

Restricted stock — Restricted stock was issued, under the Company's 1993 Stock Incentive Program, to certain key employees under the Company's 1998-99-00, 1997-98-99 and 1996-97-98 Long Term Incentive Plans (LTIP). Value of the payments was set at the market value of the Company's common stock on the date of issuance. Shares were earned and awarded, and an estimated value was accrued, based upon attainment of criteria specified in the LTIP over the cumulative years of each 3-year Plan. Plan participants are entitled to cash dividends and to vote their respective shares, but the shares are restricted as to transferability for three years following issuance.

Restricted Shares for LTIP Plan	2001	2000	1999
Number of shares issued	26,976	8,023	15,774
Per share value on date of issuance	\$ 39.32	\$ 42.04	\$ 40.53
Total value	\$ 1,061	\$ 337	\$ 639

Under the Company's 1999-00-01 LTIP, a payout of 17,206 shares of restricted stock, from the Company's 1993 Stock Incentive Program, will be issued to certain key employees in 2002. The balance of the 1999-00-01 LTIP payout will be made in cash or as deferred cash compensation, as individually elected by the participants. The total payout, valued at \$5,349, has been accrued over the three years of the plan.

In addition, non-employee members of the Board of Directors have been given the opportunity to receive all or a portion of their fees in the form of restricted stock. These shares vest ratably, on an annual basis, over the term of office of the director. In 2001, 2000 and 1999, 5,464, 6,012 and 5,867 shares were issued, respectively, in lieu of directors' fees.

Non-employee Directors' Stock Options — In August 1996, the Company adopted a stock option plan for non-employee directors to purchase shares of common stock at a price not less than 100 percent of the fair market value of the stock on the date the options are granted. Outstanding options are exercisable either one or two years after the date of grant and expire no more than ten years after grant.

A summary of the status and changes of shares subject to options and the related average price per share follows:

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 1999	29,000	\$ 31.81
Granted	7,650	45.00
Exercised	(3,250)	30.95
Canceled	(2,250)	
Outstanding June 30, 2000	31,150	\$ 35.21
Granted	9,900	35.94
Canceled	(4,500)	
Outstanding June 30, 2001	36,550	\$ 35.96

As of June 30, 2001, 22,825 options were exercisable and 326,950 shares were available for grant.

At June 30, 2001, the Company had 7,028,599 common shares reserved for issuance in connection with its stock incentive plans.

Note 12 Shareholders' Protection Rights Agreement

The Board of Directors of the Company declared a dividend of one Right for each share of Common Stock outstanding on February 17, 1997 in relation to the Company's Shareholder Protection Rights Agreement. As of June 30, 2001, 117,309,197 shares of Common Stock were reserved for issuance under this Agreement. Under certain conditions involving acquisition of or an offer for 15 percent or more of the Company's Common Stock, all holders of Rights, except an acquiring entity, would be entitled to purchase, at an exercise price of \$100, a value of \$200 of Common Stock of the Company or an acquiring entity, or at the option of the Board, to exchange each Right for one share of Common Stock. The Rights remain in existence until February 17, 2007, unless earlier redeemed (at one cent per Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Rights will cause substantial dilution to the person attempting the business combination. The Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Rights may be redeemed.

Note 13 Research and Development

Research and development costs amounted to \$115,004 in 2001, \$94,781 in 2000 and \$86,953 in 1999. Customer reimbursements included in the total cost for each of the respective years were \$17,143, \$16,409 and \$15,239. Costs include those costs related to independent research and development as well as customer reimbursed and unreimbursed development programs.

Note 14 Contingencies

The Company is involved in various litigation arising in the normal course of business, including proceedings based on product liability claims, workers' compensation claims and alleged violations of various environmental laws. The Company is self-insured in the U.S. for health care, workers' compensation, general liability and product liability up to predetermined amounts, above which third party insurance applies. The Company purchases third party product liability insurance for products manufactured by its international operations and for products that are used in aerospace applications. Management regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for uninsured liabilities. While the outcome of pending proceedings cannot be predicted with certainty, management believes that any liabilities that may result from these proceedings will not have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Environmental - The Company is currently involved in environmental remediation at 22 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party," along with other companies, at two off-site waste disposal facilities and one regional Superfund site.

As of June 30, 2001, the Company has a reserve of \$17,870 for environmental matters which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of net costs to be incurred in light of the progress