(a) deposits of the necessary amount for the relevant Interest Period for any Eurodollar Advance are not available in the relevant markets or that, by reason of circumstances affecting such market, adequate and reasonable means do not exist for ascertaining the Eurodollar Interbank Rate for such Interest Period;

(b) the Eurodollar Rate (Reserve Adjusted) will not adequately and fairly reflect the cost to the Bank of making or funding the Daily Pricing Advances or the Eurodollar Advance for a relevant Interest Period; or

(c) the making or funding of the Daily Pricing Advances or the Eurodollar Advances has become impracticable as a result of any event occurring after the date of this Agreement which, in the opinion of the Bank, materially and adversely affects such Advances or the Bank's Commitment or the relevant market;

the Bank shall promptly give notice of such determination to the Borrower, and (i) any notice of a new Daily Pricing Advances or Eurodollar Advance previously given by the Borrower and not yet borrowed or converted shall be deemed to be a notice to make a Reference Rate Advance, and (ii) the Borrower shall be obligated to either prepay in full any outstanding Daily Pricing Advances or Eurodollar Advances, without premium or penalty on the last day of the current Interest Period with respect thereto or convert any such Daily Pricing Advances or Eurodollar Advance to a Reference Rate Advance on such last day.

Section 5.3 CHANGES IN LAW RENDERING EURODOLLAR ADVANCES UNLAWFUL. If at any time due to the adoption of any law, rule, regulation, treaty or directive, or any change therein or in the interpretation or administration thereof by any court, central bank, governmental authority, agency or instrumentality, or comparable agency charged with the interpretation or administration thereof, or for any other reason arising subsequent to the date of this Agreement, it shall become unlawful or impossible for the Bank to make or fund any Daily Pricing Advances or Eurodollar Advance, the obligation of the Bank to provide such Advance shall, upon the happening of such event, forthwith be suspended for the duration of such illegality or impossibility. If any such event shall make it unlawful or impossible for the Bank to continue any Daily Pricing Advances or Eurodollar Advance previously made by it hereunder, the Bank shall, upon the happening of such event, notify the Borrower thereof in writing, and the Borrower shall, at the time notified by the Bank, either convert each such unlawful Advance to a Reference Rate Advance or repay such Advance in full, together with accrued interest thereon, subject to the provisions of SECTION 2.6.

Section 5.4 DISCRETION OF THE BANK AS TO MANNER OF FUNDING. Notwithstanding any provision of this Agreement to the contrary, the Bank shall be entitled to fund and maintain its funding of all or any part of the Loans in any manner it elects; it being understood, however, that for purposes of this Agreement, all determinations hereunder shall be made as if the Bank had actually funded and maintained each Daily Pricing Advances and Eurodollar Advance during the Interest Period for such Advance through the purchase of deposits having a term corresponding to such Interest Period and bearing an interest rate equal to the Eurodollar Interbank Rate for such Interest Period (whether or not the Bank shall have granted any participations in such Advances).

ARTICLE VI CONDITIONS PRECEDENT

Section 6.1 CONDITIONS OF INITIAL LOAN. The obligation of the Bank to make the initial Loan hereunder shall be subject to the satisfaction of the conditions precedent, in addition to the applicable conditions precedent set forth in SECTION 6.2 below, that the Bank shall have

received all of the following, in form and substance satisfactory to the Bank, each duly executed and certified or dated the date of the initial Loan or such other date as is satisfactory to the Bank:

(a) The Note executed by a duly authorized officer (or officers) of the Borrower.

(b) A certificate or certificates of the Secretary or an Assistant Secretary of the Borrower, attesting to and attaching (i) a copy of the corporate resolution of the Borrower authorizing the execution, delivery and performance of the Loan Documents, (ii) an incumbency certificate showing the names and titles, and bearing the signatures of, the officers of the Borrower authorized to execute the Loan Documents, (iii) a copy of the Articles or Certificate of Incorporation of the Borrower with all amendments thereto, and (iv) a copy of the By-Laws of the Borrower with all amendments thereto.

(c) A Certificate of Good Standing for the Borrower in the jurisdiction of its incorporation, certified by the appropriate governmental officials.

(d) An opinion of counsel to the Borrower, addressed to the Bank, in substantially the form of EXHIBIT B.

Section 6.2 CONDITIONS PRECEDENT TO ALL LOANS. The obligation of the Bank to make any Loan hereunder (including the initial Loan) shall be subject to the satisfaction of the following conditions precedent (and any request for a Loan shall be deemed a representation and warranty by the Borrower that the following have been satisfied):

(a) Before and after giving effect to such Loan, the representation and warranties contained in ARTICLE VII shall be true and correct, as though made on the date of such Loan.

(b) Before and after giving effect to such Loan, no Default or Event of Default shall have occurred and be continuing.

ARTICLE VII REPRESENTATIONS AND WARRANTIES

Section 7.1. MULTI-FACILITY CREDIT AGREEMENT. To induce the Bank to enter into this Agreement, to grant the Commitments and to make Loans hereunder, the hereby makes the representations and warranties contained in ARTICLE XI of the Multi-Facility Credit Agreement, which provisions, together with the related definitions, as in effect on the date hereof are hereby incorporated herein by reference (MUTATIS MUTANDIS) for the benefit of the Bank hereunder and shall continue for the purposes of this Article VII regardless of the termination of the Multi-Facility Credit Agreement or the Bank's participation therein; PROVIDED that (a) the date "December 31, 1995" contained in Section 11.4 of the Multi-Facility Credit Agreement shall be deemed to mean "December 31, 1998"; (b) references in ARTICLE XI of the Multi-Facility Credit Agreement to the (i) "Agreement" and "Loan Documents," (ii) "Banks," (iii) "Loans" and (iv) "Administrative Agent" shall be deemed to mean this Agreement, the Loan Documents as defined hereunder, the Bank and the Loans,

each hereunder, respectively; and (c) all amendments to the Multi-Facility Credit Agreement before or after the date hereof shall be given effect of purposes of this Article VII.

Section 7.2 ADDITIONAL REPRESENTATION. The Borrower hereby makes the following additional representation, which shall be deemed an representation under such Article XI for purpose of the references thereto in Article X hereof:

> The Borrower is in the process of reviewing its operations and those of its Subsidiaries and has requested from third parties with which the Borrower of any of its Subsidiaries has a material relationship a certification of compliance, in order to evaluate the extent to which the business or operations of the Borrower and its Subsidiaries will be affected by the Year 2000 problem. As a result of such review, the Borrower has no reason to believe and does not believe that the Year 2000 problem will have a material adverse effect on the business, consolidated financial position, stockholders' equity or results of operations of the Borrower and its Subsidiaries, taken as a whole.

ARTICLE VIII COVENANTS

Section 8.1 MULTI-FACILITY CREDIT AGREEMENT. So long as this Agreement shall remain in effect and until the Commitments have been terminated and all amounts owing hereunder shall have been paid in full, the Borrower shall comply with and be bound by the covenants contained in ARTICLE XII of the Multi-Facility Credit Agreement and will provide all of the information and notice required by such Article, which provisions, together with the related definitions, as in effect on the date hereof are hereby incorporated herein by reference (MUTATIS MUTANDIS) for the benefit of the Bank hereunder and shall continue for the purposes of this Article VIII regardless of the termination of the Multi-Facility Credit Agreement or the Bank's participation therein; PROVIDED, that (i) references to the "Agent," "Banks" or the "Required Banks" shall be deemed to mean the Bank hereunder; and (ii) references to "Default" or "Event of Default" shall be deemed to mean a Default or Event of Default hereunder; and (ii) all amendments to the Multi-Facility Credit Agreement before or after the date hereof shall be given effect of purposes of this Article VIII.

Section 8.2 INFORMATION. The Borrower has also agreed to provide to the Bank all information required by the Bank to determine the Applicable Margin, certified by the appropriate officer of the Borrower if so requested by the Bank.

ARTICLE IX EVENTS OF DEFAULT

Section 9.1 MULTI-FACILITY CREDIT AGREEMENT. If any of the events described in ARTICLE XIII of the Multi-Facility Credit Agreement (each an "EVENT OF DEFAULT") (which provisions, together with the related definitions, as in effect on the date hereof are hereby incorporated herein by reference (MUTATIS MUTANDIS) for the benefit of the Banks hereunder and shall continue for the purposes of this Article IX regardless of the termination of the Multi-Facility Credit Agreement or the Bank's participation therein, or any amendment of, or any consent to any deviation from or other modification of, the Multi-Facility Credit Agreement; PROVIDED that (a) references to (i) any "document delivered pursuant to this

Agreement," (ii) "Loan" or (iii) "Fee" shall be deemed to mean this Agreement, the Loan Documents as defined hereunder, the Loans hereunder and the Facility Fee hereunder, respectively; (b) references to Sections in ARTICLE XIII shall be deemed to be references to such clauses as incorporated herein by reference; and (c) all amendments to the Multi-Facility Credit Agreement before or after the date hereof shall be given effect of purposes of this Article IX.

Section 9.2 NEW CREDIT AGREEMENT. Any Event of Default under the New Credit Agreement shall constitute an Event of Default hereunder.

Section 9.3 REMEDIES. If (a) any Event of Default under which termination of the relevant commitments and acceleration of loans occurs automatically without notice (for example, an Event of Default under SECTIONS 13.1(2) of the Multi-Facility Credit Agreement) shall occur, the Commitments shall automatically terminate and the outstanding unpaid principal balance of the Note, the accrued interest thereon and all other obligations of the Borrower to the Bank under the Loan Documents shall automatically become immediately due and payable; or (b) any other Event of Default shall occur and be continuing, then the Bank may take any or all of the following actions: (i) declare the Commitments terminated, whereupon the Commitments shall terminate, (ii) declare that the outstanding unpaid principal balance of the Note, the accrued and unpaid interest thereon and all other obligations of the Borrower to the Bank under the Loan Documents to be forthwith due and payable, whereupon the Note, all accrued and unpaid interest thereon and all such obligations shall immediately become due and payable, in each case without demand or notice of any kind, all of which are hereby expressly waived, anything in this Agreement or in the Note to the contrary notwithstanding, (iii) exercise all rights and remedies under any other instrument, document or agreement between the Borrower and the Bank, and (iv) enforce all rights and remedies under any applicable law.

In addition to the remedies set forth in the foregoing paragraph, upon the occurrence of any Event of Default or at any time thereafter while such Event of Default continues, the Bank or any other holder of the Note may offset any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies of the Borrower then or thereafter with the Bank or such other holder, or any obligations of the Bank or such other holder of the Note, against the Indebtedness then owed by the Borrower to the Bank.

ARTICLE X MISCELLANEOUS

Section 10.1 WAIVER AND AMENDMENT. No failure on the part of the Bank or the holder of the Note to exercise and no delay in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The remedies herein and in any other instrument, document or agreement delivered or to be delivered to the Bank hereunder or in connection herewith are cumulative and not exclusive of any remedies provided by law. No notice to or demand on the Borrower not required hereunder or under the Note shall in any event entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank or the holder of the Note to

any other or further action in any circumstances without notice or demand. No amendment, modification or waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall be effective unless the same shall be in writing and signed by the Bank, and then such amendment, modifications, waiver or consent shall be effective only in the specific instances and for the specific purpose for which given.

Section 10.2 EXPENSES AND INDEMNITIES. Whether or not any Loan is made hereunder, the Borrower agrees to reimburse the Bank upon demand for all reasonable expenses paid or incurred by the Bank (including filing and recording costs and fees and expenses of legal counsel, who may be employees of the Bank) in connection with the preparation, review, execution, delivery, amendment, modification, interpretation, collection and enforcement of the Loan Documents (including without limitation those incurred in connection with any appeal of a lower court order or judgment). The Borrower agrees to pay, and save the Bank harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of the Loan Documents. The Borrower agrees to indemnify and hold the Bank harmless from any loss or expense which may arise or be created by the acceptance of telephonic or other instructions for making Loans or disbursing the proceeds thereof. The obligations of the Borrower under this SECTION 10.2 shall survive any termination of this Agreement.

Section 10.3 NOTICES. Except when telephonic notice is expressly authorized by this Agreement, any notice or other communication to any party in connection with this Agreement shall be in writing and shall be sent by manual delivery, telegram, telex, facsimile transmission, overnight courier or United States mail (postage prepaid) addressed to such party at the address specified on the signature page hereof, or at such other address as such party shall have specified to the other party hereto in writing. All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by telegram, telex or facsimile transmission, from the first Business Day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed; PROVIDED, HOWEVER, that any notice to the Bank under ARTICLE II hereof shall be deemed to have been given only when received by the Bank.

Section 10.4 SUCCESSORS. This Agreement shall be binding upon the Borrower and the Bank and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Bank and the successors and assigns of the Bank. The Borrower shall not assign its rights or duties hereunder without the written consent of the Bank.

Section 10.5 PARTICIPATIONS AND INFORMATION. The Bank may sell participation interests in any or all of the Loans and in all or any portion of the Commitment to any Person. The Bank may furnish any information concerning the Borrower in the possession of the Bank from time to time to participants and prospective participants and may furnish information in response to credit inquiries consistent with general banking practice.

Section 10.6 SEVERABILITY. Any provision of the Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 10.7 SUBSIDIARY REFERENCES. The provisions of this Agreement relating to Subsidiaries shall apply only during such times as the Borrower has one or more Subsidiaries.

Section 10.8 CAPTIONS. The captions or headings herein and any table of contents hereto are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

Section 10.9 ENTIRE AGREEMENT. This Agreement and the Note embody the entire agreement and understanding between the Borrower and the Bank with respect to the subject matter hereof and thereof. This Agreement supersedes all prior agreements and understandings relating to the subject matter hereof.

Section 10.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and either of the parties hereto may execute this Agreement by signing any such counterpart.

Section 10.11 GOVERNING LAW. THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF MINNESOTA, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF, BUT GIVING EFFECT TO FEDERAL LAWS OF THE UNITED STATES APPLICABLE TO NATIONAL BANKS.

Section 10.12 CONSENT TO JURISDICTION. AT THE OPTION OF THE BANK, THIS AGREEMENT AND THE NOTE MAY BE ENFORCED IN ANY FEDERAL COURT OR MINNESOTA STATE COURT SITTING IN MINNEAPOLIS OR ST. PAUL, MINNESOTA; AND THE BORROWER CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT THE BORROWER COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT, THE BANK AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

Section 10.13 WAIVER OF JURY TRIAL. THE BORROWER AND THE BANK EACH WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (a) UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR (b) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above.

PENTAIR, INC.

By: /s/ Richard W. Ingman

Title: CFO

Waters Edge Plaza
1500 County Road B2 West
St. Paul, Minnesota 55113
Attention: Chief Financial Officer
Telecopy: (651) 639-5209
Telephone: (651) 636-7920

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Mark R. Olmon

Title: Senior Vice President
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601 2nd Ave. S.
Minneapolis, MN 55402-4302
Attention: Mark R. Olmon
Telephone: (612) 973-1085
Fax: (612) 973-0825

EXHIBIT 23.1

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Pentair, Inc. on Form S-3 No. 333-80159 and on Forms S-8 No. 33-36256, 33-38534, 33-42268, 33-45012, 333-12561, and 333-62475 of our report on the consolidated financial statements of Essef Corporation dated November 12, 1998 (August 16, 1999 as to Note 2 and Note 14), appearing in this Form 8-K.

DELOITTE & TOUCHE LLP

Cleveland, Ohio
August 24, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-80159) and on Forms S-8 (No. 33-36256, 33-38534, 33-42268, 33-45012, 333-12561, 333-62475) of Pentair, Inc. of our report dated May 12, 1999, except for Note 12 as to which the date is August 13, 1999, relating to the consolidated financial statements of Falcon Manufacturing, Inc. and Subsidiary, which appears in the Current Report on Form 8-K of Pentair, Inc. dated August 10, 1999.

PricewaterhouseCoopers LLP

Chicago, Illinois
August 24, 1999

ESSEF CORPORATION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 1998
AND INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Essef Corporation and Subsidiaries
Chardon, Ohio

We have audited the accompanying consolidated balance sheet of Essef Corporation and Subsidiaries (the "Company") as of September 30, 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company discontinued the pool installation segment of its operations when it distributed the common shares of the segment to the Company shareholders on August 10, 1999. The pool installation segment financial position and operating results prior to the distribution are included in the net long-term assets, net current liabilities, and income from discontinued operations in the accompanying restated consolidated financial statements.

Deloitte & Touche LLP
Cleveland, Ohio

November 13, 1998
(August 16, 1999 as to Note 2 and Note 14)

ESSEF CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1998
(IN THOUSANDS)

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,213
Accounts receivable, less allowance for doubtful accounts of $2,146	33,999
Inventories	45,221
Prepayments and other	1,937
Total current assets	83,370
PROPERTY, PLANT AND EQUIPMENT, At cost:	
Land	1,835
Buildings	29,377
Machinery and equipment	95,755
Subtotal	126,967
Less accumulated depreciation	56,198
Net property, plant and equipment	70,769
OTHER ASSETS:	
Goodwill, net	46,569
Deferred income taxes	2,916
Other	9,897
Net long-term assets of discontinued operations	36,180
Total other assets	95,562
TOTAL ASSETS	$249,701
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Short-term borrowings	$ 3,853
Current maturities of long-term debt	318
Accounts payable	15,957
Accrued compensation	10,216
Accrued expenses	11,704
Accrued income taxes	3,685
Net current liabilities of discontinued operations	4,292
Total current liabilities	50,025
LONG-TERM DEBT	112,144
OTHER LONG-TERM LIABILITIES	3,854
SHAREHOLDERS' EQUITY:	
Preferred shares, no par value, authorized 1,000,000 shares, none issued	-
Common shares, no par value, authorized 40,000,000 shares, issued 12,321,933 shares in 1998	50,570
Treasury shares at cost, 503,927 shares in 1998	(7,962)
Retained earnings	40,888
Foreign currency translation adjustment	182
Total shareholders' equity	83,678
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$249,701

See notes to consolidated financial statements.

ESSEF CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED SEPTEMBER 30, 1998
(IN THOUSANDS)

NET SALES	$296,441
COST OF SALES	216,599
GROSS PROFIT	79,842
OPERATING EXPENSES:	
Engineering and development	6,056
Selling	24,107
Administrative	23,342
Total operating expenses	53,505
INCOME FROM OPERATIONS	26,337
INTEREST EXPENSE - Net (Note 2)	6,699
OTHER EXPENSE, NET	250
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	19,388
PROVISION FOR INCOME TAXES	6,502
INCOME FROM CONTINUING OPERATIONS	12,886
INCOME FROM DISCONTINUED OPERATIONS, NET OF APPLICABLE INCOME TAXES OF $2,299	3,692
NET INCOME	$ 16,578
PER SHARE INFORMATION:	
Income from continuing operations:	
Basic	$ 1.10
Diluted	0.96
Income from discontinued operations:	
Basic	$ 0.31
Diluted	0.27
Net income:	
Basic	$ 1.41
Diluted	1.23

See notes to consolidated financial statements.

ESSEF CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED SEPTEMBER 30, 1998
(IN THOUSANDS)

	COMMON SHARES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TREASURY SHARES	TOTAL
BALANCE, SEPTEMBER 30, 1997	$32,234	$ 41,099	$ 75	$(7,962)	$65,446
NET INCOME		16,578			16,578
ISSUANCE OF SHARES FOR ACQUISITIONS (97,184 shares)	1,654				1,654
EXERCISE OF STOCK OPTIONS (75,755 shares)	456				456
10 PERCENT STOCK DIVIDEND	16,789	(16,789)			-
EXECUTIVE STOCK OPTION ACCRUAL	(838)				(838)
TAX BENEFITS FROM EXERCISE OF STOCK OPTIONS	275				275
FOREIGN CURRENCY TRANSLATION ADJUSTMENT			107		107
BALANCE, SEPTEMBER 30, 1998	$50,570	$ 40,888	$182	$(7,962)	$83,678

See notes to consolidated financial statements.

ESSEF CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 1998
(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 16,578
Adjustments to reconcile net income to net cash from operating activities:	
Net income from discontinued operations	(3,692)
Depreciation and amortization	10,116
Deferred taxes	2,929
Other	(958)
Net cash provided by discontinued operations	2,174
Changes in operating assets and liabilities:	
Accounts receivable	5,873
Inventories	(5,228)
Prepayments and other	147
Accounts payable	(970)
Accrued expenses	(933)
Accrued income taxes	(5,175)
Net cash provided by operating activities	20,861
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property, plant and equipment	(13,316)
Investing activities of discontinued operations	(6,493)
Business acquisitions by continuing operations	(33,200)
Proceeds from sale of business	4,308
Other, net	(869)
Net cash used in investing activities	(49,570)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	31,274
Decrease in short-term borrowings	(1,467)
Proceeds from exercise of stock options	456
Net cash provided by financing activities	30,263
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,554
CASH AND CASH EQUIVALENTS:	
Beginning of year	659
End of year	$ 2,213
SUPPLEMENTAL CASH FLOW INFORMATION:	
Interest paid	$ 8,026
Income taxes paid, net	8,299
NONCASH FINANCING AND INVESTING ACTIVITIES -	
Stock issued in acquisitions made by continuing operations	455
Stock issued in acquisitions made by discontinued operations	1,199

See notes to consolidated financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS - Essef Corporation and subsidiaries (the "Company") operates in three segments and specializes in products that are used to move, store, treat and enjoy water. The Company's products are used in the residential, commercial, industrial and municipal markets. The Swimming Pool and Spa Equipment Segment is a leading supplier of equipment including filters, pumps, heaters, controls, valves, lights and tile. The Water Treatment and Systems Equipment Segment provides fiberglass-reinforced pressure vessels and subsystems for water and other liquids. The Swimming Pool Sales and Installation Segment is the largest residential in-ground pool sales and installation business in the United States. In August 1999, the Company entered into a merger agreement with Pentair, Inc. ("Pentair") through which the common stock of Essef Corporation was acquired by Pentair, and the common stock of the pool installation segment was distributed to the shareholders of the Company just prior to the merger with Pentair (see Note 2).

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company. All significant intercompany items have been eliminated.

REVENUE RECOGNITION - Revenues from the sale of products are recognized upon shipment. Revenues from contracts related to the installation of swimming pools are recognized on the percentage-of-completion accounting method. Projected losses on individual contracts are provided for in their entirety in the year the estimated loss becomes determinable.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid short-term investments with initial maturities of three months or less to be cash equivalents.

DEPRECIATION AND AMORTIZATION - Depreciation is computed using the straight-line method for financial reporting purposes while accelerated methods are used for tax reporting purposes. Assets, valued at cost, are generally being depreciated over their useful lives as follows: buildings, 30 years; and machinery and equipment, 3 to 15 years.

FINANCIAL INSTRUMENTS - The Company has financial instruments that consist primarily of cash and cash equivalents, receivables, payables and debt instruments. The Company has determined that the estimated fair value of its financial instruments approximates carrying value.

GOODWILL - Goodwill arising from business acquisitions is amortized using the straight-line method over forty years. Accumulated amortization at September 30, 1998 was $1,895,000. The Company continually evaluates goodwill based on the present value of estimated future cash flows to assess impairment.

INCOME TAXES - The provision for income taxes includes federal, foreign, state and local taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets.

EARNINGS PER SHARE - Basic earnings per share are computed by dividing income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are based on the combined weighted average number of common shares and common share equivalents outstanding, which include the assumed exercise or conversion of options. In computing diluted earnings per share, the Company has utilized the treasury stock method.

The computation of weighted average common and common equivalent shares used in the calculation of basic and diluted earnings per share is shown below: (Dollars and shares in thousands except per share).

Numerators:	
Income available from continuing operations	$12,886
Income from discontinued operations	3,692
Net income	$16,578
Denominator:	
Weighted average common shares outstanding	11,721
Dilutive effect of stock options and awards	1,783
Denominator for net income per share, diluted	13,504
Per share information:	
Income from continuing operations:	
Basic	$ 1.10
Diluted	$ 0.96
Income from discontinued operations:	
Basic	$ 0.31
Diluted	$ 0.27
Net income:	
Basic	$ 1.41
Diluted	$ 1.23

FOREIGN CURRENCY TRANSLATION - Assets and liabilities of the Company's foreign subsidiaries are translated at current exchange rates and the results of operations are translated at the average exchange rates during the periods. Asset and liability adjustments resulting from these translations are recorded as a separate component of shareholders' equity and results of operations translation adjustments are recorded in income.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. SUBSEQUENT EVENTS

On August 10, 1999, Pentair completed its acquisition of the common stock of the Company in accordance with the terms of the Merger Agreement (the "Agreement") between the Company and Pentair. The Agreement provided that each common shareholder of the Company would receive $18.97 in cash and 0.25 shares of Anthony & Sylvan Pools Corporation ("A&S") common stock, the pool installation segment, for each common share held. In connection with the taxable distribution of the A&S common shares, A&S became a stand-alone public entity, and as a result, the consolidated financial statements of the Company and the related notes to consolidated financial statements have been restated to reflect the results of operations and net assets of A&S as a discontinued operations.

The Agreement also provides that all of the outstanding Company revolving credit facility would be paid off. In conjunction with the split-off of A&S, the intercompany loan between the Company and A&S was contributed to A&S capital. The distribution of the A&S common shares did not result in a book gain or loss to the Company.

The components of the net assets of the discontinued operations included in the balance sheet are as follows (in thousands):

Current assets (primarily accounts receivable and inventory)	$ 15,544
Accounts payable and accrued expenses	(19,836)
Net current liabilities	$ (4,292)
Property, plant and equipment, net	$ 8,307
Goodwill, net	27,875
Other non-current assets	1,676
Long-term debt	(478)
Other long-term liabilities	(1,200)
Net long-term assets	$ 36,180

The condensed statement of operations relating to the discontinued operations are as follows (in thousands):

Net sales	$139,586
Cost and expenses	133,595
Income before income taxes	5,991
Provision for income taxes	2,299
Net income	$ 3,692

The consolidated net sales from continuing operations includes $8,530,000 in intersegment sales between the Swimming Pool and Spa Equipment Segment and A&S. Interest expense of the continuing operations is net of intercompany interest income of $1,529,000 charged to the discontinuing operations costs and expenses for the year ended September 30, 1998.

On February 4, 1999, the Board of Directors authorized a 10 percent stock dividend to be distributed on or about March 10, 1999 to shareholders of record on February 19, 1999. The consolidated financial statements have not been restated to reflect the number of shares outstanding following the dividend as the dividend was declared subsequent to September 30, 1998.

In August 1999, the Company's Swimming Pool and Spa Equipment Segment acquired certain assets of Kreepy Krauly, a manufacturer of automatic swimming pool cleaners, for $16,750,000, subject to certain post-closing net asset adjustments.

3. BUSINESS ACQUISITIONS

On July 22, 1998, the Company acquired the net operating assets and real estate of Rainbow Lifegard, Inc., Rainbow Molding, Inc., and Kencar, Inc., collectively known as "Rainbow" for $24,577,000, including transaction costs. The acquisition has been accounted for as a purchase, and, thus, the purchase price has been allocated to the assets and liabilities based on their preliminary estimated fair value as of the date of acquisition. Such estimates may be revised at a later date. The results of operations have been included in the Company's results since the date of acquisition. Rainbow designs and manufactures accessory products for pools, spas and aquariums and has been integrated into the Swimming Pool and Spa Equipment Segment.

The cost in excess of the fair value of the net assets acquired for this acquisition and those discussed below are being amortized on a straight-line basis over forty years.

The following table is a summary of the Rainbow transaction (in thousands):

Fair value of identifiable assets acquired	$21,247
Costs in excess of net assets acquired	6,281
Less liabilities assumed	(2,951)
Net cash paid for acquisition	$24,577

The following unaudited pro forma combined results of operations give effect to the Rainbow acquisition as though it were completed at the beginning of 1998. The pro forma information has been presented for comparative purposes only and does not purport to be indicative of what would have occurred had the acquisition been made at the beginning of 1998 or of results that may occur in the future.

(In thousands except per share data) (Unaudited)	NET SALES	INCOME FROM CONTINUING OPERATIONS	DILUTED EARNINGS PER SHARE
1998 Continuing Operations Pro forma for Rainbow	$319,723	$13,794	$1.02

Also in 1998, within the Swimming Pool and Spa Equipment Segment, the Company acquired two swimming pool tile distribution businesses, Cozad & O'Hara, Inc. and Thompson Ceramic Tile, for a total of $8,504,000 in a combination of cash and Essef Corporation Common Stock. These acquisitions expanded the Company's tile distribution capabilities to the Western United States and Florida.

Additionally, in 1998, the Company's pool installation segment acquired the net operating assets of Tango Pools, an installer of swimming pools in Las Vegas, Nevada; and Pools by Andrews, Inc., an installer of pools in Florida for a total of $5,601,000 in a combination of cash and Essef Corporation Common Stock. These transactions, which were accounted for as purchases, do not have a significant impact on the Company's pro forma earnings.

4. INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for 25 percent of inventories in 1998. The balance of the Company's inventories is valued using the first-in, first-out (FIFO) method. A summary of inventories at September 30, 1998 follows (in thousands):

FIFO Cost:	
Raw materials	$20,592
Work-in-process	1,926
Finished goods	23,827
	46,345
Excess of FIFO over LIFO cost	(1,124)
Net inventories	$45,221

5. SHORT-TERM BORROWINGS

The Company's European subsidiaries have working capital lines of credit of approximately $15,000,000. At September 30, 1998, $1,595,000 was outstanding under these lines of credit. At September 30, 1998, interest was at rates ranging from 3.95 percent to 8.50 percent. In addition, a note payable on demand of $2,258,000, relating to an acquisition, was outstanding at September 30, 1998. The interest rate on the note is 6 percent.

6. LONG-TERM DEBT

Long-term debt consists of the following at September 30, 1998 (in thousands):

Revolving credit facility	$110,940
Other loans	1,522
	112,462
Less current maturities	(318)
Total	$112,144

In May 1998, the Company amended its existing unsecured multi-currency revolving loan facility (the "Credit Facility"), increasing it $50,000,000, bringing the total facility to $185,000,000. The Credit Facility matures April 30, 2003 and may be extended in one-year increments with the approval of the bank group. The Credit Facility includes commitment reductions at specified dates and for events throughout the term of the loan; however, the commitment does not reduce below $135,000,000. Interest rates are based on increments over the LIBOR or foreign currency equivalent rate. A 25 basis points facility fee is payable on the total amount of the commitment. As of September 30, 1998, interest rates ranged from 6.00 percent to 6.50 percent. The Company is in compliance with all of its covenants under its credit facilities.

In May 1997, the Company entered into an interest rate swap agreement for a two-year term with a commercial bank that effectively converted $30,000,000 of its floating rate debt to a fixed rate of 6.33 percent. The effective interest rate on this fixed portion of debt was 7.33 percent at September 30, 1998. The Company does not use derivatives for trading purposes.

Aggregate maturities of long-term debt are the following: 1999, $318,000; 2000, $154,000; 2001, $150,000; 2002, $150,000; 2003, $111,090,000; and $600,000 thereafter.

7. INCOME TAXES

The provision for income taxes is calculated based upon the following components of income from continuing operations before taxes (in thousands):

Domestic	$17,623
Foreign	1,765
Total	$19,388

The significant components of the provision for income taxes are as follows (in thousands):

Current:	
Federal	$2,980
Foreign	210
State	254
Total current	3,444
Deferred:	
Federal	2,409
Foreign	605
State	44
Total deferred	3,058
Total	$6,502

Significant components of the Company's deferred tax assets and liabilities from continuing operations are as follows at September 30, 1998 (in thousands):

Deferred tax assets:	
Nondeductible accruals	$ 5,703
Other	1,205
Deferred tax liabilities:	
Book basis of fixed assets in excess of tax basis	(3,728)
Tax amortization of goodwill in excess of book	(259)
Other	(5)
Net deferred tax asset	$ 2,916

The consolidated tax provision for continuing operations differs from the tax provision computed at the statutory United States tax rate of 35 percent for 1998 for the following reasons (in thousands):

Tax provision at statutory federal rate	$6,786
State income taxes	194
Foreign tax differential	198
Other items, net	(676)
Total	$6,502

8. LEASES

The Company leases certain of its facilities and equipment. Total rental expenses for continuing operations were $4,128,000 in 1998. Minimum annual rental commitments for the next five years under non-cancelable operating leases are the following: 1999, $3,625,000; 2000, $3,010,000; 2001, $2,226,000; 2002, $1,446,000; 2003, $1,144,000; and $987,000 thereafter.

9. RETIREMENT PLANS

The Company maintains defined contribution plans covering substantially all of its domestic employees. Participants are permitted to make pretax contributions to the plans as a percentage of compensation. The Company matches participant contributions, up to specified limits. In certain plans the Company also contributes a specified percentage of annual compensation of participants. Total Company contributions for continuing operations were approximately $1,772,000 in 1998.

10. BUSINESS SEGMENT INFORMATION

The Company operates in two industry segments (excluding discontinued operations): Swimming Pool and Spa Equipment and Water Treatment and Systems Equipment. The Swimming Pool and Spa Equipment Segment supplies pumps, filters, heaters, controls, valves, lights, accessories, and tile for swimming pools and spas. The Water Treatment and Systems Equipment Segment manufactures products for moving, storing and treating water in residential, commercial, industrial, and municipal water supply systems. Geographically, the manufacturing operations of the two previously described segments are located principally in the United States, Europe, and India.

The following table contains a summary of information of each industry segment (in thousands):

	NET SALES	INCOME FROM CONTINUING OPERATIONS	TOTAL ASSETS	CAPITAL EXPENDITURES	DEPRECIATION AND AMORTIZATION
Swimming pool and spa equipment	$193,950	$21,850	$128,612	$ 5,897	$ 5,283
Water treatment and systems equipment	103,576	7,966	69,920	7,271	4,771
Net long-term assets of discontinued operations			36,180		
Corporate	-	(3,479)	14,989	148	62
Intersegment	(1,085)	-	-	-	-
Consolidated	$296,441	$26,337	$249,701	$13,316	$10,116

Export sales from the Company's United States operations were approximately $15,168,000 for the year ended September 30, 1998.

The following table contains a summary of information by geographic area (in thousands):

	NET SALES	INCOME FROM CONTINUING OPERATIONS	TOTAL ASSETS	CAPITAL EXPENDITURES	DEPRECIATION AND AMORTIZATION
United States	$255,011	$23,694	$217,451	$ 9,999	$ 8,991
Foreign	41,430	2,683	32,250	3,317	1,125
Consolidated	$296,441	$26,337	$249,701	$13,316	$10,116

11. CAPITAL STOCK AND STOCK OPTION PLAN

On January 29, 1998, the Board of Directors authorized a 10 percent stock dividend to be distributed on March 3, 1998 to shareholders of record on February 12, 1998. The consolidated financial statements have been retroactively restated to reflect the number of shares outstanding following the aforementioned dividend.

STOCK OPTION PLAN - The Company has a stock option plan for employees granting ten year options for the purchase of up to 1,210,000 common shares of the Company. Options vest over periods ranging from three to five years from the date of grant. The outstanding options expire at various dates through the year 2007. Activity in the stock option plan is as follows:

	NUMBER OF OPTIONS	PRICE PER SHARE
Outstanding September 30, 1997	719,692	$1.39 -- $14.16
Granted	-	-
Expired	(57,571)	$6.74 -- $ 6.82
Exercised	(75,755)	$1.39 -- $ 7.23
Outstanding September 30, 1998	586,366	$1.39 -- $14.16
Exercisable September 30, 1998	470,936	

At September 30, 1998, the weighted average exercise price and weighted average remaining contractual life for outstanding options described above were $6.47 per share and 4.3 years, respectively.

PERFORMANCE BASED STOCK OPTIONS - In addition to the options shown above, in 1990, the Company granted options to the Chief Executive Officer to purchase on a stock split and dividend adjusted basis 2,351,756 common shares at $.83 per share. These options expire ten years from the date of grant and are fully vested. None of these options has been exercised.

Additionally, in 1995 and 1996, the Company granted certain officers options to purchase 60,500 and 181,500 common shares, respectively, which expire 10 years from the date of grant. The vesting of these options was based on attainment of specified results and periods of service. In 1998, the performance criteria on these options were achieved. Given this achievement, $1,148,000 of the remaining compensation expense related to these options will be amortized in future periods based on the remaining vesting schedule for the options related to these officers. Also, in 1998, the Company cancelled 363,000 options that had previously been granted to another officer of the Company, following the resignation of that officer. The results of operations in 1998 include a net reduction of $838,000 of compensation expense related to the options of this officer.

The following table summarizes information about the Company's performance based stock options outstanding at September 30, 1998:

EXERCISE PRICE	NUMBER GRANTED	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE
$0.83	2,351,756	2.0	$0.83	2,351,756
6.75	60,500	6.4	6.75	-
7.23	181,500	8.0	7.23	-
	2,593,756	2.5	$1.42	2,351,756

12. MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

Net sales to one customer in the Pool and Spa Equipment Segment with which the Company has a long-standing relationship amounted to $49,588,000 in 1998. At September 30, 1998, accounts receivable from this customer represents less than 5 percent of total accounts receivable.

The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral to support customer receivables. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

13. BUSINESS DISPOSITION

On July 8, 1998, the Company completed the sale of substantially all of the assets of its subsidiary, Enpac Corporation, to a corporation controlled by the co-trustee of trusts that beneficially owns approximately 6 percent of the Company's Common Stock for $3,500,000. The results of operations have been included in the Company's results in the Water Treatment and Systems Equipment Segment up to the date of sale and no material gain or loss was recognized on the sale transaction.

14. LITIGATION

Twenty-eight lawsuits have been brought against the Company before the United States District Court for the Southern District of New York, including a class action on behalf of passengers, various individual passenger actions, and claims by Celebrity Cruises, Inc. ("Celebrity"), concerning alleged exposure by passengers to Legionnaire's bacteria aboard the cruise ship M/V Horizon, a ship operated by Celebrity. The claims against the Company generally are based on allegations that the Company designed, manufactured, and marketed sand filters that were installed in a spa on the Horizon and allegations that the spa contained bacteria that infected certain passengers on cruises from December 1993 through July 1994. Claims have also been asserted against Celebrity; Fantasia Cruising, Inc. (the ship's owner); the German Company that designed the spa; and several companies that designed, manufactured and marketed other component parts of the spa. Plaintiffs in the individual passenger actions, and Celebrity, have recently amended their claims to include claims for punitive damages. Although the aggregate claims in the class action and other actions against the Company and the other defendants exceed $200 million, management believes the Company has meritorious defenses. While the outcome of this matter cannot be predicted with certainty, based on information presently available, the Company does not believe that this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company intends to vigorously defend these matters. Subject to reservations of rights served on the Company by involved insurance carriers, and the outcome of the declaratory judgement action brought by Fidelity & Casualty Insurance against the Company and other potentially involved insurance carriers, the Company anticipates that costs incurred in these matters, including defense costs as well as payments made to plaintiffs, if any, will be paid by the involved insurance carriers.

The Company and other defendants recently entered into an agreement, subject to court approval, to settle the class action portion of the aforementioned litigation. Claims in the class action exceed $100 million, and per the agreement the Company's portion of the settlement will not exceed $535,000. The Company's portion of this settlement will not result in any additional charges to the statement of operations. In November 1998, the court issued an order that preliminarily approved the settlement, subject to final court approval. The Company's portion of this settlement, which is not material, will be paid by one of the Company's insurance carriers. In addition, Celebrity and the Company have reached a settlement with six of the individual claimants. Each settlement was in an amount less than $50,000.

Additionally, certain other claims, suits and complaints arising in the ordinary course of business have also been filed or are pending against the Company. In the opinion of management, the results of all such matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company also believes that it has insurance coverage available, subject to self-insured retentions, for a substantial portion of the cost of the aforementioned claims, if any.

15. ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board (the "Board") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 requires that an enterprise classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and common stock in the shareholders' equity section of the balance sheet. The Company is required to adopt SFAS No. 130 in fiscal 1999. Such adoption is not expected to have a material effect on the Company.

In June 1997, the Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 requires that a public business enterprise report financial and descriptive information about its reportable operating segments such as a measure of segment income or loss, certain specific revenue and expense items, and segment assets. The Company is required to adopt SFAS No. 131 in fiscal 1999. Such adoption is not expected to have a material effect on the Company.

In June 1998, the Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities and requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company is required to adopt SFAS No. 133 in fiscal 2001. The Company is currently evaluating the requirements of SFAS No. 133 but, based on its limited use of derivative financial instruments, does not expect it to have a material effect on the Company.

* * * * * *

ESSEF CORPORATION
AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JUNE 30, 1999

ESSEF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 1999	September 30, 1998
	(unaudited)	(audited as restated)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,480	$ 2,213
Accounts receivable, net	62,249	33,999
Inventories, net	47,573	45,221
Prepayments and other	3,174	1,937
Total current assets	117,476	83,370
Property, plant and equipment, net	67,464	70,769
Goodwill, net	48,630	46,569
Deferred income taxes	2,799	2,916
Other	7,113	9,897
Net long-term assets of discontinued operations	35,906	36,180
Total Assets	$ 279,388	$ 249,701
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	$ 5,679	$ 3,853
Current maturities of long-term debt ..	301	318
Accounts payable......................	20,340	15,957
Accrued expenses	25,325	21,920
Accrued income taxes	10,443	3,685
Net current liabilities of discontinued operations	3,837	4,292
Total current liabilities	65,925	50,025
Long-term debt	113,289	112,144
Other long-term liabilities	4,868	3,854
Shareholders' Equity		
Preferred shares without par value, authorized 1,000,000 shares, none issued	-----	------
Common shares without par value, authorized 40,000,000 shares, issued 13,698,253 and 13,503,734 shares, respectively	52,454	50,570
Treasury shares at cost, 618,127 and 503,927 shares, respectively	(9,898)	(7,962)
Retained earnings	53,583	40,888
Accumulated other comprehensive income	(833)	182
Total shareholders' equity	95,306	83,678
Total liabilities and shareholders' equity	$ 279,388	$ 249,701

See notes to condensed consolidated financial statements.

ESSEF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Nine Months Ended June 30,	
	1999	1998
		(as restated)
Net sales....................	$261,384	$220,611
Cost of sales................	188,862	161,691
Gross profit...............	72,522	58,920
Operating expenses...........	44,598	38,570
Income from operations.....	27,924	20,350
Interest and other expense - net...	6,148	5,976
Income from continuing operations before income taxes.	21,776	14,374
Provision for income taxes...	8,355	4,909
Income from continuing operations	13,421	9,465
(Loss)income from discontinued operations, net of applicable income taxes of ($407) and $1,152	(726)	1,792
Net income.................	$ 12,695	$ 11,257
Per share information:		
Income from continuing operations:		
Basic	$1.03	$0.73
Diluted	$0.90	$0.64
(Loss)income from discontinued operations:		
Basic	($0.06)	$0.14
Diluted	($0.05)	$0.12
Net income:		
Basic	$.97	$.87
Diluted	$.85	$.76
Average shares outstanding:		
Basic	13,069	12,872
Diluted	15,003	14,807

See notes to condensed consolidated financial statements.

ESSEF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended June 30,	
	1999	1998 (as restated)
Cash Flows from Operating Activities		
Net income	$ 12,695	$ 11,257
Adjustments to reconcile loss (income) to net cash provided by/(used in) operating activities		
Income from discontinued operations	726	(1,792)
Depreciation and amortization	9,199	7,352
Net cash provided by discontinued operations	1,600	2,166
Other	1,089	1,363
Changes in operating assets and liabilities		
Accounts receivable	(29,834)	(21,586)
Inventories	(2,720)	(6,447)
Prepayments and other assets	(1,291)	1,473
Accounts payable	4,971	7,526
Accrued expenses	3,568	(2,529)
Accrued and deferred income taxes	7,698	(192)
Net cash provided by/(used in) operating activities	7,701	(1,409)
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(3,648)	(11,279)
Investing activities of discontinued operations	(1,600)	(2,088)
Business acquisitions	(3,079)	(10,321)
Proceeds from sale of property	1,127	
Other, net	(683)	(3,719)
Net cash used in investing activities	(7,883)	(27,407)
Cash Flows from Financing Activities		
Proceeds from long term debt	1,145	27,196
Increase(decrease) in short-term borrowings	1,809	850
Treasury stock acquired	(1,936)	
Proceeds from exercise of stock options	1,431	177
Net cash provided by financing activities	2,449	28,223
Net increase (decrease) in cash and cash equivalents	2,267	(593)
Cash and Cash Equivalents		
Beginning of period	2,213	659
End of period	$ 4,480	$ 66
Supplemental Cash Flow Information		
Interest paid	$ 6,747	$ 5,965
Income taxes paid	$ 165	$ 4,971

See notes to condensed consolidated financial statements.

ESSEF CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) The accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal and recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of Essef Corporation and subsidiaries (the "Company") as of June 30, 1999, and the results of operations for the nine month periods ended June 30, 1999 and 1998, and cash flows for the nine-month periods ended June 30, 1999 and 1998.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 1998 Annual Report to Shareholders, sections of which are incorporated into the Company's Form 10-K filed for the fiscal year ended September 30, 1998. The results of operations for the nine month period ended June 30, 1999 may not necessarily be indicative of the operating results for the full year.

(2) SUBSEQUENT EVENT

On August 10, 1999, Pentair completed its acquisition of the common stock of the Company in accordance with the terms of the Merger Agreement (the "Agreement") between the Company and Pentair. The Agreement provided that each common shareholder of the Company would receive $18.97 in cash and 0.25 shares of Anthony & Sylvan Pools Corporation ("A&S") common stock, the pool installation segment, for each common share held. In connection with the taxable distribution of the A&S common shares, A&S became a stand-alone public entity, and as a result, the consolidated financial statements of the Company and the related notes to the consolidated financial statements have been restated to reflect the results of operations and net assets of A&S as a discontinued operation.

The Agreement also provides that all of the outstanding Company revolving credit facility would be paid off. In conjunction with the split-off of A&S, the intercompany loan between the Company and A&S was contributed to A&S capital. The distribution of the A&S common shares did not result in a book gain or loss to the Company.

The components of the net assets of the discontinued operations included in the balance sheet are as follows (in thousands):

	June 30, 1999	September 30, 1998
	(unaudited)	(audited as restated)
Current assets (primarily accounts receivable and inventory)	$ 20,766	$ 15,544
Accounts payable and accrued expenses	(24,603)	(19,836)
Net current liabilities	$ (3,837)	$ (4,292)
Property, plant and equipment, net	$ 8,953	$ 8,307
Goodwill, net	27,739	27,875
Other non-current assets	559	1,676
Long-term debt	(145)	(478)
Other long-term liabilities	(1,200)	(1,200)
Net long-term assets	$ 35,906	$ 36,180

The condensed statement of operations relating to the discontinued operations are as follows (in thousands):

	Nine months ended June 30, 1999	Nine months ended June 30, 1998
	(unaudited)	(unaudited as restated)
Net sales	$120,848	$95,079
Cost and expenses	121,981	92,135
(Loss)income before income taxes	(1,133)	2,944
Provision for income taxes	407	(1,152)
Net (loss)income	$ (726)	$1,792

The consolidated net sales from continuing operations includes $8,827,000 and $8,530,000 for the nine months ended June 30, 1999 and 1998, respectively, in intersegment sales between the Swimming Pool and Spa Equipment Segment and A&S. Interest expense of the continuing operations is net of intercompany interest income of $948,000 and of $1,529,000 for the nine months ended June 30, 1999 and 1998 respectively, charged to the discontinuing operations costs and expenses.

In August 1999, the Company's Swimming Pool and Spa Equipment Segment acquired certain assets of Kreepy Krauly, a manufacturer of automatic swimming pool cleaners, for $16,750,000, subject to certain post-closing net asset adjustments.

(3) RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts in order to be consistent with the presentation for the current year.

(4) EARNINGS PER SHARE

Earnings per share is computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the combined weighted average number of shares outstanding which include the assumed exercise or conversion of options. In computing diluted earnings per share, the Company has utilized the treasury stock method.

The computation of weighted average common and common equivalent shares used in the calculation of basic and diluted earnings per share is as follows:

	Nine Months Ended June 30,	
	1999	1998
	(unaudited)	(unaudited as restated)
Numerator		
Income from continuing operations	13,421	9,465
(Loss)income from discontinued operations	(726)	1,792
Net income	$ 12,695	$ 11,257
Denominator		
Weighted average common shares outstanding	13,069	12,872
Dilutive effect of stock options	1,934	1,935
Denominator for net income per diluted share	15,003	14,807
Per share information:		
Income from continuing operations:		
Basic	$1.03	$0.73
Diluted	$0.90	$0.64
(Loss)income from discontinued operations:		
Basic	($0.06)	$0.14
Diluted	($0.05)	$0.12
Net income:		
Basic	$0.97	$0.87
Diluted	$0.85	$0.76

(5) INVENTORIES

Inventories are valued as follows:
(Dollars in thousands)

	June 30, 1999 (unaudited)	September 30, 1998 (audited as restated)
FIFO COST		
Raw materials......................	$23,439	$20,592
Work-in-process....................	1,849	1,926
Finished goods.....................	23,533	23,827
	48,821	46,345
Excess of FIFO over LIFO cost....	(1,248)	(1,124)
Net Inventories..............	$47,573	$45,221

(6) SHORT-TERM BORROWINGS

The Company's European subsidiaries have working capital lines of credit of approximately $12,000,000. At June 30, 1999 and September 30, 1998, $3,268,000 and $1,595,000, respectively was outstanding. At June 30, 1999, interest was at rates ranging from 3.95% to 9.0%. In addition, a note payable of $2,411,000 and $2,258,000 relating to an acquisition was outstanding at June 30, 1999 and September 30, 1998, respectively. At June 30 1999, the interest rate on the note was 6%.

(7) LONG-TERM DEBT

The Company through its bank group has an unsecured $185,000,000 multi-currency revolving loan facility ("Credit Facility"). The Credit Facility matures April 30, 2003 and may be extended in one year increments with the approval of the bank group. The Credit Facility includes commitment reductions at specified dates and for events throughout the term of the loan; however, the commitment does not reduce below $135,000,000. Interest rates are based on increments over the LIBOR or foreign currency equivalent rate. A 17.5 basis point facility fee is payable on the total amount of the commitment. As of June 30, 1999, interest rates ranged from 5.425% to 6.2%. The Company is in compliance with all of its covenants under its credit facilities.

In October 1998, the Company entered into an interest rate swap arrangement with one of the members of its bank group. The swap arrangement is for a $50,000,000 notional amount for a two-year term with a bank option for a third year and fixes the Company's interest rate at 4.45% plus the applicable bank margin based on the Company's leverage ratio. The effective interest rate on this portion of debt was 5.195% at June 30, 1999. The Company does not use derivatives for trading purposes.

Long-term debt consists of the following:
(In thousands)

	June 30, 1999	September 30, 1998
	(unaudited)	(audited as restated)
Revolving credit facilities	$ 112,031	$ 110,940
Other	1,559	1,522
	113,590	112,462
Less current maturities	(301)	(318)
Long-term debt	$ 113,289	$ 112,144

(8) COMMON STOCK

Under a stock repurchase program authorized by the Company's Board of Directors, the Company purchased 114,200 shares of treasury stock in the nine month period ended June 30, 1999, for $1,936,000.

(9) COMPREHENSIVE INCOME

Effective October 1, 1998, the Company adopted Statement of Financial Accounting Standard's No. 130 ("SFAS 130") "Reporting Comprehensive Income". SFAS 130 establishes new standards for reporting comprehensive income and its components. Comprehensive income is a measurement of all changes in shareholders' equity that result from transactions and other economic events other than transactions with shareholders.

Consolidated statements of comprehensive income are as follows:

	Nine Months Ended June 30,	
	1999	1998
	(unaudited)	(unaudited as restated)
Net Income	$ 12,695	$ 11,257
Other Comprehensive (loss)/Income:		
Foreign Currency translation adjustment	(1,015)	(83)
Comprehensive Income	$ 11,680	$ 11,174

(10) STOCK DIVIDEND

On February 4, 1999, the Board of Directors authorized a 10% dividend which was distributed on March 10, 1999 to shareholders

of record on February 19, 1999. The consolidated financial statements have been retroactively restated to reflect the number of shares outstanding following the dividend.

(11) LITIGATION

There has been no material change to the status of the litigation referred to in the Company's 1998 Annual Report to Shareholders, sections of which are incorporated in the Company's Form 10-K filed for the fiscal year ended September 30, 1998.

FALCON MANUFACTURING, INC.
AND SUBSIDIARY

REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of Falcon Manufacturing, Inc.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholder's equity and cash flows present fairly, in all material respects, the financial position of Falcon Manufacturing, Inc. and Subsidiary (the "Company") at December 31, 1998 and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

May 12, 1999, except for Note 12
as to which the date is August 13, 1999

FALCON MANUFACTURING, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

ASSETS	DECEMBER 31, 1998
Current assets:	
Cash	$ 322
Inventories	38,967
Refundable state income taxes	677
Deferred income taxes	4,685
Other current assets	978
Total current assets	45,629
Property, plant and equipment, net	34,954
Goodwill, net	18,384
Other assets	710
Total assets	$ 99,677
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Current portion long-term debt	$ 50
Accounts payable	28,682
Book overdraft	5,350
Accrued liabilities	15,297
Total current liabilities	49,379
Long-term debt	177
Accrued employee benefit obligations	1,749
Advances form Falcon	44,132
Deferred income taxes	748
Other long-term liabilities	2,658
Total liabilities	98,843
Stockholder's equity:	
Common stock, par value $.01 per share, 1,000 shares authorized, issued and outstanding	--
Additional paid-in capital	388,729
Accumulated deficit	(387,895)
Total stockholder's equity	834
Total liabilities and stockholder's equity	$ 99,677

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

FALCON MANUFACTURING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,1998
Net sales	$ 389,110
Cost of Sales	327,592
Gross profit	61,518
Selling, general and administative expenses	28,529
Write-down of assets	1,123
Parent Company allocation	26,790
Interest expense	22
Income before income taxes	5,054
Income tax provision	2,157
Net income	$ 2,897

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

FALCON MANUFACTURING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
(DOLLARS IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDER'S EQUITY
Balance at December 31, 1997	$ --	$ 388,729	$ (390,792)	$ (2,063)
Net income			2,897	2,897
Balance at December 31, 1998	$ --	$ 388,729	$ (387,895)	$ 834

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

FALCON MANUFACTURING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	Year Ended December 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net-income	$ 2,897
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,410
Amortization	846
Write-down of assets	1,123
Deferred income taxes	3,337
Cash effects of changes in:	
Inventories	(2,203)
Other current assets	2,439
Accounts payable	16,493
Accrued liabilities and accrued employee benefit obligations	384
Net cash provided by operating activities	29,726
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(8,862)
Net cash used in investing activities	(8,862)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net payments to Parent Company	(20,738)
Repayments of long-term debt	(58)
Net cash used in financing activities	(20,796)
INCREASE IN CASH	68
CASH, BEGINNING OF PERIOD	254
CASH, END OF PERIOD	$ 322
CASH PAID (RECEIVED) DURING THE PERIOD FOR:	
Interest	$ 22
Income taxes from Falcon	$ (992)
Income taxes to third parties	$ 65

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

NOTE 1 - BASIS OF PRESENTATION

Falcon Manufacturing, Inc. and Subsidiary (the "Company") is a wholly owned subsidiary of Falcon Building Products, Inc. ("Falcon"). The Company is a leading producer of consumer and commercial air compressors, electric generators and pressure washers for home improvement applications. The consolidated statement of income reflects an allocation of certain costs and expenses from Falcon. The accompanying consolidated financial statements may not necessarily be indicative of the financial position, results of operations or cash flows of the Company in the future or what the financial position, results of operations or cash flows would have been had the Company been a separate, independent company during the period presented.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Falcon Manufacturing, Inc. and its wholly-owned subsidiary, DeVilbiss Air Power Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenues as products are shipped to customers.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances and highly liquid investments with an original maturity of three months or less.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost includes raw materials, labor and manufacturing overhead. The first-in, first-out ("FIFO") method of inventory valuation is used.

IMPAIRMENT OF LONG-LIVED ASSETS

An impairment loss is recognized in the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. The straight-line method is generally used to provide for depreciation over the estimated useful lives of the assets as follows:

Buildings	10 - 40 years
Machinery and equipment	3 - 12 years

Upon sale or retirement of property, plant and equipment, the related costs and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is included in the consolidated statement of income.

GOODWILL

Goodwill represents the purchase price associated with acquired businesses in excess of the fair value of the net assets acquired. Goodwill is amortized on a straight-line basis, over forty years. Accumulated amortization was approximately $3,232,000 at December 31, 1998. The recoverability of goodwill is reassessed periodically to determine if current operating income is sufficient to recover the current amortization. When events and circumstances indicate the future operating income and cash flow may be negatively affected, the recoverability is evaluated based upon the estimated future operating income and undiscounted cash flow of the related entity during the remaining period of goodwill amortization.

PRODUCT WARRANTY

A provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience.

INCOME TAXES

The Company is included in Falcon's consolidated U.S. federal income tax return. Under the terms of a tax-sharing arrangement with Falcon, the Company computes and pays to/receives from Falcon its liability/receivable for U.S. federal income taxes as if the Company filed a separate U.S. federal tax return. The Company files separate and combined state income tax returns, as applicable.

NOTE 3 - ACCOUNTS RECEIVABLE

The Company participates in Falcon's asset securitization program whereby a subsidiary of Falcon sells, with limited recourse, on a continuous basis, an undivided interest in all of the Company's accounts receivable for cash. The securitization expense incurred is recorded at Falcon. Falcon's securitization program extends until 2002.

NOTE 4 - LONG-TERM DEBT

The Company's long-term debt consists of industrial revenue bonds, which bear interest rates ranging from 6.15% to 6.70%. The industrial revenue bonds mature on August 1, 2001. The aggregate maturities of long-term debt over the next three years are as follows: 1999- $50,000; 2000- $88,000; and 2001- $89,000. The carrying amount approximates fair value as rates approximate borrowing rates currently available to the Company for similar loans.

NOTE 5 - EMPLOYEE RETIREMENT AND BENEFIT PLANS

The Company has a plan which provides post-retirement life and health-care benefits to certain hourly and salaried employees retiring from the Company. Benefits are determined on varying formulas based on age at retirement and years of active service. The plan is non-contributory. The Company has not funded any of this post-retirement benefits liability. Contributions to the post-retirement plans are made by the Company as claims are incurred.

	DECERNBER 31, 1998 (DOLLARS IN THOUSANDS)
Change in benefit obligations:	
Benefit obligation at beginning of year	$ 3,059
Interest cost	219
Actuarial loss	159
Benefits paid	(430)
Benefit obligation at end of year	$ 3,007
Change in plan assets:	
Fair value of plan asets at beginning of year	$ -
Company contribution	430
Benefits paid	(430)
Fair value of plan assets at end of year	$ -
Funded status	$ (3,007)
Unrecognized actuarial loss	1,138
Accrued benefit cost	$ (1,869)

NOTE 5 - EMPLOYEE RETIREMENT AND BENEFIT PLANS, CONTINUED

Assumptions as of December 31, 1998:	
Discount rate	7.00%
Health care cost trend rate	7.00% for 1999 decreasing to 5% for 2001 and later

Interest cost	$ 219
Recognized actuarial loss	61
Net periodic benefit cost	$ 280

Item	1 -Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 13	$ (13)
Effect on post-retirement benefit obligation	$ 180	$ (180)

The Company's salaried employees and certain hourly employees are eligible to participate in Falcon's Cash Balance Pension Plan. The expense recognized in the Company's consolidated statement of income associated with this plan was approximately $438,000 in 1998. The funded status of this plan is accounted for at Falcon.

Certain of the Company's employees are also eligible to participate in Falcon's Employee Savings Plan. Company contributions to this plan were approximately $397,000 in 1998. Company contributions to this plan are determined based on a percentage of the contribution made by the employee.

NOTE 6 - INCOME TAXES

The Company's consolidated balance sheet reflects the following deferred tax assets and liabilities:

	DECEMBER 31, 1998 (DOLLARS IN THOUSANDS)
Deferred tax assets:	
Warranty and product return reserves	$ 3,064
Inventory and receivable reserves	1,258
Insurance reserves	1,158
Accrued employee benefit obligations	717
Other	359
	$ 6,556
Deferred tax liabilities:	
Property, plant and equipment basis differences	$ 2,619
	$ 2,619

Based on management's assessment, it is more likely than not that all of the net deferred tax assets will be realized through future taxable earnings or implementation of tax planning strategies.

The income tax provision consists of the following:

	DECEMBER 31, 1998 (DOLLARS IN THOUSANDS)
Provision (benefit) for income taxes:	
Current:	
U.S. federal	$ (992)
U.S. state	(188)
Subtotal	$ (1,180)
Deferred:	
U.S. federal	$ 2,791
U.S. state	546
Subtotal	3,337
Total	$ 2,157

NOTE 6 - INCOME TAXES, CONTINUED

A reconciliation of income before income taxes computed at the U.S. federal statutory rate to the provision for income taxes is as follows:

	YEAR ENDED DECEMBER 31, 1998
	(DOLLARS IN THOUSANDS)
U.S. federal statutory rate	34%
Income taxes at U.S. federal statutory rate	$ 1,718
State income taxes, net of U.S. federal tax impact	236
Amortization of intangibles	261
Other	(58)
Income tax provision	$ 2,157
Effective income tax rate	42.7%

NOTE 7 - BALANCE SHEET DETAIL

	December 31, 1998
	(DOLLARS IN THOUSANDS)
Inventories:	
Raw materials and supplies	$ 15,377
Work in process	225
Finished goods	23,365
Total	$ 38,967
Property, plant and equipment:	
Land	$ 1,031
Buildings	17,373
Machinery and equipment	31,750
Construction in progress	2,995
Less accumulated depreciation	(18,195)
Total	$ 34,954

NOTE 7 - BALANCE SHEET DETAIL, CONTINUED

	December 31, 1998
	(DOLLARS IN THOUSANDS)
Accrued liabilities:	
Accrued product returns	$ 5,175
Accrued product warranty	2,248
Accrued salaries and wages	2,444
Accrued rebates	2,167
Other accrued liabilities	3,263
Total	$ 15,297

NOTE 8 - WRITE-DOWN OF ASSETS

The Company recorded a $1,123,000 charge during fiscal year 1998 to write-down to market automotive assets that were no longer being utilized. At December 31, 1998, approximately 60% of the automotive assets had been sold to a third party.

NOTE 9 - RELATED PARTY TRANSACTIONS

Falcon makes advances to the Company for its operating liquidity needs, including the funding of its working capital requirements. In addition, allocations of corporate expense and certain pension expense (see Note 5) as well as payments associated with a tax sharing agreement (see Note 6) and insurance are included in Advances from Falcon. These advances include the effects of the Company's sale of accounts receivable to Falcon.

The Company is included in Falcon's risk insurance and general liability insurance program. Falcon administers the payment of all insurance premiums and claims, which are reimbursed by the Company through Advances from Falcon. The liabilities and associated expense related to these policies are recorded in the Company's consolidated financial statements.

Falcon provides strategic direction, financial management and other corporate administrative services to the Company. Falcon allocates its pretax expenses, including securitization and financing costs incurred by Falcon, to its subsidiaries. The Company's proportional share of these expenses was $26,790,000 for the year ended December 31, 1998.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company leases certain warehouse space, manufacturing equipment, copiers and other office equipment. Most of the realty leases contain renewal options and escalation clauses. Total rent expense, including related real estate taxes, amounted to $760,000 for the year ended December 31, 1998.

Future minimum lease payments required as of December 31, 1998 (in thousands) are as follows:

Year	Amount
1999	$ 123
2000	123
2001	123
2002	109
	$ 478

NOTE 11 - CONCENTRATION OF MAJOR CUSTOMERS

Approximately 67% of the Company's net sales for the year ended December 31, 1998 were provided by three major customers.

NOTE 12 - SUBSEQUENT EVENT

On August 13, 1999, Falcon signed a definitive agreement with Pentair, Inc. for the sale of the Company. The transaction is expected to be completed in September 1999.

FALCON MANUFACTURING, INC.
AND SUBSIDIARY

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
for the six months ended June 30, 1999

FALCON MANUFACTURING, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999
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FALCON MANUFACTURING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

	JUNE 30, 1999	DECEMBER 31, 1998
ASSETS		
Current assets:		
Cash	$ 144	$ 322
Inventories, net	55,538	38,967
Deferred income taxes	6,547	4,685
Other current assets	1,258	1,655
Total current assets	63,487	45,629
Property, plant and equipment, net	36,113	34,954
Goodwill, net	18,000	18,384
Other assets	628	710
Total assets	$118,228	$ 99,677
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Current portion long-term debt	$ 50	$ 50
Accounts payable	45,262	34,032
Accrued liabilities	25,288	15,297
Total current liabilities	70,600	49,379
Long-term debt	170	177
Accrued employee benefit obligation	1,705	1,749
Advances from Falcon	30,421	44,132
Deferred income taxes	690	748
Other long-term liabilities	2,955	2,658
Total liabilities	106,541	98,843
Stockholder's equity:		
Common stock	--	--
Additional paid-in capital	388,729	388,729
Retained deficit	(377,042)	(387,895)
Total stockholder's equity	11,687	834
Total liabilities and stockholder's equity	$118,228	$ 99,677

The accompanying notes are an integral part of
these condensed consolidated financial statements.

FALCON MANUFACTURING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED	
	JUNE 30, 1999	JUNE 30, 1998
Net sales	$269,384	$188,729
Cost of sales	218,344	161,607
Gross profit	51,040	27,122
Selling, general and administrative expenses	20,919	13,641
Corporate allocation	12,106	13,190
Interest expense	8	12
Income before income taxes	18,007	279
Income tax provision	7,154	107
Net income	$ 10,853	$ 172

The accompanying notes are an integral part of
these condensed consolidated financial statements.

FALCON MANUFACTURING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED	
	JUNE 30, 1999	JUNE 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$10,853	$ 172
Adjustments to reconcile net income to net cash from operations:		
Depreciation	2,622	1,948
Amortization	423	423
Provision (benefit) for deferred income taxes	(1,920)	--
Cash effect of changes in working capital, accrued employee benefit obligations, and other long-term liabilities	5,300	8,689
Net cash from operating activities	17,278	11,232
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(4,045)	(3,716)
Other	307	(120)
Net cash used in investing activities	(3,738)	(3,836)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments to Parent Company	(13,711)	(7,296)
Payment on debt	(7)	(29)
Net cash used in financing activities	(13,718)	(7,325)
CHANGE IN CASH	(178)	71
CASH, BEGINNING OF PERIOD	322	254
CASH, END OF PERIOD	$ 144	$ 325

The accompanying notes are an integral part of
these condensed consolidated financial statements.

FALCON MANUFACTURING, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999
(UNAUDITED)

(1) SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION:

Falcon Manufacturing Inc. and Subsidiary (the "Company") is a wholly owned subsidiary of Falcon Building Products, Inc. ("Falcon"). The accompanying unaudited Condensed Consolidated Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for a complete set of financial statements. In the opinion of management, all adjustments considered necessary, consisting only of normal recurring adjustments, are included for fair presentation. Operating results for the six months ended June 30, 1999 are not necessarily indicative of results that may be expected for the full year. The unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Company for the year ended December 31, 1998.

(2) ACCOUNTS RECEIVABLE

The Company participates in Falcon's asset securitization program whereby a subsidiary of Falcon sells, with limited recourse, on a continuous basis, an undivided interest in all of the Company's accounts receivable for cash. The securitization expense incurred is recorded at Falcon. Falcon's securitization program extends until 2002.

(3) BALANCE SHEET DETAIL

	JUNE 30, 1999	DECEMBER 31, 1998
	(UNAUDITED)	
	(dollars in thousands)	
Inventories:		
Raw materials and supplies.......	$ 29,680	$ 15,377
Work in process..................	638	225
Finished goods...................	25,220	23,365
	$ 55,538	$ 38,967
Accrued liabilities:		
Accrued product returns..........	$ 6,679	$ 5,175
Accrued product warranty.........	4,652	2,248
Accrued salaries and wages.......	3,268	2,444
Accrued rebates..................	5,081	2,167
Other accrued liabilities........	5,608	3,263
	$ 25,288	$ 15,297

FALCON MANUFACTURING, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999
(UNAUDITED)

(4) RELATED PARTY TRANSACTIONS

Falcon makes advances to the Company for its operating liquidity needs, including the funding of its working capital requirements. In addition, allocations of corporate expense and certain pension expense as well as payments associated with a tax sharing agreement and insurance are included in Advances from Falcon. These advances include the effects of the Company's sale of accounts receivable to Falcon.

The Company is included in Falcon's risk insurance and general liability insurance program. Falcon administers the payment of all insurance premiums and claims, which are reimbursed by the Company through Advances from Falcon. The liabilities and associated expense related to these policies are recorded in the Company's consolidated financial statements.

Falcon provides strategic direction, financial management and other corporate administrative services to the Company. Falcon allocates its pretax expenses, including securitization and financing costs, to its subsidiaries. The Company's proportional share of these expenses was $12,106,000 and $13,190,000 for the six months ended June 30, 1999 and 1998, respectively.

(5) CONCENTRATION OF MAJOR CUSTOMERS

Approximately 67% and 62% of the Company's net sales were provided by three major customers for the six months ended June 30, 1999 and 1998, respectively.

(6) SUBSEQUENT EVENTS

On August 13, 1999, Falcon signed a definitive agreement with Pentair, Inc. for the sale of the Company. The transaction is expected to be completed in September.

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
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NEWS RELEASE [LOGO]

FOR IMMEDIATE RELEASE
Contact: Mark Cain (651) 639-5278

PENTAIR COMPLETES ESSEF ACQUISITION, EXPANDING WATER GROUP TO $1 BILLION IN 2000

St. Paul, MN - August 10, 1999 -- Pentair, Inc. (NYSE: PNR) announced today it has completed the acquisition of Essef Corporation (Nasdaq: ESSF) of Chardon, Ohio, for $18.97 per share, or $310 million, and the assumption of approximately $120 million of Essef debt. Pentair, which financed the purchase of Essef through a new $400 million bridge loan facility and its regular lines of credit, expects the acquisition to be accretive to earnings in the first 12 months after acquisition and contribute significantly to the full year 2000. Due to the seasonality of the pool business and the August timing of the transaction, the Essef acquisition will be dilutive in the third quarter of 1999 and for the full year.

"As with our other acquisitions, Pentair will aggressively pursue synergies between Essef and Pentair's existing water businesses and accelerate contributions from the acquisition," said Pentair Chairman, President, and Chief Executive Officer, Winslow H. Buxton. "With Essef, sales in Pentair's Water and Fluid Technologies Group will grow to an estimated $1 billion in 2000. Combined with our existing pump and valve companies, the Essef business expands our considerable position in global water markets, making Pentair a leader in the residential and industrial water equipment business. Essef also offers many synergies with Pentair's existing businesses, significantly expands our presence in international markets, and provides vehicles for growth through new water filter and control technologies."

Essef Corporation designs, manufactures, and distributes products used in moving, treating, and storing water, including pumps, storage tanks, and filtration systems for residential, commercial, municipal, and industrial customers. Essef is a leading manufacturer of pool and spa equipment used in residential and commercial pools, water parks, and commercial aquariums. The company's 1999 sales are projected to be approximately $350 million, exclusive of its Anthony & Sylvan pool construction business, which was split-off by Essef to its current shareholders at the closing. Exclusive of the pool construction business, Essef employs approximately 2,000 people at manufacturing locations throughout the world.

(more)

The addition of Essef's market-leading water storage tank products reinforces Pentair's number one position in water conditioning control valves. Essef's high-strength, lightweight tanks offer major safety and environmental advantages in water conditioning and treatment markets throughout the world. Similarly, Pentair's strong position in pumps and water systems for residential applications is enhanced with Essef's residential pressure tanks, which are key components of household well water systems.

Essef also gives Pentair a strong position in the swimming pool and spa equipment industry. Essef's product offering for this market segment includes a wide range of filters, pumps, heaters, controls, valves, lights, and accessories.

With the completion of the transaction, Pentair is reorganizing Essef to take advantage of synergies with existing Pentair businesses. Essef's PacFab pool and spa equipment business will be combined with the Pentair Pump Group to form a new organization called the Pentair Pump and Pool Group under the guidance of President Michael V. Schrock. Essef's Structural Fibers pressure tank business will be combined with Pentair's Fleck Controls unit to form the Pentair Water Treatment business, under the direction of President Jorge Fernandez.

"This new organization positions Pentair to provide a broader range of products and services, while streamlining service to customers and enhancing opportunities for new product development," said Richard J. Cathcart, Pentair executive vice president and president of the Water and Fluid Technologies Group.

Pentair announced plans to expand its presence in water product markets in early 1995 and subsequently acquired the Fleck Controls control valve business in November 1995. In August 1997, Pentair acquired the General Signal Pump Group, which has since been integrated with existing pump operations to form the Pentair Pump Group. Sales of the Water and Fluid Technologies Group totaled $537.9 million in 1998.

Pentair (http://www.pentair.com) is a diversified manufacturer operating in three principal markets: professional tools and equipment, water and fluid technologies, and electrical and electronic enclosures. Pentair brands include Delta woodworking machinery; Porter-Cable power tools; Myers, Fairbanks Morse, Aurora, and Hydromatic pumps; Fleck water conditioning control valves; Century, Solar, and Lincoln service equipment; Lincoln Industrial lubrication systems; and Hoffman and Schroff enclosures. Pentair employs 10,000 people in more than 50 locations around the world, and had 1998 sales of $1.9 billion.

Any statements made about the company's anticipated financial results are forward-looking statements subject to risks and uncertainties such as those described in the company's Annual Report on Form 10K for the year ended December 31, 1998. Actual results may differ materially from anticipated results.

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Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
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NEWS RELEASE [LOGO]

FOR IMMEDIATE RELEASE
Contact: Evelyn Vida (651) 639-5229

PENTAIR TO ACQUIRE DEVILBISS AIR POWER COMPANY; TRANSACTION WILL DRIVE PENTAIR REVENUES ABOVE $3 BILLION IN 2000

St. Paul, Minn. - August 13, 1999 - Pentair, Inc. (NYSE: PNR) today announced that it has entered into an agreement to acquire the DeVilbiss Air Power Company of Jackson, Tennessee, for approximately $460 million in cash. A leading manufacturer of air compressors, pressure washers, and generators, DeVilbiss Air Power Company had net sales of approximately $470 million for the 12 months ended June 30, 1999. Pentair, which will finance the purchase through a new $400 million bridge loan facility and its regular lines of credit, expects the acquisition to be accretive to earnings in 1999 and to add significantly to earnings in 2000. Completion of the transaction is targeted for August/September 1999.

"The acquisition of DeVilbiss Air Power Company will drive sales in Pentair's Professional Tools and Equipment Group to more than $1.5 billion and Pentair's total revenues to well over $3 billion in the year 2000," said Winslow H. Buxton, Pentair chairman, president, and chief executive officer.

The DeVilbiss Air Power Company agreement is the second significant acquisition announced by Pentair in a little more than three months. On August 10, Pentair completed its acquisition of Essef Corporation, a global producer of products for the water industry that will have 1999 sales of approximately $350 million.

"DeVilbiss Air Power Company fits exceptionally well with our tools and equipment businesses and gives us the leading position in both the retail air compressor and retail pressure washer markets," said Buxton.

"We are especially enthusiastic about this acquisition because nearly all the products of DeVilbiss Air Power Company are new to Pentair, while virtually all their customers are already part of our extensive customer base," Buxton said. "With the addition of these highly respected product lines, we substantially expand our tools and equipment product offerings, increase our ability to meet the broad needs of our customers, and leverage our strength in multiple distribution channels."

(more)

DeVilbiss Air Power Company employs approximately 1,300 people in Jackson, Tennessee, and Decatur, Arkansas. Its products are sold under the Ex-Cell, Air America, and Charge Air Pro brands. In addition, DeVilbiss Air Power Company manufactures products under private label arrangements.

"We see many sales and operating synergies among DeVilbiss Air Power Company and our existing businesses," said James A. White, president of Pentair's Professional Tools and Equipment Group. "For example, both DeVilbiss Air Power Company and our Porter-Cable tool business have headquarters, manufacturing, and distribution centers in Jackson, Tennessee.

"And, as previously announced," White added, "our Delta International Machinery Corp. will combine its headquarters and distribution center with Porter-Cable in Jackson in the first quarter of 2000. Operating these businesses from one city will increase our ability to take advantage of distribution, manufacturing, and administrative synergies. We will be able to coordinate our activities to better serve our customers and manage costs."

J.P. Morgan & Co. provided a fairness opinion to the Pentair Board of Directors in connection with the DeVilbiss Air Power Company acquisition.

A Pentair shelf registration statement for up to $700 million of debt and/or equity securities became effective August 5, 1999. Pentair intends to maintain financial flexibility consistent with an investment-grade profile.

Pentair (http://www.pentair.com) is a diversified manufacturer operating in three principal markets: professional tools and equipment, water and fluid technologies, and electrical and electronic enclosures. Pentair brands include Delta woodworking machinery; Porter-Cable power tools; Myers, Fairbanks Morse, Aurora, and Hydromatic pumps; Fleck water conditioning control valves; WellMate composite pressure vessels; Pac-Fab pool and spa equipment; Century, Solar, and Lincoln service equipment; Lincoln Industrial lubrication systems; and Hoffman and Schroff enclosures. Pentair employs 11,000 people in more than 50 locations around the world, and had 1998 sales of $1.9 billion.

Any statements made about the company's anticipated financial results are forward-looking statements subject to risks and uncertainties such as those described in the company's Annual Report on Form 10K for the year ended December 31, 1998. Actual results may differ materially from anticipated results.

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