UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Edith Ramirez, Chairwoman**
Julie Brill
Maureen K. Ohlhausen
Joshua D. Wright
Terrell McSweeney

In the Matter of

GRACO INC.,
a corporation,

ILLINOIS TOOL WORKS INC.
a corporation, and

ITW FINISHING LLC,
a limited liability company.

Docket No. 9350

PUBLIC

APPLICATION FOR APPROVAL OF DIVESTITURE

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DATE: October 17, 2014

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INTRODUCTION

Pursuant to Rule 2.41(f) of the Federal Trade Commission (the "Commission") Rules of Practice and Procedure and Section II of the Commission's final Decision and Order in this Docket, issued on October 6, 2014, ("Decision & Order"), Respondent Graco Inc., a Minnesota corporation ("Graco"), hereby applies for approval of divestiture of the Liquid Finishing Business Assets[1] to Carlisle Companies Incorporated, a Delaware corporation ("Carlisle"), and certain of its wholly owned subsidiaries, upon the terms and subject to the conditions of an Asset Purchase Agreement, dated October 7, 2014 (the "Asset Purchase Agreement"), by and among Carlisle, Carlisle Fluid Technologies, Inc., a Delaware corporation ("Carlisle Subsidiary"), Graco, and Finishing Brands Holdings Inc., a Minnesota corporation ("Graco Subsidiary"). The Asset Purchase Agreement and related agreements meet the requirements of the Decision & Order and will satisfy its remedial purpose. Carlisle is a very well-qualified buyer, has done thorough due diligence, and is prepared to cooperate with Commission Staff's requests for further information.

Certain of the principal terms of the proposed divestiture are reflected in the following attached agreements: (i) the Asset Purchase Agreement (Exhibit 1 hereto); (ii) the Disclosure Schedules to the Asset Purchase Agreement (Confidential Exhibit 2 hereto); (iii) forms of Non-U.S. Subsidiary Purchase Agreements, to be entered into by and between various affiliates of Graco, on the one hand, and various affiliates of Carlisle, on the other hand (Exhibit A to Asset Purchase Agreement) (Confidential Exhibit 2 hereto); (iv) form of Mutual Transition Services Agreement (Exhibit B to Asset Purchase Agreement), to be entered into by and between Graco and Carlisle (Confidential Exhibit 2 hereto); and (iv) form of Cross License Agreement (Exhibit

[1] Capitalized terms not otherwise defined herein shall have the same meaning as provided in the Commission's Decision & Order.

C to Asset Purchase Agreement), to be entered into by and among Graco, Graco Subsidiary, Gema Switzerland GmbH, a company organized under the laws of Switzerland, Carlisle and Carlisle Subsidiary (Exhibit 1 hereto). Certain competitively sensitive information is included in the Competitively Sensitive Disclosure Schedules to the Asset Purchase Agreement, the contents of which are not to be disclosed to Graco and, as such, are being submitted to the Commission confidentially as Confidential Exhibit 2 under separate cover.

REQUEST FOR CONFIDENTIAL TREATMENT

Because this Application and its attachments contain confidential and competitively sensitive business information relating to the Liquid Finishing Business Assets and the parties' businesses generally, Graco has redacted confidential information from the public version of this Application. The disclosure of this information would prejudice Graco and the Liquid Finishing Business Assets, cause harm to the ongoing competitiveness of the Liquid Finishing Business and the LFB Powder Finishing Business, and impair Graco's ability to comply with its obligations under the Decision & Order. Pursuant to Sections 2.41(f)(4) and 4.9(c) of the Commission's Rules of Practice and Procedure, Graco therefore requests that the confidential portions of this Application be afforded confidential treatment under Sections 6(f) and 21 of the Federal Trade Commission Act, 15 U.S.C. §§ 41-58, as amended, and Section 4.10(a)(2) of the Commission's Rules of Practice and Procedures. The confidential portions of this Application are exempt from disclosure under the Freedom of Information Act and the Hart-Scott-Rodino Antitrust Improvements Act of 1976. 5 U.S.C. § 552; 15 U.S.C. § 18a(h).

I. GRACO HAS ACTIVELY MARKETED THE LIQUID FINISHING BUSINESS ASSETS FOR DIVESTITURE.

As the Commission is aware from the periodic Compliance Reports and Supplement Reports filed monthly by Graco since July 2012, Graco has diligently sought an acquirer that will

be acceptable to the Commission and has regularly updated Commission Staff on the progress of negotiations and the identity of potential acquirers. To aid in the process of identifying an acceptable acquirer, Graco retained investment banking firm Goldman, Sachs & Co. ("Goldman Sachs") in the second quarter of 2012.

Graco's negotiations with Carlisle continued through the fall of 2012. During this period Carlisle and its advisors had access to information regarding the Liquid Finishing Business pursuant to a confidentiality agreement and was able to meet with Liquid Finishing Business managers and conduct other due diligence. In mid-November 2012, Graco and Carlisle arrived at an agreement in principle on the principal terms of an Asset Purchase Agreement. Because the Commission had not issued its final Decision & Order, due, in part, to certain unsettled issues

pertaining to certain agreements of the Liquid Finishing Business (the “Unsettled Matters”) , Graco and Carlisle did not enter into an Asset Purchase Agreement at that time. Graco and Carlisle continued to communicate with one another about the prospect of completing a transaction until April 2013, at which time, there having been no resolution to the Unsettled Matters, Carlisle indicated to Graco that it (Carlisle) was not inclined to pursue further discussions.

In early July 2013, having been informed of the resolution of the Unsettled Matters, Carlisle approached Graco to re-engage in discussions about an acquisition of the Liquid Finishing Business Assets. Graco and Carlisle subsequently renewed their negotiations of a definitive Asset Purchase Agreement and ancillary agreements. On October 6, 2014, the Commission issued its final Decision & Order. The next day, October 7, 2014, Carlisle and Graco entered into the Asset Purchase Agreement attached as Exhibit 1 hereto. Throughout the process, Carlisle has conducted due diligence about the Liquid Finishing Business Assets and the business relating thereto.

II. CARLISLE IS A WELL QUALIFIED ACQUIRER AND WILL BE A ROBUST COMPETITOR IN THE LIQUID FINISHING MARKET.

A. Name and address of proposed acquirer’s parent company.

Carlisle Companies Incorporated
11605 North Community House Road, Suite 600,
Charlotte, North Carolina 28277
(704) 501-1100

Carlisle proposes to acquire the Liquid Finishing Business Assets through, among other wholly owned subsidiaries of Carlisle, a newly formed indirect wholly owned subsidiary company, Carlisle Fluid Technologies, Inc., a Delaware corporation (i.e., Carlisle Subsidiary). The name and address of that company are:

Carlisle Fluid Technologies, Inc.
c/o Carlisle Companies Incorporated
11605 North Community House Road, Suite 600,
Charlotte, North Carolina 28277
(704) 501-1100

B. Officers of proposed acquirer's parent company.

The following individuals serve as Carlisle's officers and directors:

- David A. Roberts, Chairman of the Board and Chief Executive Officer
- D. Christian Koch, President and Chief Operating Officer
- Steven J. Ford, Vice President, Chief Financial Officer, Secretary and General Counsel
- John W. Altmeyer, President, Carlisle Construction Materials
- John E. Berlin, President, Carlisle Interconnect Technologies
- Matthew J. Dietrich, President, Carlisle Brake & Friction
- Trent Freiberg, President, Carlisle FoodService Products
- Kevin P. Zdimal, Vice President and Chief Accounting Officer
- Scott C. Selbach, Vice President, Corporate Development
- Ryan L. Friese, Vice President, Purchasing
- Stephen P. Munn, Independent Director
- Robin J. Adams, Independent Director
- Robert G. Bohn, Independent Director
- Robin S. Callahan, Independent Director

- Terry D. Growcock, Independent Director
- Gregg A. Ostrander, Independent Director
- Lawrence A. Sala, Independent Director
- Magalen C. Webert, Independent Director

C. Description of proposed acquirer's business.

Carlisle, a publicly traded manufacturing company with a 95-year history, is strategically well situated to be a long-term competitor in the liquid finishing market. The company began as Carlisle Tire and Rubber Company. By the 1950s and 1960s, Carlisle was acquiring numerous other companies and expanding into other types of product offerings. Today, Carlisle is a diversified manufacturing company headquartered in Charlotte, North Carolina, with four separate main business segments: Carlisle Construction Materials, Carlisle Brake & Friction, Carlisle Interconnect Technologies, and Carlisle FoodService Products. Carlisle's 2013 net sales were $2.943 billion. Carlisle has a market capitalization of approximately $5 billion.

Carlisle manufactures and sells a wide array of products worldwide, including products used in construction, mining, commercial roofing, agriculture, aerospace, defense electronics, foodservice, sanitary maintenance and healthcare. Within its Construction Materials segment, for example, Carlisle, through nine operating companies, manufactures products such as roofing systems, waterproofing membranes, deck coatings, HVAC sealants and adhesives, insulation, underlayments and flashing. This segment also accounts for the largest single share of Carlisle's overall sales, earnings, and assets. Sales of products from Carlisle's Construction Materials segment totaled nearly $1.8 billion in 2013. By virtue of the types of product lines it sells, Carlisle relies heavily on independent distributors and outside sales representatives for many of its operating companies.

Carlisle has a long history of expanding through strategic acquisitions. Carlisle has stated that in evaluating acquisition candidates it considers consolidation opportunities, technology, customer dispersion, operating capabilities, and growth potential. Once acquired businesses come under the Carlisle umbrella, Carlisle gives the presidents of its resulting operating companies considerable autonomy and responsibility for their businesses and performance. For example, in its company profile on its website, Carlisle highlighted its "group of decentralized operating companies led by entrepreneurial management teams." The company maintains this approach in an effort to foster entrepreneurial activity and to maintain the agility of its operating companies. It also invests heavily in capital expenditures and research and development—$110.8 million and $29.3 million in 2013, respectively—in order to expand product offerings, to improve existing products, facilities and equipment, and to refine its processes.

Further information about Carlisle is available on its website, www.carlisle.com, and in its most recent Form 10-K, attached hereto as Exhibit 3. Carlisle's other public filings are available at the U.S. Securities & Exchange Commission's EDGAR site under CIK# 0000790051.

D. Carlisle has the resources, experience, and desire to carry on the viability and competitiveness of the Liquid Finishing Business and the LFB Powder Finishing Business.

Carlisle has the financial ability to close this transaction and operate the business successfully. Graco understands that Carlisle, through its due diligence and industry knowledge, has concluded that the purchase of the Liquid Finishing Business Assets establishes a foundation in a profitable industry segment on which Carlisle can grow the Liquid Finishing Business both organically and through strategic acquisitions. Carlisle's senior management has intimate knowledge of the liquid finishing industry. Graco also understands, and Carlisle has stated publically, that, in the interest of realizing a return on its investment in the business and

contributing to Carlisle's overall profitability, Carlisle intends to compete aggressively with Graco and others in the liquid finishing market and intends to operate the Liquid Finishing Business and the LFB Powder Finishing Business for the long term.

Carlisle's business model, stability, and resources make it an ideal acquirer for the Liquid Finishing Business Assets. Graco understands that Carlisle intends to keep much or all of the Liquid Finishing Business and the LFB Powder Finishing Business substantially unchanged from its current form, including existing management, locations, and distribution networks. In addition, due to the industry knowledge of Carlisle's senior executives, as well as the types of products manufactured and sold by Carlisle's other operating companies and the similar distribution systems that they rely on, Carlisle appears to be well suited to effectively operate and manage the Liquid Finishing Business and the LFB Powder Finishing Business and to take advantage of its independent sales and distribution channels.

Given these attributes , Carlisle's acquisition of the Liquid Finishing Business Assets is likely, at a minimum, to maintain in the liquid finishing market at least the same level of competition that existed prior to Graco's acquisition of the business. In addition, Carlisle's commitment to research and development suggest that Carlisle is well suited to increase competition and to spearhead product innovation.

Additional details regarding Carlisle's plans for operating the Liquid Finishing Business and the LFB Powder Finishing Business are set forth in Exhibit 4, attached hereto, and Exhibit 5, which Carlisle is submitting to the Commission confidentially under separate cover.

III. THE ASSETS BEING DIVESTED ARE CONSISTENT WITH THE TERMS AND PURPOSES OF THE DECISION AND ORDER AND WILL ACHIEVE ITS REMEDIAL PURPOSE.

The Commission's Decision & Order provides that the purpose of requiring Graco to divest the Liquid Finishing Business Assets is "to ensure the continuation of the Liquid Finishing

Business Assets as an ongoing, viable business operating in the same relevant markets in which such assets were competing at the time of the announcement of the Acquisition by [Graco], and to remedy the lessening of competition resulting from the Acquisition." (Order ¶ II.L.) The proposed divestiture has been structured to give Carlisle the benefit of all of the Liquid Finishing Business Assets in compliance with the Commission's directives. The parties' goal is to allow the Liquid Finishing Business and the LFB Powder Finishing Business to continue operating without interruption and in the same manner in which they were historically operated.

A. Assets being divested to Carlisle.

As required by the Decision & Order, the transaction will transfer to Carlisle all of the Liquid Finishing Business Assets. (Order ¶ II.A.) According to the terms of the Asset Purchase Agreement, these assets include assets of Graco and certain of its subsidiaries relating to the Liquid Finishing Business and the LFB Powder Finishing Business, in addition to the equity ownership interests of the following Graco subsidiaries (referred to as the "Acquired Subsidiaries" in the Asset Purchase Agreement): Ransburg Industrial Finishing K.K.; DeVilbiss Ransburg de México, S. de R. L. de C.V.; Finishing Brands (Shanghai) Co., Ltd.; Surfaces & Finitions SAS; Finishing Brands Germany GmbH; DeVilbiss Europa Unterstützungkasse GmbH; Finishing Brands UK Limited; and DeVilbiss Equipamentos para Pintura Ltda. (Asset Purchase Agreement § 2.1; Schedule 2.1(i)) The Asset Purchase Agreement also expressly transfers "all of the assets, properties, rights, claims, privileges, and interests of [Graco and the Graco subsidiaries selling their assets] of every kind and character and wherever located, in each case, relating to, used in, or arising out of the Liquid Finishing Business [which under the Asset Purchase Agreement definitionally includes both the Liquid Finishing Business and the LFB Powder Finishing Business], except for the Excluded Assets."

B. Transition services to be provided to Carlisle.

The Commission's Decision & Order requires Graco to provide the proposed acquirer with Transitional Services for a period of up to twelve months and as requested by the acquirer. (Order ¶ II.F.) Accordingly, at the closing under the Asset Purchase Agreement, Graco and Carlisle will enter into a Mutual Transition Services Agreement, substantially in the form attached as Exhibit B to the Asset Purchase Agreement. This Mutual Transition Services Agreement complies with the Decision & Order by requiring Graco, among other things, to give assistance to Carlisle to enable Carlisle to operate the Liquid Finishing Business and the LFB Powder Finishing Business in substantially the same manner as it was operated before the acquisition by Graco. Also, as part of Graco's acquisition of the Liquid Finishing Business and the LFB Powder Finishing Business from ITW, Graco and ITW entered into a Transition Services Agreement pursuant to which ITW agreed to provide certain transition services to Graco for an agreed-upon period of time. Graco is agreeing to assign its remaining rights under that agreement to Carlisle to the extent relating to services for the benefit of the Liquid Finishing Business and the LFB Powder Finishing Business. (Asset Purchase Agreement § 2.1; Schedule 2.1(ii))

C. Employment matters relevant to the divestiture.

To ensure that Carlisle will have the requisite experience and know-how to operate the Liquid Finishing Business and the LFB Powder Finishing Business and restore competition in the liquid finishing market, Graco and Carlisle have agreed to a term under which Graco will not knowingly employ or solicit (subject to certain agreed-upon exceptions) for employment any individual who on the Divestiture Date is hired by Carlisle as a Liquid Finishing Business Employee. (Asset Purchase Agreement § 6.2(e)(i)) This limitation will remain in place for a period of four years after the Divestiture Date, which goes beyond the two-year term

contemplated by the Decision & Order. The parties believe this will help to ensure that Carlisle is able to retain the employee talent necessary for the long-term stability and competitiveness of the Liquid Finishing Business and the LFB Powder Finishing Business.

D. Antitrust compliance training programs.

Although two Carlisle officers previously worked for Graco, Graco has no closer relationship to Carlisle than it does to any other public company or firm. To avoid any perception of entanglement, however, Graco and Carlisle have each agreed to implement their own respective antitrust compliance training programs to mitigate any such concerns and to ensure future compliance with the antitrust laws and with the Decision & Order at all levels of the companies. This mutual commitment is memorialized in Article 6.6 of the Asset Purchase Agreement.

E. Terms relevant to the Gema Powder Finishing Business.

Because Graco is retaining the Gema Powder Finishing Business pursuant to the Decision & Order, the Asset Purchase Agreement contains various terms designed to help ensure the continued viability of the Gema Powder Finishing Business after the proposed divestiture and to facilitate the separation of that business from the Liquid Finishing Business and the LFB Powder Finishing Business. The parties have recognized that there is certain confidential information concerning the Gema Powder Finishing Business that is irretrievably embedded in the assets of the Liquid Finishing Business and the LFB Powder Finishing Business (encompassed within the scope of "Graco Confidential Information") and that employees of the Liquid Finishing Business and the LFB Powder Finishing Business may be aware of confidential information concerning the Gema Powder Finishing Business due to the integration of portions of the Liquid Finishing Business and the LFB Powder Finishing Business with the Gema Powder Finishing Business prior to Graco's purchase of them. As outlined below, various provisions in the Asset Purchase

Agreement have been crafted to protect Graco's rights to that information while ensuring vigorous competition in the powder finishing market.

During the 18-month period following the Divestiture Date, the Asset Purchase Agreement prevents Carlisle from selling to or soliciting to sell competitive products (other than DeVilbiss and Ransburg powder finishing products sold within historical markets) to existing customers of the Gema Powder Finishing Business, but it does not otherwise prevent Carlisle from competing generally in the powder finishing market following the Divestiture Date, so long as it does not use Graco Confidential Information and it complies with the non-solicitation provisions of the Asset Purchase Agreement. (Asset Purchase Agreement Sec 6.2(f)(i).)

During the period from 18 months after the Divestiture Date until 5 years after the Divestiture Date, the Asset Purchase Agreement continues to require confidentiality and to prohibit exploitation of the Graco Confidential Information by Carlisle. (Asset Purchase Agreement Sec 6.2(d)(iii).) It also expressly provides that "the awareness of such information by [Liquid Finishing Business] Employees . . . shall not prevent, in any manner, the Liquid Finishing Business [which, again, under the Asset Purchase Agreement definitionally includes both the Liquid Finishing Business and the LFB Powder Finishing Business] from competing with the [Gema] Powder Finishing Business after the 18-month anniversary of the Closing." (Asset Purchase Agreement Sec 6.2(d)(iii).) Because the non-solicitation provision will have expired, that competition can include competition for existing customers of the Gema Powder Finishing Business.

Once 5 years have passed from the Divestiture Date, the Asset Purchase Agreement will no longer limit Carlisle's ability to use and exploit Graco Confidential Information to compete in the finishing market generally.

In order to further protect the viability of the Gema Powder Finishing Business (especially given the intermingling of the Liquid Finishing Business and the LFB Powder Finishing Business, on the one hand, and the Gema Powder Finishing Business, on the other hand, while under ITW's ownership and the personal relationships established between the employees of those businesses) Graco and Carlisle have agreed to a term under which Carlisle will not knowingly employ or solicit (subject to certain agreed-upon exceptions) for employment any individual who on the Divestiture Date is an employee of Graco. (Asset Purchase Agreement § 6.2(f)(ii)) This limitation will remain in place for a period of four years after the Divestiture Date, which coincides with the term of the employee non-solicitation covenant for Carlisle's benefit under the Asset Purchase Agreement.

The Asset Purchase Agreement also contains a number of other terms designed to facilitate the smooth transition to separate ownership of the Liquid Finishing Business and the LFB Powder Finishing Business from the Gema Powder Finishing Business. For example, recognizing that certain assets and employees of the Gema Powder Finishing Business currently are owned by or reside within entities whose stock is to be sold by Graco to Carlisle (i.e., the Acquired Subsidiaries, as used in the Asset Purchase Agreement), the parties have agreed that, subject to certain limited exceptions, those assets and employees will be transferred to Graco prior to the Divestiture Date. (Asset Purchase Agreement §§ 6.1(n), 7.1(g) and 7.2(e)) The parties have left open the possibility of putting in place one or more further mutual transition services agreements to facilitate the separation of the Gema Powder Finishing Business from the Acquired Subsidiaries. (Asset Purchase Agreement §§ 6.1(n), 7.1(g) and 7.2(e)).

F. Terms relevant to the LFB Powder Finishing Business.

Finally, the Asset Purchase Agreement contains a number of provisions designed to ensure the ongoing viability and competitiveness of both the Gema Powder Finishing Business,

which is to be retained by Graco, and the LFB Powder Finishing Business, the assets of which are included in the Acquired Assets. Consistent with and as specified in the terms of the Decision & Order, Graco is divesting nearly all of that intellectual property used in the LFB Powder Finishing Business. Further consistent with the Decision & Order, Graco is retaining several items of intellectual property that are being licensed to Carlisle pursuant to the Cross License Agreement (Cross License Agreement § 2.1), and Carlisle is licensing back to Graco one patent and drawing package. (Cross License Agreement § 2.2.1)

CONCLUSION

For the reasons discussed above, the proposed divestiture will meet the goal and purposes of the Commission's Decision & Order. The proposed acquirer, Carlisle, has the expertise, knowledge, business acumen, resources, and desire to ensure the continued successful operation of the Liquid Finishing Business and the LFB Powder Finishing Business. The Asset Purchase Agreement has been carefully crafted to ensure that all of the Liquid Finishing Business Assets are fully and promptly divested and able to compete vigorously with Graco and others in the industry. Accordingly, Graco hereby respectfully requests that the Commission approve the divestiture of the Liquid Finishing Business Assets to Carlisle.

Respectfully submitted,

DATED: October 17, 2014

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COUNSEL FOR GRACO INC.

ADDENDUM: LIST OF EXHIBITS

Exhibit 1: Asset Purchase Agreement, with Form of Cross License Agreement

Exhibit 2: CONFIDENTIAL Forms of Non-U.S. Subsidiary Purchase Agreements; Form of Mutual Transition Services Agreement; Disclosure Schedules

Exhibit 3: Form 10-K Annual Report of Carlisle Companies, Inc. for its fiscal year ended December 31, 2013 (filed on February 19, 2014)

Exhibit 4: Transcript of Carlisle's October 8, 2014 Investor Presentation and accompanying PowerPoint presentation

Exhibit 5: CONFIDENTIAL Carlisle Business Plan for Liquid Finishing Business and the LFB Powder Finishing Business

ASSET PURCHASE AGREEMENT

by and among

CARLISLE COMPANIES INCORPORATED,

CARLISLE FLUID TECHNOLOGIES, INC.,

GRACO INC.,

and

FINISHING BRANDS HOLDINGS INC.

DATED AS OF OCTOBER 7, 2014

ASSET PURCHASE AGREEMENT

BY AND AMONG

CARLISLE COMPANIES INCORPORATED,

CARLISLE FLUID TECHNOLOGIES, INC.,

GRACO INC.,

AND

FINISHING BRANDS HOLDINGS INC.

DATED AS OF OCTOBER 7, 2014

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ASSET PURCHASE AGREEMENT

by and among

Carlisle Companies Incorporated,

Carlisle Fluid Technologies, Inc.,

Graco Inc.,

and

Finishing Brands Holdings Inc.

dated as of October 7, 2014

DOCS-#3940853-v15

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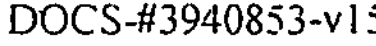

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EXHIBITS

Exhibit A – Forms of Non-U.S. Subsidiary Purchase Agreements
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ASSET PURCHASE AGREEMENT

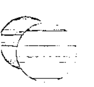
THIS ASSET PURCHASE AGREEMENT (including all schedules, exhibits and other agreements attached hereto or made a part hereof, and all amendments hereto, this "*Agreement*") is made and entered into as of October 7, 2014, by and among Carlisle Companies Incorporated, a Delaware corporation ("*Purchaser Parent*"), Carlisle Fluid Technologies, Inc., a Delaware corporation ("*US Purchaser*"), Graco Inc., a Minnesota corporation ("*Graco*"), and Finishing Brands Holdings Inc., a Minnesota corporation ("*Graco US Finishing Brands*").

WITNESSETH:

WHEREAS, Graco, Gema USA Inc., a Minnesota corporation (f/k/a Graco Holdings Inc.) ("*Gema USA*"), Graco Minnesota Inc., a Minnesota corporation ("*Graco Minnesota*"), Illinois Tool Works Inc., a Delaware corporation ("*ITW Parent*"), and ITW Finishing LLC, a Delaware limited liability company ("*ITW US Seller*"), are parties to a certain Asset Purchase Agreement, dated as of April 14, 2011, as amended by a certain First Amendment to Asset Purchase Agreement, dated as of April 2, 2012, entered into by and among Graco, Gema USA, Graco Minnesota, Graco US Finishing Brands, ITW Parent and ITW US Seller (collectively, including all schedules, exhibits and other agreements attached thereto or made part thereof, and all amendments thereto, the "*ITW Purchase Agreement*");

WHEREAS, pursuant to, and upon the terms and conditions of, the ITW Purchase Agreement, Graco, Gema USA, Graco US Finishing Brands and certain Subsidiaries of Graco purchased substantially all of the assets of ITW Parent, ITW US Seller and certain other Subsidiaries of ITW Parent relating to: (i) the worldwide business of ITW Parent and its Affiliates of (a) developing, assembling, manufacturing, distributing, selling and servicing liquid finishing systems and products, including, but not limited to, the business of developing, manufacturing and selling products under the Binks, DeVilbiss, Ransburg, and BGK brand names and (b) the Stray Powder Business (as defined below) (the foregoing businesses, as acquired by Graco and its Affiliates pursuant to the ITW Purchase Agreement and operated since the consummation of the transactions contemplated by the ITW Purchase Agreement, being the "*Liquid Finishing Business*"); and (ii) the worldwide business of ITW Parent and its Affiliates of developing, assembling, manufacturing, distributing, selling and servicing powder finishing systems and products, including, but not limited to, the business of developing, manufacturing and selling products under the Gema brand name (but excluding the Stray Powder Business, which activities form part of the Liquid Finishing Business) (the foregoing business, as acquired by Graco and its Affiliates pursuant to the ITW Purchase Agreement and operated since the consummation of the transactions contemplated by the ITW Purchase Agreement, being the "*Powder Finishing Business*");

WHEREAS, the transactions contemplated by the ITW Purchase Agreement were consummated on April 2, 2012 and, accordingly, Graco and its Subsidiaries own and operate the Liquid Finishing Business and the Powder Finishing Business, in each case as acquired by Graco and its Subsidiaries pursuant to the ITW Purchase Agreement;



WHEREAS, on December 15, 2011, prior to the consummation of the transactions contemplated by the ITW Purchase Agreement, the U.S. Federal Trade Commission (the "*FTC*") issued an administrative Complaint (the "*Administrative Complaint*") charging Graco, ITW Parent and ITW US Seller with violations of Section 7 of the Clayton Act, as amended, 15. U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in connection with the transactions contemplated by the ITW Purchase Agreement;

WHEREAS, Graco, ITW Parent and ITW US Seller denied the charges in the Administrative Complaint;

WHEREAS, on March 26, 2012: (i) Graco, ITW Parent, ITW US Seller and the FTC (together with counsel for each of the foregoing) executed and delivered a certain Agreement Containing Consent Orders (the "*Consent Agreement*") in respect of the Administrative Complaint; and (ii) the FTC issued an Order to Hold Separate and Maintain Assets (the "*Hold Separate Order*"), pursuant to which the FTC allowed the transactions contemplated by the ITW Purchase Agreement to proceed, but required Graco to hold separate the assets of the Liquid Finishing Business (exclusive of the Stray Powder Business), upon the terms and subject to the conditions of the Hold Separate Order;

WHEREAS, subsequent to entering into the Consent Agreement, the FTC voted to approve the Consent Agreement and a proposed Decision and Order, settling the charges in the Administrative Complaint;

WHEREAS, on October 6, 2014, the FTC voted to approve a final Decision and Order (the "*Final Order*"), which requires Graco to sell the assets of the Liquid Finishing Business to a purchaser approved by the FTC within 180 days of the Final Order becoming final and effective; and

WHEREAS, Purchasers desire to purchase from Sellers, and Sellers desire to sell to Purchasers, substantially all of the assets of Sellers relating to the Liquid Finishing Business, but not any of the assets of Sellers relating to the Powder Finishing Business (other than the Retained Powder Assets), the Graco Liquid Finishing Business or any other business of Graco and its Affiliates (which assets are being retained by Sellers), upon the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of and in reliance upon the representations, warranties and obligations contained herein, the parties agree as follows:

ARTICLE 1
DEFINITIONS

The capitalized terms referred to in this Agreement have the meanings indicated below (and other capitalized terms are defined elsewhere in this Agreement):

"*3M-Related Agreements*" means: (a) that certain Settlement Agreement, dated as of October 23, 2008, by and among Graco US Finishing Brands (as the assignee of ITW Parent and ITW US Seller), 3M Company and 3M Innovative Properties; (b) that certain Supply and

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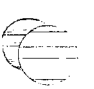
License Agreement, dated as of October 23, 2008, by and among Graco US Finishing Brands (as the assignee of ITW Parent and ITW US Seller), 3M Company and 3M Innovative Properties; (c) that certain Mutual Release, dated as of June 6, 2013, by and among ITW Parent, Graco, Gema USA, Graco Minnesota and Graco US Finishing Brands; (d) that certain Assignment and Assumption Agreement and Bill of Sale, dated as of June 6, 2013, by and between ITW Parent and Graco US Finishing Brands; (e) that certain Agreement, dated as of June 6, 2013, by and between ITW Parent and Graco US Finishing Brands in respect of the assignment of the DeKups trademark; and (f) that certain Trademark Assignment, dated as of June 6, 2013, by and between ITW Parent and Graco US Finishing Brands in respect of the assignment of the DeKups trademark.



"*Acquired Assets*" has the meaning provided in Section 2.1.

"*Acquired Contracts*" has the meaning provided in Section 2.1(e).

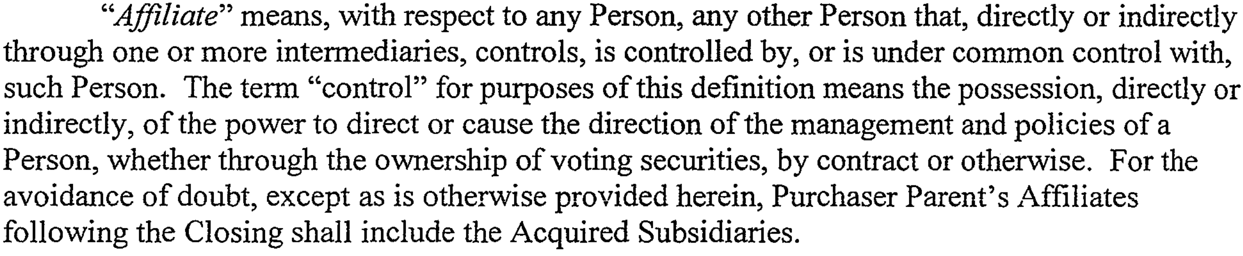
"*Acquired ITW Ancillary Agreements*" has the meaning provided in Section 2.1.

"*Acquired ITW Intellectual Property*" has the meaning provided in Section 6.2(g)(i).

"*Acquired Subsidiaries*" has the meaning provided in Section 2.1.

"*Acquisition Proposal*" has the meaning provided in Section 6.1(f).

"*Administrative Complaint*" has the meaning provided in the Recitals to this Agreement.



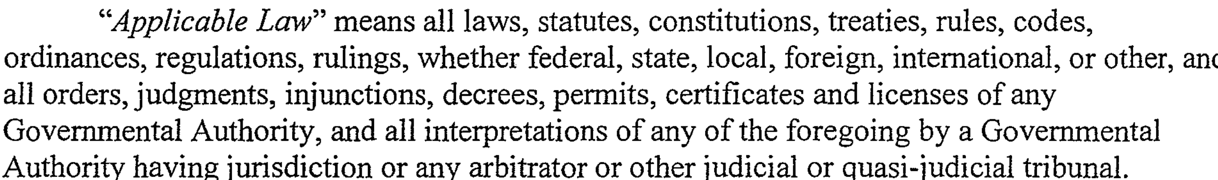
"*Affiliate*" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" for purposes of this definition means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, except as is otherwise provided herein, Purchaser Parent's Affiliates following the Closing shall include the Acquired Subsidiaries.

"*Agreement*" has the meaning provided in the Preamble to this Agreement.

"*Ancillary Agreements*" means any Contract (including, but not limited to, the Bill of Sale, the Non-U.S. Subsidiary Purchase Agreements, the Mutual Transition Services Agreement, the Restrictive Covenant Assignment, the Cross License Agreement, the Transition Services Assignment and Assumption Agreement, the Transitional Trademark License Assignment and Assumption Agreement and the Transitional Trademark License and Permitted Use Agreement) which is or is to be entered into at Closing or otherwise pursuant to this Agreement. The Ancillary Agreements executed by a specified Person shall be referred to as "such Person's Ancillary Agreements," "its Ancillary Agreements" or another similar expression.

"*Antitrust Laws*" has the meaning provided in Section 9.1(c).

"*Anti-Corruption Laws*" has the meaning provided in Section 4.14(c).



"*Applicable Law*" means all laws, statutes, constitutions, treaties, rules, codes, ordinances, regulations, rulings, whether federal, state, local, foreign, international, or other, and all orders, judgments, injunctions, decrees, permits, certificates and licenses of any Governmental Authority, and all interpretations of any of the foregoing by a Governmental Authority having jurisdiction or any arbitrator or other judicial or quasi-judicial tribunal.

"*Application for Approval of Divestiture*" has the meaning provided in Section 6.1(g).

"*Asset Selling Subsidiaries*" means Graco US Finishing Brands, Graco Australia and Graco International Holdings.

"*Asset Selling Subsidiaries Acquired Assets*" has the meaning provided in Section 2.1.

"*Assigned Acquired Subsidiaries Section 6.2(g) Rights and Benefits*" has the meaning assigned to such term in the Restrictive Covenant Assignment.

"*Assigned Section 6.2(g) Rights and Benefits*" has the meaning assigned to such term in the Restrictive Covenant Assignment.

"*Assigned Transition Services Rights and Benefits*" has the meaning assigned to such term in the Transition Services Assignment and Assumption Agreement.

"*Assigned Transitional Trademark License Rights and Benefits*" has the meaning assigned to such term in the Transitional Trademark License Assignment and Assumption Agreement.

"*Assumed Benefit Plans/Schemes*" has the meaning provided in Section 6.3(a).

"*Assumed Liabilities*" has the meaning provided in Section 2.3.

"*Assumed Transition Services Liabilities*" has the meaning assigned to such term in the Transition Services Assignment and Assumption Agreement.

"*Assumed Transitional Trademark License Liabilities*" has the meaning assigned to such term in the Transitional Trademark License Assignment and Assumption Agreement.

"*Audited Annual Financial Statements*" has the meaning provided in Section 4.5(a).

"*ASTM*" has the meaning provided in Section 6.5.

"*Basket*" has the meaning provided in Section 8.4(c).

"*Bill of Sale*" means the Assignment and Assumption Agreement and Bill of Sale to be entered into at the Closing by and among the applicable Purchasers, Graco and Graco US Finishing Brands, in a customary form reasonably acceptable to Purchaser Parent and Graco.

"*Books and Records*" means all books, records, data, ledgers, files, documents, Tax Returns, instruments, papers, computer files (including files stored on a computer's hard drive or on other storage media), electronic files, correspondence, lists (including all customer and

supplier lists and other information relating to customers and suppliers), drawings, and specifications, creative materials, advertising, merchandising, and promotional materials, sales materials, studies, reports, and other printed materials and records in any other medium.

"*Bulk-Transfer Laws*" has the meaning provided in Section 3.4.

"*Business Day*" means any day of the week other than (i) Saturday and Sunday and (ii) any day which banks located in Minneapolis, Minnesota or Charlotte, North Carolina are generally closed for business.

"*Business Intellectual Property*" means: (a) all Intellectual Property that is owned by any Asset Selling Subsidiary related to the Liquid Finishing Business (exclusive of the Stray Powder Business), including, but not limited to, any Intellectual Property owned by any Asset Selling Subsidiary related to the Liquid Finishing Business (exclusive of the Stray Powder Business) that is listed on Schedule 1.4 and any DeKups Intellectual Property that is owned by any Asset Selling Subsidiary; (b) all Intellectual Property that is owned by any Asset Selling Subsidiary and is necessary for making, having made, using, offering for sale, selling, importing or exporting DeVilbiss Powder Finishing Products, including, but not limited to, any Intellectual Property owned by any Asset Selling Subsidiary that is listed on Schedule 1.4 and necessary for making, having made, using, offering for sale, selling, importing or exporting DeVilbiss Powder Finishing Products; (c) all Intellectual Property that is owned by any Asset Selling Subsidiary and is necessary for making, having made, using, offering for sale, selling, importing or exporting Ransburg Powder Finishing Products, including, but not limited to, any Divested Stray Ransburg Powder IP that is owned by any Asset Selling Subsidiary and any Intellectual Property owned by any Asset Selling Subsidiary that is listed on Schedule 1.4 and necessary for making, having made, using, offering for sale, selling, importing or exporting Ransburg Powder Finishing Products; and (d) all Intellectual Property that is owned by any Acquired Subsidiary, including, but not limited to, any Intellectual Property owned by any Acquired Subsidiary that is listed on Schedule 1.4, any DeKups Intellectual Property that is owned by any Acquired Subsidiary, any Divested Stray Ransburg Powder IP that is owned by any Acquired Subsidiary, and any Intellectual Property owned by any Acquired Subsidiary that is listed on Schedule 1.4 and necessary for making, having made, using, offering for sale, selling, importing or exporting DeVilbiss Powder Finishing Products; *provided*, *however*, that, notwithstanding the foregoing, Business Intellectual Property shall specifically exclude: (i) any and all Excluded Domain Names; (ii) any and all Retained Stray Ransburg Powder IP; (iii) any and all Intellectual Property related to the Powder Finishing Business, except to the extent that any such Intellectual Property is DeKups Intellectual Property, is set forth on Schedule 1.2(a) or Schedule 1.4 or is ordered pursuant to the Final Order to be divested by Graco, in which case such Intellectual Property shall constitute Business Intellectual Property even if related to the Powder Finishing Business; and (iv) any and all Intellectual Property related to the Graco Liquid Finishing Business.

"*Business Registered Intellectual Property*" has the meaning provided in Section 4.10(a).

"*Carlisle Confidential Information*" means the information, if any, provided by Purchaser Parent or its Affiliates to Graco or its Affiliates in connection with this Agreement and the transactions contemplated hereby that is not generally available to the public.

"*Cash and Cash Equivalents*" means the sum of all cash and the fair market value (expressed in U.S. dollars) of all cash equivalents of any kind determined in accordance with GAAP (including bank account balances and money market accounts, net of outstanding checks issued by any Acquired Subsidiary) of the Acquired Subsidiaries, in each case as of the Closing Date (but before giving effect to the consummation of the transactions contemplated by this Agreement). For the avoidance of doubt, Cash and Cash Equivalents shall include all Retained Powder Finishing Business Cash and Cash Equivalents.

"*Closing*" means the actual delivery of the instruments for conveyance of the Acquired Assets and the exchange and delivery by the parties of the other documents and instruments contemplated by this Agreement and the consummation of the transactions contemplated hereby, which shall take place at the offices of Dorsey & Whitney LLP, 50 S. Sixth Street, Minneapolis, Minnesota or at such other place as the parties may mutually agree on: (i) if all of the conditions precedent in Sections 7.1 and 7.2 have been satisfied or waived (other than conditions with respect to actions that are to be taken at the Closing), the date that is four (4) Business Days following the date on which Graco delivers written notice thereof to Purchaser Parent, or Purchaser Parent delivers written notice thereof to Graco; or (ii) such other date as Graco and Purchaser Parent may mutually agree on. The effective time of the Closing shall be deemed to be the Effective Time.

"*Closing Date*" means the date on which the Closing occurs.

"*Code*" means the U.S. Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"*Competitive Powder Finishing Products*" has the meaning provided in Section 6.2(f)(i).

"*Completed Disclosure Schedules*" means the following schedules included in the Disclosure Schedules as of the date hereof: Schedule 1.1(a), Schedule 1.1(b), Schedule 1.2(a), Schedule 1.2(b), Schedule 1.3, Schedule 1.4, Schedule 1.5, Schedule 1.6(a), Schedule 1.6(b), Schedule 2.1(i), Schedule 2.1(ii), Schedule 2.1(l), Schedule 2.2(s), Schedule 3.2(a), Schedule 3.3 (other than those portions of Schedule 3.3 which, by the terms of Schedule 3.3, are subject to update and amendment by Graco prior to the Closing), Schedule 4.2, Schedule 4,3, Schedule 4.5(a), Schedule 4.5(b), Schedule 4.12(b), Schedule 4.12(f), Schedule 4.16(a), Schedule 4.16(b), Schedule 4.23 and Schedule 6.1(j)(i).

"*Computer Systems*" has the meaning provided in Section 4.10(h).

"*Confidential Information*" means any information concerning the Liquid Finishing Business that is not generally available to the public.

"*Consent Agreement*" has the meaning provided in the Recitals to this Agreement.

"*Contract*" means with respect to the Liquid Finishing Business any contract, agreement, lease, indenture, purchase order, sales order, mortgage, note, bond or other binding commitment, whether written or oral.

"*Cross License Agreement*" means the license agreement to be entered into at the Closing by and among Graco US Finishing Brands, Graco, Gema Switzerland GmbH, a company organized under the laws of Switzerland, Purchaser Parent and US Purchaser, substantially in the form attached as Exhibit C hereto, pursuant to which Graco US Finishing Brands, Graco and Gema Switzerland GmbH license to Purchaser Parent and US Purchaser all of the Retained Stray Ransburg Powder IP and certain other Acquired ITW Intellectual Property that is not Business Intellectual Property, and Purchaser Parent and US Purchaser license to Graco US Finishing Brands, Graco and Gema Switzerland GmbH certain of the Divested Stray Ransburg Powder IP.

"*Damages*" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, Liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses but excluding any punitive, exemplary, special, consequential damages and diminution in value claims which result from or arise out of (i) breach of any representation or warranty made in Article 4 or Article 5, (ii) breach by any party to this Agreement of any of the covenants or agreements contained herein or to be performed before the Closing Date or (iii) any indemnification claim made pursuant to Section 8.2(b) for which any of such damages would be excluded under the ITW Purchase Agreement if such claim were made directly against ITW Parent pursuant to Article 8 of the ITW Purchase Agreement; *provided*, *however*, that the foregoing exclusions (except for the exclusion for punitive damages) shall not apply: (i) to the extent any such damages are awarded to a third party pursuant to a Third Party Claim; or (ii) to the determination of Damages if a party breaches this Agreement by failing to effect the Closing where all of the conditions (except those conditions which by their terms cannot be satisfied until the Closing) contained in Article 7 to such party's obligation to effect the Closing have been fully satisfied or waived, and those that cannot be satisfied until the Closing are then capable of being fully satisfied or waived.

"*Debt*" means, without duplication: (i) indebtedness for borrowed money; (ii) indebtedness secured by any Lien on property owned, whether or not the indebtedness secured thereby has been assumed; (iii) indebtedness evidenced by notes, bonds, debentures or other similar instruments; (iv) capital leases, including all amounts representing the capitalization of rentals in accordance with GAAP; (v) "earnouts" or similar payment obligations; (vi) all guarantees, endorsements and other contingent obligations with respect to liabilities of a type described in any of clauses (i) through (v) above; and (vii) interest, penalties, premiums, fees and expenses related to any of the foregoing. For the avoidance of doubt, Debt shall exclude any Debt-Like Liabilities.

"*Debt-Like Liabilities*" means Liabilities of the Liquid Finishing Business of the types described on Schedule 1.5.

"*DeKups Intellectual Property*" means the Intellectual Property listed on Schedule 1.3.

"*DeVilbiss Powder Finishing Products*" means the powder coating guns and related replacement parts developed, assembled, manufactured, distributed, sold or serviced by the Liquid Finishing Business under the DeVilbiss brand name, as described on Schedule 1.1(a).

"*DeVilbiss Powder Finishing Products Field of Use*" means those markets in Brazil into which DeVilbiss Powder Finishing Products have been sold during the two-year period preceding the Closing Date.

"*Disclosure Schedules*" means the disclosure schedules attached to and made part of this Agreement.

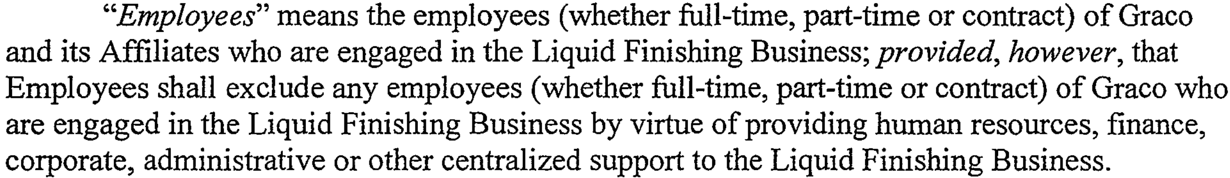
"*Disclosure Schedule Update*" has the meaning provided in Section 6.1(k)(ii).

"*Divested Stray Ransburg Powder IP*" means the Intellectual Property set forth on Schedule 1.2(a).

"*Effective Time*" means 12:01 a.m. on the Closing Date, local time in each jurisdiction in which the Liquid Finishing Business is conducted.

"*Employee Benefit Plan/Scheme*" means any employee benefit plan, scheme, program or arrangement of any kind (including any stock option or ownership plan, stock appreciation rights plan, stock purchase plan, bonus, incentive compensation, pension, superannuation, deferred compensation or profit-sharing plan, or any arrangement regarding any vacation, holiday, sick leave, fringe benefit, pre-Tax premium or flexible spending account plan or any plan providing benefits on or in anticipation of retirement or death) applicable to any Employees.

"*Employee List*" has the meaning provided in Section 4.12(n).



"*Employees*" means the employees (whether full-time, part-time or contract) of Graco and its Affiliates who are engaged in the Liquid Finishing Business; *provided*, *however*, that Employees shall exclude any employees (whether full-time, part-time or contract) of Graco who are engaged in the Liquid Finishing Business by virtue of providing human resources, finance, corporate, administrative or other centralized support to the Liquid Finishing Business.

"*Environmental Laws*" means any Applicable Law or other legal requirement pertaining to pollution, the environment and/or the health or safety of the public or employees, including: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601, *et seq.* ("*CERCLA*"); the Solid Waste Disposal Act, also known as the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901, *et seq.*; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11011, *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801, *et seq.*; the Clean Air Act, 42 U.S.C. §§ 7401, *et seq.*; the Clean Water Act, 33 U.S.C. §§ 1251, *et seq.*; the Occupational Safety and Health Act, 29 U.S.C. §§ 651, *et seq.*; the Toxic Substances Control Act, 15 U.S.C. §§ 2602, *et seq.*; the Rivers and Harbors Act of 1899, 33 U.S.C. § 401, *et seq.*; the Oil Pollution Act of 1990, 33 U.S.C. § 2701, *et seq.*; any foreign, international, state, or local Applicable Law similar to the foregoing; all regulations issued pursuant to the foregoing; all Permits issued to any Seller pursuant to the foregoing; all common law decisions and any other state, federal, foreign, international, or local Applicable Law pertaining to: (i) the existence, cleanup and/or remedy of contamination on property; (ii) the emission or release of any Hazardous Material into the environment, including into sewer systems or within buildings; (iii) the control of hazardous wastes; (iv) the use, generation, transport, treatment, storage, disposal, removal or recovery of Hazardous Materials, including hazardous building materials; or (v) worker or community protection.

"*Excluded Assets*" has the meaning provided in Section 2.2.

"*Excluded Domain Names*" means Internet domain names or social media accounts used in the Liquid Finishing Business by Graco or its Affiliates (including any Acquired Subsidiary and any Asset Selling Subsidiary) prior to the Closing Date which include "Graco" or any other trademarks of Graco or its Affiliates (including any Acquired Subsidiary and any Asset Selling Subsidiary) which are excluded from Business Intellectual Property.

"*Excluded Liabilities*" has the meaning provided in Section 2.4.

"*Existing Powder Finishing Business Customer*" means any Person that is or was a customer of the Powder Finishing Business at any time during the two-year period preceding the Closing Date.

"*Extra-Liquid Finishing Business Intercompany Accounts Payable*" means all accounts payable between any Asset Selling Subsidiary with respect to the Liquid Finishing Business or Acquired Subsidiary, on the one hand, and Graco or any Affiliate of Graco (other than any Asset Selling Subsidiary or Acquired Subsidiary), on the other hand.

"*Extra-Liquid Finishing Business Intercompany Accounts Receivable*" means all accounts receivable between any Asset Selling Subsidiary with respect to the Liquid Finishing Business or Acquired Subsidiary, on the one hand, and Graco or any Affiliate of Graco (other than any Asset Selling Subsidiary or Acquired Subsidiary), on the other hand.

"*FCPA*" means the U.S. Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78m and 78dd-1, et seq.

"*Final Adjustment Amount*" has the meaning provided in Section 3.2(a).

"*Final Allocation*" has the meaning provided in Section 3.3.

"*Final Closing Balance Sheet*" has the meaning provided in Section 3.2(a).

"*Final Closing Documents*" has the meaning provided in Section 3.2(b).

"*Final Closing Statement*" has the meaning provided in Section 3.2(a).

"*Final Order*" has the meaning provided in the Recitals to this Agreement.

"*FTC*" has the meaning provided in the Recitals to this Agreement.

"*FTC-Related Matters*" means the allegations, claims, restrictions, limitations, conditions, approvals, consents and requirements contained in or contemplated by the Administrative Complaint, the Consent Agreement, the Hold Separate Order and the Final Order, including, but not limited to, the submission of the Application for Approval of Divestiture and the FTC's approval of Purchasers as purchasers of the Liquid Finishing Business and the transactions contemplated by this Agreement and the Ancillary Agreements.

"*GAAP*" means generally accepted accounting principles as in effect in the United States on the date of this Agreement.

"*Gema Separation Acquired Subsidiaries*" means Graco Germany Finishing Brands, Graco Japan Finishing Brands, Graco UK Finishing Brands and DeVilbiss Ransburg de México, S. de R.L. de C.V., a company organized under the laws of Mexico.

"*Gema Separation Transactions*" has the meaning provided in Section 6.1(n).

"*Gema USA*" has the meaning provided in the Recitals to this Agreement.

"*Government Official*" has the meaning provided in Section 4.14(c).

"*Governmental Authority*" means any supranational, national, federal, state, departmental, county, municipal, regional or other governmental or quasi-governmental authority, agency, board, body, instrumentality, commission, tribunal, court, or arbitrator, whether U.S. or foreign.

"*Graco*" has the meaning provided in the Preamble to this Agreement.

"*Graco Australia*" means Graco Australia Pty Ltd, a proprietary company limited by shares organized under the laws of Australia.

"*Graco Brazil Finishing Brands*" means DeVilbiss Equipamentos para Pintura Ltda., a sociedade empresária limitada organized under the laws of Brazil.

"*Graco China Finishing Brands*" means Finishing Brands (Shanghai) Co., Ltd., a wholly-foreign owned limited liability company organized under the laws of the People's Republic of China.

"*Graco Confidential Information*" means any of the following information that is not generally available to the public: (i) the information, if any, (whether or not included in the Acquired Assets or part of the assets of any Acquired Subsidiary) concerning the Powder Finishing Business, the Graco Liquid Finishing Business or any other business of Graco or its Affiliates (other than the Liquid Finishing Business) provided by Graco or its Affiliates to Purchaser Parent or its Affiliates in connection with this Agreement and the transactions contemplated hereby pursuant to the Nondisclosure Agreement, dated June 28, 2012, between Purchaser Parent and Graco; (ii) the information concerning the Powder Finishing Business included in the Acquired Assets or part of the assets of any Acquired Subsidiary; and (iii) the information concerning the Powder Finishing Business, if any, that Employees are aware of due to the integration of portions of the Liquid Finishing Business with the Powder Finishing Business prior to the consummation of the transactions contemplated by the ITW Purchase Agreement.

"*Graco Germany Finishing Brands*" means Finishing Brands Germany GmbH, a Gesellschaft mit beschränkter Haftung organized under the laws of Germany.

"*Graco International Holdings*" means the Hong Kong branch office of Graco International Holdings S.à r.l., a Société à responsabilité limitée organized under the laws of Luxembourg.

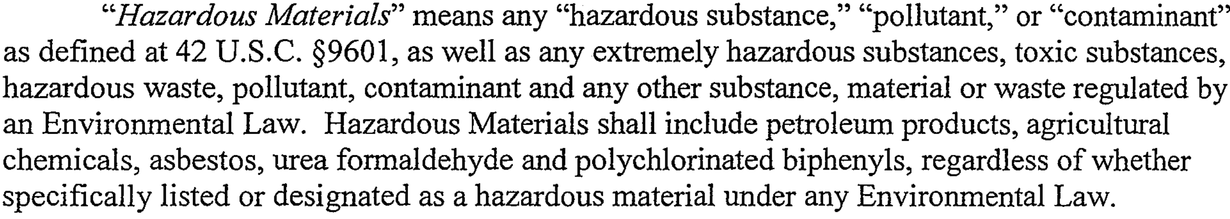
"*Graco Japan Finishing Brands*" means Ransburg Industrial Finishing K.K., a stock company organized under the laws of Japan and domesticated in Delaware, USA.

"*Graco Liquid Finishing Business*" means the business of developing, assembling, manufacturing, distributing, selling and servicing liquid finishing systems and products in which Graco and its Affiliates were engaged prior to the consummation of the transactions contemplated by the ITW Purchase Agreement and in which Graco and its Affiliates have been engaged since the consummation of the transactions contemplated by the ITW Purchase Agreement and which are not subject to the oversight of the Hold Separate Trustee, independent of the operation of the Liquid Finishing Business.

"*Graco Minnesota*" has the meaning provided in the Recitals to this Agreement.

"*Graco UK Finishing Brands*" means Finishing Brands UK Limited, a private limited company organized under the laws of England and Wales.

"*Graco US Finishing Brands*" has the meaning provided in the Preamble to this Agreement.



"*Hazardous Materials*" means any "hazardous substance," "pollutant," or "contaminant" as defined at 42 U.S.C. §9601, as well as any extremely hazardous substances, toxic substances, hazardous waste, pollutant, contaminant and any other substance, material or waste regulated by an Environmental Law. Hazardous Materials shall include petroleum products, agricultural chemicals, asbestos, urea formaldehyde and polychlorinated biphenyls, regardless of whether specifically listed or designated as a hazardous material under any Environmental Law.

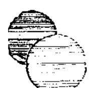
"*Hired Employees*" has the meaning provided in Section 6.3(d).

"*Historical DeVilbiss Powder Finishing Products*" means: (a) any DeVilbiss Powder Finishing Products that were manufactured, sold or serviced by ITW Parent or any of its Affiliates on or before April 2, 2012; (b) any predecessor product to the products described in clause (a) of this definition; and (c) any pre-Closing improvements or additions to the products described in clauses (a) and (b) of this definition to the extent not covered by any valid claim of any Acquired ITW Intellectual Property that is not Business Intellectual Property, including, but not limited to, Category 1 Graco Licensed Intellectual Property and Category 2 Graco Licensed Intellectual Property (in each case, as defined in the Cross License Agreement).

"*Historical Gema Powder Finishing Products*" means: (a) powder finishing systems and products (other than DeVilbiss Powder Finishing Products, Historical DeVilbiss Powder Finishing Products, Ransburg Powder Finishing Products and Historical Ransburg Powder Finishing Products) that were manufactured, sold or serviced by ITW Parent or any of its Affiliates on or before April 2, 2012, including, but not limited to, powder finishing systems and products under the Gema brand name that were manufactured, sold or serviced by ITW Parent or any of its Affiliates on or before April 2, 2012; and (b) any pre-Closing improvements or

additions to the powder finishing systems and products described in clause (a) of this definition to the extent not covered by any valid claim of any Acquired ITW Intellectual Property that is Business Intellectual Property.

"*Historical Liquid Finishing Products*" means: (a) liquid finishing systems and products that were manufactured, sold or serviced by ITW Parent or any of its Affiliates on or before April 2, 2012, including, but not limited to, liquid finishing systems and products under the Binks, DeVilbiss, Ransburg and BGK brand names that were manufactured, sold or serviced by ITW Parent or any of its Affiliates on or before April 2, 2012; (b) any pre-Closing improvements or additions to the liquid finishing systems and products described in clause (a) of this definition to the extent not covered by any valid claim of any Acquired ITW Intellectual Property that is not Business Intellectual Property, including, but not limited to, Category 1 Graco Licensed Intellectual Property and Category 2 Graco Licensed Intellectual Property (in each case, as defined in the Cross License Agreement); and (c) any of the liquid finishing systems and products identified on Schedule 1.6(a) that were manufactured, sold or serviced by the Liquid Finishing Business (whether as operated by ITW Parent or any of its Affiliates or by Graco or any of its Affiliates) prior to the Closing to the extent covered by a valid claim of U.S. Patent No. 6,562,138 or any continuations, divisionals, continuations-in-part, reissues, reexaminations or foreign counterparts of U.S. Patent No. 5,686,149 (which expired or was abandoned prior to the date hereof) but not to the extent covered by any valid claim of any other Acquired ITW Intellectual Property that is not Business Intellectual Property.



"*Historical Ransburg Powder Finishing Products*" means: (a) any Ransburg Powder Finishing Products that were manufactured, sold or serviced by ITW Parent or any of its Affiliates on or before April 2, 2012; (b) any predecessor product to the products described in clause (a) of this definition; (c) any pre-Closing improvements or additions to the products described in clauses (a) and (b) of this definition to the extent not covered by any valid claim of any Acquired ITW Intellectual Property that is not Business Intellectual Property, including, but not limited to, Category 1 Graco Licensed Intellectual Property and Category 2 Graco Licensed Intellectual Property (in each case, as defined in the Cross License Agreement); and (d) any of the Ransburg Powder Finishing Products identified on Schedule 1.6(b) that were manufactured, sold or serviced by the Stray Powder Business (whether as operated by ITW Parent or any of its Affiliates or by Graco or any of its Affiliates) prior to the Closing to the extent covered by a valid claim of U.S. Patent No. 6,562,138 or any continuations, divisionals, continuations-in-part, reissues, reexaminations or foreign counterparts of U.S. Patent No. 5,686,149 (which expired or was abandoned prior to the date hereof) but not to the extent covered by any valid claim of any other Acquired ITW Intellectual Property that is not Business Intellectual Property.

"*Hold Separate Order*" has the meaning provided in the Recitals to this Agreement.

"*Hold Separate Trustee*" has the meaning assigned to such term in the Hold Separate Order.

"*Inactive Employee*" has the meaning provided in Section 6.3(b).

"*Income Tax*" means any federal, state, local, or foreign tax measured by or imposed on net income, including any interest, penalty, or addition thereto, whether disputed or not.

"*Incomplete Disclosure Schedules*" means any schedules included in the Disclosure Schedules as of the date hereof that are not Completed Disclosure Schedules. For the avoidance of doubt, the Incomplete Disclosure Schedules include those portions of Schedule 3.3 which, by the terms of Schedule 3.3, are subject to update and amendment by Graco prior to the Closing.

"*Indemnification Cap*" has the meaning provided in Section 8.4(a).

"*Indemnified Party*" has the meaning provided in Section 8.5(a).

"*Indemnifying Party*" has the meaning provided in Section 8.5(a).

"*Independent Firm*" has the meaning provided in Section 3.2(b).

"*Initial Purchase Price*" has the meaning provided in Section 3.1(a).

"*Intellectual Property*" means all of the following in any jurisdiction throughout the world: (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof; (ii) all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, Internet domain names and rights in telephone numbers and social media accounts, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith; (iii) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith; (iv) all mask works and all applications, registrations, and renewals in connection therewith; (v) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals); (vi) all computer software (including source code, executable code, data, databases and related documentation); (vii) all advertising and promotional materials; (viii) all other proprietary rights; and (ix) all copies and tangible embodiments thereof (in whatever form or medium).

"*Intra-Liquid Finishing Business Intercompany Accounts Payable*" means all accounts payable between any Asset Selling Subsidiaries (with respect to the Liquid Finishing Business), between any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) and any Acquired Subsidiary or between any Acquired Subsidiaries.

"*Intra-Liquid Finishing Business Intercompany Accounts Receivable*" means all accounts receivable between any Asset Selling Subsidiaries (with respect to the Liquid Finishing Business), between any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) and any Acquired Subsidiary or between any Acquired Subsidiaries.

"*ITW Parent*" has the meaning provided in the Recitals to this Agreement.

"*ITW Purchase Agreement*" has the meaning provided in the Recitals to this Agreement.

"*ITW Purchase Agreement Damages*" has the meaning provided in Section 2.3(j).

"*ITW Purchase Agreement Purchaser Group*" means the Purchaser Group under and as defined in the ITW Purchase Agreement.

"*ITW Purchase Agreement Seller Group*" has the meaning provided in Section 2.3(j).

"*ITW Purchase Agreement Indemnification Cap*" means the Indemnification Cap under and as defined in the ITW Purchase Agreement.

"*ITW Section 8.2(a) Capped Damages*" means any Damages for which indemnification is provided under Section 8.2(b), where, assuming *arguendo* that (i) the Purchaser Group were a direct beneficiary of the ITW Purchase Agreement Purchaser Group's indemnification rights under Section 8.2(a) of the ITW Purchase Agreement and (ii) the Purchaser Group were entitled to bring an indemnification claim directly against ITW Parent pursuant to Section 8.2(a) of the ITW Purchase Agreement for such Damages (in satisfaction of the conditions set forth in Section 8.2(b)(ii)), ITW Parent would be obligated to indemnify the Purchaser Group for such Damages pursuant to Section 8.2(a) of the ITW Purchase Agreement (without giving effect to the limitations on indemnification contained in the ITW Purchase Agreement) and (if, notwithstanding the immediately-preceding parenthetical, effect were given to the ITW Purchase Agreement Indemnification Cap) such Damages would be subject to (and applied against) the ITW Purchase Agreement Indemnification Cap.

"*ITW Section 8.2(a) Cap-Excluded Damages*" means any Damages for which indemnification is provided under Section 8.2(b), where, assuming *arguendo* that (i) the Purchaser Group were a direct beneficiary of the ITW Purchase Agreement Purchaser Group's indemnification rights under Section 8.2(a) of the ITW Purchase Agreement and (ii) the Purchaser Group were entitled to bring an indemnification claim directly against ITW Parent pursuant to Section 8.2(a) of the ITW Purchase Agreement for such Damages (in satisfaction of the conditions set forth in Section 8.2(b)(ii)), ITW Parent would be obligated to indemnify the Purchaser Group for such Damages pursuant to Section 8.2(a) of the ITW Purchase Agreement (without giving effect to the limitations on indemnification contained in the ITW Purchase Agreement) and (if, notwithstanding the immediately-preceding parenthetical, effect were given to the ITW Purchase Agreement Indemnification Cap) such Damages would not be subject to (and not applied against) the ITW Purchase Agreement Indemnification Cap.

"*ITW Section 8.2(c) Damages*" means any Damages for which indemnification is provided under Section 8.2(b), where, assuming *arguendo* that (i) the Purchaser Group were a direct beneficiary of the ITW Purchase Agreement Purchaser Group's indemnification rights under Section 8.2(c) of the ITW Purchase Agreement and (ii) the Purchaser Group were entitled to bring an indemnification claim directly against ITW Parent pursuant to Section 8.2(c) of the ITW Purchase Agreement for such Damages (in satisfaction of the conditions set forth in Section 8.2(b)(ii)), ITW Parent would be obligated to indemnify the Purchaser Group for such Damages pursuant to Section 8.2(c) of the ITW Purchase Agreement (without giving effect to the limitations on indemnification contained in the ITW Purchase Agreement).

"*ITW Section 8.2(j) Damages*" means any Damages for which indemnification is provided under Section 8.2(b), where, assuming *arguendo* that (i) the Purchaser Group were a direct beneficiary of the ITW Purchase Agreement Purchaser Group's indemnification rights under Section 8.2(j) of the ITW Purchase Agreement and (ii) the Purchaser Group were entitled to bring an indemnification claim directly against ITW Parent pursuant to Section 8.2(j) of the ITW Purchase Agreement for such Damages (in satisfaction of the conditions set forth in Section 8.2(b)(ii)), ITW Parent would be obligated to indemnify the Purchaser Group for such Damages pursuant to Section 8.2(j) of the ITW Purchase Agreement (without giving effect to the limitations on indemnification contained in the ITW Purchase Agreement).

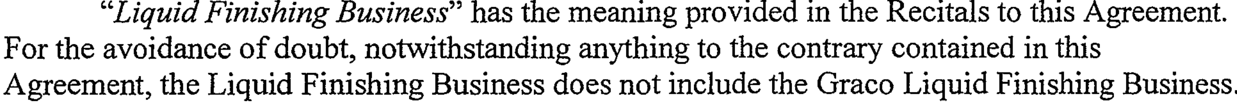
"*ITW US Seller*" has the meaning provided in the Recitals to this Agreement.

"*Latest Financial Statements*" has the meaning provided in Section 4.5(c).

"*Leased Real Property*" has the meaning provided in Section 4.9(a).

"*Liability*" means any liability or obligation of any kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due).

"*Lien*" means any mortgage, pledge, lien, encumbrance, charge, assessment, deed of trust, lease, adverse claim, levy or other security interest.



"*Liquid Finishing Business*" has the meaning provided in the Recitals to this Agreement. For the avoidance of doubt, notwithstanding anything to the contrary contained in this Agreement, the Liquid Finishing Business does not include the Graco Liquid Finishing Business.

"*Liquid Finishing Transferred Employees*" means the Employees identified as Liquid Finishing Transferred Employees on Schedule 4.12(n), each of whom shall be transferred to and hired by an Affiliate of Graco engaged in the Powder Finishing Business and shall not be Hired Employees.

"*Lower Net Working Capital Target Amount*" has the meaning provided in Section 3.1(a).

"*Material Adverse Effect*" means a material adverse effect, whether individually or in the aggregate, on the business, operations, properties, assets, condition (financial or otherwise), Liabilities, or results of operations of the Liquid Finishing Business; *provided*, *however*, that none of the following (individually or in the aggregate) shall be deemed to constitute, or shall be taken into account in determining whether there has been, a Material Adverse Effect: (a) conditions generally affecting the United States or world economy or generally affecting one or more industries in which the Liquid Finishing Business operates; (b) national or international political or social conditions, including acts of terrorism or the engagement in or escalation of hostilities or acts of war involving the United States; (c) any natural disaster; (d) financial, banking or securities markets conditions and changes therein (including any disruption thereof, any decline in the price of any security or any market index or change in interest rates); (e) any increase in competition, whether from new entrants or existing competitors in any market in which the Liquid Finishing Business operates; or (f) any failure, in and of itself, by the Liquid Finishing Business to meet any internal or disseminated projections, forecasts or revenue or

earnings predictions for any period (it being understood that the facts and circumstances giving rise or contributing to such failure may be taken into account in determining whether there has been a Material Adverse Effect), shall not be taken into account in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur with respect to the Liquid Finishing Business; *provided* that, in each case, such changes, events, occurrences or states of facts do not disproportionately affect the Liquid Finishing Business in any material respect.

"*Minor Claims*" has the meaning provided in Section 4.13.

"*Mutual Transition Services Agreement*" means a mutual transition services agreement, substantially in the form attached hereto as Exhibit B, to be entered into at the Closing by and among the Purchasers and Sellers parties thereto, providing for: (i) the provision by the Sellers parties thereto of certain transition services to certain of the Purchasers; and (ii) the provision by the Purchasers parties thereto of certain transition services to certain of the Sellers, in each case upon the terms and subject to the conditions of the Mutual Transition Services Agreement.

"*Net Working Capital*" means, as measured as of the Effective Time on the Closing Date, (i) the sum of (A) the amount of total current assets (in each case, net of reserves) of the Liquid Finishing Business which constitute Acquired Assets or are assets of an Acquired Subsidiary plus (B) the amount of total Retained Powder Finishing Business Accounts Receivable (in each case, net of reserves), less (ii) the sum of (A) the amount of total current liabilities of the Liquid Finishing Business which constitute Assumed Liabilities, plus (B) the amount of total Retained Powder Finishing Business Accounts Payable, plus (C) the amount of total customer deposits of the Liquid Finishing Business which, as Debt-Like Liabilities, constitute Assumed Liabilities, in each case calculated in accordance with the methodologies used to calculate net working capital on Schedule 3.2(a). Notwithstanding the foregoing, in no event shall any of the following be taken into account in calculating Net Working Capital: (1) Cash and Cash Equivalents; (2) any Debt of an Asset Selling Subsidiary (to the extent constituting Assumed Liabilities); (3) any Debt of any Acquired Subsidiary; (4) any Debt-Like Liabilities (other than customer deposits, which, even though constituting Debt-Like Liabilities, shall be taken into account in calculating Net Working Capital) of any Asset Selling Subsidiary or any Acquired Subsidiary; and (5) any current liabilities of any Gema Separation Acquired Subsidiary (other than Retained Powder Finishing Business Accounts Payable, which shall be taken into account in calculating Net Working Capital) arising out of the operation of the Powder Finishing Business.

"*Non-Income Tax*" or "*Non-Income Taxes*" means any Tax that is not an Income Tax.

"*Non-U.S. Employees*" means Employees engaged or employed immediately prior to the Closing wholly or primarily outside the United States, including those individuals identified on Schedule 4.12(n) as having a primary residence outside the United States.

"*Non-U.S. Subsidiary Purchase Agreements*" means all of the purchase agreements relating to: (a) in the case of each Acquired Subsidiary, the applicable Purchaser's acquisition of all of the equity interests in each such Acquired Subsidiary, to be entered into at the Closing by and between such Purchaser and Graco and/or the Stock Selling Subsidiaries, as applicable; or (b) in the case of each Asset Selling Subsidiary (other than Graco US Finishing Brands), to be

entered into at the Closing by and between the applicable Purchaser and each such Asset Selling Subsidiary. The Non-U.S. Subsidiary Purchase Agreements shall be substantially in the forms attached as Exhibit A hereto, as applicable, with such revisions as are mutually agreed upon by Purchaser Parent and Graco as necessary or appropriate to reflect the laws, regulations, and other requirements of any jurisdiction in which the applicable Acquired Subsidiary or Asset Selling Subsidiary is organized.

"*Notice of Objection*" has the meaning provided in Section 3.2(b).

"*Owned Real Property*" has the meaning provided in Section 4.9(a).

"*Past Due Retained Powder Finishing Business Accounts Receivable*" has the meaning provided in Section 6.7(c).

"*Permits*" means all approvals, permits, licenses, orders, registrations, certificates, authorizations, consents, variances, and similar rights obtained from any Governmental Authority.

"*Permitted Lien*" means (a) any Lien for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings, (b) any mechanic's, materialmen's, landlord's or similar Lien arising or incurred in the ordinary course of business that secures any amount that is not overdue, (c) any Lien securing any Debt that is an Assumed Liability, (d) any easement, covenant, condition or restriction that does not materially impair the use, operation, or value of any asset to which it relates and as to which no material violation or encroachment exists, (e) any zoning or other governmentally established Lien that does not materially interfere with the operation of the Liquid Finishing Business, (e) purchase money liens securing rental payments under capital lease arrangements or (f) any other imperfections of title, if any, that do not materially impair the use, operation, or value of any asset to which it relates.

"*Person*" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, joint-stock company, or Governmental Authority.

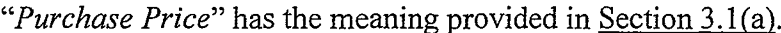
"*Post-Closing Tax Period*" means (a) any Tax period beginning after the Closing Date and (b) with respect to a Straddle Period, any portion thereafter beginning on the day immediately following the Closing Date.

"*Powder Finishing Business*" has the meaning provided in the Recitals to this Agreement.

"*Pre-Closing Income Taxes*" has the meaning provided in Section 6.4(a).

"*Pre-Closing Tax Period*" means (a) any Tax period ending on or before the Closing Date and (b) with respect to a Straddle Period, any portion thereof ending on, and including, the Closing Date.

"*Product*" means any products and services provided by the Liquid Finishing Business.



"*Purchase Price*" has the meaning provided in Section 3.1(a).

"*Purchaser Group*" has the meaning provided in Section 8.2.

"*Purchaser Guaranteed Obligations*" has the meaning provided in Section 9.18(a).

"*Purchaser Parent*" has the meaning provided in the Preamble to this Agreement.

"*Purchasers*" means Purchaser Parent, US Purchaser and any Subsidiaries of Purchaser Parent that become Purchasers pursuant to Section 6.1(j), and each of them individually is referred to herein as a "*Purchaser.*"

"*Ransburg Powder Finishing Products*" means the powder coating applicators and related replacement parts developed, assembled, manufactured, distributed, sold or serviced by the Liquid Finishing Business under the Ransburg brand name, as described on Schedule 1.1(b).

"*Ransburg Powder Finishing Products Field of Use*" means the automotive markets in the United States into which Ransburg Powder Finishing Products have been sold during the two-year period preceding the Closing Date.

"*Real Property*" has the meaning provided in Section 4.9(a).

"*Real Property Lease*" has the meaning provided in Section 4.9 (a).

"*Restrictive Covenant Assignment*" means a certain Restrictive Covenant Assignment, to be entered into at the Closing by and among Sellers, the Acquired Subsidiaries and Purchasers, in form and substance reasonably satisfactory to Graco and Purchaser Parent, pursuant to which (among other things) Sellers shall assign to Purchasers certain of Sellers' rights and benefits under Section 6.2(g) of the ITW Purchase Agreement.

"*Retained Powder Assets*" means all of the following, even if relating to, used in or arising out of the Powder Finishing Business: (i) the Retained Powder Finishing Business Accounts Receivable; (ii) the Retained Powder Finishing Business Cash and Cash Equivalents; (iii) subject to clauses (i) and (ii) of this definition, all other assets, properties, rights, claims, privileges, and interests of every kind and character (other than tangible personal property (including machinery, equipment, parts, goods, furniture, furnishings, hardware, computers, automobiles, trucks, tractors, trailers and tools), which is separately addressed in clause (iv) of this definition, and other than Intellectual Property, which is separately addressed in clause (v) of this definition) owned by an Acquired Subsidiary that are ordered pursuant to the Final Order to be divested by Graco; (iv) all tangible personal property (including machinery, equipment, parts, goods, furniture, furnishings, hardware, computers, automobiles, trucks, tractors, trailers and tools), wherever located, in each case owned by an Acquired Subsidiary and primarily relating to, used in, or arising out of the Liquid Finishing Business; and (v) any Intellectual Property owned by an Acquired Subsidiary that is set forth on Schedule 1.2(a), Schedule 1.3 or Schedule 1.4 or is ordered pursuant to the Final Order to be divested by Graco.

"*Retained Powder Finishing Business Accounts Payable*" means all accounts payable of the Powder Finishing Business which are a Liability of Graco Australia or any Acquired

Subsidiary. For the avoidance of doubt, all Retained Powder Finishing Business Accounts Payable constitute Assumed Liabilities.

"*Retained Powder Finishing Business Accounts Receivable*" means all accounts receivable of the Powder Finishing Business which are an asset of Graco Australia or any Acquired Subsidiary. For the avoidance of doubt, all Retained Powder Finishing Business Accounts Receivable constitute Acquired Assets (in the case of the Retained Powder Finishing Business Accounts Receivable which are an asset of Graco Australia) and all Retained Powder Finishing Business Accounts Receivable which are an asset of any Acquired Subsidiary shall continue to be an asset of any such Acquired Subsidiary following the Closing Date.

"*Retained Powder Finishing Business Accounts Receivable Repurchase Amount*" has the meaning provided in Section 6.7(c).

"*Retained Powder Finishing Business Accounts Receivable Repurchase Notice*" has the meaning provided in Section 6.7(c).

"*Retained Powder Finishing Business Cash and Cash Equivalents*" means the sum of all cash and the fair market value (expressed in U.S. dollars) of all cash equivalents of any kind determined in accordance with GAAP (including bank account balances and money market accounts, net of outstanding checks issued by any Acquired Subsidiary) of the Acquired Subsidiaries, in each case as of the Closing Date (but before giving effect to the consummation of the transactions contemplated by this Agreement), to the extent derived from or attributable to the operations of the Powder Finishing Business.

"*Retained Section 6.2(g) Rights and Benefits*" has the meaning assigned to such term in the Restrictive Covenant Assignment.

"*Retained Stray Ransburg Powder IP*" means the Intellectual Property set forth on Schedule 1.2(b).

"*Retained Transition Services Rights and Benefits*" has the meaning assigned to such term in the Transition Services Assignment and Assumption Agreement.

"*Retained Transitional Trademark License Rights and Benefits*" has the meaning assigned to such term in the Transitional Trademark License Assignment and Assumption Agreement.

"*Scheduled Contracts*" has the meaning provided in Section 4.11(a).

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Sellers*" means Graco and the Subsidiary Sellers, and each of them individually is referred to herein as a "*Seller*."

"*Seller Group*" has the meaning provided in Section 8.3.

"*Seller Guaranteed Obligations*" has the meaning provided in Section 9.17(a).

"*Seller Owned Real Property*" has the meaning provided in Section 4.9(a).

"*Seller Transaction Expenses*" means any and all costs, expenses and fees incurred by Sellers in connection with the transactions contemplated by this Agreement and the Ancillary Agreements, including the fees and expenses of their respective legal, accounting and financial advisors.

"*Sellers' Knowledge*," "*the Knowledge of Sellers*" or any similar expression means the actual knowledge after reasonable consultation with the Hold Separate Trustee, of Karen Park Gallivan and Christian E. Rothe.

"*Stock Selling Subsidiaries*" means Graco do Brasil Ltda., a sociedade empresária limitada organized under the laws of Brazil, Graco Limited, a private limited company organized under the laws of England and Wales, and Gema USA.

"*Straddle Period*" means any Income Tax period that includes (but does not end on) the Closing Date.

"*Stray Powder Business*" means the business of developing, assembling, manufacturing, distributing, selling and servicing DeVilbiss Powder Finishing Products and Ransburg Powder Finishing Products.

"*Subsidiary*" means, with respect to any Person, any other Person of which at least a majority of the securities or other interests, having by their terms ordinary voting power to elect a majority of the board of directors of such other Person (or others performing similar functions with respect to such other Person), is directly or indirectly owned or controlled by such first Person or by any one or more of such first Person's Subsidiaries.

"*Subsidiary Sellers*" means the Asset Selling Subsidiaries and the Stock Selling Subsidiaries, and each of them individually is referred to herein as a "*Subsidiary Seller.*"

"*Tax*" or "*Taxes*" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Code), franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, goods and services, alternative or add-on minimum, estimated, or other tax of any kind, including any interest, penalty or addition thereto, whether disputed or not and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

"*Tax Proceeding*" has the meaning provided in Section 6.4(f)(i).

"*Tax Return*" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"*Third Party Claim*" has the meaning provided in Section 8.5(a).

"*Transfer Tax*" has the meaning provided in Section 6.4(d).

"*Transition Services Assignment and Assumption Agreement*" means a certain Transition Services Assignment and Assumption Agreement, to be entered into at the Closing by and between Graco and Purchaser Parent, in form and substance reasonably satisfactory to Graco and Purchaser Parent, pursuant to which (among other things) Graco shall assign to Purchaser Parent certain of Graco's rights and benefits under, and Purchaser Parent shall assume certain of Graco's obligations under, that certain Transition Services Agreement, dated as of April 2, 2012, by and between Graco and ITW Parent.

"*Transitional Trademark License Assignment and Assumption Agreement*" means a certain Transitional Trademark License Assignment and Assumption Agreement, to be entered into at the Closing by and between Graco and Purchaser Parent, in form and substance reasonably satisfactory to Graco and Purchaser Parent, pursuant to which (among other things) Graco shall assign to Purchaser Parent certain of Graco's rights and benefits under, and Purchaser Parent shall assume certain of Graco's obligations under, that certain Transitional Trademark License and Permitted Use Agreement, dated as of April 2, 2012, by and among ITW Parent, ITW Limited, incorporated and registered in England and Wales, and Graco.

"*Transitional Trademark License and Permitted Use Agreement*" means the Transitional Trademark License and Permitted Use Agreement to be entered into at the Closing by and between Purchaser Parent and Graco, in form and substance reasonably satisfactory to Purchaser Parent and Graco, pursuant to which: (i) Graco shall to grant a transitional trademark license to Purchaser Parent in respect of any brands, co-brands, trademarks, trade names or trade dress retained by Graco or any Affiliate of Graco that, as of the Closing Date, appears on any inventory (including finished products, work-in-process, and packaging materials) of the Liquid Finishing Business; and (ii) Graco allows Purchaser Parent to use certain of the Excluded Domain Names, in each case upon the terms and subject to the conditions contained therein.

"*Trapped Gema Assets and Employees*" has the meaning provided in Section 6.1(n).

"*Unqualified Representations*" means any representation or warranty contained in Article 4 that is not, as of the date hereof, subject to or qualified by a Disclosure Schedule; *provided, however*, that the representations and warranties contained Sections 4.1(b) and 4.1(c) shall not constitute Unqualified Representations.

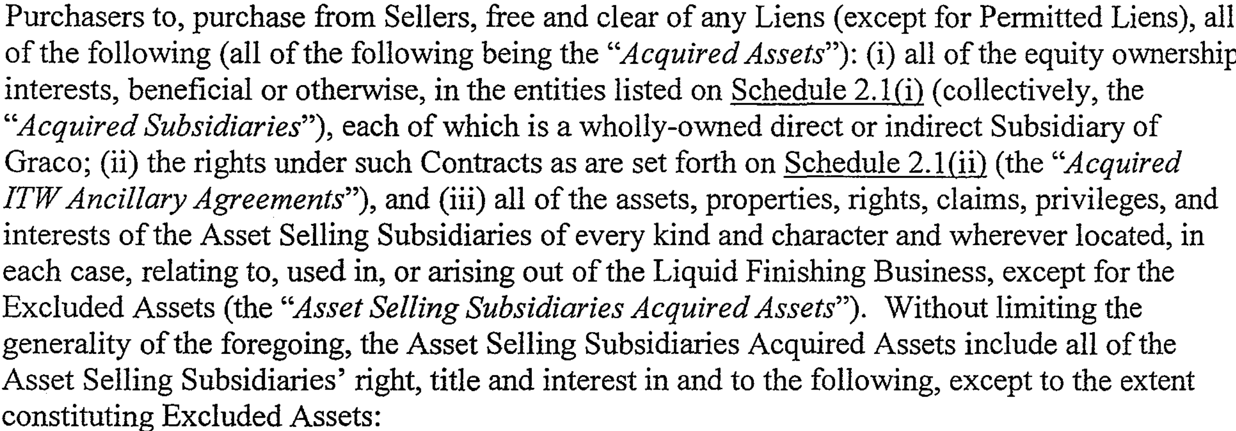
"*Unresolved Items*" has the meaning provided in Section 3.2(b).

"*Upper Net Working Capital Target Amount*" has the meaning provided in Section 3.1(a).

"*US Purchaser*" has the meaning provided in the Preamble to this Agreement.

ARTICLE 2
PURCHASE AND SALE OF ASSETS

2.1. Acquired Assets. On the terms and subject to the conditions of this Agreement, at the Closing, Graco and Graco US Finishing Brands shall, and shall cause Sellers to, sell, convey, transfer and deliver to Purchasers, and Purchaser Parent and US Purchaser shall, and shall cause


Purchasers to, purchase from Sellers, free and clear of any Liens (except for Permitted Liens), all of the following (all of the following being the "*Acquired Assets*"): (i) all of the equity ownership interests, beneficial or otherwise, in the entities listed on Schedule 2.1(i) (collectively, the "*Acquired Subsidiaries*"), each of which is a wholly-owned direct or indirect Subsidiary of Graco; (ii) the rights under such Contracts as are set forth on Schedule 2.1(ii) (the "*Acquired ITW Ancillary Agreements*"), and (iii) all of the assets, properties, rights, claims, privileges, and interests of the Asset Selling Subsidiaries of every kind and character and wherever located, in each case, relating to, used in, or arising out of the Liquid Finishing Business, except for the Excluded Assets (the "*Asset Selling Subsidiaries Acquired Assets*"). Without limiting the generality of the foregoing, the Asset Selling Subsidiaries Acquired Assets include all of the Asset Selling Subsidiaries' right, title and interest in and to the following, except to the extent constituting Excluded Assets:

(a) the Seller Owned Real Property, together with all buildings, structures, installations, fixtures and other improvements situated thereon and all easements, rights of way and other rights, interests and appurtenances of any Asset Selling Subsidiary therein or thereunto pertaining;

(b) the Real Property Leases to which any Asset Selling Subsidiary is a party and all interests of any Asset Selling Subsidiary therein, including real estate fixtures, leasehold improvements, security and other deposits, common-area-maintenance refunds, adjustments, and other amounts now or hereafter payable to any Asset Selling Subsidiary under or in respect of such leases;

(c) accounts receivable (including, but not limited to, all Extra-Liquid Finishing Business Intercompany Accounts Receivable), notes receivable, prepaid expenses, prepayments by customers, and deposits held by any Asset Selling Subsidiary relating to the Liquid Finishing Business;

(d) all tangible personal property (including machinery, equipment, parts, goods, furniture, furnishings, hardware, computers, automobiles, trucks, tractors, trailers and tools) of any Asset Selling Subsidiary used in the Liquid Finishing Business, including, but not limited to, all tooling, molds, dies and other equipment in which Graco US Finishing Brands has any rights or interests pursuant to that certain Settlement Agreement, dated as of October 23, 2008, by and among Graco US Finishing Brands (as the assignee of ITW Parent and ITW US Seller), 3M Company and 3M Innovative Properties and that certain Supply and License Agreement, dated as of October 23, 2008, by and among Graco US Finishing Brands (as the assignee of ITW Parent and ITW US Seller), 3M Company and 3M Innovative Properties;

(e) the 3M-Related Agreements and all Contracts of any Asset Selling Subsidiary relating to the Liquid Finishing Business (the "*Acquired Contracts*"), including the Contracts to which any Asset Selling Subsidiary is a party as set forth on Schedule 4.10(e), but excluding any Contract to which any Asset Selling Subsidiary is a party that is not disclosed in Schedule 4.11 if (i) such non-disclosure constitutes a misrepresentation under Section 4.11 and (ii) the assumption of such Contract by any Purchaser would, in such Purchaser's reasonable determination, materially and adversely affect such Purchaser, unless Purchaser Parent gives written notice to Graco that it deems such Contract to constitute an Acquired Contract;

(f) all Business Intellectual Property of the Asset Selling Subsidiaries, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against infringements thereof, and rights to protection of interests therein under the laws of all jurisdictions, including the DeKups Intellectual Property owned by any Asset Selling Subsidiary and the Intellectual Property owned by any Asset Selling Subsidiary as listed on Schedule 1.2(a) or Schedule 1.4;

(g) all Permits issued to or held by any Asset Selling Subsidiary and relating to the Liquid Finishing Business, to the extent transferable;

(h) all Books and Records of any Asset Selling Subsidiary relating to the Liquid Finishing Business (except for the Books and Records identified as Excluded Assets); *provided*, *however*, that: (1) where any such Books and Records contain information that relates to both the Liquid Finishing Business and to any other business of Graco or any of its Affiliates and such information cannot be segregated in a manner that preserves the usefulness of such information as it relates to the Liquid Finishing Business, the Asset Selling Subsidiaries Acquired Assets shall include originals of such Books and Records and the applicable Asset Selling Subsidiary shall be entitled to retain copies of such Books and Records, except that following the Closing Date Purchaser Parent shall cause Purchasers to provide Graco access to the originals of such Books and Records where copies of such Books and Records are insufficient for evidentiary or regulatory purposes; or (2) where any such Books and Records contain information for which an Asset Selling Subsidiary has a legal obligation to retain the originals of such Books and Records, the Asset Selling Subsidiaries Acquired Assets shall include only copies of such Books and Records and the applicable Asset Selling Subsidiary shall be entitled to retain the originals of such Books and Records, except that following the Closing Date the applicable Asset Selling Subsidiary shall provide Purchaser Parent access to the originals of such Books and Records where copies of such Books and Records are insufficient for evidentiary or regulatory purposes;

(i) all claims, prepayments, prepaid expenses, refunds, causes of action, choses in action, rights of recovery, rights of set off, and rights of recoupment (including any such item relating to the payment of Taxes) of any Asset Selling Subsidiary relating to the Liquid Finishing Business, except for the Excluded Assets described in Sections 2.2(h) and 2.2(i);

(j) all inventory (including finished products, work in process, raw materials, supplies, spare parts, and packaging materials) in the possession of any Asset Selling Subsidiary (including inventory at customer locations or in transit or otherwise owned by any Asset Selling Subsidiary) relating to the Liquid Finishing Business;

(k) all goodwill of any Asset Selling Subsidiary relating to the Liquid Finishing Business;

(l) all tangible personal property of any Asset Selling Subsidiary listed on Schedule 2.1(l);

(m) the Assigned Section 6.2(g) Rights and Benefits, the Assigned Transition Services Rights and Benefits and the Assigned Transitional Trademark License Rights and Benefits;

(n) any Retained Powder Finishing Business Account Receivable which is an asset of Graco Australia; and

(o) all assets held with respect to the Assumed Benefit Plans/Schemes.

2.2. Excluded Assets. Notwithstanding anything to the contrary herein, the Acquired Assets do not include any right, title and interest of any Seller in the following (the "*Excluded Assets*"):

(a) any cash and cash equivalents of the Sellers;

(b) the ITW Purchase Agreement (except to the extent of any Assigned Section 6.2(g) Rights and Benefits, which are Acquired Assets), together with any and all Ancillary Agreements under and as defined in the ITW Purchase Agreement (other than the Acquired ITW Ancillary Agreements, the Assigned Transition Services Rights and Benefits and the Assigned Transitional Trademark License Rights and Benefits, which are Acquired Assets);

(c) the charter, qualifications to conduct business, arrangements with registered agents, taxpayer and other identification numbers, seals, minute books and other documents relating to the organization, maintenance, and existence of each Asset Selling Subsidiary as a corporation or limited liability company, as applicable;

(d) any Contract relating to the issuance of securities or governance of any Asset Selling Subsidiary;

(e) any Contract to which any Asset Selling Subsidiary is a party that is not disclosed in Schedule 4.11 if (i) such non-disclosure constitutes a misrepresentation under Section 4.11 and (ii) the assumption of such Contract by any Purchaser would, in such Purchaser's reasonable determination, materially and adversely affect such Purchaser, unless Purchaser Parent gives written notice to Graco that it deems such Contract to constitute an Acquired Contract;

(f) each Asset Selling Subsidiary's books or records relating to internal corporate matters, Tax Returns and associated work papers through the Closing Date, and any other Books and Records of any Asset Selling Subsidiary to the extent not related to the Acquired Assets or the Liquid Finishing Business;

(g) all books, documents, records and files of any Asset Selling Subsidiary prepared in connection with or relating in any way to the transaction covered by this Agreement or the Ancillary Agreements, including bids received from other parties and analyses relating in any way to the Liquid Finishing Business;

(h) reimbursements or refunds owed to any Asset Selling Subsidiary for Taxes for which any Asset Selling Subsidiary is responsible under this Agreement;

(i) any Asset Selling Subsidiary's rights under any policies of insurance purchased by Graco or any Affiliate of Graco, or any benefits, proceeds, or premium refunds payable or paid thereunder or with respect thereto (except as provided in Section 6.1(h));

(j) all assets held with respect to any Asset Selling Subsidiary's Employee Benefit Plans/Schemes (other than any assets held with respect to any Assumed Benefit Plans/Schemes, which are Acquired Assets);

(k) all personnel, payroll, benefits, work authorization, and other associated necessary records related to any Hired Employee that any Asset Selling Subsidiary is not legally permitted to transfer to Purchasers;

(l) all Intra-Liquid Finishing Business Intercompany Accounts Receivable, which accounts are subject to Section 6.1(i);

(m) all Excluded Domain Names;

(n) the Retained Section 6.2(g) Rights and Benefits, the Assigned Acquired Subsidiaries Section 6.2(g) Rights and Benefits, the Retained Transition Services Rights and Benefits and the Retained Transitional Trademark License Rights and Benefits;

(o) all Liquid Finishing Transferred Employees;

(p) all assets, properties, rights, claims, privileges, and interests of every kind and character (other than tangible personal property (including machinery, equipment, parts, goods, furniture, furnishings, hardware, computers, automobiles, trucks, tractors, trailers and tools), which is separately addressed in Section 2.2(q), and other than Intellectual Property, which is separately addressed in Section 2.2(r)) and wherever located, in each case, relating to, used in, or arising out of: (i) the Powder Finishing Business, except to the extent that any such asset, property, right, claim, privilege, or interest is ordered pursuant to the Final Order to be divested by Graco; or (ii) the Graco Liquid Finishing Business;

(q) all tangible personal property (including machinery, equipment, parts, goods, furniture, furnishings, hardware, computers, automobiles, trucks, tractors, trailers and tools), wherever located, in each case: (i) primarily relating to, used in, or arising out of the Powder Finishing Business; or (ii) relating to, used in, or arising out of the Graco Liquid Finishing Business;

(r) any Intellectual Property that is not Business Intellectual Property, including, but not limited to: (i) any and all Retained Stray Ransburg Powder IP; (ii) any and all Intellectual Property related to the Powder Finishing Business, except to the extent that any such Intellectual Property is DeKups Intellectual Property, is set forth on Schedule 1.2(a) or Schedule 1.4 or is ordered pursuant to the Final Order to be divested by Graco; and (iii) any and all Intellectual Property related to the Graco Liquid Finishing Business;

(s) any asset identified on Schedule 2.2(s);

(t) that certain Consent and Release, dated June 6, 2013, by and among Graco, 3M Company and 3M Innovative Properties; and

(u) the rights of any Seller under this Agreement and the Ancillary Agreements.

2.3. Assumed Liabilities. On the terms and subject to the conditions of this Agreement, Purchaser Parent and US Purchaser shall, and shall cause Purchasers to, assume only the following Liabilities of Graco and the Asset Selling Subsidiaries (the following Liabilities, together with any and all Liabilities of the Acquired Subsidiaries, being the "*Assumed Liabilities*") and no others, at the Closing:

(a) Graco's Liabilities and obligations under any Acquired ITW Ancillary Agreement that is assigned or transferred to Purchasers, but not including any Liability arising out of any breach or default of such Acquired ITW Ancillary Agreement by Graco, or relating to portions performed or to be performed by Graco, on or before the Closing Date;

(b) subject to Section 2.3(r), the Asset Selling Subsidiaries' Liabilities and obligations under any Acquired Contract that is assigned or transferred to Purchasers, but not including any Liability arising out of any breach or default of such Acquired Contract by any Asset Selling Subsidiary, or relating to portions performed or to be performed by any Asset Selling Subsidiary, on or before the Closing Date;

(c) all Liabilities of the Asset Selling Subsidiaries that appear on the Final Closing Balance Sheet, as finally determined in accordance with Section 3.2(b), except for the Liabilities described in Section 2.4;

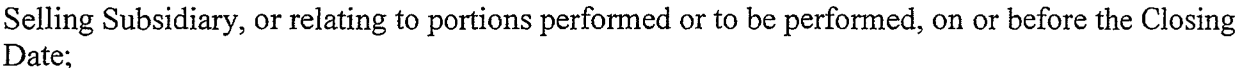
(d) all Liabilities of Asset Selling Subsidiaries with respect to any Owned Real Property or any Leased Real Property or current Liquid Finishing Business operations at any Owned Real Property or Leased Real Property arising under any Environmental Law (except as provided in Section 2.4(c));

(e) all Liabilities under any purchase orders with suppliers and vendors of the Asset Selling Subsidiaries with respect to the Liquid Finishing Business outstanding at the Closing Date;

(f) all Liabilities of Sellers assumed by Purchasers under Sections 6.3(a) and (i);

(g) all Liabilities of the Asset Selling Subsidiaries with respect to any Products arising under any intellectual property law at any time, including laws relating to patent infringement and including Liabilities arising out of the matters set forth on Schedule 2.3(g);

(h) Graco's and each Asset Selling Subsidiary's obligations under the ITW Purchase Agreement to the extent relating to the Liquid Finishing Business, including, but not limited to, any obligation of Graco or any Asset Selling Subsidiary to cause any Acquired Subsidiary to take or refrain from taking any action relating to the Liquid Finishing Business, but not including any Liability arising out of any breach of such obligations by Graco or any Asset



Selling Subsidiary, or relating to portions performed or to be performed, on or before the Closing Date;

(i) all Liabilities to the extent relating to the Liquid Finishing Business that constitute Assumed Liabilities under and as defined in the ITW Purchase Agreement;

(j) subject to and in accordance with, in each case, the terms, conditions and limitations contained in Article 8 of the ITW Purchase Agreement: all of Graco's and each Asset Selling Subsidiary's Liabilities under Section 8.3(b) or (c) of the ITW Purchase Agreement to indemnify the Seller Group (as defined in the ITW Purchase Agreement and, as used herein, the "*ITW Purchase Agreement Seller Group*") against, and hold the ITW Purchase Agreement Seller Group harmless from, any and all Damages (as defined in the ITW Purchase Agreement and, as used herein, "*ITW Purchase Agreement Damages*") that are incurred by the ITW Purchase Agreement Seller Group arising from or relating to the matters: (A) set forth in Section 8.3(b) of the ITW Purchase Agreement, solely to the extent such ITW Purchase Agreement Damages arise from or relate to Purchaser Parent's, US Purchaser's or a Purchaser's failure to discharge and satisfy, or failure to cause to be discharged and satisfied, the Assumed Liabilities described in Section 2.3(h) hereof; and (ii) set forth in Section 8.3(c) of the ITW Purchase Agreement, solely to the extent such ITW Purchase Agreement Damages arise from or relate to an Assumed Liability;

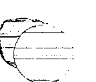
(k) all Liabilities of Graco and the Asset Selling Subsidiaries for receiving and processing claims under any Product warranty, scheduling the repair or replacement of any item covered under any such warranty, repairing or replacing any item covered under any such warranty and paying all costs and expenses of the foregoing;

(l) all Liabilities of Graco and the Asset Selling Subsidiaries arising under the pension plans relating to the Employees or retirees of the Liquid Finishing Business located in Germany;

(m) any Liability for (i) Non-Income Taxes of Graco (or any Affiliate of Graco) relating to the Liquid Finishing Business, the Acquired Assets or the Assumed Liabilities for any Pre-Closing Tax Period, in each case, to the extent reflected on the Final Closing Balance Sheet; (ii) Non-Income Taxes of Purchaser Parent or US Purchaser (or any Affiliate of Purchaser Parent or US Purchaser following the Closing) or relating to the Liquid Finishing Business, the Acquired Assets or the Assumed Liabilities for any Post-Closing Tax Period; (iii) Income Taxes of Purchaser Parent or US Purchaser (or any Affiliate of Purchaser Parent or US Purchaser) or relating to the Liquid Finishing Business, the Acquired Assets or the Assumed Liabilities for any period that is a Post-Closing Tax Period; and (iv) Taxes that are the responsibility of Purchaser Parent or US Purchaser pursuant to Section 6.4;

(n) any Extra-Liquid Finishing Business Intercompany Account Payable which is a Liability of an Asset Selling Subsidiary;

(o) any Retained Powder Finishing Business Account Payable which is a Liability of Graco Australia;



(p) the Assumed Transition Services Liabilities and the Assumed Transitional Trademark License Liabilities;

(q) all Debt-Like Liabilities; and

(r) the Asset Selling Subsidiaries' Liabilities and obligations under any Real Property Leases constituting Acquired Contracts that are assigned or transferred to Purchasers, including any Liability relating to portions performed or to be performed by any such Asset Selling Subsidiary on or before the Closing Date, in each case, to the extent reflected on the Final Closing Balance Sheet, but not including any Liability arising out of any breach or default of any such Real Property Lease by any such Asset Selling Subsidiary or any Liabilities under any such Real Property Lease arising under any Environmental Laws.

For the avoidance of doubt, any and all Liabilities of the Acquired Subsidiaries (including, but not limited to, the Retained Powder Finishing Business Accounts Payable which are Liabilities of the Acquired Subsidiaries) shall continue to be Liabilities of the Acquired Subsidiaries following the Closing and, accordingly, such Liabilities are being indirectly assumed by Purchasers at the Closing by virtue of such Liabilities continuing to be Liabilities of the Acquired Subsidiaries following the Closing under the ownership of Purchasers.

2.4. Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, none of Purchaser Parent, US Purchaser or any Purchaser nor any other Affiliate of Purchaser Parent or US Purchaser shall have any responsibility for or is assuming any Liabilities of Graco or any Asset Selling Subsidiary of any nature whatsoever which are not specifically included in the Assumed Liabilities (any Liabilities which are not specifically included in the Assumed Liabilities being the "*Excluded Liabilities*"), including the following:

(a) Liabilities, including Liabilities arising under any Environmental Laws, with respect to any real properties that are not included in the definition of Owned Real Property or Leased Real Property;

(b) Liabilities arising out of the operation of the Liquid Finishing Business on or prior to the Closing Date, except to the extent included as Assumed Liabilities;

(c) Liabilities (including Liabilities arising under Environmental Laws) arising out of or related to (i) the operations of Eagle Industries, Inc., including but not limited to any operations at the Owned Real Property in Toledo, Ohio, and (ii) any releases of Hazardous Materials into the Ottawa River and Maumee Bay, including but not limited to releases described in or disclosed by the Preassessment Screen for the Ottawa River and Maumee Bay dated November 3, 2004, prepared by the United States Fish and Wildlife Service/United States Department of the Interior;

(d) Liabilities arising under or relating to any Employee Benefit Plan/Schemes currently or formerly applicable to Employees engaged or employed immediately prior to Closing wholly or primarily in the United States, United Kingdom (including Liabilities under Section 75 of the UK Pensions Act of 1995), or Australia, and any other Liabilities under any Employee Benefit Plan/Scheme that are not Assumed Liabilities;

(e) any indebtedness for borrowed money of any Seller or any Liability related thereto;

(f) any Seller Transaction Expenses;

(g) any Liabilities of any Seller relating to or arising from any workers' compensation claims for employees in the United States for claims occurring prior to the Closing Date;

(h) any Liability for (i) Income Taxes of Graco (or any Affiliate of Graco) or relating to the Liquid Finishing Business, the Acquired Assets or the Assumed Liabilities for any Pre-Closing Tax Period; (ii) Taxes that arise out of the Gema Separation Transactions, the consummation of the transactions contemplated hereby (except as otherwise expressly provided in this Agreement (including, but not limited to, Section 6.4(d)) or that are the responsibility of Graco pursuant to Section 6.4; or (iii) except to the extent constituting Assumed Liabilities pursuant to Section 2.3(m), other Taxes of Graco (or any Affiliate of Graco) of any kind or description (including any Liability for Taxes of Graco (or any Affiliate of Seller) that becomes a Liability of Purchaser Parent or US Purchaser or any Affiliate of Purchaser Parent or US Purchaser under any common law doctrine of de facto merger or transferee or successor liability or otherwise by operation of contract or Law);

(i) any Intra-Liquid Finishing Business Intercompany Accounts Payable, which accounts are subject to Section 6.1(i);

(j) Graco's and each Asset Selling Subsidiary's obligations under the ITW Purchase Agreement to the extent not relating to the Liquid Finishing Business, including, but not limited to, any obligation of Graco or any Asset Selling Subsidiary to take or refrain from taking any action relating to the Powder Finishing Business; and

(k) subject to and in accordance with, in each case, the terms, conditions and limitations contained in Article 8 of the ITW Purchase Agreement: all of Graco's and each Asset Selling Subsidiary's Liabilities under Section 8.3(b) or (c) of the ITW Purchase Agreement to indemnify the ITW Purchase Agreement Seller Group against, and hold the ITW Purchase Agreement Seller Group harmless from, any and all ITW Purchase Agreement Damages that are incurred by the ITW Purchase Agreement Seller Group arising from or relating to the matters: (A) set forth in Section 8.3(b) of the ITW Purchase Agreement, solely to the extent such ITW Purchase Agreement Damages arise from or relate to Graco's or the Asset Selling Subsidiaries' failure to discharge and satisfy, or failure to cause to be discharged and satisfied, the Excluded Liabilities described in Section 2.4(j) hereof; and (ii) set forth in Section 8.3(c) of the ITW Purchase Agreement, solely to the extent such ITW Purchase Agreement Damages does not arise from or relate to an Assumed Liability.

For the avoidance of doubt, notwithstanding the foregoing, any and all of the Liabilities of the Acquired Subsidiaries constitute Assumed Liabilities (and not Excluded Liabilities) for all purposes of this Agreement. In addition, Graco believes that certain of the Liabilities described in this Section 2.4 also constitute Excluded Liabilities under and as defined in the ITW Purchase

Agreement, and nothing herein shall be construed to suggest that such Liabilities are not Excluded Liabilities under and as defined in the ITW Purchase Agreement.

ARTICLE 3
PURCHASE PRICE

3.1. Purchase Price and Initial Purchase Price.

(a) The purchase price for the Acquired Assets is (i) Five Hundred Ninety Million Dollars ($590,000,000.00) (the "*Initial Purchase Price*"), (ii) plus any Cash and Cash Equivalents (as determined following the Closing pursuant to Section 3.2), (iii) minus any Debt of any Asset Selling Subsidiary (to the extent constituting Assumed Liabilities) as of the Closing Date and any Debt of any Acquired Subsidiary as of the Closing Date (as determined following the Closing pursuant to Section 3.2), (iv) plus the amount (if any) by which the Net Working Capital as of the Closing Date (as determined following the Closing pursuant to Section 3.2) exceeds Fifty-Three Million One Hundred Thirty-Nine Thousand Dollars ($53,139,000) (the "*Upper Net Working Capital Target Amount*") or minus the amount (if any) by which the Net Working Capital as of the Closing Date (as determined following the Closing pursuant to Section 3.2) is less than Fifty-One Million One Hundred Thirty-Nine Thousand Dollars ($51,139,000) (the "*Lower Net Working Capital Target Amount*") (the Initial Purchase Price, as adjusted pursuant to the foregoing clauses (ii)-(iv), being the "*Purchase Price*"). For the avoidance of doubt, in the event that the Net Working Capital as of the Closing Date (as determined following the Closing pursuant to Section 3.2) is equal to the Lower Net Working Capital Target Amount, or is equal to the Upper Net Working Capital Target Amount or is greater than the Lower Net Working Capital Target Amount and less than the Upper Net Working Capital Target Amount, there shall be no adjustment to the Purchase Price based upon the Net Working Capital as of the Closing Date. For the further avoidance of doubt, the Purchase Price shall not be subject any adjustment for the amount of any Debt-Like Liabilities.

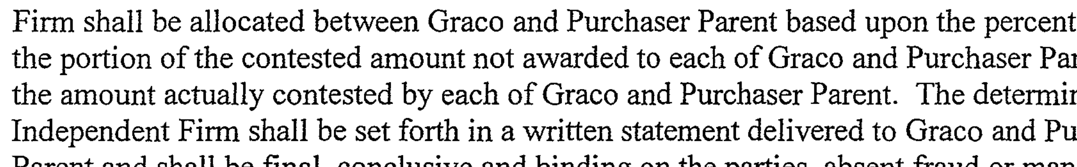
(b) At the Closing, Purchaser Parent shall pay to Graco, by wire transfer of immediately available funds to a bank account or bank accounts designated in writing by Graco no later than three (3) Business Days prior to the Closing Date, an amount equal to the Initial Purchase Price.

3.2. Post-Closing Purchase Price Adjustment.

(a) Within 60 days after the Closing Date, Purchaser Parent shall prepare and deliver to Graco: (i) an unaudited consolidated balance sheet of the Liquid Finishing Business (the "*Final Closing Balance Sheet*") as of and at the Effective Time on the Closing Date (but before giving effect to the consummation of the transactions contemplated by this Agreement), prepared in good faith in accordance with the policies used in deriving the Audited Annual Financial Statements (other than the departures from such policies as are described on Schedule 3.2(a)) consistently applied in accordance with past practice (except that, for the avoidance of doubt, any Excluded Assets and Excluded Liabilities shall be excluded from such balance sheet), and (ii) an accompanying statement substantially in the form used in preparing the example calculation set forth on Schedule 3.2(a) (the "*Final Closing Statement*") showing Purchaser Parent's calculation, as of the Closing Date, of: (1) Net Working Capital, Cash and

Cash Equivalents, any Debt of the Asset Selling Subsidiaries (to the extent constituting Assumed Liabilities) and any Debt of any Acquired Subsidiaries, each based upon the Final Closing Balance Sheet and calculated in accordance with the methodologies used to prepare Schedule 3.2(a); (2) the resulting final Purchase Price (as determined in accordance with Section 3.1(a)) based on the foregoing amounts shown on the Final Closing Statement; and (3) the Final Adjustment Amount due to Graco or Purchaser Parent (if any), such "*Final Adjustment Amount*" being the difference between the Initial Purchase Price and the final Purchase Price shown on the Final Closing Statement. For the avoidance of doubt, the Final Adjustment Amount shall be due to Graco if the Initial Purchase Price is less than the final Purchase Price shown on the Closing Statement, and the Final Adjustment Amount shall be due to Purchaser Parent if the Initial Purchase Price is greater than the final Purchase Price shown on the Closing Statement.

(b) Graco may dispute Purchaser Parent's calculation of the Final Closing Balance Sheet or the Final Closing Statement (collectively, the "*Final Closing Documents*") (or any element thereof) by notifying Purchaser Parent in writing, setting forth in reasonable detail the particulars of such disagreement (the "*Notice of Objection*"), within 30 days after Graco's receipt of the Final Closing Balance Sheet. In the event that Graco does not deliver a Notice of Objection to Purchaser Parent within such 30 day period, Graco shall be deemed to have accepted Purchaser Parent's calculation of the Final Adjustment Amount set forth in the Final Closing Documents. In the event that a Notice of Objection is timely delivered, Purchaser Parent and Graco shall use their respective commercially reasonable efforts and exchange any information reasonably requested by the other party for a period of 30 days after Purchaser Parent's receipt of the Notice of Objection, or such longer period as Graco and Purchaser Parent may agree in writing, to resolve any disagreements set forth in the Notice of Objection. If Purchaser Parent and Graco are unable to resolve such disagreements within such 30-day period and if (x) the items that remain in dispute at the end of such period (the "*Unresolved Items*") total less than One Hundred Thousand Dollars ($100,000.00), then the Unresolved Items shall be deemed to have been resolved by Graco and Purchaser Parent by splitting equally the amount of such Unresolved Items, and the calculations of the Final Closing Documents shall be finally modified so as to reflect such resolution of the Unresolved Items; or (y) the Unresolved Items total at least One Hundred Thousand Dollars ($100,000.00), then, within 30 days thereafter, either Graco or Purchaser Parent may require that an independent accounting firm of recognized national standing as may be mutually selected by Purchaser Parent and Graco (the "*Independent Firm*") shall resolve the Unresolved Items; *provided* that if Graco and Purchaser Parent are unable to agree on an Independent Firm, the parties agree that the Chicago, Illinois office of RSM McGladrey shall serve as the Independent Firm. Purchaser Parent and Graco shall instruct the Independent Firm to determine as promptly as practicable, and in any event within 30 days after the date on which such dispute is referred to the Independent Firm, based solely on the provisions of this Agreement, and the written presentations by Graco and Purchaser Parent, and not on an independent review, whether and to what extent (if any) the calculations of Final Closing Documents require adjustment; *provided, however*, that in resolving any Unresolved Item, the Independent Firm (A) may not assign a value to any item greater than the greatest value for such item claimed by Graco or Purchaser Parent or less than the smallest value for such item claimed by Graco or Purchaser Parent, (B) may not take oral testimony from the parties hereto or any other Person, and (C) shall not consider any facts that have occurred after the Closing Date. Graco and Purchaser Parent shall give each other copies of any written submissions at the same time as they are submitted to the Independent Firm. The fees and expenses of the Independent



Firm shall be allocated between Graco and Purchaser Parent based upon the percentage which the portion of the contested amount not awarded to each of Graco and Purchaser Parent bears to the amount actually contested by each of Graco and Purchaser Parent. The determination of the Independent Firm shall be set forth in a written statement delivered to Graco and Purchaser Parent and shall be final, conclusive and binding on the parties, absent fraud or manifest error.

(c) If, following completion of the procedures described in Sections 3.2(a) and (b), the Final Closing Statement shows that an amount is due Purchaser Parent (because the Initial Purchase Price is greater than the final Purchase Price shown on the Final Closing Statement), Graco shall promptly pay such difference to Purchaser Parent, in cash. If the Final Closing Statement shows that an amount is due Graco (because the Initial Purchase Price is less than the final Purchase Price shown on the Final Closing Statement), Purchaser Parent shall promptly pay such excess to Graco, in cash.

(d) Capitalized terms used in this Section 3.2, but not defined herein shall be as defined or used in Schedule 3.2(a).

3.3. Allocation of Purchase Price. Purchaser Parent and US Purchaser will (and will cause Purchasers and Purchaser Parent's and US Purchaser's respective Affiliates (including the Acquired Subsidiaries following the Closing) to) and Graco will (and will cause Sellers and Graco's Affiliates to) allocate the Purchase Price substantially in accordance with Schedule 3.3 and Applicable Law. Graco shall prepare the final allocation of the Purchase Price consistent with Schedule 3.3, and such final allocation, as prepared by Graco, shall be binding on Purchaser Parent, US Purchaser and Purchasers (such final allocation of the Purchase Price, as prepared by Graco in accordance with the foregoing, being the "*Final Allocation*"). Following the Closing, Purchaser Parent and Graco will, and will cause their respective Affiliates (including Purchasers, the Acquired Subsidiaries and Sellers, as applicable) to, make consistent use of the Final Allocation as adjusted to reflect any adjustment pursuant to Section 3.2, if any. With respect to the Final Allocation, each of Purchaser Parent, Purchasers, and Sellers (1) will be bound by the Final Allocation, (2) will (and will cause its respective Affiliates to) act in accordance with the Final Allocation in the preparation of all financial statements and the filing of all Tax Returns and in the course of any Tax audit, Tax review or other Tax proceeding relating thereto, (3) will (and will cause its respective Affiliates to) take no position inconsistent with the Final Allocation for Tax purposes (including in connection with any proceeding), unless in each case otherwise required pursuant to a "determination" within the meaning of section 1313(a) of the Code, and (4) not later than 30 days before the filing of its IRS Forms 8594 (whether initial or supplemental) relating to the transactions contemplated herein, will deliver to each other a true, correct and complete copy of such IRS Forms.

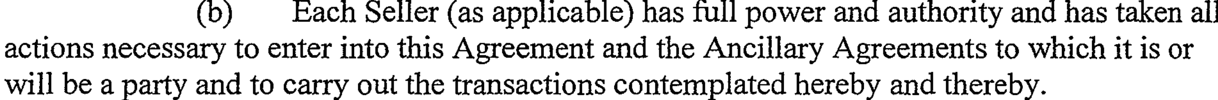
3.4. Bulk Sales Compliance. Purchaser Parent and US Purchaser, for themselves and on behalf of Purchasers, hereby waive, to the fullest extent permitted by Applicable Law, compliance by Sellers with the provisions of all laws based on the Uniform Commercial Code relating to bulk transfers (the "*Bulk-Transfer Laws*") in connection with the sale of the Acquired Assets.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES
OF GRACO AND GRACO US FINISHING BRANDS

To induce Purchaser Parent and US Purchaser to enter into this Agreement, Sellers jointly and severally represent and warrant as follows:

4.1. Authority; Consents.

(a) Except as set forth in Schedule 4.1(a), the execution, delivery and performance of this Agreement and the Ancillary Agreements by Sellers (as applicable) and the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements have been duly authorized by all necessary organizational action on the part of Sellers and the Acquired Subsidiaries (as applicable) and do not and shall not (i) conflict with or violate any provision of the organizational documents of any Seller or any Acquired Subsidiary, (ii) conflict with or result in a violation or breach of any provision of any Applicable Law to which any Seller or any Acquired Subsidiary or any of their respective assets may be subject, (iii) conflict with, result (with or without notice or the lapse of time, or both) in a default of, constitute a default under, require the consent of any Person under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, or impose any material penalty or material additional payment obligations under any Scheduled Contract or any Real Property Lease, or (iv) result in an imposition or creation of any Lien on any Acquired Asset.



(b) Each Seller (as applicable) has full power and authority and has taken all actions necessary to enter into this Agreement and the Ancillary Agreements to which it is or will be a party and to carry out the transactions contemplated hereby and thereby.

(c) This Agreement has been duly and validly executed and delivered by each of Graco and Graco US Finishing Brands and is, and each Ancillary Agreement contemplated hereby when executed and delivered by Sellers (as applicable) shall be, the legal, valid and binding obligation of each Seller that is a party hereto or thereto, as the case may be, enforceable in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, and by general equitable principles.

(d) Other than the consents, authorizations, orders, approvals and filings contemplated by or in connection with the FTC-Related Matters, and except as listed in Schedule 4.1(d), no material consent, authorization, order, or approval of or filing with any Governmental Authority is required in connection with the execution and delivery of this Agreement and the Ancillary Agreements by Sellers (as applicable) and the consummation by Sellers (as applicable) of the transactions contemplated by this Agreement and the Ancillary Agreements.

4.2. Organization and Qualification. Each Seller and each Acquired Subsidiary is an organization duly organized, lawfully existing and in good standing under the laws of the jurisdiction of its organization (as listed in Schedule 4.2) with full power and authority to own or lease its properties and to conduct its business in the manner and in the places where such

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properties are owned or leased or such business is conducted. Except as would not reasonably be expected to have a Material Adverse Effect, each Seller and each Acquired Subsidiary is duly qualified to transact business in, and is in good standing under the laws of, each jurisdiction in which it is so required by Applicable Law. Sellers have made available to Purchasers correct and complete copies of the organizational documents, as amended to date, of each Seller and each Acquired Subsidiary.

4.3. Acquired Subsidiaries.

(a) Schedule 4.3 sets forth, with respect to each Acquired Subsidiary, the number of equity interests thereof issued and outstanding, the names of all owners of such equity interests, and the amount of equity owned by each such equity owner.

(b) Except as set forth on Schedule 4.3, the outstanding equity interests of each Acquired Subsidiary are validly issued, fully paid, and non-assessable, and all such equity interests are owned by the applicable Sellers listed on Schedule 4.3, free and clear of any Liens, other than Permitted Liens. Except as set forth on Schedule 4.3, Graco owns, directly or indirectly, 100.0% of the outstanding equity ownership interests of each Subsidiary Seller. There are no existing options, warrants, calls, rights, or Contracts or arrangements of any nature requiring, and there are no securities of any Acquired Subsidiary outstanding that upon conversion or exchange would require, the issuance of any equity interests of any Acquired Subsidiary or other securities convertible into, exchangeable for, or evidencing the right to subscribe for or purchase any equity interests in any Acquired Subsidiary. Except as set forth in Schedule 4.3, neither Graco nor any of its Affiliates nor, to Sellers' Knowledge, any other Person is a party to any voting trust or other Contract with respect to the voting, redemption, sale, transfer, or other disposition of the ownership interests of any Acquired Subsidiary. Schedule 4.3 lists all Contracts relating in any way to the ownership interests of any Acquired Subsidiary. All of the equity interests of the Acquired Subsidiaries have been issued in compliance with all Applicable Law.

(c) Except for Sellers and the Acquired Subsidiaries, no other Affiliates of Graco are engaged in the Liquid Finishing Business. Except for engaging in the Powder Finishing Business, the Acquired Subsidiaries are not engaged in any business other than the Liquid Finishing Business.

(d) Graco UK Finishing Brands was formed on June 2, 2011 for the purpose of acquiring the assets of ITW Limited, a company incorporated and registered under the laws of England and Wales, in connection with the transactions contemplated by the ITW Purchase Agreement. Graco UK Finishing Brands did not have any business operations or Liabilities prior to the consummation of the transactions contemplated by the ITW Purchase Agreement. Since the consummation of the transactions contemplated by the ITW Purchase Agreement, Graco UK Finishing Brands has incurred no Liability other than in the ordinary course of the Liquid Finishing Business. Since the consummation of the transactions contemplated by the ITW Purchase Agreement, Graco UK Finishing Brands has not incurred any material Liabilities except for (i) Liabilities disclosed in Schedule 4.21 or on the balance sheet included in the Latest Financial Statements; (ii) Liabilities (other than Debt) arising or incurred in the ordinary course of business since the date of the Latest Financial Statements, consistent with the past practice;

(iii) Liabilities under Contracts entered into in the ordinary course of business consistent with past practice (none of which Liabilities results from, arises out of, or relates to any material breach thereof or default thereunder); and (iv) Liabilities incurred in connection with the transactions contemplated by this Agreement.

4.4. Good Title; Sufficiency of Assets.

(a) Sellers and the Acquired Subsidiaries are in possession of and have good and marketable title to, or (so long as the Latest Financial Statements do not purport to treat such assets as owned by the Sellers or the Acquired Subsidiaries) a valid leasehold interest in or valid rights under written agreements to use, all personal property, equipment, plants, buildings, structures, facilities and all other assets and properties used in the conduct of the Liquid Finishing Business, including all assets reflected on the Latest Financial Statements and any assets acquired since the date of the Latest Financial Statements, other than assets disposed of since such date in the ordinary course of business consistent with past practice. Except as set forth on Schedule 4.4(a), Sellers have, and Purchasers shall receive at Closing, good and marketable title to, or, (so long as the Latest Financial Statements do not purport to treat such assets as owned by the Sellers or the Acquired Subsidiaries) a valid leasehold interest in or valid rights under written agreements to use, the Acquired Assets, free and clear of all Liens except for Permitted Liens.

(b) Except for the Excluded Assets, the Asset Selling Subsidiaries Acquired Assets, together with the assets, properties, rights, claims, privileges, and interests of the Acquired Subsidiaries and right, claims, privileges and interests in the Acquired ITW Ancillary Agreements, constitute all of the assets, properties, rights, claims privileges and interests used by Graco and its Affiliates in the Liquid Finishing Business.

4.5. Financial Statements; Internal Controls.

(a) Attached as Schedule 4.5(a) are the audited financial statements of the Liquid Finishing Business as of December 31, 2010, 2011, 2012 and 2013 and for the years then ended (collectively, the "*Audited Annual Financial Statements*"). Except as disclosed in Schedule 4.5(a), all of the Audited Annual Financial Statements have been prepared from the books and records of Sellers and the Acquired Subsidiaries in accordance with GAAP consistently applied and fairly present in all material respects the financial condition of the Liquid Finishing Business as of their respective dates and the results of its operations for the periods covered thereby.

(b) Attached as Schedule 4.5(b) are the unaudited financial statements of the Liquid Finishing Business as of March 31, 2014 and for the three-month period then ended (the "*Latest Financial Statements*"). Except as set forth on Schedule 4.5(b), the Latest Financial Statements have been prepared in accordance with GAAP and in all material respects in a manner consistent with the Audited Annual Financial Statements. Subject to the foregoing and otherwise except as disclosed in Schedule 4.5(b), the Latest Financial Statements fairly present in all material respects the financial condition of the Liquid Finishing Business as of March 31, 2014 and the results of its operations for the three-month period then ended.

(c) The Sellers' system of internal controls over financial reporting with respect to the Liquid Finishing Business and the Acquired Subsidiaries' system of internal controls over financial reporting are sufficient in all material respects to provide reasonable assurance (i) that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP; (ii) that receipts and expenditures are executed in accordance with the authorization of management; and (iii) regarding prevention or timely detection of the unauthorized acquisition, use, or disposition of their assets that would materially affect their financial statements.

4.6. No Material Change. Since December 31, 2013, except (i) in connection with the transactions contemplated by the ITW Purchase Agreement, (ii) the FTC-Related Matters and (iii) as otherwise set forth on Schedule 4.6:

(a) there has been no change, event or occurrence which has had or would reasonably be expected to have a Material Adverse Effect;

(b) Sellers and the Acquired Subsidiaries have conducted the Liquid Finishing Business only in the ordinary course of business consistent with past practice; and

(c) no Seller (with respect to the Liquid Finishing Business or the Acquired Assets) nor any Acquired Subsidiary has:

(i) mortgaged or pledged any of its assets or properties or subjected them to any Lien (except for Permitted Liens);

(ii) had any Contract involving more than $500,000.00 accelerated, terminated, modified, or cancelled;

(iii) incurred any Liability involving more than $500,000.00 individually or $1,000,000.00 in the aggregate, except liabilities incurred in the ordinary course of business consistent with past practice;

(iv) canceled or compromised any Debt or claim outside the ordinary course of business consistent with past practice, or waived or released any right having an aggregate value of more than $500,000.00;

(v) suffered any material damage, destruction or casualty loss, whether or not covered by insurance having an aggregate value of more than $500,000.00;

(vi) granted any license, sublicense, or waiver of, or any covenant not to sue based on, any rights under or with respect to any Business Intellectual Property, other than licenses, sublicenses, waivers, or covenants granted under Contracts with customers in the ordinary course of business consistent with past practice;

(vii) made any capital expenditures or capital additions or betterments in excess of an aggregate of $1,000,000.00 or outside the ordinary course of business;

(viii) made or granted any bonus or any wage or compensation increase to any director, manager, officer, agent or Employee or changed any other material term of employment of any Employee, in each case except in the ordinary course consistent with past practice or in respect of Liquid Finishing Transferred Employees;

(ix) adopted, amended or terminated any Employee Benefit Plan/Scheme, in each case except in the ordinary course consistent with past practice;

(x) any actual employee strikes, work-stoppages, slowdowns or lock-outs relating to Employees, entered into any collective bargaining agreement or other union or works council Contract with respect to Employees or modified the terms of any such existing agreement, or had any material change in its relations with its Employees, agents, customers or suppliers or materially changed its number of Employees;

(xi) made any change in its selling, pricing, advertising or personnel practices outside the ordinary course of business consistent with past practice;

(xii) made any material change in accounting methods or practices;

(xiii) made or changed any Tax election or settled or compromised any material federal, state, local, or foreign Tax liability;

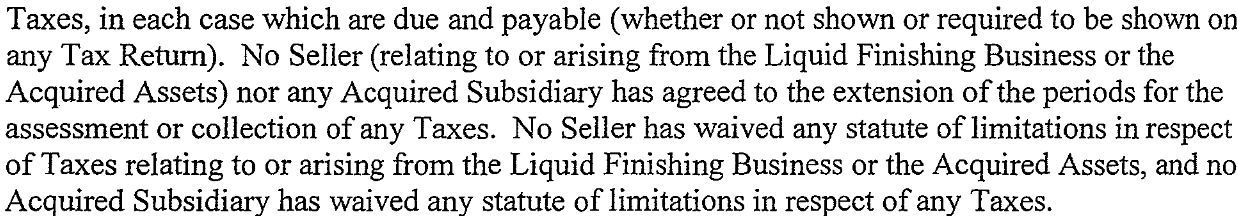
(xiv) other than in the ordinary course of business, entered into any compromise or settlement of any suit, action, claim or proceeding; or

(xv) entered into a written agreement to do any of the things described in the preceding paragraphs of this Section.

4.7. Inventory. Since April 2, 2012, the inventory relating to the Liquid Finishing Business has been maintained in the ordinary course of business consistent with past practice. All of the inventory relating to the Liquid Finishing Business is of a quality and quantity normally maintained by Sellers and the Acquired Subsidiaries in the ordinary course of business consistent with past practice, subject only to the reserve for slow and obsolete inventory reflected on the Latest Financial Statements and the provision to eliminate intercompany profit in ending inventory. All of the inventory relating to the Liquid Finishing Business is in good and merchantable condition and is usable or salable in the ordinary course of business, subject only to the reserve for slow and obsolete inventory reflected on the Latest Financial Statements.

4.8. Tax Matters.

(a) Each Seller has timely filed with the appropriate Governmental Authorities all Tax Returns and Tax reports relating to the Liquid Finishing Business or the Acquired Assets required to be filed on or prior to the Closing Date. Each Acquired Subsidiary has timely filed with the appropriate Governmental Authorities all Tax Returns and Tax reports required to be filed on or prior to the Closing Date. All such Tax Returns and reports are correct and complete in all material respects. Sellers have paid all Taxes relating to or arising from the Liquid Finishing Business or the Acquired Assets and each Acquired Subsidiary has paid all



Taxes, in each case which are due and payable (whether or not shown or required to be shown on any Tax Return). No Seller (relating to or arising from the Liquid Finishing Business or the Acquired Assets) nor any Acquired Subsidiary has agreed to the extension of the periods for the assessment or collection of any Taxes. No Seller has waived any statute of limitations in respect of Taxes relating to or arising from the Liquid Finishing Business or the Acquired Assets, and no Acquired Subsidiary has waived any statute of limitations in respect of any Taxes.

(b) Except as set forth on Schedule 4.8(b), no Seller is currently the subject of any Tax audit relating to the Liquid Finishing Business or the Acquired Assets nor is any Acquired Subsidiary currently the subject of any Tax audit, nor has any Seller or Acquired Subsidiary received notice of any such audit. Except as set forth on Schedule 4.8(b), there is no material dispute or claim concerning any Tax Liability of any Seller relating to or arising from the Liquid Finishing Business or the Acquired Assets or of any Acquired Subsidiary, either (A) claimed or raised by any authority in writing, or (B) as to which Sellers have Knowledge.

(c) Except for Graco Japan Finishing Brands, no Acquired Subsidiary has ever been a member of an affiliated group (within the meaning of Section 1504 of the Code) filing a consolidated federal Tax Return. No Seller is a party to any Tax allocation or sharing agreement relating to the Liquid Finishing Business or the Acquired Assets, and no Acquired Subsidiary is a party to any Tax allocation or sharing agreement. No Acquired Subsidiary has any Liability for the Taxes of any other Person (i) under Treasury Regulation §1.1502-6 (or any similar provision of state, local or foreign law), (ii) as a transferee or successor, (iii) by Contract, or (iv) otherwise. No Acquired Subsidiary has made any material payments, is obligated to make any material payments, or is a party to any agreement that under any circumstances could obligate it to make any material payments that are not deductible under Code Section 280G or similar provision of Applicable Law.

(d) No Acquired Subsidiary shall be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (A) a change in method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date, (B) any "closing agreement" as described in Code Section 7121 (or any corresponding provision of state, local or foreign income Tax law), (C) any installment sale or open transaction made on or prior to the Closing Date, or (D) as a result of any prepaid amount received on or prior to the Closing Date.

(e) No Seller nor any Acquired Subsidiary has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code Sections 355 or 361.

(f) There are no Liens for Taxes upon the Acquired Assets, except for Permitted Liens.

(g) No claim has been made by any Governmental Authority in a jurisdiction in which any Seller or any Acquired Subsidiary does not currently file a Tax Return that the Liquid Finishing Business, the Acquired Assets, any Acquired Subsidiary or any of the Sellers (with respect to the Liquid Finishing Business or the Acquired Assets) may be subject to a Tax by that jurisdiction.

(h) Except for Graco Brazil Finishing Brands, Graco Japan Finishing Brands and Graco UK Finishing Brands, no Acquired Subsidiary is classified as other than a disregarded entity for United States federal income tax purposes.

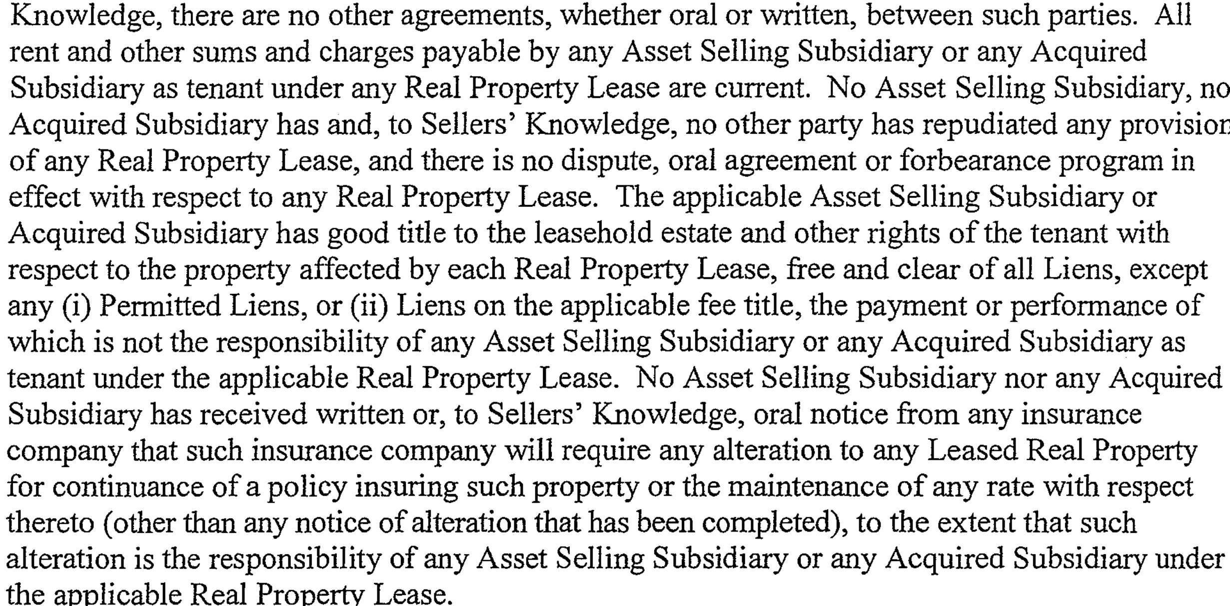
(i) To Sellers' Knowledge, the Cash and Cash Equivalents held by each Acquired Subsidiary at the Closing Date represent fully distributable earnings of each Acquired Subsidiary as calculated under local law.

4.9. Real Property.

(a) Schedule 4.9 sets forth (i) the street address of all real property and all interests in real property, in each case that is owned in fee by any Asset Selling Subsidiary in connection with the Liquid Finishing Business or by any Acquired Subsidiary (collectively, the "*Owned Real Property*"; the Owned Real Property owned by any Asset Selling Subsidiary is referred to herein collectively as the "*Seller Owned Real Property*"), indicates the Asset Selling Subsidiary or Acquired Subsidiary that is the owner thereof and indicates whether such Owned Real Property is used in the Powder Finishing Business; and (ii) the street address of all real property and all interests in real property, in each case that is leased or occupied by any Asset Selling Subsidiary in connection with the Liquid Finishing Business or by any Acquired Subsidiary or that any Asset Selling Subsidiary (in connection with the Liquid Finishing Business) or any Acquired Subsidiary has the right to lease or occupy, now or in the future (each such agreement, whether written or oral, being a "*Real Property Lease*" and any real property leased or occupied under a Real Property Lease being "*Leased Real Property*"), indicates the Asset Selling Subsidiary or Acquired Subsidiary that is the tenant or holds the future right to occupy under such Real Property Lease, and indicates whether such Leased Real Property is used in the Powder Finishing Business. The Owned Real Property and the Leased Real Property are collectively referred to herein as the "*Real Property*."

(b) All of the land, buildings, structures and other improvements used by any Asset Selling Subsidiary or any Acquired Subsidiary in the conduct of the Liquid Finishing Business are included in the Real Property. Except for the Real Property Leases and any subleases with respect to the Real Property identified on Schedule 4.9, there is no lease (including sublease) or occupancy agreement in effect with respect to any Real Property. There is no pending or, to Sellers' Knowledge, threatened condemnation or other eminent domain proceeding affecting any Real Property or any sale or other disposition of any Real Property in lieu of condemnation. No Real Property has suffered any material damage by fire or other casualty that has not been completely repaired and restored.

(c) Each Asset Selling Subsidiary and each Acquired Subsidiary has a valid leasehold interest under its respective Real Property Leases. No Asset Selling Subsidiary nor any Acquired Subsidiary is in default or otherwise in breach under any Real Property Lease and, to Sellers' Knowledge, no other party is in default or otherwise in breach thereof, except where such default or breach would not have a Material Adverse Effect. No Asset Selling Subsidiary, no Acquired Subsidiary and, to Sellers' Knowledge, no other party has exercised any termination right with respect to any Real Property Lease. Graco has provided to Purchaser Parent a true, correct and complete copy of each Real Property Lease. Each Real Property Lease is in full force and effect and constitutes the entire agreement between the parties thereto, and, to Sellers'



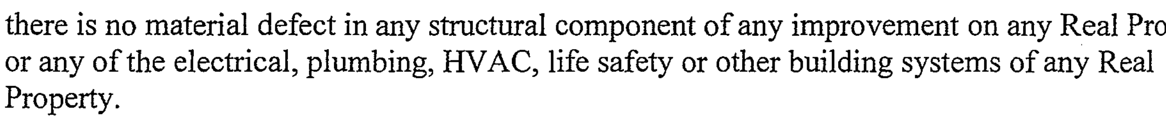
Knowledge, there are no other agreements, whether oral or written, between such parties. All rent and other sums and charges payable by any Asset Selling Subsidiary or any Acquired Subsidiary as tenant under any Real Property Lease are current. No Asset Selling Subsidiary, no Acquired Subsidiary has and, to Sellers' Knowledge, no other party has repudiated any provision of any Real Property Lease, and there is no dispute, oral agreement or forbearance program in effect with respect to any Real Property Lease. The applicable Asset Selling Subsidiary or Acquired Subsidiary has good title to the leasehold estate and other rights of the tenant with respect to the property affected by each Real Property Lease, free and clear of all Liens, except any (i) Permitted Liens, or (ii) Liens on the applicable fee title, the payment or performance of which is not the responsibility of any Asset Selling Subsidiary or any Acquired Subsidiary as tenant under the applicable Real Property Lease. No Asset Selling Subsidiary nor any Acquired Subsidiary has received written or, to Sellers' Knowledge, oral notice from any insurance company that such insurance company will require any alteration to any Leased Real Property for continuance of a policy insuring such property or the maintenance of any rate with respect thereto (other than any notice of alteration that has been completed), to the extent that such alteration is the responsibility of any Asset Selling Subsidiary or any Acquired Subsidiary under the applicable Real Property Lease.

(d) Except as listed in Schedule 4.9(d): (i) there is no purchase option, right of first refusal, first option or other right held by any Asset Selling Subsidiary or any Acquired Subsidiary with respect to, or any real estate or building affected by, any Real Property Lease that is not contained within such Real Property Lease; and (ii) no Asset Selling Subsidiary nor any Acquired Subsidiary has exercised any option or right to terminate, renew or extend or otherwise affect any right or obligation of the tenant under any Real Property Lease or to purchase the real property subject to any Real Property Lease.

(e) Each Asset Selling Subsidiary and Acquired Subsidiary has good, marketable and valid fee title to its respective Owned Real Property, free and clear of all Liens except Permitted Liens. No Asset Selling Subsidiary nor any Acquired Subsidiary has received written or, to Sellers' Knowledge, oral notice from any insurance company that such insurance company will require any alteration to any Owned Real Property for continuance of a policy insuring any Owned Real Property or the maintenance of any rate with respect thereto (other than any notice of alteration that has been completed).

(f) There is no development agreement or other Contract that limits the ability to protest any real property Tax, fix any minimum real property Tax or require any continued business operation with respect to any Owned Real Property or, to Sellers' Knowledge, any Leased Real Property. The use and occupancy of all Owned Real Property and, to Sellers' Knowledge, all Leased Real Property, are in material compliance with all Applicable Laws and all applicable insurance requirements, including those pertaining to zoning matters and the Americans with Disabilities Act, and conform to all such Applicable Laws on a current basis without reliance on any variance or other special limitation or conditional or special use permit.

(g) No portion of any Owned Real Property relies on any facility (other than a facility of a public utility or community water and sewer company) not located on such Owned Real Property to fulfill any zoning, building code or other requirement under Applicable Law, except where such reliance would not have a Material Adverse Effect. To Sellers' Knowledge,



there is no material defect in any structural component of any improvement on any Real Property or any of the electrical, plumbing, HVAC, life safety or other building systems of any Real Property.

4.10. Intellectual Property.

(a) Schedule 1.2(a), Schedule 1.3 and Schedule 1.4 collectively list: (i) all patents as of October 3, 2014 constituting Business Intellectual Property owned by any Asset Selling Subsidiary or any Acquired Subsidiary, and all published applications for patents as of October 3, 2014 constituting Business Intellectual Property that have been filed by or for any Asset Selling Subsidiary or Acquired Subsidiary, (ii) all registered Internet domain names as of June 24, 2014 constituting Business Intellectual Property, and (iii) all registered trademarks as of October 3, 2014 constituting Business Intellectual Property owned by any Asset Selling Subsidiary or any Acquired Subsidiary, and all applications for trademark registration as of October 3, 2014 constituting Business Intellectual Property that have been filed by or for any Asset Selling Subsidiary or any Acquired Subsidiary (the foregoing being the "*Business Registered Intellectual Property*"). To Sellers' Knowledge, the Asset Selling Subsidiaries and the Acquired Subsidiaries have taken all reasonable actions necessary to maintain the Business Registered Intellectual Property, including compliance with any statutes requiring payments to inventors. All registration, maintenance and renewal fees, payments and other similar actions required to maintain the foregoing applications and registrations in effect have been paid in full and, except as set forth in Schedule 1.2(a), Schedule 1.3 or Schedule 1.4, no renewal fee, payment or other similar actions are required to be paid or made by any Asset Selling Subsidiary or any Acquired Subsidiary within the six (6) months following the date hereof with respect to such maintenance, renewals, applications or registrations of the Business Registered Intellectual Property. Each such registration was properly registered and is in good standing.

(b) The Asset Selling Subsidiaries and the Acquired Subsidiaries have the right to bring actions for infringement, misappropriation, misuse, or other violation of any Business Intellectual Property, including the right to sue for past damages. Except as set forth on Schedule 4.10(b), all Business Registered Intellectual Property is owned and transferable by the Asset Selling Subsidiaries and the Acquired Subsidiaries, free and clear of all Liens, other than Permitted Liens. Except as set forth on Schedule 4.10(b), no actions for annulment or cancellation are pending or, to Sellers' Knowledge, threatened with respect to the Business Registered Intellectual Property and no actions for recovery have been made or threatened. To Sellers' Knowledge, except as set forth on Schedule 4.10(b), all Business Registered Intellectual Property is valid and enforceable.

(c) To Sellers' Knowledge, except as set forth on Schedule 4.10(c), since April 15, 2008, no Person is infringing upon any rights of any Asset Selling Subsidiary or any Acquired Subsidiary with respect to any Business Intellectual Property. Except as set forth on Schedule 4.10(c), since April 15, 2008, no Asset Selling Subsidiary nor any Acquired Subsidiary is infringing on any Intellectual Property rights of any Person with respect to the conduct of the Liquid Finishing Business. Since April 15, 2008, no Asset Selling Subsidiary nor any Acquired Subsidiary has received any written communication relating to the Liquid Finishing Business that requests or offers a license or grant of immunity from any Person with respect to any Intellectual Property. Except as set forth on Schedule 4.10(c), since April 15, 2008, no Asset

Selling Subsidiary nor any Acquired Subsidiary has been and or is a party to, or is the subject of any, pending or, to Sellers' Knowledge, threatened suit, action, investigation or proceeding by or before any Governmental Authority that involves any claim (a) against any Asset Selling Subsidiary or any Acquired Subsidiary of infringement, unauthorized use, misappropriation or violation of any Intellectual Property of any Person with respect to the Liquid Finishing Business, or challenging the ownership, use, validity or enforceability of any Business Intellectual Property or (b) contesting the right of any Asset Selling Subsidiary or any Acquired Subsidiary to use, sell, exercise, license, transfer or dispose of any Products. Except for the FTC-Related Matters or as otherwise set forth on Schedule 4.10(c), there is no order or judgment from any Governmental Authority restricting the use, transfer or licensing by any Asset Selling Subsidiary or any Acquired Subsidiary of, or affecting the validity of, any Business Intellectual Property, or that restricts the operation of the Liquid Finishing Business as currently conducted.

(d) To Sellers' Knowledge, no director, manager, officer, or employee of any Asset Selling Subsidiary or any Acquired Subsidiary owns, directly or indirectly, in whole or in part, any Intellectual Property rights which any Asset Selling Subsidiary or any Acquired Subsidiary uses or has used in the conduct of the Liquid Finishing Business. Each Asset Selling Subsidiary (with respect to the Liquid Finishing Business) and Acquired Subsidiary employs a process to obtain all rights to Intellectual Property created by employees and consultants and to ensure the protection of confidential or proprietary information. During the period after the date hereof and prior to the Closing Date, Graco will, and will cause Sellers to, use commercially reasonable efforts to obtain from each Employee a valid agreement regarding assignment of intellectual property rights to the applicable Asset Selling Subsidiary or Acquired Subsidiary and the protection of proprietary information executed by such Employee.

(e) Schedule 4.10(e) lists all non-confidential material Contracts constituting Acquired Assets relating to or affecting the use or ownership of any Intellectual Property related to the Liquid Finishing Business (other than that part of the Stray Powder Business comprised of developing, assembling, manufacturing, distributing, selling and servicing Ransburg Powder Finishing Products) or related to Divested Stray Ransburg Powder IP or Retained Stray Ransburg Powder IP, Graco's form confidentiality and non-disclosure agreement, assignments or agreements to assign, development agreements, settlement agreements, and other similar agreements. All material Contracts relating to or affecting the use or ownership of the Intellectual Property described in the first sentence of this Section 4.10(e) are the valid and binding obligation of the parties thereto, enforceable against such parties in accordance with its terms, except as such may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, and by general equitable principles. No Asset Selling Subsidiary nor any Acquired Subsidiary is in material violation or breach of or material default under any such Contract and, to Sellers' Knowledge, no other party to any such Contract is in material violation or breach thereof or material default thereunder. Except as noted in Schedule 4.10(e), the transactions contemplated by this Agreement do not require the consent of any party to any such Contract, shall not result in a violation or breach of or default under any such Contract, and shall not otherwise cause any such Contract to cease to be legal, binding, enforceable and in full force and effect on the same terms following the Closing.

(f) To Sellers' Knowledge, except as set forth on Schedule 4.10(f), no government funding, facilities or resources of a university, college, other educational institution

or research center or funding from third parties was used in the development of any Business Intellectual Property or any Products, and no governmental entity, university, college, other educational institution or research center has any claim or right in or to any Business Intellectual Property or any Products.

(g) Each Asset Selling Subsidiary (with respect to the Liquid Finishing Business) and Acquired Subsidiary is in material compliance with all Applicable Laws, contractual requirements, privacy policies or statements, and all other applicable policies concerning data security requirements, privacy policy notice requirements, data security breach requirements, and requirements regarding the use, storage, disclosure or transfer of personally identifiable information. No Asset Selling Subsidiary nor any Acquired Subsidiary is the subject of any investigation, claim or lawsuit relating to the information privacy or data security practices (including collection, transfer, or use) of any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary. There has been no data security breach of any computer systems or networks, or unauthorized use of any personally identifiable information that is owned, used, stored, received, or controlled by or on behalf of any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary. The consummation of the transactions contemplated by this Agreement will not breach or otherwise cause any violation of any Applicable Laws relating to privacy or any privacy policies or procedures of any Asset Selling Subsidiary or any Acquired Subsidiary.

(h) The Asset Selling Subsidiaries and the Acquired Subsidiaries own, lease or license software, hardware, databases, computer equipment and other material information technology (collectively, "*Computer Systems*") that were used for the operations of the Liquid Finishing Business prior to Closing. The Asset Selling Subsidiaries and the Acquired Subsidiaries have purchased the number of licenses for all Computer Systems necessary to conduct the Liquid Finishing Business as it was conducted prior to Closing. Notwithstanding the above, except as otherwise expressly provided in this Agreement, no representations and/or warranties are made with respect to the accuracy, completeness and/or transferability of any Computer Systems.

4.11. Material Contracts.

(a) Schedule 4.11(a) lists all of the following Contracts to which any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary is a party or by which any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary is bound, or to which any Acquired Assets or any assets of any Acquired Subsidiary are subject (the "*Scheduled Contracts*"):

(i) all employment agreements (a) involving any Employee with an annual base salary in excess of $150,000.00 and not terminable at will or (b) providing for the possibility of severance benefits in excess of $100,000.00 beyond the requirements of Applicable Law;

(ii) any collective bargaining or other union or works council Contract relating to Employees;

(iii) any loan or advance to, or investment in any Person, or any Contract relating to the making of any such loan, advance or investment, in each case relating to the Liquid Finishing Business or any Acquired Subsidiary, other than ordinary course advances for travel expenses or any loan or advance for an amount less than $10,000.00;

(iv) any Contract containing any guarantee or other Liability by any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary with respect of any indebtedness of any other Person;

(v) any management, service, independent contractor or consulting agreement involving any Person with a historical annual cost in excess of $150,000.00 that is not terminable within one year or any other similar Contract relating to the Liquid Finishing Business or to which any Acquired Subsidiary is a party;

(vi) any Contract that materially limits the freedom of any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary to engage in any line of business or to compete with any Person;

(vii) any Contract (or groups of related Contracts with the same party or any group of affiliated parties) relating to the Liquid Finishing Business which require or may in the future require payment of aggregate consideration to or by the Asset Selling Subsidiaries and the Acquired Subsidiaries in excess of $500,000.00, except for any Contracts for the purchase of raw materials or supplies in the ordinary course at normal market prices that are terminable without penalty within 90 days;

(viii) any Contract for the purchase of raw materials or supplies for, or the furnishing of services to, the Liquid Finishing Business, (A) for which, to Sellers' Knowledge, comparable goods or services are not readily available in the ordinary course of business, at prices at or similar to those which the applicable Asset Selling Subsidiary or Acquired Subsidiary has agreed to pay under such Contract, or (B) the quantities of which are in excess of the normal operating practices of the Liquid Finishing Business, in each case involving aggregate payments in excess of $500,000.00;

(ix) any distributor, sales representative or agency Contract relating to the Liquid Finishing Business or to which any Acquired Subsidiary is a party involving aggregate payments in excess of $500,000.00;

(x) any joint venture or partnership Contract relating to the Liquid Finishing Business or to which any Acquired Subsidiary is a party;

(xi) any Contract for the sale or license of, or grant of any third-party interest in, any Acquired Assets or any assets of any Acquired Subsidiary, other than in the ordinary course of business, except as already listed in Schedule 4.10(e);

(xii) any note, debenture, mortgage, indenture, deed of trust, security agreement, purchase money agreement, capital lease or other Contract evidencing or securing indebtedness relating to the Liquid Finishing Business or to which any Acquired

Subsidiary is a party, or any sale-leaseback arrangement pertaining to any Acquired Assets or any assets of any Acquired Subsidiary;

(xiii) any Contract providing for the payment of any cash or other compensation or benefits upon consummation of the transactions contemplated by this Agreement (other than Contracts described in clause (i) of this Section 4.11(a));

(xiv) any lease, conditional sales or other Contract pursuant to which any Asset Selling Subsidiary (in connection with the Liquid Finishing Business) or Acquired Subsidiary leases, has purchased or sold or holds possession of, but not title to, any real or personal property, whether as lessor, lessee, purchaser, seller, bailee, pledgee or the like, in each case involving aggregate payments in excess of $500,000.00, in each case except for any Real Property Lease; and

(xv) any Contract for the acquisition of a business by any Acquired Subsidiary or any Asset Selling Subsidiary (in connection with the Liquid Finishing Business) containing provisions that are currently operative (including ongoing earn-out or indemnity obligations).

(b) Each Scheduled Contract and each Acquired ITW Ancillary Agreement is a valid and binding obligation of the parties thereto, enforceable against such parties in accordance with its terms, except as such may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, and by general equitable principles. No Asset Selling Subsidiary nor any Acquired Subsidiary is in material violation or breach of or default under (either with or without the lapse of time, giving of notice, or both) any Scheduled Contract, and Graco is not in material violation or breach of or default under (either with or without the lapse of time, giving of notice, or both) any Acquired ITW Ancillary Agreement. To Sellers' Knowledge, no other party to any Scheduled Contract or any Acquired ITW Ancillary Agreement is in material violation or breach of or default under (either with or without the lapse of time, giving of notice, or both) any Scheduled Contract or Acquired ITW Ancillary Agreement, as applicable.

(c) Sellers have made available to Purchaser Parent a true, correct and complete (in all material respects) copy of each written Scheduled Contract and Acquired ITW Ancillary Agreement, and a true, correct and complete (in all material respects) written description of each oral Scheduled Contract.

(d) As of the Closing, Purchaser will be an intended third-party beneficiary of that certain Consent and Release, dated as of June 6, 2013, entered into by and among Graco, 3M Company and 3M Innovative Properties Company, which is an Excluded Asset.

4.12. Employee Matters.

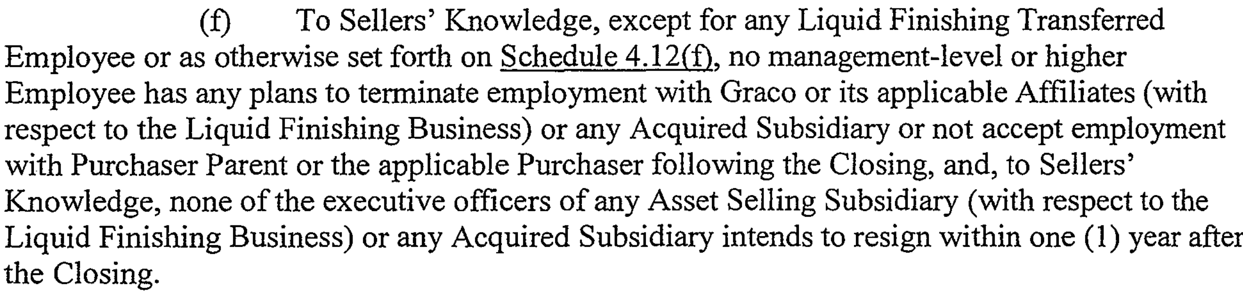
(a) Except as disclosed in Schedule 4.12(a) since January 1, 2008, none of the Employees is represented by any union or subject to any collective bargaining agreement or other union or works council agreement with any union or labor organization or employee group, and, to Sellers' Knowledge, no Employees are engaged in any union, labor organization or employee group to organize any Employees.

(b) Except as set forth on Schedule 4.12(b), to Sellers' Knowledge, none of the Employees has suffered or is suffering from any illness or disease caused directly or indirectly by any employment-related condition or by contact with any materials within the scope of such Employee's employment.

(c) Except as disclosed in Schedule 4.12(c), to Sellers' Knowledge, there has been no complaint, grievance, or unfair labor practice charge filed with any union, labor organization, employee group, Governmental Authority or other body against Graco or any of its Affiliates alleging unfair labor practices, human rights violations, employment discrimination charges, or similar matters relating to the Liquid Finishing Business or any Employee.

(d) Since January 1, 2008, neither Graco nor any of its Affiliates (with respect to the Liquid Finishing Business) nor any Acquired Subsidiary has experienced any work stoppages, slowdowns, walkouts or strikes.

(e) Except as disclosed in Schedule 4.12(e), Graco and its Affiliates (with respect to the Liquid Finishing Business) and each Acquired Subsidiary has complied with all Applicable Laws relating to the employment of the Employees, including Applicable Laws relating to wages, hours, working time, equal opportunity, occupational health and safety, workers' compensation, collective bargaining, equal pay or treatment, discrimination on the grounds of any class protected by Applicable Law, information and consultation, maternity, paternity and parental leave and pay, immigration control, information and data privacy and security, and the withholding and payment of social security and other Taxes, and continuation coverage with respect to group health plans, except where the failure to comply would not have a Material Adverse Effect.



(f) To Sellers' Knowledge, except for any Liquid Finishing Transferred Employee or as otherwise set forth on Schedule 4.12(f), no management-level or higher Employee has any plans to terminate employment with Graco or its applicable Affiliates (with respect to the Liquid Finishing Business) or any Acquired Subsidiary or not accept employment with Purchaser Parent or the applicable Purchaser following the Closing, and, to Sellers' Knowledge, none of the executive officers of any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary intends to resign within one (1) year after the Closing.

(g) To Sellers' Knowledge, no Employee is subject to any secrecy or noncompetition agreement or any other agreement or restriction of any kind that would impede in any way the ability of such Employee to carry out fully all activities of such Employee in furtherance of the Liquid Finishing Business, in each case either before or after the Closing.

(h) A properly completed Form I-9 is on file with respect to each Employee for whom such Form I-9 is required under Applicable Law. Graco and its applicable Affiliates (with respect to the Liquid Finishing Business) and each Acquired Subsidiary has complied in all material respects with the U.S. Immigration and Nationality Act, as amended from time to time, and the rules and regulations promulgated thereunder.

(i) To Sellers' Knowledge, neither Graco nor any of its Affiliates (with respect to the Liquid Finishing Business) nor any Acquired Subsidiary has classified or treated any of its common-law employees as an independent contractor.

(j) To Sellers' Knowledge, no variation in any Contract of employment has been agreed to for the future in respect of any Employee other than in the ordinary course of business.

(k) Except as listed in Schedule 4.12(k), and except for normal pay raises in the ordinary course of business consistent with past practices, neither Graco nor any of its Affiliates (with respect to the Liquid Finishing Business) has altered the terms and conditions of employment of any management-level or higher Non-U.S. Employee (other than any Liquid Finishing Transferred Employee) in the 12 months immediately prior to Closing.

(l) No material Liability has been incurred by Graco or any of its Affiliates (with respect to the Liquid Finishing Business) or any Acquired Subsidiary for breach of any contract of employment with any Non-U.S. Employee, including in respect of redundancy payments, protection awards, compensation for wrongful dismissal, unfair dismissal, sex, race or disability discrimination or failure to comply with any order for the reinstatement or re-engagement in relation to or for or on behalf of any of any Non-U.S. Employee.

(m) Neither Graco nor any of its Affiliates (with respect to the Liquid Finishing Business) nor any Acquired Subsidiary has engaged in any workforce reduction or other action related to any Employee that has resulted in any unsatisfied liability or which could result in liability under the Worker Adjustment and Retraining Notification Act of 1988 or the Trade Union and Labour Relations (Consolidation) Act of 1992 or under any similar or comparable Applicable Laws, and neither Graco nor any of its Affiliates (with respect to the Liquid Finishing Business) nor any Acquired Subsidiary has issued any notice that any such action is to occur in the future.

(n) Schedule 4.12(n) (the "*Employee List*") contains a complete and accurate list identifying: (x) as of October 6, 2014, all Employees engaged or employed wholly or primarily in the United States or Canada and specifying the information described in clauses (i)-(viii) below for each such Employee; and (y) as of the most recent date for which applicable information has been made available to Graco and Graco US Finishing Brands prior to the date hereof, all Employees engaged or employed wholly or primarily outside the United States and Canada and specifying the information described in clauses (i)-(viii) below for each such Employee:

(i) date of hire or initial service;

(ii) job title;

(iii) status as full-time or part-time (with "full-time" being defined as at least 40 hours per week or such number of hours per week as allowed by Applicable Law to be classified as full-time), or on disability or other leave of absence;

(iv) classification as exempt or non-exempt under the Fair Labor Standards Act (as applicable);

(v) current annual salary, draw, or hourly-rate of compensation (as applicable);

(vi) primary work location, including city and country, and whether such Employee primarily performs services from a home office;

(vii) status as a Liquid Finishing Transferred Employee (as applicable); and

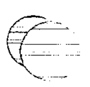
(viii) all other information required to be provided to Purchasers by Graco or any of its Affiliates under Applicable Law in connection with the transfer of any Non-U.S. Employees (as applicable).

4.13. Litigation. Except (i) for any ordinary course of business customer claims or employment related claims, including claims related to injuries or accidents, in each case that do not seek damages in excess of $500,000.00 (for any such claim or series of related claims), criminal penalties, or relief other than money damages (such claims, the "*Minor Claims*"), (ii) the FTC-Related Matters or (iii) as otherwise set forth in Schedule 4.13, as of the date hereof, there are no lawsuits, actions, arbitrations, proceedings or investigations relating to the Liquid Finishing Business or any Acquired Subsidiary for which any Seller or Acquired Subsidiary has received written notice. Except for any Minor Claims and the FTC-Related Matters, or except as set forth in Schedule 4.13, to Sellers' Knowledge, there are no claims or complaints by or before any Governmental Authority pending or threatened against any Seller or any Acquired Subsidiary (i) relating to the Liquid Finishing Business or its business or properties, or (ii) seeking to enjoin the transactions contemplated hereby. Except for the FTC-Related Matters or as otherwise set forth in Schedule 4.13, as of the date hereof, the Liquid Finishing Business is not subject to any order, writ, judgment, investigation or decree of any court or Governmental Authority.

4.14. Compliance with Laws; FCPA.

(a) Each Asset Selling Subsidiary is and since April 2, 2012 has been in material compliance with all Applicable Laws with respect to the operation of the Liquid Finishing Business and the Acquired Assets, and each Acquired Subsidiary is and since April 2, 2012 has been in material compliance with all Applicable Laws. No action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand or notice has been filed or commenced against any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or against any Acquired Subsidiary alleging any failure to so comply. No Asset Selling Subsidiary nor any Acquired Subsidiary has received written notice at any time since April 2, 2012 to the effect that any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary is not in material compliance with any Applicable Laws.

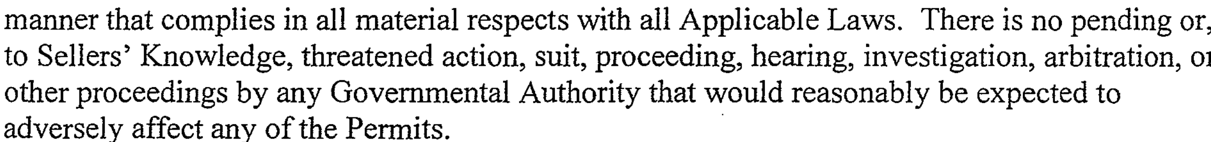
(b) Each Asset Selling Subsidiary (with respect to the Liquid Finishing Business) and each Acquired Subsidiary is and at all times since April 2, 2012 has been in material compliance with all applicable export-control, trade and economic sanctions laws, rules,



and regulations (whether federal, state, foreign, or other), including the U.S. Commerce Department's Export Administration Regulations and all sanctions laws, rules and regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control, as well as all applicable export-control and sanctions laws, rules and regulations maintained by other jurisdictions, to the extent that no such laws, rules, regulations, or sanctions programs of any other jurisdiction are in contravention of any U.S. law, rule or regulation.

(c) Since April 2, 2012, no Asset Selling Subsidiary (with respect to the conduct of the Liquid Finishing Business) nor any Acquired Subsidiary (i) has engaged, directly or indirectly, in any violation of the FCPA, or any other applicable anti-bribery or anti-corruption laws (collectively, the "*Anti-Corruption Laws*"), or any anti-boycott, anti-terrorism, or arms-control laws, rules, or regulations or sanctions programs; (ii) has conducted business with any restricted party identified in writing by the U.S. government as a Person with whom or with which conducting business would constitute a violation of U.S. Applicable Law; or (iii) has ever been the subject of any bribery, money laundering or anti-kick-back investigation by any Governmental Authority. Without limiting the foregoing, (1) since April 2, 2012, no Asset Selling Subsidiary (with respect to the conduct of the Liquid Finishing Business) nor any Acquired Subsidiary, nor any of their respective directors, officers, agents, distributors, employees or other Persons acting on their behalf has, directly or indirectly, taken any action, or failed to act, in a manner that would be a violation of any Anti-Corruption Laws; (2) each Asset Selling Subsidiary (with respect to the Liquid Finishing Business) and each Acquired Subsidiary maintains its books and records in a manner that, in reasonable detail, accurately and fairly reflects the transactions and disposition of their assets, and maintains a system of adequate internal accounting controls; (3) no portion of the Purchase Price will be used to fund payments in connection with securing improperly any approvals or any other improper advantages from any Governmental Authority; and (4) none of the officers, directors, employees or agents of any Asset Selling Subsidiary or any Acquired Subsidiary are Government Officials. For purposes of this Agreement, "*Government Official*" means any (i) officer or employee of a Governmental Authority or instrumentality thereof (including any state-owned or state-controlled enterprise) or of a public international organization, (ii) candidate for political office or official of any political party, (iii) person acting for or on behalf of any Governmental Authority or instrumentality thereof, or (iv) a member of a royal family.

4.15. Permits and Licenses. Except as disclosed on Schedule 4.15, the Asset Selling Subsidiaries and the Acquired Subsidiaries have all material Permits used in the operation of the Liquid Finishing Business as currently conducted. All such Permits are currently effective and valid and are sufficient to enable the Asset Selling Subsidiaries and the Acquired Subsidiaries to conduct the Liquid Finishing Business in material compliance with all Applicable Laws. The execution, delivery or performance of this Agreement by the parties shall not have any effect on the continued validity or sufficiency of such Permits, nor, to Sellers' Knowledge, shall any additional material Permits be required by virtue of the execution, delivery or performance of this Agreement by the parties hereto to enable Purchasers to conduct the Liquid Finishing Business after Closing in the same manner in which it is currently being conducted. To Sellers' Knowledge, except as disclosed on Schedule 4.15, each Permit that is included in the Asset Selling Subsidiaries Acquired Assets is transferable to Purchasers. The Asset Selling Subsidiaries and the Acquired Subsidiaries have all material Permits necessary for the operation of the Liquid Finishing Business as currently conducted and have procured each such item in a



manner that complies in all material respects with all Applicable Laws. There is no pending or, to Sellers' Knowledge, threatened action, suit, proceeding, hearing, investigation, arbitration, or other proceedings by any Governmental Authority that would reasonably be expected to adversely affect any of the Permits.

4.16. Environmental Matters.

(a) The operations of the Liquid Finishing Business and the operations of the Acquired Subsidiaries have at all times been conducted in material compliance with, and are in material compliance with, all Environmental Laws and, to Sellers' Knowledge, there are no circumstances which may prevent or interfere with such material compliance in the future. Except as set forth in Schedule 4.16(a), no Asset Selling Subsidiary (with respect to the Liquid Finishing Business) nor any Acquired Subsidiary has received any written or oral notice, report or other information regarding any actual or alleged violation of any Environmental Laws, or any Liabilities, including any investigatory, remedial or corrective obligations, arising under Environmental Laws, in each case which has not been cured.

(b) Except as set forth in Schedule 4.16(b), there are no pending or, to Sellers' Knowledge, threatened suits, proceedings, claims, encumbrances, or other restrictions of any nature, resulting from, arising under or pursuant to any Environmental Laws, relating to or affecting any Asset Selling Subsidiary (with respect to the Liquid Finishing Business), any Acquired Subsidiary, the Liquid Finishing Business, any Owned Real Property, any other Acquired Assets, or any other assets of any Acquired Subsidiary.

(c) No Asset Selling Subsidiary nor any Acquired Subsidiary has installed, used, generated, treated, disposed of or arranged for the disposal of any Hazardous Materials in any manner so as to create any material Liability under any Environmental Law or any other material Liability for any Asset Selling Subsidiary with respect to the Liquid Finishing Business, for any Acquired Subsidiary, or for any Purchaser or Purchaser Parent. Except as set forth in Schedule 4.16(c), no material contamination from any Hazardous Material has been created, exacerbated or exists on or under any of the Owned Real Property or any other real property currently used in connection with the Liquid Finishing Business or by any Acquired Subsidiary. There has been no treatment, storage, release or threatened release of any Hazardous Material at or from any of the Owned Real Property or any other real property currently used in connection with the Liquid Finishing Business or by any Acquired Subsidiary, except in material compliance with applicable Environmental Laws. There has been no disposal of any Hazardous Materials at any of the Owned Real Property or any other real property currently used in connection with the Liquid Finishing Business or by any Acquired Subsidiary so as to create any material Liability under any Environmental Law or any other material Liability. To Sellers' Knowledge, there has been no arrangement for disposal of any Hazardous Material by any Asset Selling Subsidiary (in connection with the Liquid Finishing Business) or any Acquired Subsidiary on any property or facility not owned by an Asset Selling Subsidiary or an Acquired Subsidiary, except in accordance with Environmental Laws. To Sellers' Knowledge, no Asset Selling Subsidiary (with respect to the Liquid Finishing Business) nor any Acquired Subsidiary has sent any Hazardous Material to any site that, pursuant to any Environmental Law, has been placed on the National Priorities List or any similar federal, state or other list.

(d) Neither this Agreement nor the consummation of the transactions contemplated hereby shall result in any obligations for site investigation or cleanup, or notification to or consent of any Governmental Authority or other Person, pursuant to any Environmental Laws.

(e) None of the Asset Selling Subsidiaries (with respect to the Liquid Finishing Business) nor any of the Acquired Subsidiaries, nor any of their respective predecessors or Affiliates, has, either expressly or by operation of law, assumed or undertaken any Liability associated with any Owned Real Property or Leased Real Property or the current Liquid Finishing Business operations at any Owned Real Property or Leased Real Property, including any obligation for corrective or remedial action, of any other Person relating to Environmental Laws.

(f) Except as set forth on Schedule 4.16(f), there are no underground storage tanks or related piping or surface impoundments located on or at any of the Owned Real Property or any other real property currently used in connection with the Liquid Finishing Business or by any Acquired Subsidiary, and no such tank, piping or impoundments has been removed from any Owned Real Property or any other real property currently used in connection with the Liquid Finishing Business or by any Acquired Subsidiary, except in compliance with all applicable Environmental Laws.

(g) Graco has delivered to Purchaser Parent all known environmental audits, surveys, reports and other material environmental documents in Graco's possession or control, including all such reports and documents received from ITW, relating to the operation of the Liquid Finishing Business at any past or current properties, facilities and operations of any Asset Selling Subsidiary or any Acquired Subsidiary.

4.17. Insurance. The Asset Selling Subsidiaries Acquired Assets, the operation of the Liquid Finishing Business, and the assets and operations of the Acquired Subsidiaries are insured under insurance policies of the types, and providing coverage of the scope and magnitude, as are reasonable and customary for a business of a similar size operating in the industry in which the Liquid Finishing Business operates. All such policies are in full force and effect and all premiums due and payable with respect to such policies have been timely paid. Schedule 4.17 sets forth an accurate and complete list of all claims in excess of $500,000.00 (for any single claim or series of related claims) which have been made by any Asset Selling Subsidiary (with respect to the Liquid Finishing Business) or any Acquired Subsidiary within the past two (2) years under any insurance policy, including any workmen's compensation, general liability or property insurance policy. Except as set forth on Schedule 4.17, there are no pending or threatened claims in excess of $500,000.00 (for any single claim or series of related claims) under any insurance policy with respect to the Liquid Finishing Business or by any Acquired Subsidiary. Purchaser Parent and US Purchaser acknowledge that all such policies listed on Schedule 4.17 will not be available to Purchasers, Purchaser Parent or US Purchaser after the Closing Date.

4.18. Benefit Plans/Schemes.

(a) Schedule 4.18(a) lists each Employee Benefit Plan/Scheme that any Asset Selling Subsidiary or Acquired Subsidiary maintains that will be assumed or continued by Purchaser Parent, US Purchaser, any Purchaser or any Acquired Subsidiary, to which any Asset Selling Subsidiary or Acquired Subsidiary contributes or has any obligation to contribute that will be assumed or continued by Purchaser Parent, US Purchaser, any Purchaser or any Acquired Subsidiary, or with respect to which any Acquired Subsidiary has any Liability.

(i) For each Employee Benefit Plan/Scheme maintained by an Acquired Subsidiary or with respect to which Purchaser Parent, US Purchaser or any Purchaser will be assuming liabilities, each such Employee Benefit Plan/Scheme (and each related trust, insurance contract, or fund) has been maintained, funded and administered in all material respects in accordance with the terms of such Employee Benefit Plan/Scheme, the terms of any applicable collective bargaining agreement and Applicable Law.

(ii) For each Employee Benefit Plan/Scheme maintained by an Acquired Subsidiary or with respect to which Purchaser Parent, US Purchaser or any Purchaser will be assuming liabilities, all material required reports and descriptions (including annual reports (such as IRS Form 5500 in the United States), summary annual reports, and summary plan descriptions) have been timely filed and distributed in accordance with the requirements of Applicable Law with respect to each such Employee Benefit Plan/Scheme.

(iii) All contributions (including all employer contributions and employee contributions) that are due have been made within the time periods prescribed by Applicable Law to each such Employee Benefit Plan/Scheme, and all contributions for any period ending on or before the Closing Date which are not yet due have been made to each such Employee Benefit Plan/Scheme or accrued in accordance with the past custom and practice of the applicable Asset Selling Subsidiary or Acquired Subsidiary and applicable accounting standards. With respect to each such Employee Benefit Plan/Scheme, all premiums or other payments for all periods ending on or before the Closing Date have been paid or will be paid within 30 days of Graco's receipt of a valid invoice for such premiums with respect to each such Employee Benefit Plan/Scheme.

(iv) Each such Employee Benefit Plan/Scheme which is intended to meet the requirements of Applicable Law regarding qualification or registration for tax-favored status is so qualified or registered, and nothing has occurred since the date of such qualification or registration that would reasonably be expected to materially adversely affect the tax-favored status of any such Employee Benefit Plan/Scheme. Each such Employee Benefit Plan/Scheme has been timely amended to reflect in all material respects the provisions of Applicable Law in effect for any period prior to the Closing, and there are no material plan document failures, operational failures, demographic failures or employee eligibility failures which have not been corrected in accordance with Applicable Law with respect to any such Employee Benefit Plan/Scheme.

(v) There have been no transactions engaged in with respect to any such Employee Benefit Plan/Scheme that are prohibited by Applicable Law. Further, no fiduciary has any Liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any such Employee Benefit Plan/Scheme. No action, suit, proceeding, hearing, or investigation with respect to the administration or the investment of the assets of any such Employee Benefit Plan/Scheme (other than routine claims for benefits) is pending or, to Sellers' Knowledge, threatened.

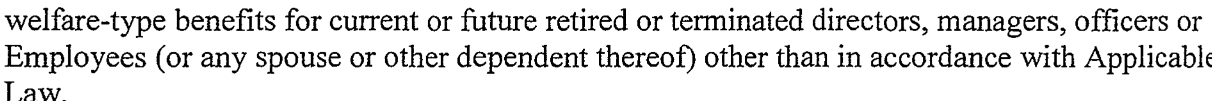
(vi) For each Employee Benefit Plan/Scheme maintained by an Acquired Subsidiary or with respect to which Purchaser Parent, US Purchaser or any Purchaser will be assuming liabilities, Graco has delivered to Purchaser Parent correct and complete copies of all plan governing documents and current employee booklets and all related trust agreements, insurance contracts, and other funding arrangements which implement each such Employee Benefit Plan/Scheme.

(vii) For each Employee Benefit Plan/Scheme maintained by an Acquired Subsidiary or with respect to which Purchaser Parent, US Purchaser or any Purchaser will be assuming liabilities, any Employee Benefit Plan/Scheme that is a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code is in full documentary and operational compliance with Section 409A of the Code.

(viii) For each Employee Benefit Plan/Scheme maintained by an Acquired Subsidiary or with respect to which Purchaser Parent, US Purchaser or any Purchaser will be assuming liabilities, no Employee Benefit Plan/Scheme is subject to Section 457A of the Code.

(b) Except as disclosed in Schedule 4.18(b), no Asset Selling Subsidiary (with respect to any Employee) nor any Acquired Subsidiary nor any Affiliate of any Asset Selling Subsidiary (with respect to any Employee) or any Acquired Subsidiary maintains, contributes to, has any obligation to contribute to, or has any Liability under or with respect to any defined benefit or superannuation plan or scheme or any plan sponsored by or affiliated with a collective bargaining unit. Except as disclosed in Schedule 4.18(b), with respect to any defined benefit or superannuation plan or scheme that any Asset Selling Subsidiary (with respect to any Employee) or Acquired Subsidiary maintains, to which any Asset Selling Subsidiary (with respect to any Employee) or Acquired Subsidiary contributes or has any obligation to contribute, or with respect to which any Asset Selling Subsidiary (with respect to any Employee) or Acquired Subsidiary has any Liability, the fair market value of the assets of such plan or scheme is at least equal to the present value of the Liability with respect to such plan or scheme, as determined in accordance with GAAP (or in accordance with comparable generally accepted standards in effect in the country in which such plan or scheme is located).

(c) No Asset Selling Subsidiary nor any Acquired Subsidiary maintains, contributes to or has any obligation to contribute to, or has any Liability with respect to, any Employee Benefit Plan/Scheme (excluding any Employee Benefit Plan/Scheme maintained by any Asset Selling Subsidiary with respect to which Purchaser Parent, US Purchaser or any Purchaser is not assuming liabilities) which provides medical, health, or life insurance or other



welfare-type benefits for current or future retired or terminated directors, managers, officers or Employees (or any spouse or other dependent thereof) other than in accordance with Applicable Law.

(d) Except as set forth in Schedule 4.18(d), the consummation of the transactions contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further act or events, including, without limitation, the termination of employment of any directors, managers, officers or Employees) result in (i) any payments or acceleration of any payments, (ii) any additional vesting, or (iii) any benefit accruals to or with respect to any current or former director, manager, officer or Employee.

(e) No Asset Selling Subsidiary or any Acquired Subsidiary has made any legally enforceable agreement to modify the terms, or not modify the terms, of any Employee Benefit Plan/Scheme, other than such changes or amendments as may be required by Applicable Law. No restriction on the ability of any Asset Selling Subsidiary or any Acquired Subsidiary to amend or terminate any Employee Benefit Plan/Scheme has been contractually assumed by any Asset Selling Subsidiary or Acquired Subsidiary that is not required to have been assumed by Applicable Law.

(f) Prior to Closing, Graco shall deliver to Purchaser Parent the material terms of any Employee Benefit Plan/Scheme maintained by the Asset Selling Subsidiaries in which Employees participated immediately prior to Closing and with respect to which Purchaser Parent, US Purchaser and Purchasers are not assuming any liabilities.

4.19. Books and Records. The Books and Records of the Liquid Finishing Business and the Acquired Subsidiaries are true and complete in all material respects.

4.20. Transactions with Related Parties. Except as set forth on Schedule 4.20, no director, manager, officer, employee, agent, equity holder, or Affiliate of any Asset Selling Subsidiary or any Acquired Subsidiary (or any individual related by blood, marriage, or adoption to any such Person or any entity in which any such Person owns any beneficial interest) (i) has any material interest in any material property (whether real, personal, or mixed and whether tangible or intangible), used in or relating to the Liquid Finishing Business or any material property (whether real, personal, or mixed and whether tangible or intangible) of any Acquired Subsidiary, except for any property constituting Excluded Assets; (ii) owns, of record or as a beneficial owner, any material equity interest or any other material financial or profit interest in any Person that (A) has any material business dealings, or a material financial interest in any transaction, with any Asset Selling Subsidiary relating to the Liquid Finishing Business or with any Acquired Subsidiary, or (B) engages in competition with the Liquid Finishing Business, except to the extent such competition relates to the operation of the Graco Liquid Finishing Business or the Powder Finishing Business; or (iii) is a party to any Contract with any Asset Selling Subsidiary (relating to the Liquid Finishing Business) or any Acquired Subsidiary, in each case involving amounts in excess of $500,000.00.

4.21. No Undisclosed Liabilities. Except for such Liabilities which would not have a Material Adverse Effect, no Asset Selling Subsidiary has any Liability relating to the Liquid Finishing Business and no Acquired Subsidiary has any Liability, except for (i) Liabilities

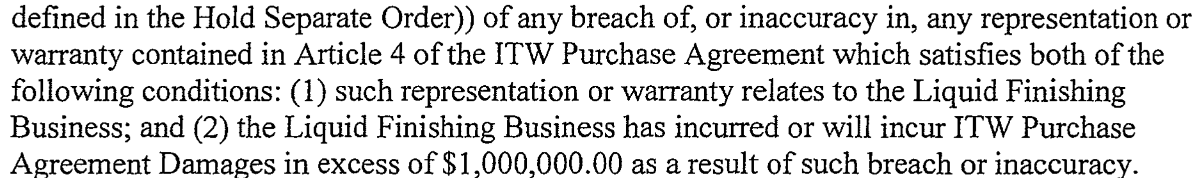
disclosed in Schedule 4.21 or on the balance sheet included in the Latest Financial Statements; (ii) Liabilities (other than Debt) arising or incurred in the ordinary course of business since the date of the Latest Financial Statements, consistent with the past practice; (iii) in the case of the Asset Selling Subsidiaries, Liabilities under Acquired Contracts that constitute Assumed Liabilities, and in the case of the Acquired Subsidiaries, Liabilities under Contracts entered into in the ordinary course of business consistent with past practice (none of which Liabilities results from, arises out of, or relates to any material breach thereof or default thereunder); and (iv) Liabilities incurred in connection with the transactions contemplated by this Agreement.

4.22. Major Customers and Suppliers. Schedule 4.22 contains a list of the ten (10) largest customers and the ten (10) largest suppliers of the Liquid Finishing Business for the year ended December 31, 2013, and includes the net sales or purchases by the Liquid Finishing Business attributable to each such customer or supplier for such period. No customer or supplier listed in Schedule 4.22, nor any other material customer or supplier of the Liquid Finishing Business, has cancelled or otherwise terminated (or, to Sellers' Knowledge, threatened to cancel or terminate) its relationship with the Liquid Finishing Business or notified any Asset Selling Subsidiary or any Acquired Subsidiary in writing of any potential material change to its arrangements with the Liquid Finishing Business. To Sellers' Knowledge, no customer or supplier listed in Schedule 4.22, nor any other material customer or supplier of the Liquid Finishing Business, intends to cease doing business with the Liquid Finishing Business or decrease the amount or nature of business it does with the Liquid Finishing Business in any material respect.

4.23. Product Warranties. Except as set forth on Schedule 4.23, each product manufactured, sold, leased or delivered by the Asset Selling Subsidiaries in connection with the Liquid Finishing Business or by the Acquired Subsidiaries was at all times when such actions occurred in material conformance with all applicable contractual obligations, including all applicable express and implied warranties. Except as set forth on Schedule 4.23, no Asset Selling Subsidiary nor any Acquired Subsidiary has any Liability for replacement or repair of any such products or other damages in connection therewith, subject only to the reserve for product warranty claims shown on the balance sheet included in the Latest Financial Statements. No Product is subject to any guarantee, warranty or other indemnity beyond the applicable terms and conditions of sale or lease for such Product.

4.24. Brokers or Agents. No Seller nor any Acquired Subsidiary has employed or dealt with any brokers, consultants or investment bankers in connection with the transactions contemplated hereby, other than brokers, consultants or investment bankers, the fees, commissions and expenses of which shall be payable by Sellers.

4.25. ITW Purchase Agreement. Schedule 4.25 contains a list of: (a) all claims for indemnification made by the Purchaser Group (as defined under the ITW Purchase Agreement) under Article 8 of the ITW Purchase Agreement which are pending or, to Sellers' Knowledge, threatened; and (b) all claims for indemnification made by the Seller Group (as defined under the ITW Purchase Agreement) under Article 8 of the ITW Purchase Agreement which are pending or, to Sellers' Knowledge, threatened. Other than in connection with a claim set forth on Schedule 4.25, neither Karen Park Gallivan nor Christian E. Rothe has actual knowledge (after making reasonable inquiry with the Hold Separate Trustee and the Hold Separate Managers (as



defined in the Hold Separate Order)) of any breach of, or inaccuracy in, any representation or warranty contained in Article 4 of the ITW Purchase Agreement which satisfies both of the following conditions: (1) such representation or warranty relates to the Liquid Finishing Business; and (2) the Liquid Finishing Business has incurred or will incur ITW Purchase Agreement Damages in excess of $1,000,000.00 as a result of such breach or inaccuracy.

4.26. Scope of Representations and Warranties of Graco and Graco US Finishing Brands. For the avoidance of doubt, the parties acknowledge and agree that it is their intent that the representations and warranties set forth in this Article 4 cover all of the operations of the Liquid Finishing Business (exclusive of the operations of the Stray Powder Business, where indicated) regardless of which Subsidiaries of Graco conduct the Liquid Finishing Business as of the date hereof or as of the Closing Date, and that references to Sellers and Acquired Subsidiaries in this Article 4 should be read broadly to include all Subsidiaries of Graco that engage in the Liquid Finishing Business or through which the Liquid Finishing Business is conducted or that own assets used in the Liquid Finishing Business.

4.27. No Additional Representations. Except for the representations and warranties set forth in this Agreement, none of the Sellers or any Acquired Subsidiary or any other Person acting on any such entity's behalf, makes any representation or warranty with respect to the Liquid Finishing Business. Graco (for itself and on behalf of its Affiliates) hereby disclaims any implied warranty, including, without limitation, any implied warranty of merchantability or fitness for a particular purpose. **EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, SELLERS MAKE NO REPRESENTATIONS OR WARRANTIES REGARDING PAST OR FUTURE FINANCIAL PERFORMANCE OF THE ACQUIRED ASSETS OR AS TO ANY FINANCIAL INFORMATION, INCLUDING BUT NOT LIMITED TO BALANCE SHEET OR PROFORMA FINANCIALS OR FINANCIAL PROJECTIONS MADE AVAILABLE TO PURCHASERS REGARDING THE ACQUIRED ASSETS.**

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF PURCHASER PARENT AND US PURCHASER

To induce Graco and Graco US Finishing Brands to enter into this Agreement, Purchaser Parent and US Purchaser jointly and severally represent and warrant as follows:

5.1. Authority; Consents.

(a) The execution, delivery and performance of this Agreement and the Ancillary Agreements by Purchasers, Purchaser Parent and US Purchaser (as applicable) and the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements have been duly authorized by all necessary organizational action on the part of Purchasers, Purchaser Parent and US Purchaser (as applicable) and do not and shall not (i) conflict with or violate any provision of the Articles of Incorporation, Bylaws or other organizational documents of any Purchaser, Purchaser Parent or US Purchaser, (ii) conflict with or result in a violation or breach of any provision of any Applicable Law to which any Purchaser, Purchaser Parent or US Purchaser or any of their respective assets may be subject; or (iii)

conflict with, result (with or without notice or the lapse of time, or both) in a default of, constitute a default under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, or impose any material penalty or material additional payment obligations under any material Contract to which any Purchaser, Purchaser Parent or US Purchaser is a party or by which it is bound or to which any of its assets is subject.

(b) Each of Purchasers, Purchaser Parent and US Purchaser (as applicable) has full power and authority to enter into this Agreement and the Ancillary Agreements to which it is or will be a party and to carry out the transactions contemplated hereby and thereby.

(c) This Agreement has been duly and validly executed and delivered by Purchaser Parent and US Purchaser and is, and each Ancillary Agreement contemplated hereby when executed and delivered by it shall be, the legal, valid and binding obligation of Purchasers, Purchaser Parent and US Purchaser (as applicable), enforceable in accordance with its respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, and by general equitable principles.

(d) Other than the consents, authorizations, orders, approvals and filings contemplated by or in connection with the FTC-Related Matters, and except as listed in Schedule 5.1(d), no material consent, authorization, order, or approval of or filing with any Governmental Authority or other Person is required in connection with the execution and delivery of this Agreement and the Ancillary Agreements by Purchasers, Purchaser Parent and US Purchaser and the consummation by Purchasers, Purchaser Parent and US Purchaser of the transactions contemplated by this Agreement and the Ancillary Agreements.

5.2. Organization and Qualification. Each of Purchaser Parent and US Purchaser is, and at Closing each other Purchaser will be, an entity lawfully existing and in good standing under the laws of the jurisdiction of its formation with full power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted. US Purchaser is an indirect wholly owned subsidiary of Purchaser Parent.

5.3. Financial Ability. At the Closing, Purchaser Parent will have sufficient funds to permit Purchasers, Purchaser Parent and US Purchaser to consummate the transactions contemplated by this Agreement, including payment of the Initial Purchase Price. Purchaser Parent's and US Purchaser's respective obligations under this Agreement are not subject to any conditions regarding Purchaser Parent's or US Purchaser's ability to obtain financing for the consummation of the transactions contemplated by this Agreement.

5.4. Brokers or Agents. None of any Purchaser, Purchaser Parent or US Purchaser has employed or dealt with any brokers, consultants or investment bankers in connection with the transactions contemplated hereby, other than brokers, consultants or investment bankers, the fees, commissions and expenses of which shall be payable by Purchasers, Purchaser Parent or US Purchaser.

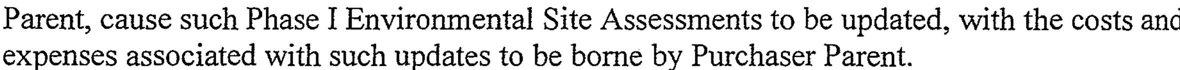
ARTICLE 6
COVENANTS

6.1. Pre-Closing Covenants. Except to the extent not permitted by the Final Order, the parties agree as follows with respect to the period prior to the Closing:

(a) General. Each of the parties shall use (and shall cause their respective Affiliates to use) its commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in Article 7); *provided, however*, that nothing in this Section 6.1(a) shall require any party (or any party's Affiliates) to commence or participate in litigation.

(b) Consents. Graco and Graco US Finishing Brands shall, and shall cause the Subsidiary Sellers and the Acquired Subsidiaries to, use commercially reasonable efforts to obtain all third-party consents necessary or desirable in connection with the consummation of the transactions contemplated by this Agreement.

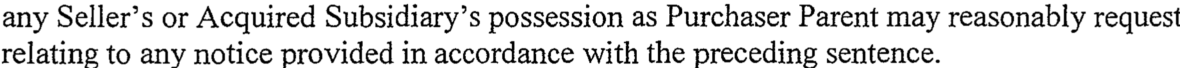
(c) Access. Graco and Graco US Finishing Brands shall in good faith work with the Hold Separate Trustee to provide Purchaser Parent and its representatives: (i) reasonable access to the Asset Selling Subsidiaries' and the Acquired Subsidiaries' respective employees, accountants, lenders, attorneys, insurers and other third-party representatives engaged with respect to the Liquid Finishing Business, (ii) reasonable access to the Asset Selling Subsidiaries' and the Acquired Subsidiaries' properties, Contracts, Books and Records, and other documents and information in each case relating to the Liquid Finishing Business; (iii) copies of all such Contracts, Books and Records, and other documents and information relating to the Liquid Finishing Business as they may reasonably request; and (iv) such additional financial, operating, and other data and information relating to the Liquid Finishing Business as they may reasonably request. Graco and Graco US Finishing Brands shall in good faith work with the Hold Separate Trustee to cooperate and assist, to the extent reasonably requested by Purchaser Parent and its representatives, with Purchaser Parent's investigation of the properties, assets, and financial condition of the Liquid Finishing Business. Purchaser Parent and US Purchaser acknowledge and agree that Graco's and its Affiliates' ability to provide Purchaser Parent and its representatives with information about the Liquid Finishing Business is in all respects subject to the limitations imposed by the FTC (including, but not limited to, the Final Order and the Hold Separate Trustee. Notwithstanding the foregoing or anything in this Agreement to the contrary, in no event shall Purchaser Parent or US Purchaser or any of their respective Affiliates or their respective representatives be entitled to conduct any Phase I Environmental Site Assessment or Phase II Environmental Site Assessment in respect of the Owned Real Property or the Leased Real Property, on or before the Closing Date without the written consent of Graco; *provided, however*, that Graco shall obtain from Graco's environmental consultants a reliance letter to allow Purchaser Parent and US Purchaser to rely upon any and all Phase I Environmental Site Assessments prepared by such environmental consultants in respect of the Owned Real Property and the Leased Real Property located in the United States, it being acknowledged and agreed that, if any such Phase I Environmental Site Assessments must be updated in order to allow Purchaser Parent and US Purchaser to rely on same, Graco shall, upon the request of Purchaser



Parent, cause such Phase I Environmental Site Assessments to be updated, with the costs and expenses associated with such updates to be borne by Purchaser Parent.

(d) Conduct of Liquid Finishing Business. To the extent that Graco and Graco US Finishing Brands have the ability to control any of the following in light of the limitations and requirements imposed by the FTC (including, but not limited to, the Final Order and the Hold Separate Trustee, Graco and Graco US Finishing Brands shall, and shall cause the Asset Selling Subsidiaries and the Acquired Subsidiaries to, do the following, and to the extent that that Graco and Graco US Finishing Brands do not have the ability to control any of the following in light of the limitations and requirements imposed by the FTC (including, but not limited to, the Final Order) and the Hold Separate Trustee, Graco and Graco US Finishing Brands shall work in good faith with the Hold Separate Trustee in an effort to cause the Hold Separate Trustee to do the following (*provided*, *however*, that, in any event, Graco and Graco US Finishing Brands shall be liable for any failure of the Liquid Finishing Business to be conducted in compliance with this Section 6.1(d)): (i) conduct the Liquid Finishing Business in the ordinary course and in substantially the same manner as the Liquid Finishing Business has been conducted since April 2, 2012, including maintaining in full force and effect all insurance policies applicable to the Liquid Finishing Business or the Acquired Subsidiaries or substantially equivalent replacements therefor; (ii) use their best efforts to preserve the current business organization of the Liquid Finishing Business, keep available the services of the Asset Selling Subsidiaries' and the Acquired Subsidiaries' current officers, employees (other than the Liquid Finishing Transferred Employees) and agents engaged in the Liquid Finishing Business, and maintain the relations and goodwill with all suppliers, customers, distributors, landlords, creditors, and other Persons having business relationships with the Liquid Finishing Business; and (iii) not enter into any Tax closing agreement, surrender any right to claim a refund of Taxes, waive any statute of limitations regarding any Tax, agree to any extension of time regarding the assessment of any Tax deficiency or take any other similar action relating to any Tax, if any of the foregoing would have the effect of increasing the Tax Liability of any Asset Selling Subsidiary (with respect to the Liquid Finishing Business or the Acquired Assets) or any Acquired Subsidiary for any period ending after the Closing Date or decreasing any Tax attribute of any Asset Selling Subsidiary (with respect to the Liquid Finishing Business or the Acquired Assets) or any Acquired Subsidiary.

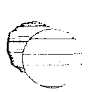
(e) Notice of Developments. Graco shall promptly notify Purchaser Parent in writing of any of the following about which Sellers have or obtain Knowledge: (i) any event, change, or development occurring after the date of this Agreement that would cause or constitute a breach of any representation or warranty made by Graco or Graco US Finishing Brands in this Agreement if such representation or warranty had been made after the time of such event, change, or development, and (ii) any material breach of any covenant or agreement made herein by Graco or Graco US Finishing Brands; *provided*, *however*, that, subject in all cases to the terms and conditions of Section 6.1(k), any such notice or any additional disclosure related thereto shall have no effect on the determination of the satisfaction of any conditions to the obligation of the other parties to consummate the transaction contemplated by this Agreement set forth in Article 7 or on the determination of the presence of a breach of any representation or warranty in this Agreement or any party's right to indemnification under this Agreement. Graco and Graco US Finishing Brands shall, and shall cause the Asset Selling Subsidiaries and the Acquired Subsidiaries to, promptly provide Purchaser Parent with such additional information in



any Seller's or Acquired Subsidiary's possession as Purchaser Parent may reasonably request relating to any notice provided in accordance with the preceding sentence.

(f) Exclusivity. Graco and Graco US Finishing Brands shall not, and shall not permit any Seller or Acquired Subsidiary or any representative of any Seller or any Acquired Subsidiary to, directly or indirectly: (i) solicit, initiate, seek, or encourage any inquiry, proposal or offer from any Person (other than Purchaser Parent, US Purchaser and Purchasers) relating to any transaction involving the sale of the Liquid Finishing Business or any assets relating to the Liquid Finishing Business (other than sales of inventory and the disposal of obsolete equipment in the ordinary course of business) or any of the ownership interests of any Acquired Subsidiary, whether by merger, tender offer, purchase, share exchange, joint venture, business combination, or otherwise (such inquiry, proposal or offer being an "*Acquisition Proposal*"); (ii) participate in any discussions or negotiations or enter into any agreement with, or provide any non-public information to, any Person (other than Purchaser Parent, US Purchaser and Purchasers) relating to or in connection with an Acquisition Proposal; (iii) consider, entertain or accept any Acquisition Proposal from any Person (other than Purchaser Parent, US Purchaser and Purchasers); or (iv) take any other action that would reasonably be expected to prevent, impede or delay the consummation of the transactions contemplated by this Agreement. Graco shall promptly notify Purchaser Parent in writing of any Acquisition Proposal.

(g) Competition Approvals. In connection with the transactions contemplated by this Agreement, after the date hereof, Graco shall submit to the FTC an application for approval of divestiture (the "*Application for Approval of Divestiture*") pursuant to Section 2.41(f) of the FTC's Rules of Practice and Procedure, 16 C.F.R. § 241, and the Final Order. Notwithstanding anything to the contrary contained in this Agreement, Graco shall be entitled to provide copies of this Agreement, the Disclosure Schedules and all Ancillary Agreements to the FTC in connection with Graco's submission of the Application for Approval of Divestiture. Purchaser Parent and US Purchaser shall, and shall cause their respective Affiliates to, provide to Graco all information reasonably requested by Graco and its Affiliates to enable Graco to timely prepare and submit the Application for Approval of Divestiture; *provided*, *however*, that Purchaser Parent and US Purchaser shall not be required to provide Graco with any business plan for the Liquid Finishing Business or any other business of Purchaser Parent and US Purchaser and their respective Affiliates or other competitively sensitive information and that Purchaser Parent and US Purchaser may designate information as Confidential – Outside Counsel Only, in which event Purchaser Parent and US Purchaser may provide such Confidential – Outside Counsel Only information to Graco's outside counsel, who shall not share it with any Person except the FTC. Purchaser Parent and US Purchaser further covenant and agree that, in connection with Graco's submission of the Application for Approval of Divestiture and the FTC's consideration of the transactions contemplated by this Agreement and the Ancillary Agreements, Purchaser Parent and US Purchaser shall, and shall cause their respective Affiliates to, submit to the FTC any information required or requested by the FTC to be submitted by Purchaser Parent or US Purchaser or any of their respective Affiliates. Without limiting the foregoing, the parties shall, and shall cause their respective Affiliates to, comply with any requests for information, including requests for production of documents and production of witnesses for interviews or depositions, by the FTC and any other U.S. or non-U.S. antitrust authority. Purchaser Parent and US Purchaser, on the one hand, and Graco and Graco US Finishing Brands, on the other hand, shall cooperate with each other and use their respective



reasonable best efforts to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any Governmental Authority in order to satisfy the conditions in Article 7 and to consummate the transactions contemplated by this Agreement; *provided, however*, that, notwithstanding anything to the contrary in this Agreement, none of Purchaser Parent or US Purchaser nor any of their respective Subsidiaries shall be required to agree to any divestitures, licenses, hold separate arrangements or similar matters (including agreeing to any limitations on the ability of any Purchaser, Purchaser Parent, US Purchaser or any of their Affiliates to acquire, hold, or exercise full rights of ownership of the Liquid Finishing Business and the Acquired Assets) in order to obtain approval of the transactions contemplated by this Agreement under applicable competition laws; and *provided further* that nothing in this Section 6.1(g) shall require any party to commence or participate in litigation. Graco and Graco US Finishing Brands (i) shall, and shall cause its Affiliates to provide to Purchaser Parent all information reasonably requested by Purchaser Parent to enable Purchaser Parent to timely prepare and make any submissions required to be made with any Governmental Authority, and (ii) shall in good faith work with the Hold Separate Trustee to cooperate and assist, to the extent reasonably requested by Purchaser Parent and its representatives, to provide to Purchaser Parent all information reasonably requested by Purchaser Parent to enable Purchaser Parent to timely prepare and make any submissions required to be made with any Governmental Authority; *provided, however*, that Graco shall not be required to provide Purchaser Parent with any business plan for any business of Graco and its Affiliates or other competitively sensitive information and that Graco may designate information as Confidential – Outside Counsel Only, in which event Graco may provide such Confidential – Outside Counsel Only information to Purchaser Parent's outside counsel, who shall not share it with any Person except the FTC. Each party, to the extent permitted by Applicable Law and the appropriate Governmental Authority, shall promptly notify the other parties of any written communication to that party from any Governmental Authority relating to antitrust or competition laws in connection with the transactions contemplated by this Agreement and, subject to Applicable Law, shall cooperate with the other parties in connection with all matters contemplated by this Section 6.1(g); *provided, however*, that information shared among the parties in the course of such cooperation shall be subject to a confidentiality or joint defense agreement mutually agreed upon by the parties.

(h) Damages to Acquired Assets. To the extent Graco or any of its Affiliates has in force any policies of insurance insuring any of the Acquired Assets or any properties or assets of any Acquired Subsidiary, any proceeds of any insurance payable in respect of any event that occurs from and after the date of this Agreement and before the Closing shall be received by Graco, or the relevant Affiliate, in trust for the applicable Purchaser and, to the extent the damage to the properties or assets to which the proceeds pertain has not been repaired or restored prior to the Closing, such proceeds shall be paid over to such Purchaser at the Closing or, if no proceeds have been received before the Closing, Graco shall assign or cause its Affiliates to assign any of their claims thereto to such Purchaser at the Closing. In addition to paying over or assigning to the applicable Purchaser proceeds of any policy of property and casualty insurance as provided above, Graco shall pay and shall cause it Affiliates to pay to such Purchaser at the Closing any related deductible amount provided under any such policy of insurance, *provided* that Purchasers shall in no event be entitled to receive any payments from Graco or any Affiliate of Graco pursuant to this Section 6.1(h) in excess of the economic value of such damaged properties or assets. Nothing in this Section 6.1(h) limits the conditions set forth in Section 7.1.

(i) Intercompany Accounts. On or before the Closing Date, Graco shall cause Sellers to settle all Intra-Liquid Finishing Business Intercompany Accounts Receivable and Intra-Liquid Finishing Business Intercompany Accounts Payable. For the avoidance of doubt, Net Working Capital shall be determined without giving effect to any Intra-Liquid Finishing Business Intercompany Accounts Receivable or Intra-Liquid Finishing Business Intercompany Accounts Payable or the cancellation thereof. Graco shall not be required to (but may), and shall not be required to cause any Seller to (but may), settle any Extra-Liquid Finishing Business Intercompany Accounts Receivable or Extra-Liquid Finishing Business Intercompany Accounts Payable on or before the Closing Date. For the avoidance of doubt, Net Working Capital shall be determined by giving effect to all Extra-Liquid Finishing Business Intercompany Accounts Receivable and Extra-Liquid Finishing Business Intercompany Accounts Payable which have not been settled on or before the Closing Date.

(j) Non-U.S. Subsidiary Purchases.

(i) Graco will (at its sole cost and expense) cause the organization structure of its Subsidiaries involved in the Liquid Finishing Business (i.e., the Asset Selling Subsidiaries and the Acquired Subsidiaries) and the ownership of the Acquired Assets, immediately prior to the Closing, to be as set forth on Schedule 6.1(j)(i).

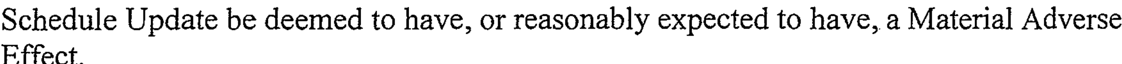
(ii) As soon as reasonably practicable following the date hereof, (1) Purchaser Parent will notify Graco of the identity of each Subsidiary of Purchaser Parent that will execute a Non-U.S. Subsidiary Purchase Agreement. Graco shall, and shall cause the Subsidiary Sellers to, duly execute and deliver, and Purchaser Parent shall, and shall cause its applicable Subsidiaries (whether existing as of the date hereof or formed after the date hereof) to, duly execute and deliver, the Non-U.S. Subsidiary Purchase Agreements at Closing, or in the case of Graco China Finishing Brands, as soon as reasonably practicable following the date hereof to facilitate the government approval necessary to transfer the shares of Graco China Finishing Brands. Each Subsidiary of Purchaser Parent that executes a Non-U.S. Subsidiary Purchase Agreement shall be deemed to be a Purchaser for all purposes under this Agreement (including for purposes of the representations and warranties set forth in Article 5), and, if such Subsidiary is formed after the date hereof, such Subsidiary shall nonetheless be deemed to be and shall be a Purchaser for all purposes under this Agreement as if such Subsidiary existed as of the date hereof.

(k) Disclosure Schedules; Supplemental Disclosure.

(i) With respect to the disclosure schedules of Sellers referenced herein as "Disclosure Schedules": (i) the inclusion of any information in any Disclosure Schedule shall not be deemed to be an admission of any liability or obligation of the Sellers or any Acquired Subsidiary to any third Person, or an admission against the interest of the Liquid Finishing Business, the Sellers or any Acquired Subsidiary to any third Person; (ii) no disclosure in the Disclosure Schedules relating to any possible breach or violation of any contract, laws or order shall be construed as an admission or indication that any such breach or violation exists or has actually occurred; (iii) the contents of all documents and written contracts referred to in the Disclosure Schedules

are incorporated by reference into the Disclosure Schedules as though fully set forth therein, if (and only if) Graco has provided or made available true, correct, and complete (in all material respects) copies of such documents and contracts (except those listed on Schedule 4.10(b)) to Purchaser Parent or its representatives prior to the date of this Agreement (or, in the event of a Disclosure Schedule Update described in Section 6.1(k)(ii) or an update, supplement or amendment described in Section 6.1(k)(iii) below, concurrently with the delivery thereof); (iv) to the extent an item is disclosed therein with respect to a particular Section (or sub-section) of this Agreement, the applicable portions of such Section (or sub-section) herein shall be deemed to be modified by such disclosure, regardless of whether such Section (or sub-section) specifically refers to a Disclosure Schedule; (v) disclosure of any fact or item in any Disclosure Schedule shall not necessarily mean that such fact or item is material to the Liquid Finishing Business; and (vi) any item or matter disclosed on any Disclosure Schedule shall be deemed to be disclosed for all purposes on all other Disclosure Schedules to the extent the applicability of such item or matter is reasonably apparent on the face of such disclosure.

(ii) At any time and from time to time prior to the Closing, Graco and Graco US Finishing Brands shall be entitled to: (x) update, supplement and amend any Incomplete Disclosure Schedule to correct or complete any information that, as of the date hereof, is inaccurate or incomplete in light of the disclosures called for by the representations and warranties contained in this Agreement; and (y) update, supplement and amend the Disclosure Schedules to include one or more new schedules in the Disclosure Schedules to modify any Unqualified Representation that, as of the date hereof, is inaccurate or incomplete (each such update, supplement or amendment described in the foregoing clauses (x) and (y) being a "*Disclosure Schedule Update*"). Each Disclosure Schedule Update shall be deemed to update, supplement and amend the Disclosure Schedule(s) to which each such Disclosure Schedule Update relates (and, for the avoidance of doubt, in the case of a Disclosure Schedule Update made pursuant to clause (y) above, shall also be deemed to add a new schedule to the Disclosure Schedules) for all purposes of this Agreement (including, but not limited to, for purposes of satisfying the conditions to Closing set forth in Section 7.1), and any and all Disclosure Schedule Updates shall be deemed to cure any breach of or inaccuracy in the representations and warranties made by Graco or Graco US Finishing Brands that are subject to or qualified by such Disclosure Schedule Updates, but only to the extent of the information included in such Disclosure Schedule Updates. Accordingly, notwithstanding anything to the contrary contained in this Agreement: (A) in no event shall any Purchaser or member of the Purchaser Group be entitled to seek indemnification under Article 8 for any Damages arising out of any event, circumstance or change that first arose prior to the execution and delivery of this Agreement to the extent such event, circumstance or change is disclosed in the Disclosure Schedules, taking into account all Disclosure Schedule Updates; (B) in no event shall Purchaser Parent or any Purchaser be entitled to terminate this Agreement due to any update, supplement or amendment contained in a Disclosure Schedule Update, any breach of or inaccuracy in any representation or warranty made by Graco or Graco US Finishing Brands in this Agreement that is subject to or qualified by one or more Incomplete Disclosure Schedules, or any breach of or inaccuracy in any Unqualified Representations; and (C) in no event shall any update, supplement or amendment contained in a Disclosure

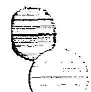


Schedule Update be deemed to have, or reasonably expected to have, a Material Adverse Effect.

(iii) Graco shall give prompt notice to Purchaser Parent in writing of (x) any event which would reasonably be expected to cause any representation or warranty that is subject to or qualified by a Completed Disclosure Schedule to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing Date or that will result in the failure to satisfy any of the conditions specified in Article 7, and (y) any event, circumstance or change that first arises after the execution and delivery of this Agreement that will result in the failure to satisfy any of the conditions specified in Article 7. From the date hereof until the Closing, Graco and Graco US Finishing Brands may update or supplement the Disclosure Schedules to account for any event, circumstance or change that first arises after the execution and delivery of this Agreement that would make any representation or warranty in this Agreement inaccurate if such representation or warranty were given at Closing; *provided, however*, that the delivery of an updated, supplemented or amended Disclosure Schedule pursuant to this Section 6.1(k)(iii) shall not constitute a failure by Sellers to satisfy the condition to Purchasers' obligations to consummate the Closing set forth in Section 7.1; *provided, further*, that, notwithstanding anything to the contrary set forth in this Agreement, no such update, supplement or amendment described in this Section 6.1(k)(iii) shall affect or in any way limit Purchasers', Purchaser Parent's or the Purchaser Group's right to indemnification under Article 8 or the determination of the presence of a breach of any representation or warranty made on the Closing Date for purposes of Article 8. Purchaser Parent's and the Purchaser Group's sole remedy for any Damages uncovered by any updated, supplemented or amended Disclosure Schedule pursuant to this Section 6.1(k)(iii) shall be the Purchaser Group's right to indemnification under Article 8 (if indemnification is available therefor).

(iv) From the date of execution of this Agreement and prior to Closing, in the event that any patents, patent applications, trademarks and/or trademark applications are listed on Schedule 4.10(b) due to Sellers' questions related to ownership, transferability or maintenance, Graco shall cause Sellers to use their best efforts to confirm in good faith ownership, transferability or maintenance of such patents, patent applications, trademarks and/or trademark applications, and if applicable, move such patents, patent applications, trademarks and/or trademark applications to Schedule 1.2(a), Schedule 1.3 or Schedule 1.4, as applicable.

(l) Public Announcements. Except as otherwise provided in Section 6.1(g) or 9.9, the timing and content of all announcements regarding any aspect of this Agreement or the transactions contemplated hereby to the financial community, government agencies, employees or the general public shall be mutually agreed upon in advance by Graco and Purchaser Parent; *provided* that each party may make any such announcement which it in good faith believes, based on advice of counsel, is required by law. Notwithstanding the foregoing, each party shall use its reasonable best efforts to consult with and agree on the language of any announcement with the other party prior to any such announcement to the extent practicable, and shall in any event promptly provide the other party with copies of any such announcement.



(m) Assumption of Contracts. Notwithstanding anything otherwise set forth herein, Purchasers' rights under Contracts of the Liquid Finishing Business, including the Scheduled Contracts, the Acquired ITW Ancillary Agreements and any Acquired Contracts assumed hereunder, are assumed subject to the rights of third parties to the extent such third parties have contractual rights that require prior approval or consent in connection with the transfer or assignment of the Contracts pursuant to the terms of any such Contracts. In the event that any such consent, approval or waiver shall not have been obtained prior to the Closing Date, and thereafter if any other party to a contract objects to the transfer of an Acquired Contract as a breach of such Contract, then as of the Closing, this Agreement, to the extent permitted by Applicable Law and such Contract, shall constitute full and equitable assignment by Sellers to Purchasers of all of Sellers' right, title and interest in, to and under such assumed contracts (*provided*, *however*, that, except as otherwise expressly set forth in Article 4, Graco and Graco US Finishing Brands make no representation or warranty with respect to the transfer or assignability of any such contract). Upon request, Graco shall, and shall cause Sellers to, use commercially reasonable efforts to assist Purchasers in obtaining consents or approvals from third parties as may be necessary to complete any transfer of any such contract. To the extent that any such requested consents and waivers are not obtained, (i) until the impediments to any such assignment are resolved, Graco shall, and shall cause Sellers to, use commercially reasonable efforts to (a) provide to Purchasers the benefits of any such contract, (b) hold all monies and other consideration received by Sellers thereunder on and after the Closing Date in trust for the account of Purchasers, (c) remit such money or other consideration to Purchasers reasonably promptly and (d) enforce, at the request of and for the account of Purchasers, at Purchasers' sole expense, any rights of Sellers arising from any such contract against any third Person. From and after the Closing Date, Sellers authorize Purchasers to receive all the benefits of Sellers under any such contracts, and appoint Purchasers their attorney-in-fact to act in its name on its behalf with respect thereto. The provisions of this Section 6.1(m) shall not limit, modify or otherwise affect any representation or warranty of Graco or Graco US Finishing Brands under this Agreement.

(n) Gema Separation Transactions. The parties acknowledge that: (i) as of the date hereof, certain assets and employees relating to, used in or arising out of the Powder Finishing Business, in addition to the Liquid Finishing Transferred Employees, are owned or employed by, or reside within, the Gema Separation Acquired Subsidiaries (all of such assets (including inventory) and employees, including the Liquid Finishing Transferred Employees, but excluding the Retained Powder Assets, being the "*Trapped Gema Assets and Employees*"); and (ii) it is the parties' intention that the Gema Separation Acquired Subsidiaries consummate various transactions (such transactions being, as to each Gema Separation Acquired Subsidiary and the Trapped Gema Assets and Employees owned or employed by, or residing within, each such Gema Separation Acquired Subsidiary, a "*Gema Separation Transaction*" and, collectively, the "*Gema Separation Transactions*") with one or more Affiliates of Graco (which are not Acquired Subsidiaries or Asset Selling Subsidiaries) pursuant to which all of the Gema Separation Acquired Subsidiaries' Trapped Gema Assets and Employees become owned or employed by, and become resident within, such Affiliates of Graco. Graco and Purchaser Parent shall use their commercially reasonable efforts to negotiate the terms of such Contracts as are necessary or advisable in order to consummate the Gema Separation Transactions, and to cause the Gema Separation Transactions to be consummated on or before the Closing Date pursuant to such Contracts.

6.2. Post-Closing Covenants. The parties agree as follows with respect to the period from and after the Closing:

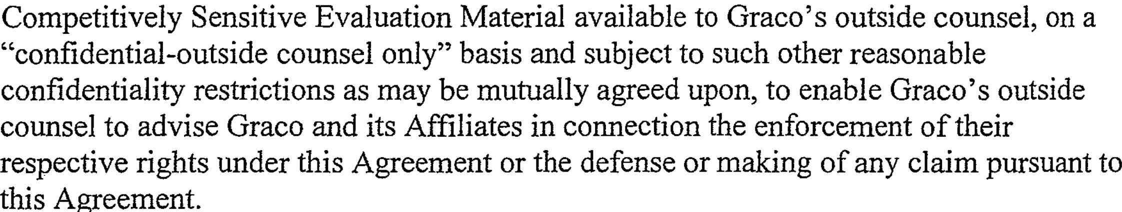
(a) Litigation Support. In the event and for so long as any party is actively contesting or defending against any action, suit, proceeding, hearing, investigation, audit, charge, complaint, claim, or demand in connection with (i) any transaction contemplated by this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving any Seller or any Acquired Subsidiary, each of the parties shall cooperate in the contest or defense, make available their personnel, and provide such testimony and access to their books and records as may be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending party (unless the contesting or defending party is entitled to indemnification therefor under this Agreement).

(b) Access and Information. After the Closing, Purchaser Parent and US Purchaser shall make available and shall cause the Liquid Finishing Business to make available to Graco and its accountants, agents and representatives, at reasonable times and upon prior written request, any and all books, records, contracts and other information of the Liquid Finishing Business existing at the Closing to the extent reasonably requested by Sellers for tax or accounting purposes. Purchaser Parent and US Purchaser will cause the Liquid Finishing Business to hold all material books and records of the Liquid Finishing Business on the Closing Date and will retain and not destroy such records in accordance with Purchaser Parent's standard record retention policy.

(c) Financial Reporting. Within six (6) days following the Closing Date, Purchaser Parent shall provide to Graco the normal quarter and/or month end balance sheet and other financial information of the type that the Liquid Finishing Business provided to Graco via its financial reporting system for past reporting periods, covering the period ending as of the Closing Date.

(d) Confidentiality.

(i) Purchasers, Purchaser Parent and US Purchaser acknowledge that the information provided to them in connection with this Agreement and the transactions contemplated hereby is subject to the terms of the Nondisclosure Agreement, dated June 28, 2012, between Purchaser Parent and Graco. Effective upon Closing, such confidentiality agreement shall terminate. Purchasers, Purchaser Parent and US Purchaser further acknowledge and agree that Graco's outside counsel, Lindquist & Vennum LLP and Covington and Burling LLP, have each entered into Confidentiality Agreements with the Hold Separate Business (as defined in the Hold Separate Order), which Confidentiality Agreements, among other things, limit or prohibit the disclosure of "Competitively Sensitive Evaluation Material" (in each case, as defined in such Confidentiality Agreements) to Graco and its Affiliates and require Lindquist & Vennum LLP and Covington and Burling LLP to return such Competitively Sensitive Evaluation Material to the Hold Separate Managers (as defined in the Hold Separate Order) upon consummation of the transactions contemplated by this Agreement. After the Closing, Purchasers, Purchaser Parent and US Purchaser shall, upon request, make such


Competitively Sensitive Evaluation Material available to Graco's outside counsel, on a "confidential-outside counsel only" basis and subject to such other reasonable confidentiality restrictions as may be mutually agreed upon, to enable Graco's outside counsel to advise Graco and its Affiliates in connection the enforcement of their respective rights under this Agreement or the defense or making of any claim pursuant to this Agreement.

(ii) Graco shall, and shall cause Sellers and Graco's others Affiliates to, for a period of five (5) years from the Closing Date, treat and hold as confidential all, and not disclose any, of the Confidential Information or the Carlisle Confidential Information and refrain from using any of the Confidential Information or the Carlisle Confidential Information except, in each case, only with respect the Confidential Information, but not the Carlisle Confidential Information: (A) in connection with performance of Sellers' obligations under this Agreement or (B) as is otherwise necessary for Tax reporting purposes, statutory accounting purposes or to enforce Sellers' rights under this Agreement. In the event that any Seller or other Affiliate of Graco is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information or Carlisle Confidential Information, Graco shall notify Purchaser Parent promptly of the request or requirement so that Purchasers may seek an appropriate protective order or waive compliance with the provisions of this Section. If, in the absence of a protective order or a duly given waiver by Purchaser Parent, such Seller or other Affiliate of Graco is, on the advice of counsel, compelled to disclose any Confidential Information or Carlisle Confidential Information to any tribunal or else stand liable for contempt, such Seller or other Affiliate of Graco may disclose such Confidential Information or Carlisle Confidential Information to the tribunal; *provided, however*, that Graco shall cause the disclosing Seller or Affiliate to use its reasonable best efforts to obtain, at the request of Purchaser Parent, an order or other assurance that confidential treatment shall be accorded to the Confidential Information or Carlisle Confidential Information required to be disclosed.

(iii) Purchaser Parent and US Purchaser shall, and shall cause Purchasers, the Acquired Subsidiaries and Purchaser Parent's and US Purchaser's other Affiliates to, for a period of five (5) years from the Closing Date, treat and hold as confidential all, and not disclose any, of the Graco Confidential Information and refrain from using any of the Graco Confidential Information for any purpose whatsoever except as is otherwise necessary for Tax reporting purposes, statutory accounting purposes or to enforce Purchasers' rights under this Agreement. With respect to the foregoing, Purchaser Parent and US Purchaser have been informed by Graco that the Liquid Finishing Business is in possession of certain Graco Confidential Information related to Powder Finishing Business customers, as to which Purchaser Parent and US Purchaser hereby agree to limit access during such five-year period to those personnel of Purchaser Parent and its Affiliates in finance or tax-related positions, to be used by such persons only for the purpose of enabling Purchaser Parent and its Affiliates to comply with requirements of Applicable Laws after the Closing. In addition, Graco has informed Purchaser Parent and US Purchaser that certain Employees may be aware of information concerning the Powder Finishing Business due to the integration of portions of the Liquid

Finishing Business with the Powder Finishing Business prior to the consummation of the transactions contemplated by the ITW Purchase Agreement (which information, for the avoidance of doubt, constitutes Graco Confidential Information); in connection therewith, Purchaser Parent and US Purchaser hereby agree to cause the Liquid Finishing Business not to exploit intentionally such information (A) for the commercial benefit of the Liquid Finishing Business or, (B) in connection with the discharge of any such Employee's duties as an employee of the Liquid Finishing Business, to the commercial detriment of the Powder Finishing Business, in each case, during such five-year period, and Graco agrees that the awareness of such information by such Employees (without any intentional exploitation of such information in violation of the foregoing terms and conditions) shall not prevent, in any manner, the Liquid Finishing Business from competing with the Powder Finishing Business after the 18-month anniversary of the Closing. In the event that any Purchaser, Acquired Subsidiary or other Affiliate of Purchaser Parent or US Purchaser is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Graco Confidential Information, Purchaser Parent shall notify Graco promptly of the request or requirement so that Sellers may seek an appropriate protective order or waive compliance with the provisions of this Section. If, in the absence of a protective order or a duly given waiver by Graco, such Purchaser, Acquired Subsidiary or other Affiliate of Purchaser Parent or US Purchaser is, on the advice of counsel, compelled to disclose any Graco Confidential Information to any tribunal or else stand liable for contempt, such Purchaser, Acquired Subsidiary or other Affiliate of Purchaser Parent or US Purchaser may disclose such Graco Confidential Information to the tribunal; *provided, however*, that Purchaser Parent shall cause the disclosing Purchaser, Acquired Subsidiary or Affiliate to use its reasonable best efforts to obtain, at the request of Graco, an order or other assurance that confidential treatment shall be accorded to the Graco Confidential Information required to be disclosed.

(e) Non-Solicitation/Hiring of Liquid Finishing Business Employees.

(i) To further ensure that Purchasers, Purchaser Parent and US Purchaser receive the expected benefits of acquiring the Liquid Finishing Business, Graco agrees that, throughout the period that begins on the Closing Date and ends on the fourth (4th) anniversary of the Closing Date, Graco will not, and will cause each of its Affiliates not to, directly or indirectly, knowingly employ, attempt to employ, or solicit for employment any individual who on the Closing Date is an Employee (other than Liquid Finishing Transferred Employees) or otherwise interfere with or disrupt the employment relationship (contractual or other) of any such Employee with any Purchaser or any Affiliate of any Purchaser; *provided, however*, that nothing herein prohibits any Seller or any Affiliate of any Seller from any (A) solicitation for employment or hiring of any Liquid Finishing Transferred Employees or (B) general solicitation for employment (including in any newspaper or magazine, over the internet or by any search or employment agency) if not specifically directed towards any Employee.

(ii) Graco, for itself and on behalf of Sellers, acknowledges and agrees that (1) this Section 6.2(e) is reasonable and necessary to ensure that Purchaser Parent,

US Purchaser and Purchasers receive the expected benefits of acquiring the Liquid Finishing Business, (2) Purchaser Parent and US Purchaser have refused to enter into this Agreement in the absence of this Section 6.2(e) and (3) breach of this Section 6.2(e) will harm Purchaser Parent, US Purchaser and Purchasers to such an extent that monetary damages alone would be an inadequate remedy and Purchaser Parent, US Purchaser and Purchasers would not have an adequate remedy at law. Therefore, in the event of a breach by any Seller of this Section 6.2(e), Purchaser Parent, US Purchaser and Purchasers (in addition to all other remedies they may have) will be entitled to seek an injunction and other equitable relief (without posting any bond or other security) restraining such Seller from committing or continuing such breach and to enforce specifically this Agreement and its terms.

(f) Powder Finishing Business Non-Solicitation.

(i) Purchaser Parent and US Purchaser agree that, throughout the period that begins on the Closing Date and ends on the eighteen (18) month anniversary of the Closing Date, Purchaser Parent and US Purchaser will not, and will cause each of their respective Affiliates (including, but not limited to, the Acquired Subsidiaries) not to, directly or indirectly, sell or offer to sell to any Existing Powder Finishing Business Customer, or otherwise solicit any Existing Powder Finishing Business Customer for the sale to any such Existing Powder Finishing Business Customer of, any product (a "*Competitive Powder Finishing Product*" and, collectively, "*Competitive Powder Finishing Products*") that is competitive with any product offered by the Powder Finishing Business; *provided, however*, that, during such 18-month period, nothing in this Section 6.2(f)(i) shall prohibit Purchaser Parent, US Purchaser or any of their respective Affiliates from selling or offering to sell DeVilbiss Powder Finishing Products to any Person within the DeVilbiss Powder Finishing Products Field of Use, including any Existing Powder Finishing Business Customer within the DeVilbiss Powder Finishing Products Field of Use; and, *provided, further*, that, during such 18-month period, nothing in this Section 6.2(f)(i) shall prohibit Purchaser Parent, US Purchaser or any of their respective Affiliates from selling or offering to sell any Ransburg Powder Finishing Products to any Person within the Ransburg Powder Finishing Products Field of Use, including any Existing Powder Finishing Business Customer within the Ransburg Powder Finishing Products Field of Use. In addition, notwithstanding the foregoing terms and conditions of this Section 6.2(f)(i), in the event that, following the Closing, Purchaser Parent, US Purchaser or any Affiliate of Purchaser Parent or US Purchaser acquires a business that manufactures and sells Competitive Powder Finishing Products and an Existing Powder Finishing Business Customer is a customer of such business as of the date of such acquisition, Purchaser Parent, US Purchaser or any such Affiliate of Purchaser Parent or US Purchaser (through such acquired business) shall be entitled to continue to sell such Competitive Powder Finishing Products to such Existing Powder Finishing Business Customers. In the event of a breach of the covenants contained in this Section 6.2(f)(i) as determined by a court of competent jurisdiction, the duration of the covenants contained in this Section 6.2(f)(i) shall be extended by a period of time equal to the period of the duration of such breach. For the avoidance of doubt, Graco acknowledges and agrees that, after the 18-month anniversary of the Closing Date (as such date may be extended in accordance with the immediately-preceding sentence), the

restrictions and limitations contained in this Section 6.2(f)(i) shall no longer be of any force or effect, and Purchaser Parent, US Purchaser and their respective Affiliates (including, after the Closing, the Liquid Finishing Business) shall be permitted, directly and indirectly, to sell or offer to sell to any Existing Powder Finishing Business Customer, and otherwise to solicit any Existing Powder Finishing Business Customer for the sale to any such Existing Powder Finishing Business Customer of, any Competitive Powder Finishing Product or Competitive Powder Finishing Products.

(ii) Purchaser Parent and US Purchaser further agree that, throughout the period that begins on the Closing Date and ends on the fourth (4th) anniversary of the Closing Date, Purchaser Parent and US Purchaser will not, and will cause each of their respective Affiliates not to, directly or indirectly, knowingly employ, attempt to employ, or solicit for employment any individual, other than any Employee, who on the Closing Date is an employee of Graco or any Affiliate of Graco, or otherwise interfere with or disrupt the employment relationship (contractual or other) of any such employee with any Seller or any Affiliate of any Seller; *provided*, *however*, that nothing herein prohibits Purchaser Parent, US Purchaser or any of their respective Affiliates from any general solicitation for employment (including in any newspaper or magazine, over the internet or by any search or employment agency) if not specifically directed towards any such employee.

(iii) Purchaser Parent and US Purchaser, for themselves and on behalf of Purchasers, acknowledges and agrees that (1) Graco and Graco US Finishing Brands have refused to enter into this Agreement in the absence of this Section 6.2(f) and (2) a breach of this Section 6.2(f) will harm Graco, Graco US Finishing Brands and their Affiliates to such an extent that monetary damages alone would be an inadequate remedy and Graco and Graco US Finishing Brands would not have an adequate remedy at law. Therefore, in the event of a breach by any Purchaser of this Section 6.2(f), Graco and Graco US Finishing Brands (in addition to all other remedies they may have) will be entitled to seek an injunction and other equitable relief (without posting any bond or other security) restraining such Purchaser (and such Purchaser's Affiliates) from committing or continuing such breach and to enforce specifically this Agreement and its terms.

(g) Covenants Not to Sue.

(i) From and after, and conditioned upon, the Closing, Graco, on behalf of itself and its Affiliates (whether or not presently existing, and including Sellers): (A) covenants not to sue Purchasers, Purchaser Parent, US Purchaser and their respective Affiliates (whether or not presently existing), integrators, distributors, licensees, manufacturers and customers, on the grounds that the research, development, manufacture, use, importation, exportation, distribution, offer to sell or sale, prior to the Closing Date (1) of any Historical Liquid Finishing Products, (2) of any Historical DeVilbiss Powder Finishing Products, or (3) of any Historical Ransburg Powder Finishing Products, infringes any Acquired ITW Intellectual Property that is not Business Intellectual Property; (B) covenants not to sue Purchasers, Purchaser Parent, US Purchaser and their respective Affiliates (whether or not presently existing), integrators, distributors, licensees, manufacturers and customers, on the grounds that the research,

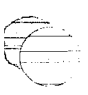
development, manufacture, use, importation, exportation, distribution, offer to sell or sale, after the Closing Date (1) of any Historical Liquid Finishing Products anywhere in the world, (2) of any Historical DeVilbiss Powder Finishing Products anywhere in South America, or (3) of any Historical Ransburg Powder Finishing Products in the transportation and related supply chain markets, infringes any Acquired ITW Intellectual Property that is not Business Intellectual Property; and (C) covenants not to seek to challenge or invalidate any of the Business Intellectual Property in a civil action or administrative proceeding. For purposes hereof, "*Acquired ITW Intellectual Property*" means any and all Intellectual Property that was acquired by Graco and its Affiliates from ITW Parent and its Affiliates in connection with the transactions contemplated by the ITW Purchase Agreement and, immediately prior to the Closing, is an asset of Graco or an Affiliate of Graco.

(ii) From and after, and conditioned upon, the Closing, Purchaser Parent, on behalf of itself and its Affiliates (whether or not presently existing, and including Purchasers): (A) covenants not to sue Graco, Sellers, Graco US Finishing Brands and their respective Affiliates (whether or not presently existing), integrators, distributors, licensees, manufacturers and customers, on the grounds that the research, development, manufacture, use, importation, exportation, distribution, offer to sell or sale of any Historical Gema Powder Finishing Products anywhere in the world infringes any of the Acquired ITW Intellectual Property that is Business Intellectual Property; and (B) covenants not to seek to challenge or invalidate any of the Acquired ITW Intellectual Property that is not Business Intellectual Property in a civil action or administrative proceeding.

6.3. Employee Matters.

(a) Purchaser Parent and US Purchaser shall cause the applicable Purchasers to adopt and assume at and as of the Closing each of the Employee Benefit Plan/Schemes, and each trust, insurance contract, annuity contract or other funding arrangement with respect thereto, of the Asset Selling Subsidiaries or the Acquired Subsidiaries set forth on Schedule 6.3(a) as such plans relate to Employees employed immediately prior to Closing (other than Liquid Finishing Transferred Employees) or retirees of the Liquid Finishing Business (the "*Assumed Benefit Plans/Schemes*"), and shall assume and exercise any and all rights, authorities, discretions and obligations as sponsor, named fiduciary and plan administrator of the Assumed Benefit Plans/Schemes. Such Purchasers shall cause the Assumed Benefit Plans/Schemes to be amended, as applicable, to treat employment with the Asset Selling Subsidiaries or the Acquired Subsidiaries prior to the Closing the same as employment with such Purchaser from and after the Closing Date for purposes of eligibility and vesting and the respective Assumed Benefit Plans/Schemes shall be responsible for group health plan continuation coverage required under Applicable Law for any qualified beneficiary under such Assumed Benefit Plans/Schemes as of the Closing Date.

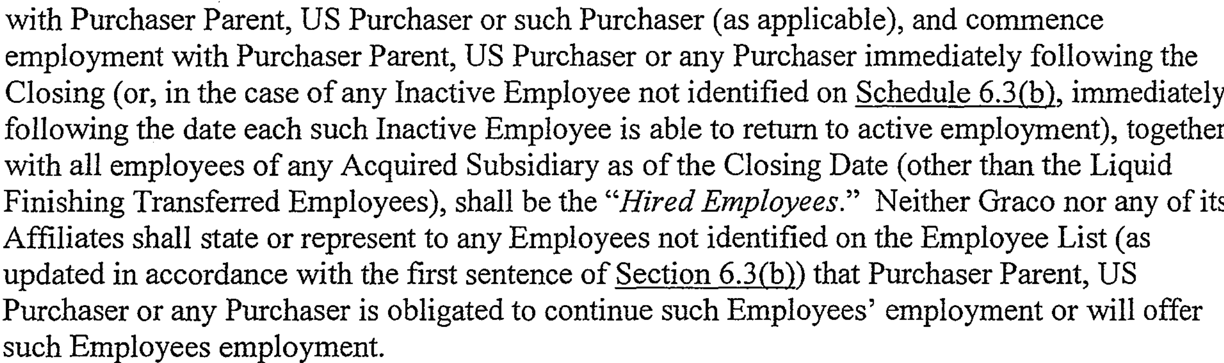
(b) No later than ten (10) Business Days prior to the Closing Date, Graco will deliver to Purchaser Parent an updated Employee List setting forth the information required by Section 4.12(n), as of ten (10) Business Days prior to the Closing Date, rather than as of the dates referenced in Section 4.12(n). At least five (5) Business Days before the Closing Date,



Purchaser Parent and US Purchaser will, or will cause the applicable Purchaser to, offer employment to each Employee identified on the updated Employee List who is an Employee of Graco or an Affiliate of Graco (or than an Acquired Subsidiary) immediately prior to the Closing (other than any Liquid Finishing Transferred Employee), with such employment to be effective immediately following, and contingent upon the occurrence of, the Closing (or, in the case of any Employee of Graco or an Affiliate of Graco (other than an Acquired Subsidiary) on long-term disability or other leave of absence as disclosed on Schedule 4.12(n) (each, an "*Inactive Employee*"), effective upon the date such Inactive Employee is able to return to active employment as determined by Purchaser Parent or the applicable Purchaser provided that such return occurs within one (1) year following the Closing Date, except in the case of any Inactive Employee disclosed on Schedule 6.3(b) as of the date of this Agreement, effective immediately following, and contingent upon the occurrence of, the Closing). Purchaser Parent and US Purchaser acknowledge and agree that: (i) the Liquid Finishing Transferred Employees are employees (whether full-time, part-time or contract) of certain of the Acquired Subsidiaries and are engaged in the Liquid Finishing Business; and (ii) notwithstanding the foregoing, the Liquid Finishing Transferred Employees shall be transferred from such Acquired Subsidiaries to an Affiliate of Graco engaged in the Powder Finishing Business.

(c) With respect to each Employee of Graco or an Affiliate of Graco (other than an Acquired Subsidiary) who Purchaser Parent, US Purchaser or the applicable Purchaser offers employment to under Section 6.3(b), such offer shall include base salary compensation substantially comparable to such Employee's base salary compensation immediately prior to Closing and medical benefits through the twelve-month anniversary of the Closing Date that are substantially comparable to such Employee's medical benefits immediately prior to Closing. Nothing in this Section 6.3(c) or this Agreement shall be deemed to interfere with Purchaser Parent's, US Purchaser's or the applicable Purchaser's ability to classify the Hired Employees as employees "at will."

(d) Graco and Purchaser Parent shall, and shall cause Sellers and Purchasers (as applicable) to, as applicable, exercise commercially reasonable efforts to persuade all Employees of Graco and its Affiliates (other than the Acquired Subsidiaries) offered employment with Purchaser Parent, US Purchaser or any Purchaser under Section 6.3(b) to accept such offers of employment. Neither Graco nor any of its Affiliates will seek to induce any Employee of Graco or any Affiliate of Graco (other than an Acquired Subsidiary) to reject any offer of employment from Purchaser Parent, US Purchaser or any Purchaser. Employees who accept offers of employment from Purchaser Parent, US Purchaser or any Purchaser shall become employees of Purchaser Parent, US Purchaser or such Purchaser (as applicable) immediately following the Closing (or, in the case of any Inactive Employee not identified on Schedule 6.3(b), upon the date each such Inactive Employee is able to return to active employment as determined by Purchaser Parent, US Purchaser or the applicable Purchaser subject to such limitation as identified in Section 6.3(b)) and shall then cease to be employees of Graco or its applicable Affiliates (provided that, in the case of Inactive Employees, Graco or its applicable Affiliates retains discretion to terminate employment of Inactive Employees at any date it deems appropriate which is no later than the date of hire by Purchaser Parent, US Purchaser or any Purchaser). Such Employees of Graco and its Affiliates (other than the Acquired Subsidiaries) who accept offers of employment from Purchaser Parent, US Purchaser or any Purchaser and who complete all necessary documents in order to commence employment


with Purchaser Parent, US Purchaser or such Purchaser (as applicable), and commence employment with Purchaser Parent, US Purchaser or any Purchaser immediately following the Closing (or, in the case of any Inactive Employee not identified on Schedule 6.3(b), immediately following the date each such Inactive Employee is able to return to active employment), together with all employees of any Acquired Subsidiary as of the Closing Date (other than the Liquid Finishing Transferred Employees), shall be the "*Hired Employees*." Neither Graco nor any of its Affiliates shall state or represent to any Employees not identified on the Employee List (as updated in accordance with the first sentence of Section 6.3(b)) that Purchaser Parent, US Purchaser or any Purchaser is obligated to continue such Employees' employment or will offer such Employees employment.

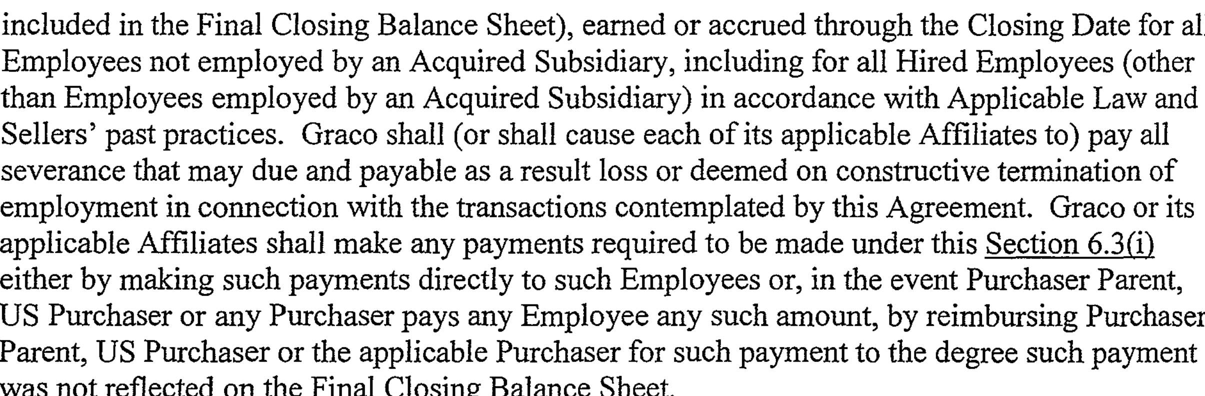
(e) Graco, Purchaser Parent and each of their applicable Affiliates acknowledge that certain employee transfer regulations may apply to the transfer of certain Non-U.S. Employees under Applicable Law, and Graco, Purchaser Parent and each of their applicable Affiliates agree to satisfy and comply with any employee transfer regulations that apply to the transfer of Non-U.S. Employees in accordance with and subject to Applicable Law.

(f) Purchaser Parent and US Purchaser agree to, and shall cause each applicable Purchaser to agree to, continue to be bound by and comply with the terms of any written employment agreements between any Employee, on the one hand, and Graco and any Affiliate of Graco, on the other hand, for each Employee who becomes a Hired Employee, subject to and only to the extent required under Applicable Law; *provided* that nothing in this Section 6.3(f) shall obligate Purchaser Parent, US Purchaser or any Purchaser to continue to be bound by or comply with the terms of any such employment agreement for any period longer than as required under such employment agreement or under Applicable Law.

(g) Purchaser Parent and US Purchaser hereby agree that, from and after the Closing Date, Purchaser Parent and US Purchaser shall, and shall cause the applicable Purchaser and the Acquired Subsidiaries to, grant all Hired Employees credit for any service with Graco or its Affiliates earned prior to the Closing Date (i) for eligibility and vesting purposes (but for no other purpose) under any employee benefit plan, program or arrangement established or maintained by Purchaser Parent, US Purchaser the applicable Purchaser or the applicable Acquired Subsidiary in which such Hired Employees participate on or after the Closing Date, whether or not such plan, program or arrangement is an Employee Benefit Plan/Scheme, (ii) for purposes of vacation and severance benefits, and (iii) for any other purpose as required under Applicable Law.

(h) On and after the Closing Date, to the extent legally applicable, Graco shall (or cause each of its applicable Affiliates to) have all responsibility and liability for meeting all requirements under "COBRA" with respect to each Person who is or becomes an "M & A qualified beneficiary," within the meaning of Treas. Reg. Sec. 54.4980B-9, Q/A-4(b), with respect to the Liquid Finishing Business (including any individual who has a qualifying event as a result of the transactions contemplated by this Agreement).

(i) Graco shall (or shall cause each of its applicable Affiliates to) pay all employment-related benefits, excluding all amounts owed for accrued vacation or other paid leave (which amounts shall be assumed by Purchasers, but only to the extent such amounts are



included in the Final Closing Balance Sheet), earned or accrued through the Closing Date for all Employees not employed by an Acquired Subsidiary, including for all Hired Employees (other than Employees employed by an Acquired Subsidiary) in accordance with Applicable Law and Sellers' past practices. Graco shall (or shall cause each of its applicable Affiliates to) pay all severance that may due and payable as a result loss or deemed on constructive termination of employment in connection with the transactions contemplated by this Agreement. Graco or its applicable Affiliates shall make any payments required to be made under this Section 6.3(i) either by making such payments directly to such Employees or, in the event Purchaser Parent, US Purchaser or any Purchaser pays any Employee any such amount, by reimbursing Purchaser Parent, US Purchaser or the applicable Purchaser for such payment to the degree such payment was not reflected on the Final Closing Balance Sheet.

(j) With respect to any Hired Employees, as applicable:

(i) Sellers and Purchaser Parent, US Purchaser or the applicable Purchaser shall treat the applicable Purchaser employer as a "successor employer" and Sellers as a "predecessor employer" within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code for purposes of Taxes imposed under the United States Federal Unemployment Tax Act or the United States Federal Insurance Contributions Act; and

(ii) Sellers will utilize, or will cause their respective Affiliates to utilize, the standard procedure set forth in Revenue Procedure 2004-53 with respect to wage reporting.

(k) Graco and its Affiliates shall use commercially reasonable efforts, before and after the Closing, to provide such information as Purchaser Parent, US Purchaser or any Purchaser may reasonably request for purposes of fulfilling their obligations under this Section 6.3.

6.4. Tax Matters.

(a) Payment of Taxes. Sellers, jointly and severally, will satisfy (or cause to be satisfied) in full when due all Income Taxes with respect to (1) any Seller or any Acquired Subsidiary with respect to any Pre-Closing Tax Period, (2) the Liquid Finishing Business with respect to any Pre-Closing Tax Period, (3) any member of an affiliated, consolidated, combined or unitary group of which any Seller (or any predecessor thereto) or Acquired Subsidiary is or was a member before Closing, including Income Taxes pursuant to Treasury Regulation 1.1502-6 or any similar Applicable Law, and (4) any Person (other than a Seller) imposed on any Seller or any Acquired Subsidiary or with respect to the Liquid Finishing Business for any period as a transferee or successor with respect to any transaction occurring on or before the Closing Date, by Applicable Law, Contract or otherwise (all of such Taxes being the "*Pre-Closing Income Taxes*"). Purchaser Parent and US Purchaser will satisfy (or cause to be satisfied) in full when due all Income Taxes attributable to the Liquid Finishing Business with respect to any period that is not a Pre-Closing Tax Period, including Income Taxes of each Acquired Subsidiary that are not Pre-Closing Income Taxes. If Purchaser Parent or US Purchaser is required under Section 6.4(b) to file a Tax Return that involves Pre-Closing Income Taxes, then no later than five (5) Business Days before the filing of any such Tax Return, Graco will pay to Purchaser

Parent or US Purchaser an amount equal to the amount of Income Taxes shown due on such Tax Return for which any Seller is obligated under this Section 6.4(a) with respect to such Tax Return.

(b) Filing Responsibility. Subject to such Tax Returns as are to be prepared and filed (or caused to be prepared and timely filed) by ITW Parent and its Affiliates pursuant to the ITW Purchase Agreement, Graco will, or will cause Sellers to, prepare and timely file (or cause to be prepared and timely filed) all (1) Tax Returns of any Seller or any Acquired Subsidiary required to be filed on or before the Closing Date (after taking into account extensions therefor) and (2) all Tax Returns involving Income Taxes with respect to the Liquid Finishing Business or the Acquired Assets with respect to any Pre-Closing Tax Period that are required to be filed on or after the Closing Date. To the extent that any such Tax Returns filed by Sellers relate to any Acquired Subsidiary, such Tax Returns shall be prepared in accordance with past practice (unless a contrary position is required by Applicable Law). Subject to such Tax Returns as are to be prepared and filed (or caused to be prepared and timely filed) by ITW Parent and its Affiliates pursuant to the ITW Purchase Agreement, Purchaser Parent and US Purchaser will prepare and timely file (or cause to be prepared and timely filed) all Tax Returns that Sellers and the Acquired Subsidiaries are not obligated to file (or cause to be filed) pursuant to this Section 6.4(b). Purchaser Parent, US Purchaser and Sellers will discharge all Income Tax liabilities shown on any Tax Return based on the assumption and allocation of Income Tax liabilities provided in this Agreement without regard to the party that has prepared the Tax Return, and the party responsible for payment of any amount of Income Taxes shown due on a Tax Return shall pay such unpaid amount to the party filing the Tax Return no later than one (1) Business Day prior to the filing of such Tax Return.

(c) Straddle Periods. In the case of a Straddle Period, the amount of any Pre-Closing Income Taxes shall be determined based on an interim closing of the books as of the Effective Time on the Closing Date (and for such purpose, the taxable period of any Acquired Subsidiary that is a partnership or other pass-through entity shall be deemed to terminate at such time), and the amount of other Income Taxes for the Straddle Period that are treated as Pre-Closing Income Taxes shall be deemed to be the amount of such Income Tax for the entire taxable period multiplied by a fraction, the numerator of which is the number of days in the Income Tax period ending on the Closing Date and the denominator of which is the number of days in such Straddle Period.

(d) Transfer Taxes. Graco and Purchaser Parent each shall pay one-half of all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (collectively, "*Transfer Taxes*"); *provided, however*, that if the aggregate amount of all such Transfer Taxes exceeds $1,000,000, Graco shall pay all Transfer Taxes to the extent they exceed $1,000,000. Graco shall and shall cause Sellers to, at their own expense, file all necessary Tax Returns, reports, forms, and other documentation with respect to all such Taxes, fees and charges.

(e) Tax-Sharing Agreements. Each Seller and each Acquired Subsidiary will terminate all Tax-sharing agreements and similar arrangements with respect to any Acquired

Subsidiary or the Liquid Finishing Business before or as of the Closing Date to the extent required to cause no Acquired Subsidiary to be bound therefor or have any Liability thereunder after the Closing Date.

(f) Audits and Contests Regarding Taxes.

(i) If any Seller, on the one hand, or any Purchaser or Acquired Subsidiary, on the other hand, receives any notice of a pending or threatened Income Tax audit, assessment, or adjustment relating to an Acquired Subsidiary or the Liquid Finishing Business that may give rise to a liability of the other (a "*Tax Proceeding*"), Graco or Purchaser Parent (as applicable) shall promptly notify the other within ten (10) Business Days of the receipt of such notice; provided, however, that failure to give such notice shall not affect the indemnification obligations under Article 8 unless (and only to the extent that) such failure prejudices the indemnifying party. The parties each agree to consult with and to keep each other informed on a regular basis regarding the status of any Tax Proceeding to the extent that such Tax Proceeding could affect such other party (including indemnity obligations hereunder).

(ii) Sellers shall have the right to represent their interests in any Tax Proceeding and to employ counsel of their choice and at their expense, to the extent such Tax Proceeding pertains to a Pre-Closing Tax Period of an Acquired Subsidiary, and no such Tax Proceeding shall be closed, settled, or otherwise terminated without the prior written consent of the Sellers, which consent will not be unreasonably withheld.

(g) Cooperation on Tax Matters. Purchaser Parent and Graco shall (and shall cause their respective Affiliates to) cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this Section 6.4 and any audit, litigation or other proceeding with respect to Income Taxes. Such cooperation shall include the retention and (upon the other party's reasonable request) access to the records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available as reasonably requested on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Subject to the requirements of the ITW Purchase Agreement, the Sellers shall retain all books and records with respect to Tax matters pertinent to the Liquid Finishing Business relating to any Income Tax period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Purchasers, any extensions thereof) of the respective Tax periods, and abide by all record-retention agreements entered into with any Governmental Authority.

(h) 338(g) Election. Purchaser Parent and US Purchaser shall not, and shall not permit any Purchaser or Acquired Subsidiary to, file an election under section 338(g) of the Code (or any corresponding provision of state, local or non-U.S. law) with respect to any Acquired Subsidiary, other than Graco Brazil Finishing Brands and Graco UK Finishing Brands, without the prior written consent of Graco, it being acknowledged and agreed that such an election may be made with respect to Graco Brazil Finishing Brands and Graco UK Finishing Brands without the prior written consent of Graco.

(i) Survival of Obligations. The obligations of the parties set forth in this Section 6.4 shall be unconditional and absolute and shall remain in effect until the expiration of the applicable period of limitations on assessments.

6.5. Environmental Investigation and Remediation. Graco shall not be responsible for any investigation or remediation costs if such investigation or remediation is not required to comply with relevant Environmental Laws. Purchasers, Purchaser Parent and US Purchaser shall conduct any required environmental investigation of the Owned Real Property or any Leased Real Property in a commercially reasonable manner consistent with the American Society for Test and Measurement ("*ASTM*") "E1527-05 Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" and, if intrusive investigation is prudent, ASTM "E1903-97 (2002) Standard Guide for Environmental Site Assessments; Phase II Environmental Site Assessment Process" or substantially equivalent consensus standards. When intrusive investigation is prudent, analytical results for environmental media samples shall be compared to relevant screening and cleanup standards consistent with commercial-industrial land use. Graco shall not be responsible for costs to delineate contamination or remediate soil or groundwater to comply with unrestricted land use standards (including but not limited to residential standards). Purchasers, Purchaser Parent and US Purchaser shall, where applicable, utilize site-specific risk assessment, engineered barriers, and environmental land use restrictions in lieu of active *in situ* or *ex situ* remediation techniques to satisfy requirements of relevant Environmental Law. Following the Closing Date, Purchasers, Purchaser Parent and US Purchaser shall (1) keep Graco informed of the commencement and progress of any required investigation or remediation of the Owned Real Property or any Leased Real Property and provide Graco with copies of analytical results for environmental media samples from investigation or remediation and copies of reports submitted to any Governmental Authority; and (2) provide reasonable advance notice to Graco of meetings with any Governmental Authority or affected third party regarding investigation or remediation of the Owned Real Property or any Leased Real Property and allow Graco's representative to attend such meetings.

6.6. FTC-Required Compliance Training Programs. Following the Closing Date and for so long as is reasonably requested by the FTC (but, in any event, not exceeding two (2) years), each of Graco and Purchaser Parent shall maintain and participate in any FTC-required antitrust compliance programs related to the transactions contemplated hereby.

6.7. Retained Powder Finishing Accounts Receivable.

(a) Following the Closing, Purchaser Parent shall, and shall cause its Affiliates (including, but not limited to, the Acquired Subsidiaries) to, use commercially reasonable efforts to collect all Retained Powder Finishing Business Accounts Receivable; *provided*, *however*, that in seeking to collect upon or recover any amounts under any Retained Powder Finishing Business Accounts Receivable, Purchaser Parent shall not, and shall cause its Affiliates to not, take any action (including, but not limited to, taking or threatening to take any legal action) which could reasonably be expected to adversely affect the business relationship between Graco or any Affiliate of Graco, on the one hand, and any account debtor or third party business relationship of the Powder Finishing Business, on the other hand. Any payment received from an account debtor on a Retained Powder Finishing Business Account Receivable shall be applied in accordance with the remittance advice accompanying such payment and, in

the absence of such remittance advice, in priority of the oldest of such account debtor's Retained Powder Finishing Business Accounts Receivable to the most recent of such account debtor's Retained Powder Finishing Business Accounts Receivable.

(b) On or before the 50th day following the Closing Date, Purchaser Parent shall deliver a written notice to Graco identifying all Retained Powder Finishing Business Accounts Receivable which have not been collected in full by Purchaser Parent and its Affiliates on or before the 45th day following the Closing Date, together with the amounts thereof. In addition, on or before the 95th day following the Closing Date, Purchaser Parent shall deliver a written notice to Graco identifying all Retained Powder Finishing Business Accounts Receivable which have not been collected in full by Purchaser Parent and its Affiliates on or before the 90th day following the Closing Date, together with the amounts thereof.

(c) On or before the 125th day following the Closing Date, Purchaser Parent shall deliver a written notice to Graco identifying all Retained Powder Finishing Business Accounts Receivable which have not been collected in full by Purchaser Parent and its Affiliates on or before the 120th day following the Closing Date (such Closing Date Accounts Receivable which have not been collected in full by Purchaser Parent and its Affiliates on or before the 120th day following the Closing Date being the "*Past Due Retained Powder Finishing Business Accounts Receivable*"), together with the amounts thereof. In the event that the aggregate amount of Past Due Retained Powder Finishing Business Accounts Receivable exceeds the amount of the reserve (if any) for doubtful accounts in respect of the Retained Powder Finishing Business Accounts Receivable taken in account in calculating Net Working Capital on the Final Closing Statement (following completion of the procedures described in Sections 3.2(a) and (b)) (the amount of such excess, if any, being the "*Retained Powder Finishing Business Accounts Receivables Repurchase Amount*"), then at Purchaser Parent's option, Graco and its Affiliates shall be obligated to purchase from Purchaser Parent and its Affiliates all of the Past Due Retained Powder Finishing Business Accounts Receivable for the Retained Powder Finishing Business Accounts Receivables Repurchase Amount. Purchaser Parent may exercise such option by delivering a written notice (the "*Retained Powder Finishing Business Accounts Receivables Repurchase Notice*") of such exercise to Graco at any time within thirty (30) days following the later of (x) completion of the procedures described in Sections 3.2(a) and (b) and payment of any amounts due and owing under Section 3.2(c) and (y) Purchaser Parent's delivery of the written notice described in this first sentence of this Section 6.7(c). Within ten (10) days of Purchaser Parent's delivery of the Retained Powder Finishing Business Accounts Receivable Repurchase Notice, Graco and its Affiliates shall pay to Purchaser Parent (in immediately-available funds) an amount equal to the Retained Powder Finishing Business Accounts Receivables Repurchase Amount. Upon Purchaser Parent's receipt of the Retained Powder Finishing Business Accounts Receivables Repurchase Amount, Purchaser Parent shall, and shall cause its Affiliates to, assign to Graco and its Affiliates, without recourse, all Past Due Retained Powder Finishing Business Accounts Receivable, and Graco and its Affiliates shall thereafter be entitled to seek to collect, for their own account, all Past Due Retained Powder Finishing Business Accounts Receivable so repurchased.

ARTICLE 7
CONDITIONS TO CLOSING AND CLOSING DELIVERIES

7.1. Conditions of Purchasers' Obligations. Purchasers', Purchaser Parent's and US Purchaser's obligations to effect the transactions contemplated by this Agreement are subject to fulfillment at or prior to the Closing of each of the following conditions precedent, unless waived in writing by Purchaser Parent:

(a) Representations and Warranties. Each of the representations and warranties made by Graco and Graco US Finishing Brands in this Agreement shall be true and correct in all material respects as of the Closing Date (except for those representations that speak as of an earlier date, which shall be true in all material respects as of such earlier date). Solely for purposes of this Section 7.1(a), any representation or warranty made by Sellers herein (other than the representation in Section 4.6(a)) that is qualified by materiality or Material Adverse Effect will be read as if each such qualifier were not present.

(b) Covenants. Graco and Graco US Finishing Brands shall have performed and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed and complied with by them prior to or as of the Closing Date.

(c) No Material Adverse Effect. Since the date of this Agreement, there shall not have been any change, event, or occurrence that has had or would reasonably be expected to have a Material Adverse Effect.

(d) Approvals; Absence of Certain Legal Proceedings. The parties shall have received all approvals, authorizations, and consents of all Governmental Authorities required in connection with the consummation of the transactions contemplated by this Agreement and any waiting period under non-U.S. antitrust or competition laws applicable to the transactions contemplated hereby shall have expired or shall have been duly terminated, and all approvals and clearances required under U.S. and non-U.S. antitrust or competition laws applicable to the transactions contemplated hereby shall have been received. No suit or other legal proceeding shall be pending or shall have been commenced that seeks to restrict or prohibit the transactions contemplated by this Agreement.

(e) Consents. The third-party consents and approvals necessary to consummate the transactions contemplated by this Agreement and listed on Schedule 7.1(e) shall have been obtained, in form and substance reasonably satisfactory to Purchaser Parent, and delivered to Purchaser Parent.

(f) Approvals of FTC. The FTC shall have approved (and not withdrawn such approval) Purchasers as purchasers of the Acquired Assets, the Application for Approval of Divestiture, this Agreement and the Ancillary Agreements and any and all other matters required to be approved by the FTC in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, and any applicable notice and comment periods relating to the foregoing shall have expired without any additional material requirements, restrictions or limitations having been imposed on Purchaser Parent, its Affiliates or the transactions contemplated by this Agreement.

(g) Gema Separation Transactions. The Gema Separation Transactions shall have been completed, upon such terms and subject to such conditions as are reasonably acceptable to Purchaser Parent.

(h) Sellers' Closing Deliveries. Sellers shall have delivered to Purchaser Parent (or such other party as appropriate) the following:

(i) a certificate, dated as of the Closing Date, duly executed by the Secretary of Sellers, certifying as to (1) true and complete copies of the organizational documents of each Seller, (2) true and complete copies of the resolutions of the boards of directors of each Seller approving this Agreement and the Ancillary Agreements, and (3) setting forth the names of each of the officers of each Seller authorized to execute this Agreement and all documents, certificates and agreements ancillary hereto, together with their specimen signatures;

(ii) a certificate, dated as of the Closing Date, from Graco and Graco US Finishing Brands, duly executed by an officer of each of Graco and Graco US Finishing Brands, certifying that the conditions specified in Sections 7.1(a), (b), and (c) have been satisfied as of the Closing Date;

(iii) a Certificate of Good Standing of each Seller and each Acquired Subsidiary from the applicable Governmental Authority, dated no more than ten (10) days prior to the Closing Date;

(iv) the Bill of Sale, duly executed by Graco and Graco US Finishing Brands, in addition to such other assignments and assumptions (including, but not limited to, the Transition Services Assignment and Assumption Agreement and the Transitional Trademark License Assignment and Assumption Agreement), duly executed by Graco, in respect of Acquired ITW Ancillary Agreements under which Graco is assigning to Purchaser Parent some, but not all, of Graco's rights and Purchaser Parent is assuming some, but not all, of Graco's liabilities;

(v) assignments, in form and substance reasonably satisfactory to Purchaser Parent, duly executed by the appropriate Sellers, transferring all of Sellers' right, title and interest in and to the Business Intellectual Property to Purchaser Parent or Carlisle Fluid Technologies, Inc., a Delaware corporation, as Purchaser Parent's designee;

(vi) certificates evidencing all of the outstanding ownership interests in the Acquired Subsidiaries, duly endorsed for transfer or accompanied by duly executed assignments separate from certificates in form suitable for transfer;

(vii) the Non-U.S. Subsidiary Purchase Agreements, duly executed by the applicable Sellers;

(viii) the Mutual Transition Services Agreement, duly executed by the Sellers parties thereto;

(ix) the Cross License Agreement, duly executed by Graco US Finishing Brands, Graco and Gema Switzerland GmbH;

(x) The Transitional Trademark License and Permitted Use Agreement, duly executed by Graco;

(xi) assignments to the applicable Purchaser of each of the Real Property Leases to which any Asset Selling Subsidiary is a party, duly executed by the applicable Asset Selling Subsidiary, together with any consents required in connection with such assignments (and any consents required pursuant to any Real Property Lease to which any Acquired Subsidiary is a party in connection with the consummation of the transactions contemplated by this Agreement);

(xii) special or limited warranty deeds, duly executed by the applicable Asset Selling Subsidiaries and in recordable form, conveying the Owned Real Property of the Asset Selling Subsidiaries to the applicable Purchaser free and clear of all Liens, except for (1) Permitted Liens and (2) such matters as are acceptable to Purchaser Parent in its sole and absolute discretion, together with all documents or instruments that may be required under Applicable Law or reasonably required by Purchaser Parent's title insurance company to transfer the Owned Real Property of the Asset Selling Subsidiaries to the applicable Purchasers subject only to Permitted Liens, including any Asset Selling Subsidiary's affidavits, title affidavits, "gap undertakings" or non-imputation affidavits required by such title insurance company and any revenue or tax certificates or statements, or any certifications related to the environmental condition of such Owned Real Property;

(xiii) binding title insurance policies (which may be in the form of marked-up title insurance commitments) covering each parcel of the Owned Real Property, issued on a current form of ALTA owner's title insurance policy by a title insurance company reasonably acceptable to Purchaser Parent, and insuring fee simple title to each parcel of the Owned Real Property in the applicable Purchaser or its designee as of the Closing Date (including all recorded appurtenant easements insured as separate legal parcels), with gap coverage from the Closing through the date of recording, subject to no exceptions to coverage that are not reasonably acceptable to Purchaser Parent, providing coverage in such amount as Purchaser Parent reasonably determines to be the value of each such parcel of Owned Real Property, and including an extended coverage endorsement (insuring over the general or standard exceptions) and ALTA Form 3.1 zoning or its equivalent (with parking and loading docks) and all other endorsements reasonably requested by Purchaser Parent, all in form and substance reasonably satisfactory to Purchaser Parent;

(xiv) releases, termination statements or satisfactions, as appropriate, as to all Liens on the Acquired Assets (other than Permitted Liens);

(xv) the third-party consents identified on Schedule 7.1(e), in form and substance reasonably satisfactory to Purchaser Parent;

(xvi) a certificate dated as of the Closing Date from each Asset Selling Subsidiary that is conveying any interest in real property in the United States, in the applicable form set forth in Section 1.1445-2(b)(2)(iii) of the United States Treasury Regulations, so that Purchaser Parent is exempt from withholding any portion of the Purchase Price thereunder; and

(xvii) all other documents, instruments or writings required to be delivered to Purchaser Parent, US Purchaser or any Purchaser at or prior to Closing pursuant to this Agreement, and such other certificates of authority and documents as Purchaser Parent may reasonably request.

7.2. Conditions of Sellers' Obligations. Sellers' obligations to effect the transactions contemplated by this Agreement are subject to fulfillment at or prior to the Closing of each of the following conditions precedent, unless waived in writing by Graco:

(a) Representations and Warranties. Each of the representations and warranties made by Purchaser Parent and US Purchaser in this Agreement shall be true and correct in all material respects when made and as of the Closing Date (except for those representations that speak as of an earlier date, which shall be true in all material respects as of such earlier date). Solely for purposes of this Section 7.2(a), any representation or warranty made by Purchasers herein that is qualified by materiality or will be read as if each such qualifier were not present.

(b) Covenants. Purchasers, Purchaser Parent and US Purchaser shall have performed and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed and complied with by Purchasers, Purchaser Parent and US Purchaser prior to or as of the Closing Date.

(c) Approvals; Absence of Certain Legal Proceedings. The parties shall have received all approvals, authorizations, and consents of all Governmental Authorities required in connection with the consummation of the transactions contemplated by this Agreement and any waiting period under non-U.S. antitrust or competition laws applicable to the transactions contemplated by hereby shall have expired or shall have been duly terminated, and all approvals and clearances required under U.S. and non-U.S. antitrust or competition laws applicable to the transactions contemplated hereby shall have been received. No suit or other legal proceeding shall be pending or shall have been commenced that seeks to restrict or prohibit the transactions contemplated by this Agreement.

(d) Approvals of FTC. The FTC shall have approved (and not withdrawn such approval) Purchasers as purchasers of the Acquired Assets, the Application for Approval of Divestiture, this Agreement and the Ancillary Agreements and any and all other matters required to be approved by the FTC in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, and any applicable notice and comment periods relating to the foregoing shall have expired without any additional material requirements, restrictions or limitations having been imposed on Graco, its Affiliates or the transactions contemplated by this Agreement.

(e) Gema Separation Transactions. The Gema Separation Transactions shall have been completed, upon such terms and subject to such conditions as are reasonably acceptable to Graco.

(f) Purchaser's Closing Deliveries. Purchasers shall have delivered to Sellers (or such other party as appropriate) the following:

(i) the Initial Purchase Price, payable in accordance with Section 3.1;

(ii) a certificate, dated as of the Closing Date, from Purchaser Parent and US Purchaser, duly executed by an officer of Purchaser Parent, certifying that the conditions specified in Sections 7.2(a) and (b) have been satisfied as of the Closing Date;

(iii) the Bill of Sale, duly executed by the applicable Purchasers, in addition to such other assignments and assumptions (including, but not limited to, the Transition Services Assignment and Assumption Agreement and the Transitional Trademark License Assignment and Assumption Agreement), duly executed by Purchaser Parent, in respect of Acquired ITW Ancillary Agreements under which Graco is assigning to Purchaser Parent some, but not all, of Graco's rights and Purchaser Parent is assuming some, but not all, of Graco's liabilities;

(iv) the Non-U.S. Subsidiary Purchase Agreements, duly executed by the applicable Purchasers;

(v) the Mutual Transition Services Agreement, duly executed by the Purchasers parties thereto;

(vi) the Cross License Agreement, duly executed by Purchaser Parent and US Purchaser;

(vii) The Transitional Trademark License and Permitted Use Agreement, duly executed by Purchaser Parent;

(viii) assignment agreements relating to each of the Real Property Leases to which any Asset Selling Subsidiary is a party, as necessary; and

(ix) all other documents, instruments or writings required to be delivered to Sellers at or prior to Closing pursuant to this Agreement.

(g) Delivery of Disclosure Schedule Updates. Graco shall have delivered to Purchaser Parent and US Purchaser such Disclosure Schedule Updates as Graco and Graco US Finishing Brands deem necessary or desirable.

ARTICLE 8
INDEMNIFICATION

8.1. Survival.

(a) The representations and warranties of the parties contained in this Agreement shall survive the Closing and continue in full force and effect for a period of eighteen (18) months thereafter, except that (i) the representations and warranties set forth in Sections 4.1(a), 4.1(b), 4.1(c), 4.2, 4.3, 4.4(a), 5.1(a), 5.1(b), 5.1(c), and 5.2 shall survive the Closing and continue in full force and effect indefinitely, (ii) the representations and warranties set forth in Sections 4.8, 4.24 and 5.4 shall survive the Closing and continue in full force and effect until 90 days following the expiration of the applicable statute of limitations, and (iii) the representations and warranties set forth in Section 4.16 shall survive the Closing and continue in full force and effect until April 2, 2017. The expiration of the applicable survival period for the representations and warranties provided herein shall not affect the rights of a party in respect of any claim made by such party in a notice, given in compliance with Section 8.5 or Section 8.6 (as applicable), to the indemnifying party before the expiration of the applicable survival period.

(b) No claim for indemnity may be made under Section 8.2(a)(iii)(B) unless notice thereof shall have been given to Graco on or before the ten-year anniversary of the Closing Date.

(c) No claim for indemnity may be made under Section 8.2(a)(ix) unless notice thereof shall have been given to Graco on or before the three-year anniversary of the Closing Date.

(d) No claim for indemnity may be made under Section 8.2(b) unless notice thereof shall have been given to Graco at least five (5) Business Days prior to the last day on which Graco may make a claim for indemnity against ITW Parent under the ITW Purchase Agreement in connection with such claim for indemnity made against Graco under Section 8.2(b).

8.2. Indemnification by Graco.

(a) Subject to the terms, conditions and limitations contained in this Agreement (including, but not limited to, the terms, conditions and limitations contained in Section 8.4), Graco will indemnify Purchaser Parent, Purchasers and their affiliates (including, after the Closing, the Acquired Subsidiaries) and their respective directors, managers, officers, members, employees, agents, representatives, successors and assigns (collectively, the "*Purchaser Group*") from and against any and all Damages that are incurred by the Purchaser Group arising from or related to:

(i) any breach of or inaccuracy in any representation or warranty made by Graco and Graco US Finishing Brands in this Agreement or in any certificate delivered by any Seller pursuant to this Agreement (except that any breaches of and inaccuracies in the representations and warranties in Section 4.16 shall be subject to Section 8.2(a)(iii)(A));

(ii) any breach of or failure by any Seller to perform any covenant or obligation set out or contemplated in this Agreement;

(iii) (A) any breach of or inaccuracy in any representation or warranty contained in Section 4.16, or (B) any Liability with respect to any Owned Real Property or any Leased Real Property arising under any Environmental Law, except to the extent first arising out of acts first occurring after the Closing Date;

(iv) any Liability arising under or relating to any Environmental Law or relating to Hazardous Materials with respect to any real property formerly owned, leased, or occupied by any Seller or any Acquired Subsidiary;

(v) any Excluded Assets or Excluded Liabilities;

(vi) any Liability of any Seller or Acquired Subsidiary (including Liabilities for Non-Income Taxes, but excluding any Liability of any Acquired Subsidiary under the executory portion of any Contract (except for any Contract not disclosed in Schedule 4.11 if (i) such non-disclosure constitutes a misrepresentation under Section 4.11 and (ii) the assumption of such Contract by any Purchaser would, in such Purchaser's reasonable determination, materially and adversely affect Purchaser)) that does not appear on the Final Closing Balance Sheet or exceeds the amount of such liability shown on the Final Closing Balance Sheet, except to the extent arising out of acts of the Purchaser Group or any Acquired Subsidiary first occurring after the Closing Date;

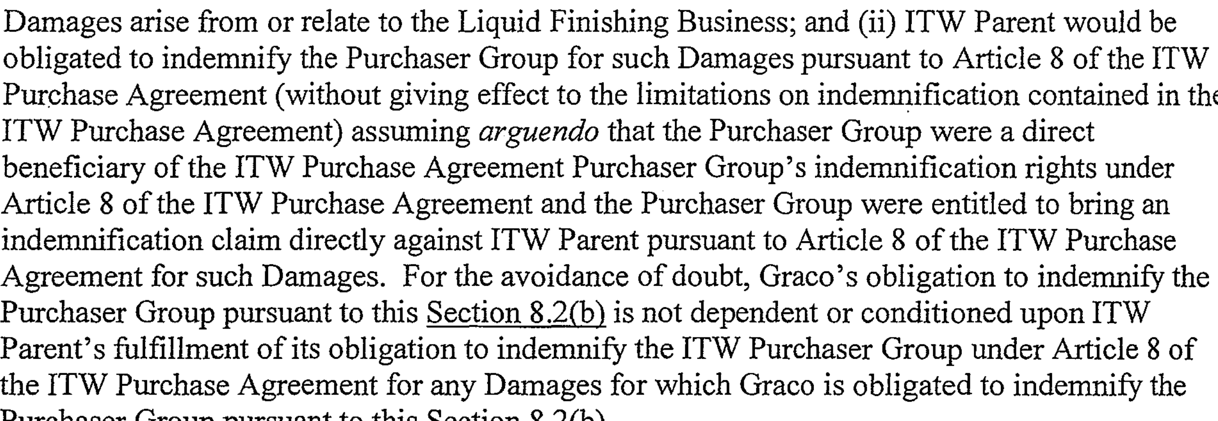
(vii) any Liability of any Acquired Subsidiary arising under or relating to any pension or other retirement benefit plan for any Employees engaged or employed immediately prior to Closing wholly or primarily in the United States, the United Kingdom (including Liabilities under Section 75 of the UK Pensions Act 1995), or Australia, except to the extent arising out of acts of the Purchaser Group or any Acquired Subsidiary first occurring after the Closing Date;

(viii) any of the matters set forth on Schedule 2.3(g), except to the extent arising out of acts of the Purchaser Group or any Acquired Subsidiary first occurring after the Closing Date;

(ix) any Liability of any Seller or any Acquired Subsidiary with respect to any Products arising under any intellectual property law at any time, including, without limitation, laws relating to patent infringement, but excluding any of the matters set forth on Schedule 2.3(g); or

(x) any noncompliance with any Bulk-Transfer Laws or any Liability under any Tax laws as a result of Purchasers succeeding to Sellers as the owners of the Acquired Assets (except to the extent any such Liabilities are Assumed Liabilities).

(b) Subject to the terms, conditions and limitations contained in this Agreement (including, but not limited to, the terms, conditions and limitations contained in Section 8.4), Graco will indemnify the Purchaser Group from and against any and all Damages incurred by the Purchaser Group which satisfy both of the following conditions: (i) such



Damages arise from or relate to the Liquid Finishing Business; and (ii) ITW Parent would be obligated to indemnify the Purchaser Group for such Damages pursuant to Article 8 of the ITW Purchase Agreement (without giving effect to the limitations on indemnification contained in the ITW Purchase Agreement) assuming *arguendo* that the Purchaser Group were a direct beneficiary of the ITW Purchase Agreement Purchaser Group's indemnification rights under Article 8 of the ITW Purchase Agreement and the Purchaser Group were entitled to bring an indemnification claim directly against ITW Parent pursuant to Article 8 of the ITW Purchase Agreement for such Damages. For the avoidance of doubt, Graco's obligation to indemnify the Purchaser Group pursuant to this Section 8.2(b) is not dependent or conditioned upon ITW Parent's fulfillment of its obligation to indemnify the ITW Purchaser Group under Article 8 of the ITW Purchase Agreement for any Damages for which Graco is obligated to indemnify the Purchaser Group pursuant to this Section 8.2(b).

8.3. Indemnification by Purchaser. Purchasers, Purchaser Parent and US Purchaser will, jointly and severally, indemnify Sellers and Sellers' affiliates (other than, after the Closing, the Acquired Subsidiaries) and their respective directors, managers, officers, shareholders, members, agents, representatives, successors and assigns (collectively, the "*Seller Group*") harmless from and against any and all Damages that are incurred by the Seller Group arising from or related to:

(a) any breach of or inaccuracy in any representation or warranty made by Purchasers, Purchaser Parent or US Purchaser in this Agreement or in any certificate delivered by Purchasers, Purchaser Parent or US Purchaser pursuant to this Agreement;

(b) any breach of or failure by any Purchaser, Purchaser Parent or US Purchaser to perform any covenant or obligation set out or contemplated in this Agreement; or

(c) any Assumed Liability (except to the extent that Purchaser Group is entitled to indemnification with respect to such Assumed Liability under Section 8.2(a) or would be so entitled but for the limitations set forth in Section 8.1 and Section 8.4).

8.4. Limitations on Indemnification.

(a) The maximum amount of indemnification payments the Purchaser Group shall be entitled to receive from Graco for (A) Damages under Section 8.2(a)(i) and (B) ITW Section 8.2(a) Capped Damages under Section 8.2(b) (and not Damages under Sections 8.2(a)(ii) through (x) or Damages under Section 8.2(b) that are not ITW Section 8.2(a) Capped Damages, which shall not be subject to the limitations described in this Section 8.4(a)) shall be $78,000,000.00 in the aggregate (the "*Indemnification Cap*"); *provided, however*, that the foregoing limitation shall not apply to, and Damages arising out of any of the following shall not be taken into consideration for purposes of determining whether the Indemnification Cap has been reached in respect of Damages under Section 8.2(a)(i): (i) any breach of the representations and warranties made by Graco and Graco US Finishing Brands in Section 4.1(a), 4.1(b), 4.1(c), 4.2, 4.3, 4.4(a), 4.8 or 4.24; or (ii) any breach of any representation or warranty made by Graco and Graco US Finishing Brands in this Agreement which constitutes fraud or intentional misrepresentation.

(b) The maximum amount of indemnification payments the Purchaser Group shall be entitled to receive from Graco for (A) Damages under Section 8.2(a)(i) with respect to breaches of the representations and warranties made by Graco and Graco US Finishing Brands in Section 4.1(a), 4.1(b), 4.1(c), 4.2, 4.3, 4.4(a), 4.8 or 4.24 and (B) ITW Section 8.2(a) Cap-Excluded Damages under Section 8.2(b), shall in the aggregate be the amount of the Purchase Price.

(c) Graco shall have no liability for (A) Damages under Section 8.2(a)(i) (other than with respect to any liability under Section 8.2(a)(i) for any breach of or inaccuracy in any representation or warranty set forth in Section 4.1(a), 4.1(b), 4.1(c), 4.2, 4.3, 4.4(a), 4.8 or 4.24, for which indemnification shall be available on a first-dollar basis) or (B) ITW Section 8.2(a) Capped Damages under Section 8.2(b), until the aggregate of all such Damages arising out of all matters set forth in Section 8.2(a)(i), taken together with all ITW Section 8.2(a) Capped Damages under Section 8.2(b), exceeds $1,600,000.00 (the "*Basket*"), and then only to the extent of the excess.

(d) Graco shall have no liability for (A) Damages under Section 8.2(a)(iii) or (B) ITW Section 8.2(c) Damages under Section 8.2(b), until the aggregate of all such Damages arising out of all matters set forth in Section 8.2(a)(iii), taken together with all ITW Section 8.2(c) Damages under Section 8.2(b), exceeds $4,000,000.00, and then only to the extent of the excess.

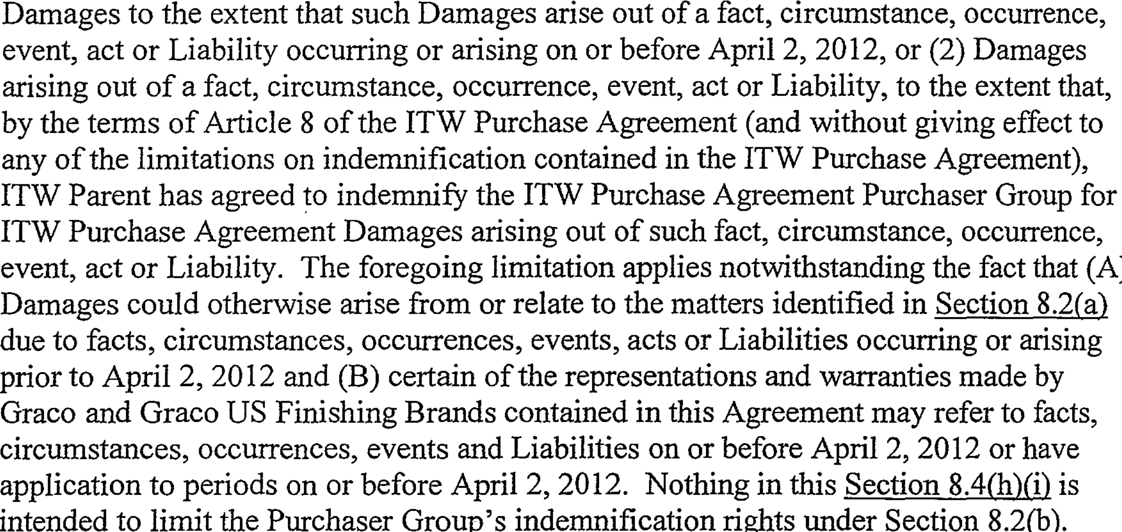
(e) Notwithstanding anything herein to the contrary, for purposes of indemnification pursuant to Section 8.2(a)(viii), Damages shall include only one-half (rather than all) of any court costs and reasonable attorneys' fees and expenses; *provided*, *however*, that the limitations set forth in this Section 8.4(e) shall not apply if Graco shall have assumed the defense of the Third Party Claim giving rise to the claim under Section 8.2(a)(viii).

(f) The maximum amount of indemnification payments the Purchaser Group shall be entitled to receive from Graco for (A) Damages under Section 8.2(a)(ix) and (B) ITW Section 8.2(j) Damages under Section 8.2(b), shall be $8,000,000.00 in the aggregate.

(g) For purposes of this Article 8: (A) in determining the amount of Damages arising from or relating to any breach of or inaccuracy in any representation or warranty in this Agreement (but not for purposes of determining whether such a breach or inaccuracy occurred), all materiality and Material Adverse Effect qualifiers will be ignored and each such representation and warranty will be read and interpreted without regard to such qualifier; and (B) in determining the amount of Damages arising from or relating to any breach of or inaccuracy in any representation or warranty in the ITW Purchase Agreement for which the Purchaser Group may seek indemnification under Section 8.2(b), effect shall be given to the limitations contained in Section 8.4(g) of the ITW Purchase Agreement.

(h) Limitations on Indemnification Obligations.

(i) Notwithstanding anything in this Agreement to the contrary, the Purchaser Group shall not have a right to assert claims under, and Graco shall not have any liability to the Purchaser Group under, Section 8.2(a) of this Agreement for (1)

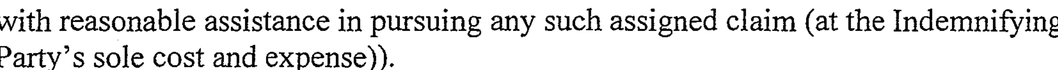


Damages to the extent that such Damages arise out of a fact, circumstance, occurrence, event, act or Liability occurring or arising on or before April 2, 2012, or (2) Damages arising out of a fact, circumstance, occurrence, event, act or Liability, to the extent that, by the terms of Article 8 of the ITW Purchase Agreement (and without giving effect to any of the limitations on indemnification contained in the ITW Purchase Agreement), ITW Parent has agreed to indemnify the ITW Purchase Agreement Purchaser Group for ITW Purchase Agreement Damages arising out of such fact, circumstance, occurrence, event, act or Liability. The foregoing limitation applies notwithstanding the fact that (A) Damages could otherwise arise from or relate to the matters identified in Section 8.2(a) due to facts, circumstances, occurrences, events, acts or Liabilities occurring or arising prior to April 2, 2012 and (B) certain of the representations and warranties made by Graco and Graco US Finishing Brands contained in this Agreement may refer to facts, circumstances, occurrences, events and Liabilities on or before April 2, 2012 or have application to periods on or before April 2, 2012. Nothing in this Section 8.4(h)(i) is intended to limit the Purchaser Group's indemnification rights under Section 8.2(b).

(ii) Notwithstanding anything in this Agreement to the contrary, indemnification pursuant to Section 8.2(b) shall be the sole and exclusive remedy for (1) Damages arising out of a fact, circumstance, occurrence, event, act or Liability occurring or arising on or before April 2, 2012 and (2) Damages arising out of a fact, circumstance, occurrence, event, act or Liability, to the extent that, by the terms of Article 8 of the ITW Purchase Agreement (and without giving effect to any of the limitations on indemnification contained in the ITW Purchase Agreement), ITW Parent has agreed to indemnify the ITW Purchase Agreement Purchaser Group for ITW Purchase Agreement Damages arising out of such fact, circumstance, occurrence, event, act or Liability.

(iii) The Purchaser Group shall not have a right to assert claims under any provision of this Agreement (including, but not limited to, Section 8.2(a) or (b)) for any Damages to the extent that such Damages arise out of actions taken by or omitted to be taken by Purchaser or the Liquid Finishing Business after the Closing Date.

(iv) The rights of the Purchaser Group to indemnification for (x) Damages pursuant to the provisions of Section 8.2(a)(i) and (iii)(A), (y) ITW Section 8.2(a) Capped Damages under Section 8.2(b), and (z) ITW Section 8.2(a) Cap-Excluded Damages under Section 8.2(b), are in each case subject to the following limitations: the amount of any and all Damages will be determined net of any (1) applicable accruals or reserves included in the calculation of the Net Working Capital on the Final Closing Statement; (2) amounts actually recovered by the Purchaser Group under indemnification agreements or arrangements with third parties or under insurance policies with respect to such Damages (and no right of subrogation shall accrue to any such third party indemnitor or insurer hereunder), and (3) an amount equal to the Tax savings or benefits actually realized by the Purchaser Group that is attributable to any deduction, loss, credit or other Tax benefit resulting from or arising out of such Damages. An Indemnified Party shall use commercially reasonable efforts to collect any applicable insurance proceeds (including (A) an assignment to the Indemnifying Party of its right to pursue claims thereto (to the extent freely assignable) and (B) providing the Indemnifying Party



with reasonable assistance in pursuing any such assigned claim (at the Indemnifying Party's sole cost and expense)).

(v) Notwithstanding anything to the contrary contained herein, upon any Indemnified Party's becoming aware of any claim as to which indemnification may be sought by such Indemnified Party pursuant to this Article 8, such Indemnified Party shall utilize all reasonable efforts, consistent with normal practices and policies and good commercial practice, to mitigate such Losses.

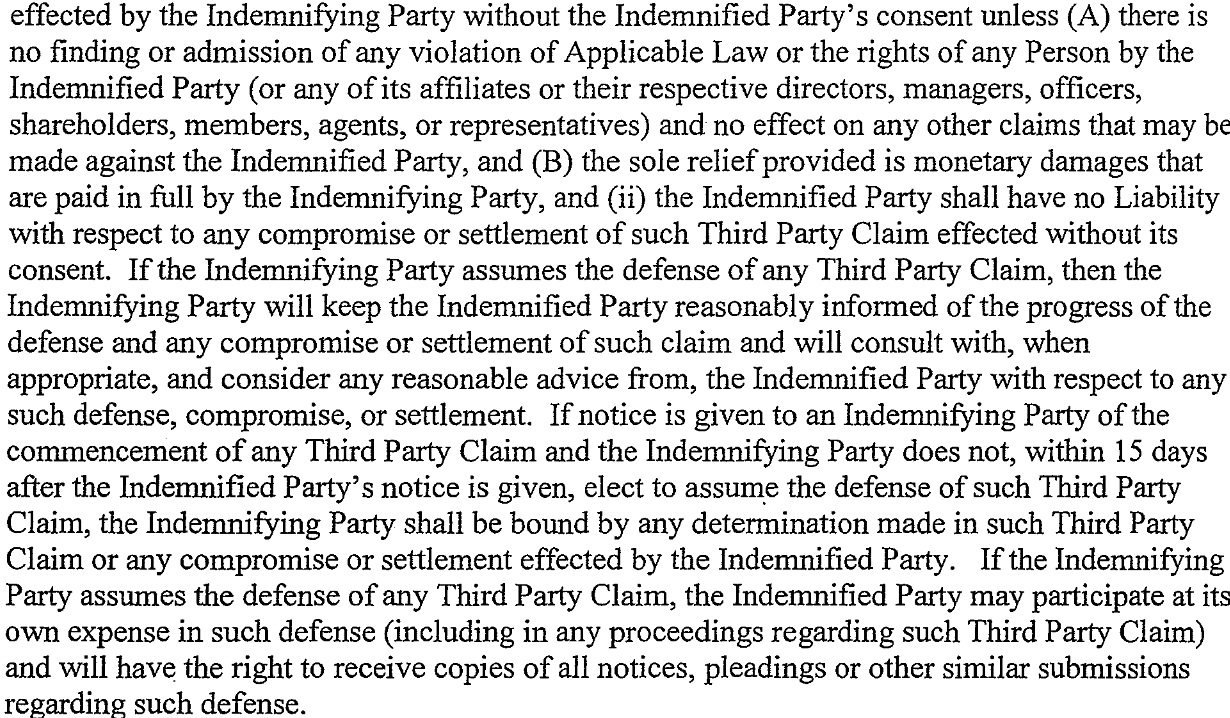
(i) Exclusive Remedy. Notwithstanding anything else contained in this Agreement to the contrary, after the Closing, indemnification pursuant to the provisions of this Article 8 shall be the sole and exclusive remedy for Damages (but not for injunctive or other non-monetary relief) with respect to any and all claims (whether in contract or tort) relating to this Agreement, including any breach of the covenants, agreements, representations or warranties set forth herein, the subject matter of this Agreement and the transactions contemplated hereby, except to the extent of fraud or willful misconduct by any Person.

(j) Purchaser Parent and US Purchaser covenant and agree that, following the Closing, Purchaser Parent and US Purchaser will not, and will cause its Affiliates (including, but not limited to, the Acquired Subsidiaries) to not, exercise any (or attempt to exercise any) indemnification rights they may have (or may purport to have) under the ITW Purchase Agreement.

8.5. Procedure for Indemnification of Third Party Claims.

(a) Notice of Third Party Claims. If any action, claim, suit, proceeding, arbitration, order, or governmental investigation or audit is filed or initiated by any third party (a "*Third Party Claim*") against any party entitled to the benefit of indemnity under this Agreement (an "*Indemnified Party*"), written notice of such Third Party Claim shall be given to the party owing indemnity (an "*Indemnifying Party*") as promptly as practicable (and in any event within 30 days after the service of the citation or summons, or on such earlier date as is required to comply with legal process); *provided, however*, that the failure of any Indemnified Party to give timely notice shall not affect any rights to indemnification hereunder except to the extent that the Indemnifying Party demonstrates actual damage caused by such failure.

(b) Defense and Settlement. If any Third Party Claim is brought against an Indemnified Party, the Indemnifying Party shall be entitled to participate in the defense of such Third Party Claim and, at its option (unless (i) the Indemnifying Party is also a party to such Third Party Claim and the Indemnified Party has been advised by counsel that a reasonable likelihood exists of a conflict of interest between the Indemnified Party and the Indemnifying Party or (ii) the Indemnified Party has failed to assume the defense of the Third Party Claim within 15 days after receipt of notice thereof), to assume the defense of such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party; *provided*, *however*, that notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Third Party Claim for which the Indemnifying Party may have an indemnification obligation pursuant to Section 8.2(a)(viii) or (ix). If the Indemnifying Party assumes the defense of a Third Party Claim, (i) no compromise or settlement of such Third Party Claim may be



effected by the Indemnifying Party without the Indemnified Party's consent unless (A) there is no finding or admission of any violation of Applicable Law or the rights of any Person by the Indemnified Party (or any of its affiliates or their respective directors, managers, officers, shareholders, members, agents, or representatives) and no effect on any other claims that may be made against the Indemnified Party, and (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party, and (ii) the Indemnified Party shall have no Liability with respect to any compromise or settlement of such Third Party Claim effected without its consent. If the Indemnifying Party assumes the defense of any Third Party Claim, then the Indemnifying Party will keep the Indemnified Party reasonably informed of the progress of the defense and any compromise or settlement of such claim and will consult with, when appropriate, and consider any reasonable advice from, the Indemnified Party with respect to any such defense, compromise, or settlement. If notice is given to an Indemnifying Party of the commencement of any Third Party Claim and the Indemnifying Party does not, within 15 days after the Indemnified Party's notice is given, elect to assume the defense of such Third Party Claim, the Indemnifying Party shall be bound by any determination made in such Third Party Claim or any compromise or settlement effected by the Indemnified Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party may participate at its own expense in such defense (including in any proceedings regarding such Third Party Claim) and will have the right to receive copies of all notices, pleadings or other similar submissions regarding such defense.

(c) Non-Monetary Claims. Notwithstanding the foregoing, if an Indemnified Party determines in good faith that there is a reasonable probability that a Third Party Claim would adversely affect it or its Affiliates other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Party may, by notice to the Indemnifying Party, assume the exclusive right to defend, compromise, or settle such Third Party Claim, but the Indemnifying Party shall not be bound by any determination of a Third Party Claim so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

8.6. Procedure for Indemnification of Other Claims. A claim for indemnification for any matter not involving a Third Party Claim may be asserted by notice to the party from whom indemnification is sought.

8.7. Tax Treatment of Indemnity Payments. The parties shall treat any indemnity payments made pursuant to this Article 8 as an adjustment to the Purchase Price for all federal, state, local, and foreign Tax purposes (unless otherwise required by a Governmental Authority).

ARTICLE 9
MISCELLANEOUS

9.1. Termination.

(a) This Agreement may be terminated:

(i) at any time prior to the Closing by mutual written agreement of Purchaser Parent and Graco;

(ii) by Purchaser Parent, at any time prior to the Closing in the event that either Graco or Graco US Finishing Brands is in breach of any of the representations, warranties or covenants made by Graco or Graco US Finishing Brands in this Agreement such that the conditions contained in Sections 7.1(a) or (b) are not capable of being satisfied; *provided, however*, that such condition is not the result of any breach of any representation, warranty or covenant of any Purchaser, Purchaser Parent or US Purchaser set forth in this Agreement, and, *provided, further*, that for the avoidance of doubt Purchaser Parent shall not be entitled to terminate this Agreement pursuant to this Section 9.1(a)(ii) due to any update, supplement or amendment contained in a Disclosure Schedule Update, any breach of or inaccuracy in any representation or warranty made by Graco or Graco US Finishing Brands in this Agreement that is subject to or qualified by one or more Incomplete Disclosure Schedules, or any breach of or inaccuracy in any Unqualified Representations;

(iii) by Graco, at any time prior to the Closing in the event that any Purchaser, Purchaser Parent or US Purchaser is in breach of any of the representations, warranties or covenants made by any Purchaser, Purchaser Parent or US Purchaser in this Agreement such that the conditions contained in Sections 7.2(a) or (b) are not capable of being satisfied; *provided, however*, that such condition is not the result of any breach of any covenant representation, warranty or covenant of Sellers set forth in this Agreement;

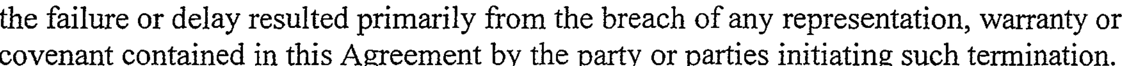
(iv) by Purchaser Parent, if any condition in Section 7.1 becomes incapable of fulfillment at Closing; *provided* that Purchaser Parent has not waived such condition;

(v) by Graco, if any condition in Section 7.2 becomes incapable of fulfillment at Closing; *provided* that Graco has not waived such condition; or

(vi) by Graco, at any time after January 7, 2015, if (A) the conditions set forth in Section 7.2(d) have not been waived by Graco or satisfied on or prior to such date (unless the failure to satisfy the conditions set forth in Section 7.2(d) resulted primarily from the breach of any representation, warranty or covenant contained in this Agreement by Graco or any other Seller), and (B) the Closing has not occurred on or prior to such date;

(vii) by Graco, at any time after February 7, 2015, if (A) the conditions set forth in Section 7.2(d) have been waived by Graco or satisfied on or prior to such date, (B) all of the other conditions set forth in Section 7.2, except for the conditions set forth in Section 7.2(g) and those conditions that by their terms cannot be satisfied until the Closing, have not been waived by Graco or satisfied on or prior to such date (unless the failure to satisfy any of such other conditions set forth in Section 7.2 resulted primarily from the breach of any representation, warranty or covenant contained in this Agreement by Graco or any other Seller), and (C) the Closing has not occurred on or prior to such date;

(viii) by Graco, on the one hand, or Purchaser Parent, on the other hand, at any time after April 4, 2015, if the Closing shall not have occurred by such date, unless



the failure or delay resulted primarily from the breach of any representation, warranty or covenant contained in this Agreement by the party or parties initiating such termination.

(b) Any termination of this Agreement pursuant to Section 9.1(a)(ii), (iii), (iv), (v), (vi), (vii) or (viii) shall be effected by written notice from Graco to Purchaser Parent (if Graco is the terminating party) or Purchaser Parent to Graco (if Purchaser Parent is the terminating party), which notice shall specify the basis therefor. Any termination of this Agreement pursuant to Section 9.1(a)(ii), (iii), (iv), (v), (vi), (vii) or (viii) shall not terminate the liability of any party for any breach or default of any representation, warranty, covenant or other agreement set forth in this Agreement which exists at the time of such termination, and the provisions of Articles 8 and 9 shall survive any termination of this Agreement pursuant to Section 9.1(a)(ii), (iii), (iv), (v), (vi), (vii) or (viii).

9.2. Expenses. Except as otherwise expressly provided herein, each party to this Agreement shall pay all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby, including the fees and expenses of its legal, accounting and financial advisors.

9.3. Governing Law; Venue; Waiver of Jury Trial. This Agreement shall be construed under and governed by the laws of the State of Delaware without regard to the conflicts of law principles of any jurisdiction. Any action brought to enforce any provision of this Agreement shall be brought in the Delaware Court of Chancery, assuming that such Court has jurisdiction of such matter, and to any other federal or state court in the State of Delaware if the Court of Chancery does not have jurisdiction, and the parties hereto hereby consent to the jurisdiction of such courts; *provided, however*, that in the event an action is brought by the Purchaser Group to enforce its indemnification rights under Article 8 of this Agreement for a matter for which the ITW Purchase Agreement Purchaser Group is entitled to seek indemnification from ITW Parent pursuant to Article 8 of the ITW Purchase Agreement (including, but not limited to, any action brought by the Purchaser Group to enforce its indemnification rights under Section 8.2(b) of this Agreement), such action shall, to the fullest extent permitted by Applicable Law, be brought in such court in which the ITW Purchase Agreement Purchaser Group is required or permitted to bring an action to enforce its indemnification rights under Article 8 of the ITW Purchase Agreement. TO THE FULL EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY SUIT, ACTION OR OTHER PROCEEDING INSTITUTED BY OR AGAINST IT IN RESPECT OF ITS OBLIGATIONS HEREUNDER OR THE TRANSACTIONS CONTEMPLATED HEREBY.

9.4. Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be deemed given (i) when delivered in person, (ii) three (3) Business Days after being deposited in the United States mail, postage prepaid, registered or certified mail addressed as set forth below, (iii) on the next Business Day after being deposited with a nationally recognized overnight courier service addressed as set forth below, or (iv) upon dispatch if sent by facsimile with confirmation of receipt from the intended recipient to the facsimile number set forth below (or to such other respective addresses as may be designated by notice given in accordance with the provisions of this Section, except that any notice of change of address shall not be deemed given until actually received by the party to whom directed):

If to any Seller:

Graco Inc.
88 Eleventh Avenue N.E.
Minneapolis, Minnesota 55413
Attn: General Counsel
Tel. No.: 612-623-6604
Fax No.: 612-623-6944

with a copy to:

Lindquist & Vennum LLP
4200 IDS Center
80 South Eighth Street
Minneapolis, Minnesota 55402
Attn: Joseph J. Humke and Charles P. Moorse
Tel. No.: Joseph J. Humke (612-371-2453)
Charles P. Moorse (612-371-5771)
Fax No.: 612-371-3207

If to any Purchaser:

c/o Carlisle Companies Incorporated
11605 North Community House Road, Suite 600
Charlotte, NC 28277
Attn: General Counsel
Tel. No.:
Fax No.: (704) 501-1190

with a copy to:

Dorsey & Whitney LLP
50 S. Sixth Street, Suite 1500
Minneapolis, MN 55402
Attn: Robert A. Rosenbaum
Jonathan A. Van Horn
Tel. No.: (612) 340-2600
Fax No.: (612) 340-2868

9.5. Entire Agreement; Amendment. This Agreement, including the schedules and exhibits, constitutes the entire agreement between the parties and supersedes all prior discussions, negotiations and understandings relating to the subject matter hereof, whether written or oral (including any letter of intent, term sheet, or memorandum of understanding). This Agreement may not be amended, altered, enlarged, supplemented, abridged, modified, or any provisions waived, except by a writing duly signed by the party to be bound thereby. In addition, the parties acknowledge and agree that they shall not modify the terms of this

Agreement without the prior approval of the FTC, except as otherwise provided in Rule 2.41(f)(5) of the FTC's Rules of Practice and Procedure, 16 C.F.R. § 241(f)(5).

9.6. Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving the term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

9.7. Benefit; Assignability. This Agreement is enforceable by, and inures to the benefit of, the parties to this Agreement and their respective successors and assigns. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement without the prior written consent of the other parties hereto and any attempt to do so shall be void; *provided, however*, that Purchaser Parent, US Purchaser or any Purchaser may assign any or all of its rights and interests hereunder (i) to one or more of its Affiliates, (ii) for collateral security purposes to any lender providing financing to Purchaser Parent or its Affiliates and any such lender may exercise all of the rights and remedies of Purchasers hereunder, and (iii) to any subsequent purchaser of Purchaser Parent, US Purchaser or any Purchaser or any material portion of their respective assets (whether such sale is structured as a sale of stock or membership interests, a sale of assets, a merger or otherwise).

9.8. Counterparts. This Agreement may be executed in any number of counterparts and delivered via facsimile or other form of electronic transmission (including .pdf transmission), each of which shall be deemed an original and all of which shall constitute one agreement.

9.9. Publicity and Disclosures. Sellers acknowledge that Purchaser Parent may be required to file this Agreement and related disclosures with the FTC, the SEC and the New York Stock Exchange. Purchasers acknowledge that Graco may be required to file this Agreement and related disclosures with the FTC, the SEC and the New York Stock Exchange. The parties hereby agree to seek confidential treatment of any information contained in any document filed with the SEC, as reasonably requested by any party.

9.10. No Third-Party Rights; Interplay with Final Order. Except as expressly contemplated by this Agreement, nothing in this Agreement is intended, nor may be construed, to confer upon or give any Person, other than the parties hereto and the Persons entitled to indemnification under Article 8, any rights or remedies under or by reason of this Agreement. Notwithstanding the foregoing, Graco affirms that this Agreement, upon the approval of the FTC, shall constitute the Divestiture Agreement under and as defined in the Final Order and, as provided in the Final Order, Graco's failure to comply with the terms of this Agreement shall constitute Graco's failure to comply with the Final Order.

9.11. Headings. The descriptive headings of the Articles and Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

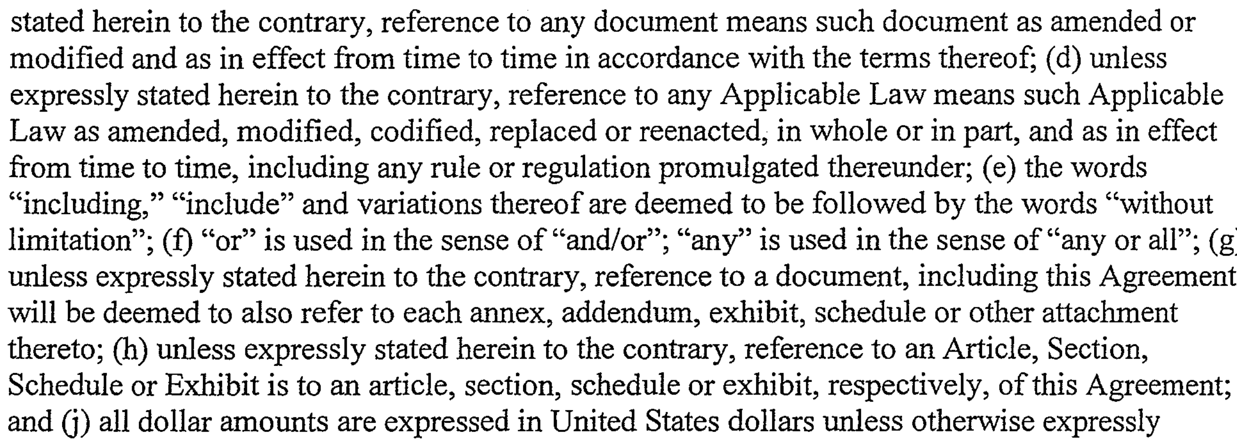
9.12. Remedies. The rights, remedies, powers and privileges provided in this Agreement are cumulative and not exclusive and are in addition to any and all rights, remedies, powers and privileges granted by law, rule, regulation or instrument. The parties agree that, in addition to any other relief afforded under the terms of this Agreement or by Applicable Law, the parties may enforce this Agreement by equitable relief (including, but not limited to, injunctive or mandatory relief) to be issued by or against the other parties, it being understood that both Damages and specific performance shall be proper modes of relief and are not to be understood as alternative remedies; *provided, however*, that Graco shall not, and shall cause its Affiliates not to, enforce Section 6.2(d)(iii) by seeking equitable relief following the 18-month anniversary of the Closing Date (it being acknowledged and agreed that Graco and its Affiliates may seek monetary damages following the 18-month anniversary of the Closing Date in the event of a breach of Section 6.2(d)(iii)). Without limiting the generality of the foregoing, subject to any termination of this Agreement pursuant to Section 9.1: (a) in the event that the conditions to the Closing set forth in Sections 7.1(a)-(g) and Sections 7.2(a)-(e) have been satisfied or waived, then Purchaser Parent and US Purchaser shall, and shall cause Purchasers to, and Graco and Graco US Finishing Brands shall, and shall cause Sellers to, make the deliveries required by Sections 7.1(h) and 7.2(f), respectively, to effect the Closing; (b) Sellers shall be entitled to, but shall not be required to, obtain specific performance of this Agreement by Purchasers to effect the Closing; and (c) Purchasers shall be entitled to, but shall not be required to, obtain specific performance of this Agreement by Sellers to effect the Closing.

9.13. Further Assurances. At the Closing and from time to time after the Closing, at the request of Purchaser Parent and without further consideration, Graco shall, and shall cause its Subsidiaries to, promptly execute and deliver to Purchaser Parent or the applicable Purchaser such documents, certificates, and other instruments (including instruments of sale, conveyance, assignment and transfer) and take such other action, as may reasonably be requested by Purchaser Parent to sell, convey, assign and transfer to and vest in Purchasers, or to put Purchasers in possession of, the Acquired Assets and all benefits related thereto and to carry out the purposes of this Agreement.

9.14. Disclosure Schedules. The Disclosure Schedules set forth the exceptions to the representations and warranties contained in Article 4 under headings referencing the sections and subsections (if any) of this Agreement to which such exceptions apply. The disclosures in the Disclosure Schedules relate only to the representations and warranties in the sections or subsections of the Agreement so indicated in the Disclosure Schedules and not to any other representation or warranty in this Agreement.

9.15. Severability of Invalid Provision. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

9.16. Interpretation; Construction. In this Agreement: (a) the words "herein," "hereunder," "hereby" and similar words refer to this Agreement as a whole (and not to the particular sentence, paragraph or Section where they appear); (b) terms used in the plural include the singular, and vice versa, unless the context clearly requires otherwise; (c) unless expressly


stated herein to the contrary, reference to any document means such document as amended or modified and as in effect from time to time in accordance with the terms thereof; (d) unless expressly stated herein to the contrary, reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and as in effect from time to time, including any rule or regulation promulgated thereunder; (e) the words "including," "include" and variations thereof are deemed to be followed by the words "without limitation"; (f) "or" is used in the sense of "and/or"; "any" is used in the sense of "any or all"; (g) unless expressly stated herein to the contrary, reference to a document, including this Agreement, will be deemed to also refer to each annex, addendum, exhibit, schedule or other attachment thereto; (h) unless expressly stated herein to the contrary, reference to an Article, Section, Schedule or Exhibit is to an article, section, schedule or exhibit, respectively, of this Agreement; and (j) all dollar amounts are expressed in United States dollars unless otherwise expressly indicated.

9.17. Graco Guaranty.

(a) Graco (i) absolutely, unconditionally and irrevocably guarantees, as a principal and not as a surety, to the Purchaser Group the due and timely performance by Sellers of Sellers' covenants, agreements, obligations, commitments, undertakings, and indemnities given or undertaken or expressed to be given or undertaken under this Agreement (collectively, the "*Seller Guaranteed Obligations*"), and (ii) shall indemnify the Purchaser Group and hold the Purchaser Group harmless against any Damages which the Purchaser Group may suffer, sustain or become subject to as a result of any Seller's failure to perform any such Seller Guaranteed Obligations or enforcing this Section 9.17.

(b) The guarantee provided by Graco in this Section 9.17 shall be a continuing guarantee, shall be independent of any other remedy any Purchaser, Purchaser Parent or US Purchaser may have to enforce the Seller Guaranteed Obligations, and shall be operative and binding notwithstanding that at any time or times the Seller Guaranteed Obligations shall cease or terminate, and the guarantee herein provided will not be considered as wholly or partially satisfied by the intermediate payment or satisfaction at any time of all or any part of the Seller Guaranteed Obligations. The liability of Graco under this Section 9.17 will not be discharged, diminished or in any way affected by any circumstance which might otherwise constitute, in whole or in part, a defense available to, or a discharge of, any Seller in respect of the Seller Guaranteed Obligations; *provided, however*, that the obligations and liability of Graco under this Section 9.17 shall be subject to the same express limitations and conditions as apply to the Sellers' obligations in respect of the Seller Guaranteed Obligations under this Agreement.

9.18. Purchaser Parent Guaranty.

(a) Purchaser Parent (i) absolutely, unconditionally and irrevocably guarantees, as a principal and not as a surety, to the Seller Group the due and timely performance by Purchasers of Purchasers' covenants, agreements, obligations, commitments, undertakings, and indemnities given or undertaken or expressed to be given or undertaken under this Agreement (collectively, the "*Purchaser Guaranteed Obligations*"), and (ii) shall indemnify the Seller Group and hold the Seller Group harmless against any Damages which the Seller Group

may suffer, sustain or become subject to as a result of any Purchaser's failure to perform any such Purchaser Guaranteed Obligations or enforcing this Section 9.18.

(b) The guarantee provided by Purchaser Parent in this Section 9.18 shall be a continuing guarantee, shall be independent of any other remedy any Seller may have to enforce the Purchaser Guaranteed Obligations, and shall be operative and binding notwithstanding that at any time or times the Purchaser Guaranteed Obligations shall cease or terminate, and the guarantee herein provided will not be considered as wholly or partially satisfied by the intermediate payment or satisfaction at any time of all or any part of the Purchaser Guaranteed Obligations. The liability of Purchaser Parent under this Section 9.18 will not be discharged, diminished or in any way affected by any circumstance which might otherwise constitute, in whole or in part, a defense available to, or a discharge of, any Purchaser in respect of the Purchaser Guaranteed Obligations; *provided*, *however*, that the obligations and liability of Purchaser Parent under this Section 9.18 shall be subject to the same express limitations and conditions as apply to the Purchasers' obligations in respect of the Purchaser Guaranteed Obligations under this Agreement.

* * * * *

DOCS-#3940853-v15

IN WITNESS WHEREOF, this Asset Purchase Agreement has been duly executed by the parties hereto as of the day and year first above written.

CARLISLE COMPANIES INCORPORATED

Name: Steven J. Ford
Its: Vice President and Chief Financial Officer

CARLISLE FLUID TECHNOLOGIES, INC.

Name: Steven J. Ford
Its: Vice President and Secretary

GRACO INC.

Name: Patrick J. McHale
Its: President and Chief Executive Officer

FINISHING BRANDS HOLDINGS INC.

Name: James A. Graner
Its: President

IN WITNESS WHEREOF, this Asset Purchase Agreement has been duly executed by the parties hereto as of the day and year first above written.

CARLISLE COMPANIES INCORPORATED

____
Name: Steven J. Ford
Its: Vice President and Chief Financial Officer

CARLISLE FLUID TECHNOLOGIES, INC.

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Name: Steven J. Ford
Its: Vice President and Secretary

GRACO INC.

____
Name: Patrick J. McHale
Its: President and Chief Executive Officer

FINISHING BRANDS HOLDINGS INC.

____
Name: James A. Graner
Its: President

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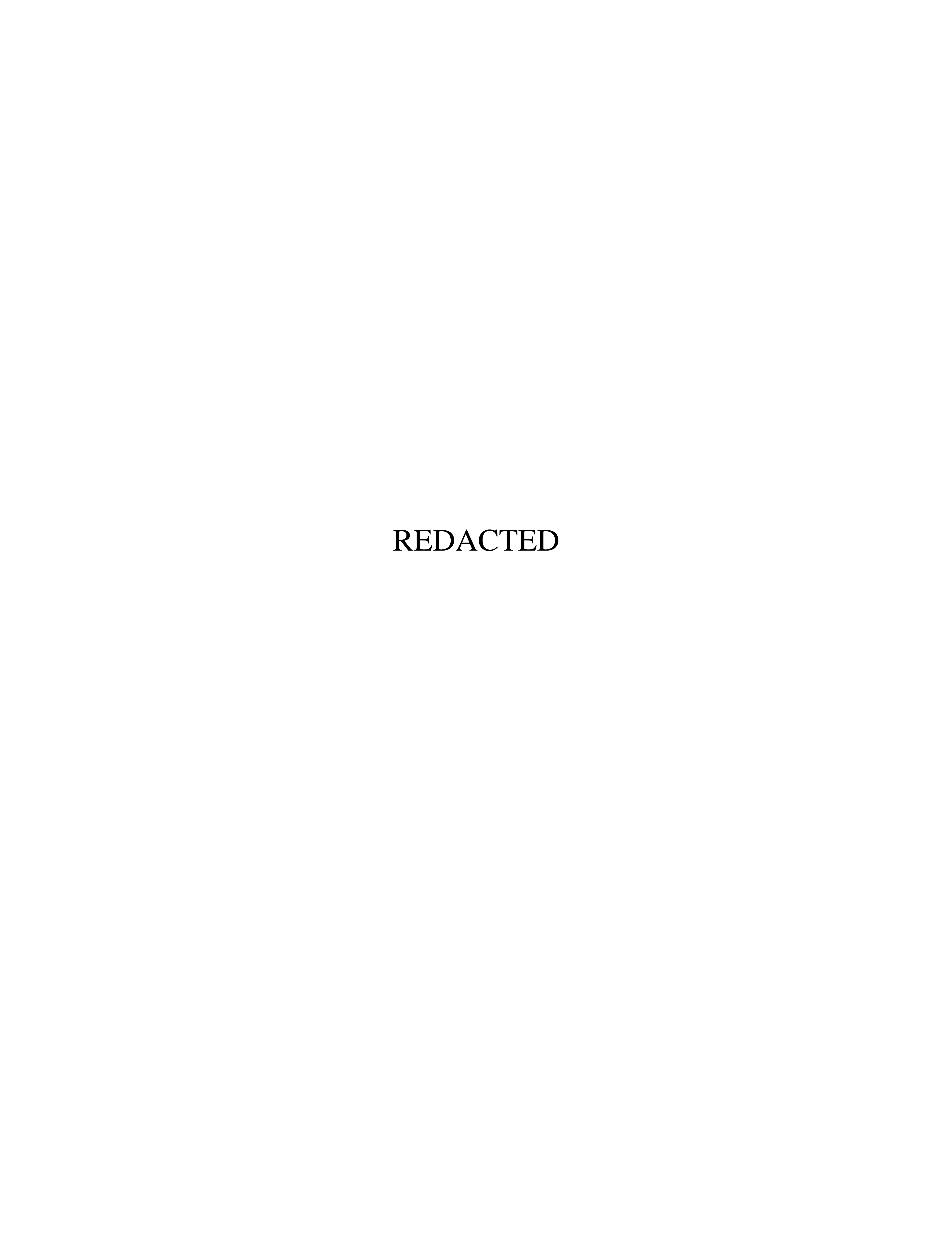
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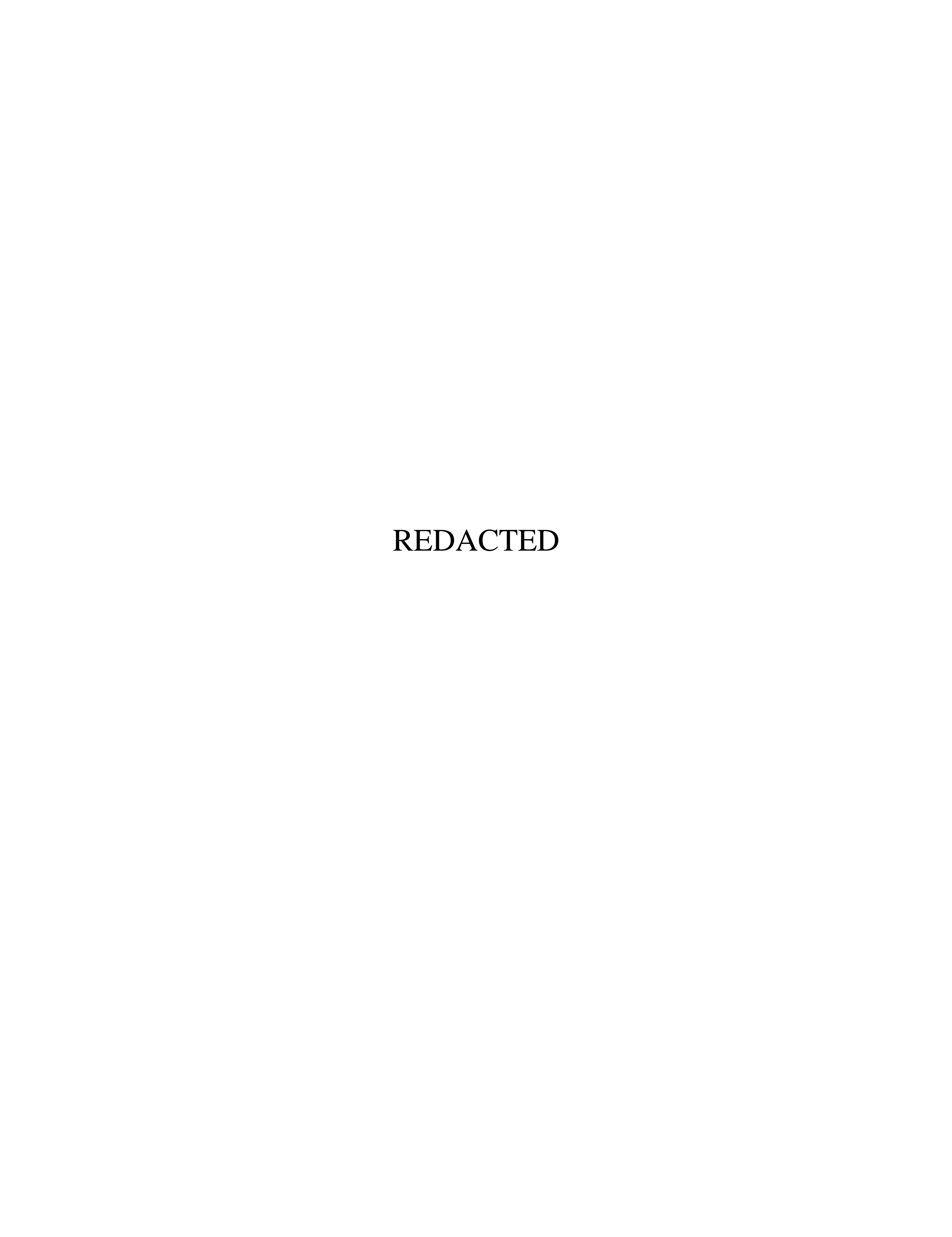
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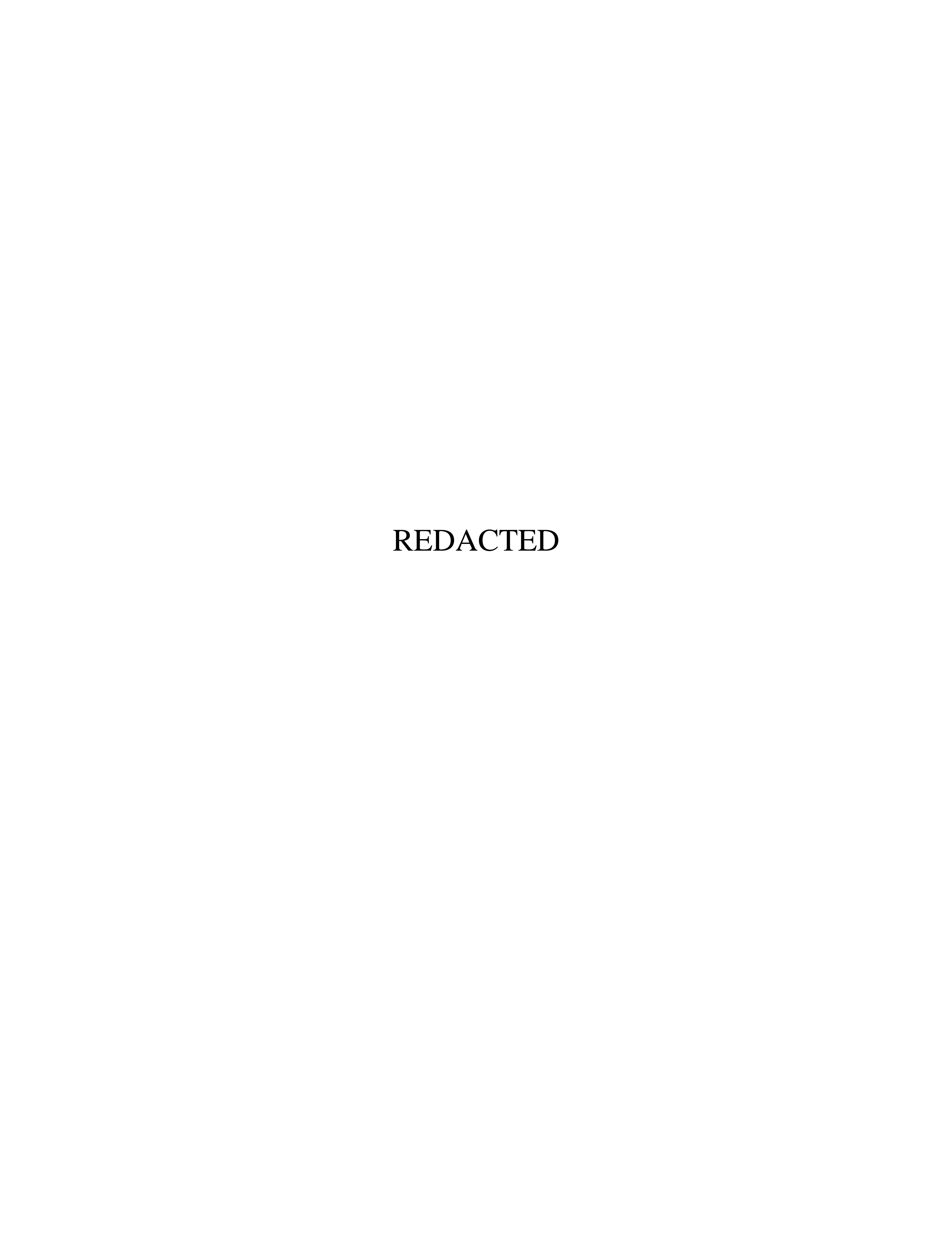

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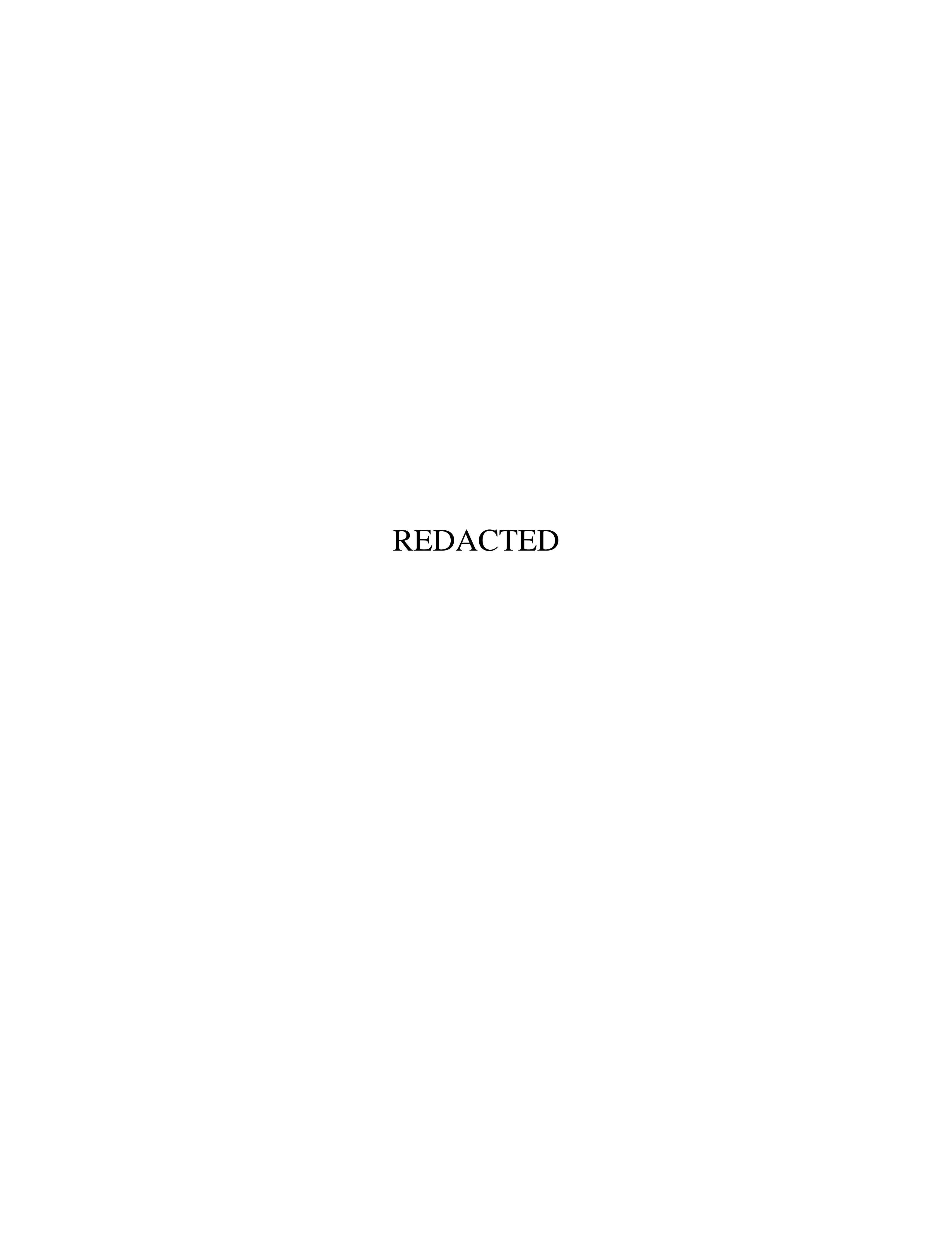
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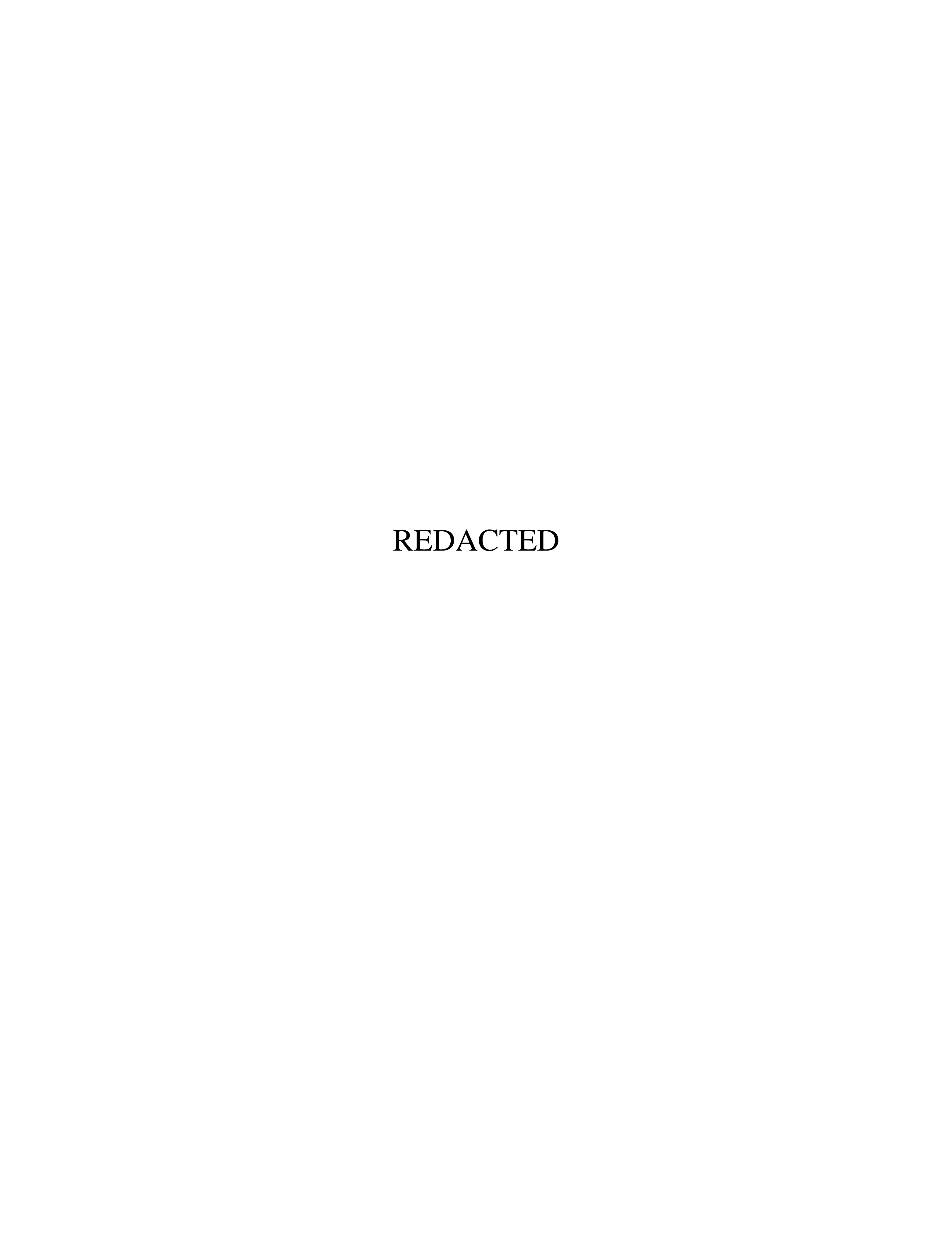
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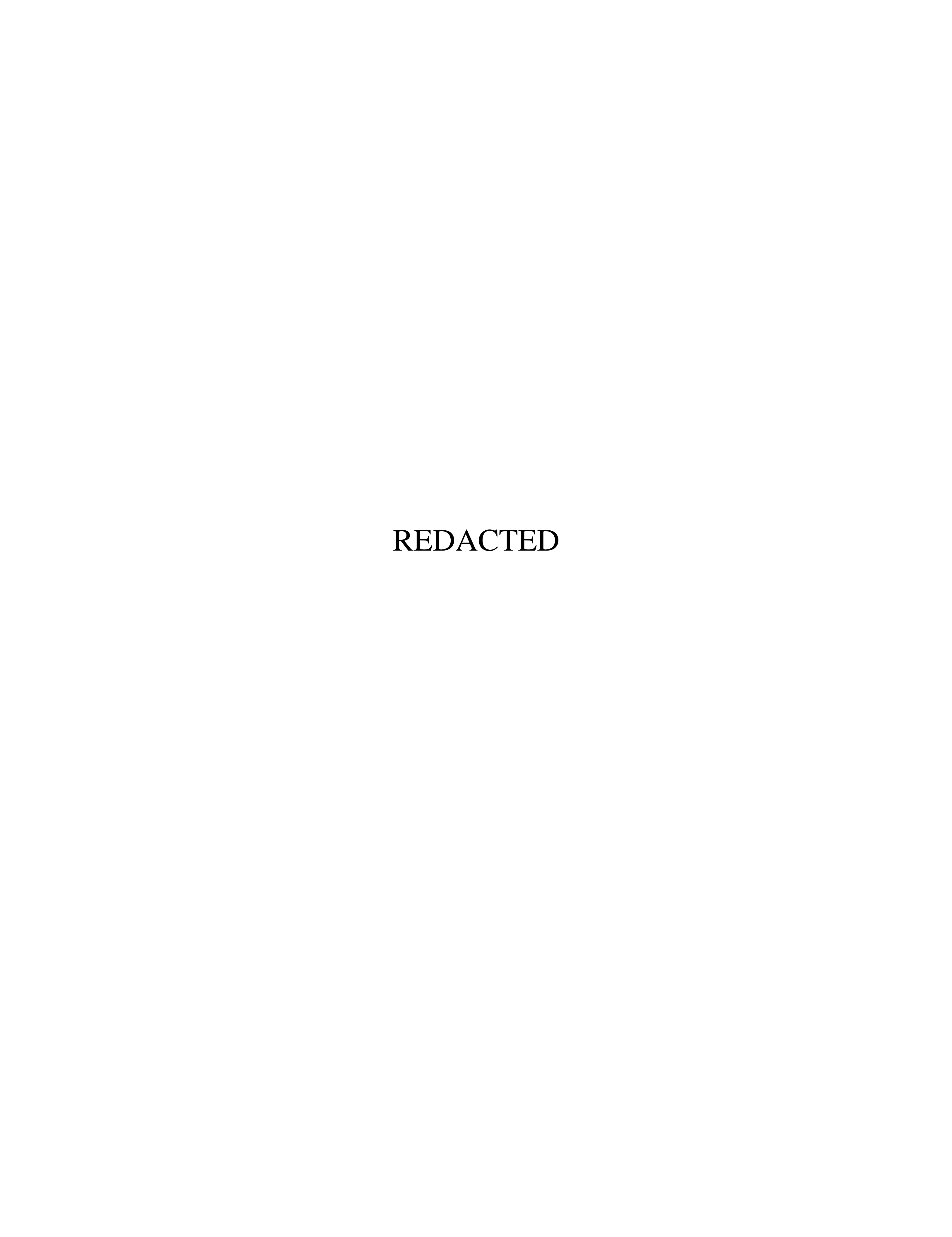
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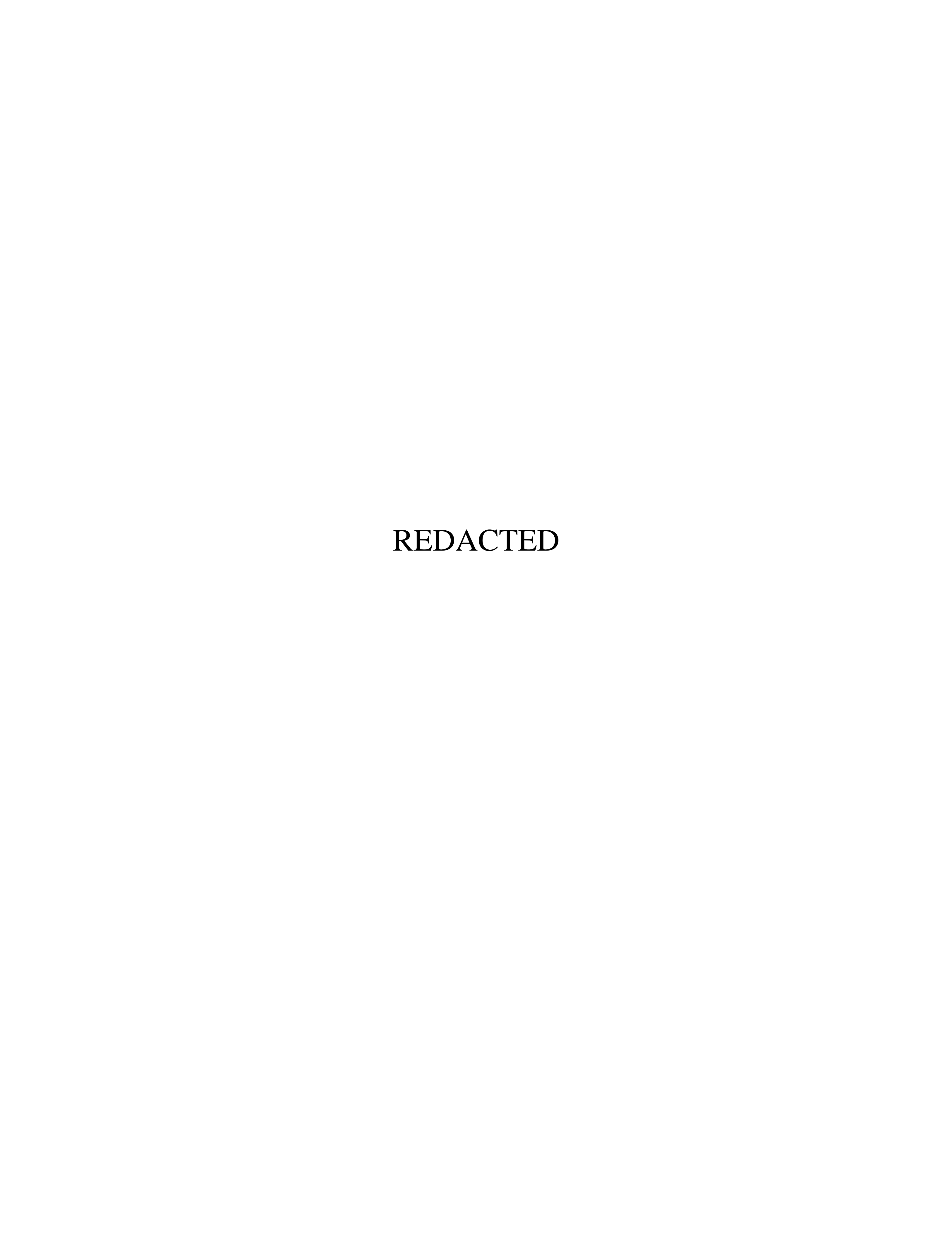
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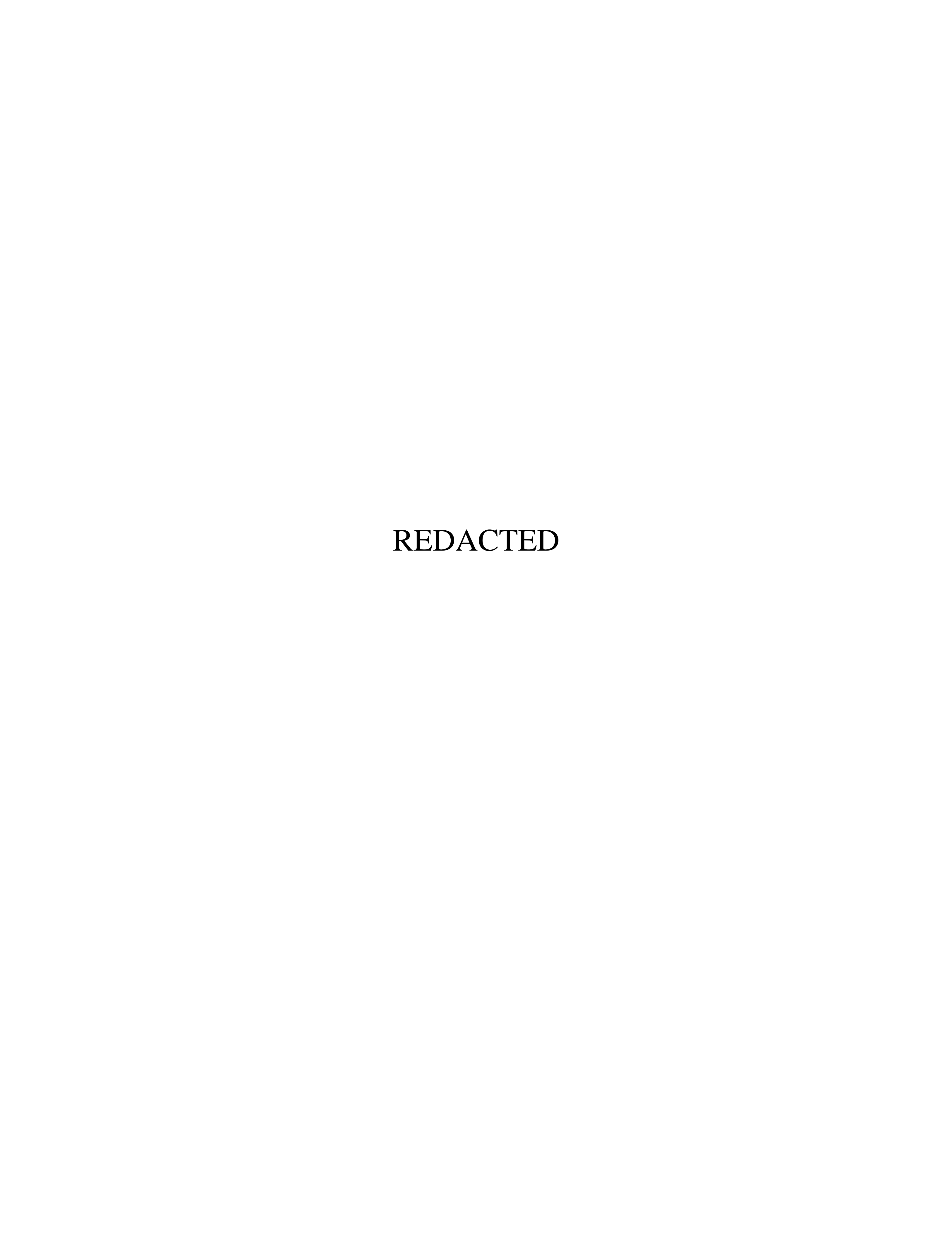
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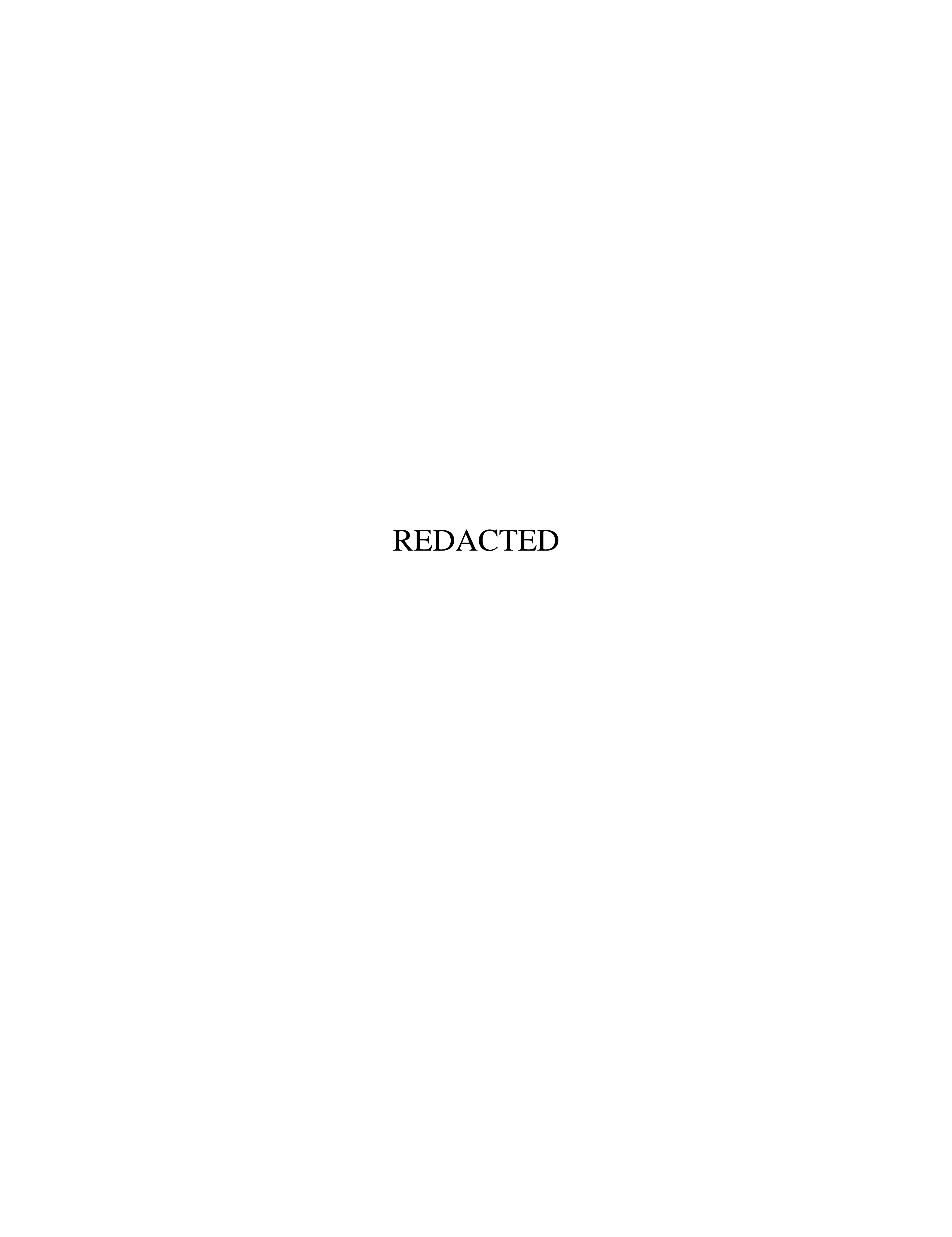
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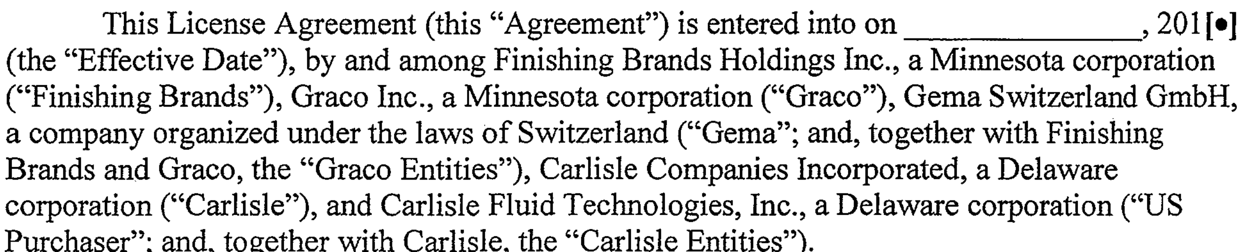
LICENSE AGREEMENT



This License Agreement (this "Agreement") is entered into on _______________, 201[•] (the "Effective Date"), by and among Finishing Brands Holdings Inc., a Minnesota corporation ("Finishing Brands"), Graco Inc., a Minnesota corporation ("Graco"), Gema Switzerland GmbH, a company organized under the laws of Switzerland ("Gema"; and, together with Finishing Brands and Graco, the "Graco Entities"), Carlisle Companies Incorporated, a Delaware corporation ("Carlisle"), and Carlisle Fluid Technologies, Inc., a Delaware corporation ("US Purchaser"; and, together with Carlisle, the "Carlisle Entities").

BACKGROUND

A. Carlisle, US Purchaser, Graco and Finishing Brands are parties to a certain Asset Purchase Agreement, dated as of October 7, 2014 (the "Purchase Agreement"), and the execution and delivery of this Agreement (which is the Cross License Agreement under and as defined in the Purchase Agreement) is a condition to the consummation of the transactions contemplated by the Purchase Agreement.

B. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Purchase Agreement.

C. One or more of the Graco Entities is, and following the Effective Date shall continue to be, the owner of that Intellectual Property set forth on Exhibit A hereto (the Intellectual Property set forth on Exhibit A hereto being the "Graco Licensed Intellectual Property").

D. Following the Effective Date and as a result of the consummation of the transactions contemplated by the Purchase Agreement, one or more of the Carlisle Entities shall be the owner of that Intellectual Property set forth on Exhibit B hereto (the Intellectual Property set forth on Exhibit B hereto being the "Carlisle Licensed-Back Intellectual Property").

E. The Graco Entities desire to license the Graco Licensed Intellectual Property to the Carlisle Entities, and the Carlisle Entities desire to license the Carlisle Licensed-Back Intellectual Property to the Graco Entities, in each case upon the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the above premises, and the mutual covenants of the parties to be faithfully performed, the parties hereto, intending to be legally bound, agree as follows:

1. DEFINITIONS

In addition to the terms defined above and elsewhere in this Agreement, as used in this Agreement:

1.1 "Active Category 2 Graco Licensed Intellectual Property" means that Category 2 Graco Licensed Intellectual Property which is identified as Active Category 2 Graco Licensed Intellectual Property on Exhibit A hereto.

1.2 "Category 1 Graco Licensed Intellectual Property" means that Graco Licensed Intellectual Property which is identified as Category 1 Graco Licensed Intellectual Property on Exhibit A hereto.

1.3 "Category 2 Graco Licensed Intellectual Property" means that Graco Licensed Intellectual Property which is identified as Category 2 Graco Licensed Intellectual Property on Exhibit A hereto. Category 2 Graco Licensed Intellectual Property is comprised of Active Category 2 Graco Licensed Intellectual Property and Inactive Category 2 Graco Licensed Intellectual Property.

1.4 "Inactive Category 2 Graco Licensed Intellectual Property" means that Category 2 Graco Licensed Intellectual Property which is identified as Inactive Category 2 Graco Licensed Intellectual Property on Exhibit A hereto.

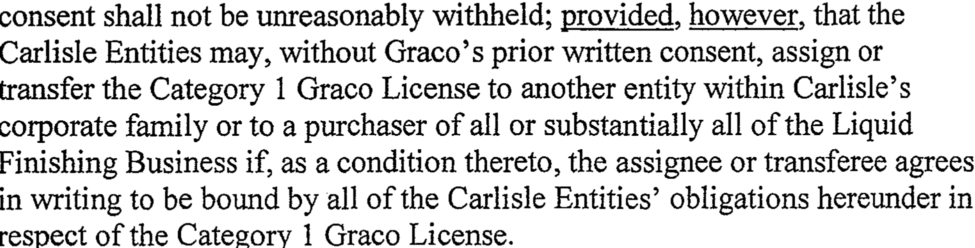
1.5 "Term" shall mean the period from the Effective Date through the date upon which the last patent, including reissues and extensions thereof, included in the Graco Licensed Intellectual Property and the Carlisle Licensed-Back Intellectual Property expires.

In addition, as indicated in the Background, capitalized terms used but not defined herein shall have the meanings assigned to them in the Purchase Agreement, which defined terms are hereby incorporated by reference herein.

2. LICENSES AND COVENANTS NOT TO SUE

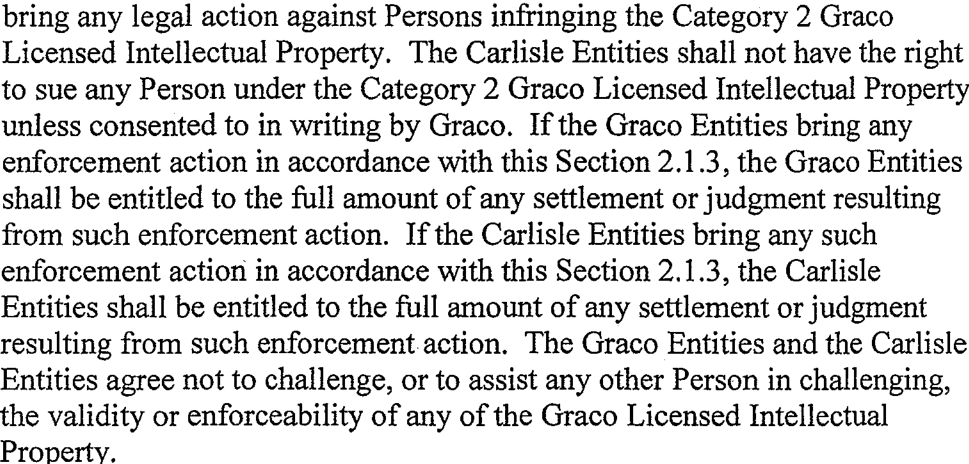
2.1 Grant of License by the Graco Entities to the Carlisle Entities.

2.1.1 In consideration for the covenants contained in this Agreement, and in further consideration of the consummation of the transactions contemplated by the Purchase Agreement, the Graco Entities hereby grant to the Carlisle Entities an exclusive (except as to the Graco Entities and any Person(s) to whom or which the Graco Entities license the Category 1 Graco Licensed Intellectual Property for purposes of having any apparatus or method within the scope of the Category 1 Graco Licensed Intellectual Property manufactured on behalf of the Graco Entities), sublicenseable, irrevocable, noncancelable, fully paid-up, royalty-free, worldwide license for the Term (the "Category 1 Graco License"), to use the Category 1 Graco Licensed Intellectual Property to research, develop, make, have made, use, import, export, distribute, offer to sell and sell Historical Liquid Finishing Products, Historical DeVilbiss Powder Finishing Products and Historical Ransburg Powder Finishing Products. The Category 1 Graco License shall be non-transferable and non-assignable without Graco's prior written consent, which


consent shall not be unreasonably withheld; provided, however, that the Carlisle Entities may, without Graco's prior written consent, assign or transfer the Category 1 Graco License to another entity within Carlisle's corporate family or to a purchaser of all or substantially all of the Liquid Finishing Business if, as a condition thereto, the assignee or transferee agrees in writing to be bound by all of the Carlisle Entities' obligations hereunder in respect of the Category 1 Graco License.

2.1.2 In further consideration for the covenants contained in this Agreement, and in further consideration of the consummation of the transactions contemplated by the Purchase Agreement, the Graco Entities hereby grant to the Carlisle Entities a non-exclusive, irrevocable, noncancelable, fully paid-up, royalty-free, worldwide license for the Term (the "Category 2 Graco License") to use the Category 2 Graco Licensed Intellectual Property to research, develop, make, have made, use, import, export, distribute, offer to sell and sell Historical Liquid Finishing Products, Historical DeVilbiss Powder Finishing Products and Historical Ransburg Powder Finishing Products. The Category 2 Graco License shall be non-transferable and non-assignable without Graco's prior written consent, which consent shall not be unreasonably withheld; provided, however, that the Carlisle Entities may, without Graco's prior written consent, assign or transfer the Category 2 Graco License to another entity within Carlisle's corporate family or to a purchaser of all or substantially all of the Liquid Finishing Business if, as a condition thereto, the assignee or transferee agrees in writing to be bound by all of the Carlisle Entities' obligations hereunder in respect of the Category 2 Graco License. The Category 2 Graco License shall be non-sublicensable; provided, however, that the Carlisle Entities may sublicense the Category 2 Graco License for purposes of having a third party manufacture Historical Liquid Finishing Products, Historical DeVilbiss Powder Finishing Products and Historical Ransburg Powder Finishing Products on behalf of the Carlisle Entities, subject to the terms, conditions and limitations of the Category 2 Graco License.

2.1.3 The Graco Entities shall promptly notify Carlisle of any infringement or potential infringement of the Graco Licensed Intellectual Property that may come to the attention of the Graco Entities, and the Carlisle Entities shall promptly notify Graco of any infringement or potential infringement of the Graco Licensed Intellectual Property that may come to the attention of the Carlisle Entities. The Carlisle Entities shall have the sole initial right (but not the obligation), at their own expense and sole discretion, to bring any legal action against Persons infringing the Category 1 Graco Licensed Intellectual Property. The Graco Entities may (but shall not be obligated to), at their own expense and sole discretion, bring any legal action against Persons infringing the Category 1 Graco Licensed Intellectual Property that the Carlisle Entities do not pursue. The Graco Entities shall have the sole right (but not the obligation), at their own expense and sole discretion, to



bring any legal action against Persons infringing the Category 2 Graco Licensed Intellectual Property. The Carlisle Entities shall not have the right to sue any Person under the Category 2 Graco Licensed Intellectual Property unless consented to in writing by Graco. If the Graco Entities bring any enforcement action in accordance with this Section 2.1.3, the Graco Entities shall be entitled to the full amount of any settlement or judgment resulting from such enforcement action. If the Carlisle Entities bring any such enforcement action in accordance with this Section 2.1.3, the Carlisle Entities shall be entitled to the full amount of any settlement or judgment resulting from such enforcement action. The Graco Entities and the Carlisle Entities agree not to challenge, or to assist any other Person in challenging, the validity or enforceability of any of the Graco Licensed Intellectual Property.

2.1.4 The parties shall reasonably cooperate with each other in any intellectual property litigation regarding the Graco Licensed Intellectual Property.

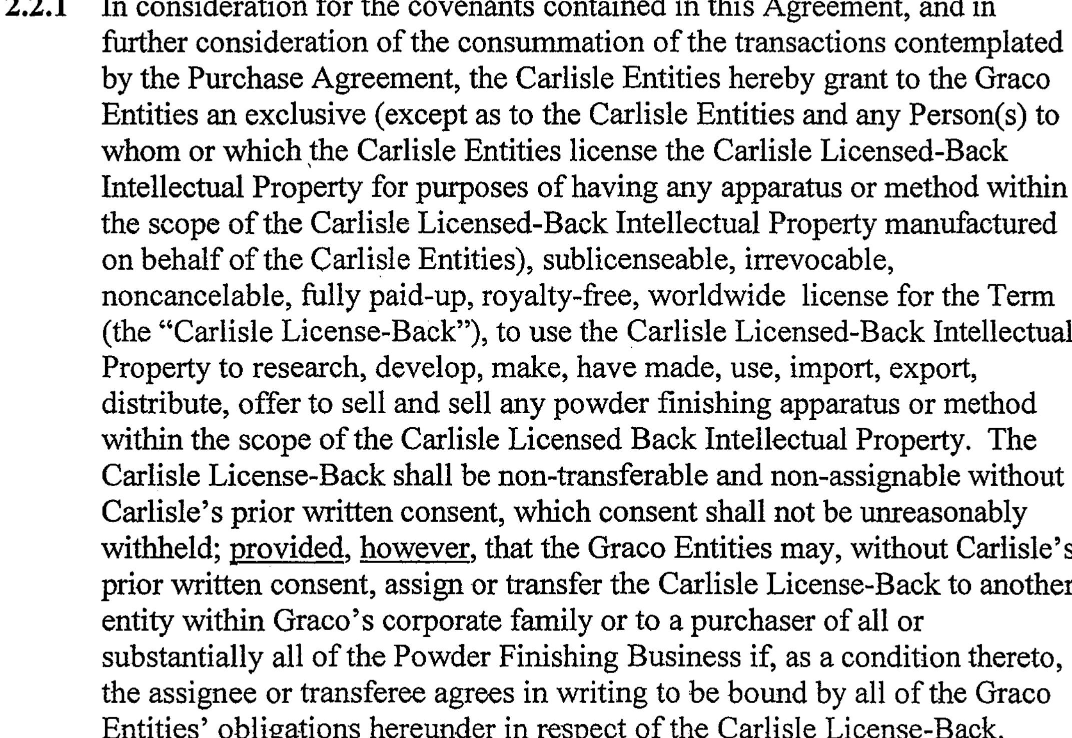
2.1.5 Within sixty (60) days of the Effective Date, Carlisle shall deliver to Graco a writing, certified by Carlisle, that identifies (by specific product): (a) all Historical Liquid Finishing Products in which Active Category 2 Graco Licensed Intellectual Property was used to research, develop, make, have made, use, import, export, distribute, offer to sell and sell such Historical Liquid Finishing Products; (b) all Historical DeVilbiss Powder Finishing Products in which Active Category 2 Graco Licensed Intellectual Property was used to research, develop, make, have made, use, import, export, distribute, offer to sell and sell such Historical DeVilbiss Powder Finishing Products; and (c) all Historical Ransburg Powder Finishing Products in which Active Category 2 Graco Licensed Intellectual Property was used to research, develop, make, have made, use, import, export, distribute, offer to sell and sell such Historical Ransburg Powder Finishing Products. For the avoidance of doubt, the inclusion of any Intellectual Property among the Active Category 2 Graco Licensed Intellectual Property does not constitute a concession by the Graco Entities that such Intellectual Property was used to research, develop, make, have made, use, import, export, distribute, offer to sell or sell any Historical Liquid Finishing Product, Historical DeVilbiss Powder Finishing Product or Historical Ransburg Powder Finishing Product.

2.1.6 The Graco Entities represent and warrant that: (i) the Graco Entities have the exclusive right to license the Category 1 Graco Licensed Intellectual Property and the Active Category 2 Graco Licensed Intellectual Property to the Carlisle Entities; (ii) the Graco Entities have the necessary rights, powers, and authority to enter into this Agreement; and (iii) this Agreement has been duly and validly executed and delivered by the Graco Entities. Notwithstanding anything herein to the contrary, the Graco Entities make no representations or warranties with respect to the Inactive Category 2 Graco Licensed Intellectual Property, including, but not limited to, what rights (if

any) might be associated with the Inactive Category 2 Graco Licensed Intellectual Property.

2.1.7 The Graco Entities covenant and agree that the Graco Entities shall, at the Graco Entities' expense: (a) take such action as is reasonably necessary to prosecute any patent applications included in the Category 1 Graco Licensed Intellectual Property and Active Category 2 Graco Licensed Intellectual Property; and (b) take such action as is reasonably necessary to maintain the validity and enforceability of each issued patent included in the Category 1 Graco Licensed Intellectual Property and Active Category 2 Graco Licensed Intellectual Property (including each issued patent resulting from any patent application included in the Category 1 Graco Licensed Intellectual Property or Active Category 2 Graco Licensed Intellectual Property), including, but not limited to, the payment of all fees and annuities related to each such issued patent. The Graco Entities' obligations under this Section 2.1.7 shall, as to each issued patent included in the Category 1 Graco Licensed Intellectual Property and Active Category 2 Graco Licensed Intellectual Property (including any issued patent resulting from any patent application included in the Category 1 Graco Licensed Intellectual Property or Active Category 2 Graco Licensed Intellectual Property), expire upon the expiration of each such patent.

2.2 Grant of License by the Carlisle Entities to the Graco Entities.



2.2.1 In consideration for the covenants contained in this Agreement, and in further consideration of the consummation of the transactions contemplated by the Purchase Agreement, the Carlisle Entities hereby grant to the Graco Entities an exclusive (except as to the Carlisle Entities and any Person(s) to whom or which the Carlisle Entities license the Carlisle Licensed-Back Intellectual Property for purposes of having any apparatus or method within the scope of the Carlisle Licensed-Back Intellectual Property manufactured on behalf of the Carlisle Entities), sublicenseable, irrevocable, noncancelable, fully paid-up, royalty-free, worldwide license for the Term (the "Carlisle License-Back"), to use the Carlisle Licensed-Back Intellectual Property to research, develop, make, have made, use, import, export, distribute, offer to sell and sell any powder finishing apparatus or method within the scope of the Carlisle Licensed Back Intellectual Property. The Carlisle License-Back shall be non-transferable and non-assignable without Carlisle's prior written consent, which consent shall not be unreasonably withheld; provided, however, that the Graco Entities may, without Carlisle's prior written consent, assign or transfer the Carlisle License-Back to another entity within Graco's corporate family or to a purchaser of all or substantially all of the Powder Finishing Business if, as a condition thereto, the assignee or transferee agrees in writing to be bound by all of the Graco Entities' obligations hereunder in respect of the Carlisle License-Back.

2.2.2 The Carlisle Entities shall promptly notify Graco of any infringement or potential infringement of the Carlisle Licensed-Back Intellectual Property that may come to the attention of the Carlisle Entities, and the Graco Entities shall promptly notify Carlisle of any infringement or potential infringement of the Carlisle Licensed-Back Intellectual Property that may come to the attention of the Graco Entities. The Graco Entities shall have the sole initial right (but not the obligation), at their own expense and sole discretion, to bring any legal action against Persons infringing the Carlisle Licensed-Back Intellectual Property. The Carlisle Entities may (but shall not be obligated to), at their own expense and sole discretion, bring any legal action against Persons infringing the Carlisle Licensed-Back Intellectual Property that the Graco Entities do not pursue. If the Graco Entities bring any enforcement action in accordance with this Section 2.2.2, the Graco Entities shall be entitled to the full amount of any settlement or judgment resulting from such enforcement action. If the Carlisle Entities bring any such enforcement action in accordance with this Section 2.2.2, the Carlisle Entities shall be entitled to the full amount of any settlement or judgment resulting from such enforcement action. The Carlisle Entities and the Graco Entities agree not to challenge, or to assist any other Person in challenging, the validity or enforceability of any of the Carlisle Licensed-Back Intellectual Property.

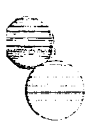
2.2.3 The parties shall reasonably cooperate with each other in any intellectual property litigation regarding the Carlisle Licensed-Back Intellectual Property.

2.2.4 The Carlisle Entities represent and warrant that: (i) subject to the accuracy of the representations and warranties of Graco contained in the Purchase Agreement, the Carlisle Entities have the exclusive right to license the Carlisle Licensed-Back Intellectual Property to the Graco Entities; (ii) the Carlisle Entities have the necessary rights, powers, and authority to enter into this Agreement; and (iii) this Agreement has been duly and validly executed and delivered by the Carlisle Entities.

2.2.5 The Carlisle Entities covenant and agree that the Carlisle Entities shall, at the Carlisle Entities' expense, take such action as is reasonably necessary to maintain the validity and enforceability of each issued patent included in the Carlisle Licensed-Back Intellectual Property, including, but not limited to, the payment of all fees and annuities related to each such issued patent. The Carlisle Entities' obligations under this Section 2.2.5 shall, as to each issued patent included in the Carlisle Licensed-Back Intellectual Property, expire upon the expiration of each such patent.

3. SUCCESSORS AND ASSIGNS

3.1 All rights and obligations of this Agreement shall be binding upon and inure to the benefit of all permitted successors and assigns of each of the parties hereto.



4. MISCELLANEOUS

4.1 Sublicensing.

4.1.1 The Carlisle Entities shall be responsible for the performance of all sublicensees of the Category 1 Graco License and the Category 2 Graco License as if such performance were carried out by the Carlisle Entities themselves, regardless as to the terms of any sublicense agreement. Accordingly, the Carlisle Entities shall be responsible for the performance by any sublicensee of the Category 1 Graco License or the Category 2 Graco License and shall cause any such sublicensee to comply with the provisions of this Agreement in connection with such performance as if any such sublicensee were a party hereto. Each sublicense agreement in respect of the Category 1 Graco License or the Category 2 Graco License shall name the Graco Entities as third party beneficiaries, and all rights of any sublicenseee of the Category 1 Graco License or the Category 2 Graco License shall terminate when the Carlisle Entities' rights under the Category 1 Graco License or the Category 2 Graco License, as applicable, terminate.

4.1.2 The Graco Entities shall be responsible for the performance of all sublicensees of the Carlisle License-Back as if such performance were carried out by the Graco Entities themselves, regardless as to the terms of any sublicense agreement. Accordingly, the Graco Entities shall be responsible for the performance by any sublicensee of the Carlisle License-Back and shall cause any such sublicensee to comply with the provisions of this Agreement in connection with such performance as if any such sublicensee were a party hereto. Each sublicense agreement in respect of the Carlisle License-Back shall name the Carlisle Entities as third party beneficiaries, and all rights of any sublicenseee of the Carlisle License-Back shall terminate when the Graco Entities' rights under the Carlisle License-Back terminate.

4.2 Non-Agency. Nothing in this Agreement is intended or shall be deemed to constitute a partnership, agency, employer-employee, or joint venture relationship between the Graco Entities, on the one hand, and the Carlisle Entities, on the other hand. The Graco Entities, on the one hand, and the Carlisle Entities, on the other hand, shall not incur any debts or make any commitments for the other.

4.3 Entire Agreement, Amendments, and Waivers. This Agreement (together with the Purchase Agreement) constitutes and contains the entire agreement among the parties relating to the subject matter herein, and supersedes any and all prior negotiations, conversations, correspondence, understandings, and letters respecting the subject matter hereof. This Agreement may be amended or modified or one or more provisions hereof waived only by a written instrument signed by all of the parties.

4.4 Execution. This Agreement will not be binding upon the parties until it has been signed below on behalf of each party by a duly authorized representative. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.5 Severability and Captions. If one or more provisions of this Agreement are held to be invalid or unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded. In the event a part or provision of this Agreement is held to be invalid or unenforceable or in conflict with law for any reason, the parties shall replace any invalid part or provision with a valid provision that most closely approximates the intent and economic effect of the invalid provision. The captions to this Agreement are for convenience only and are to be of no force or effect in construing and interpreting the provisions of this Agreement. .

4.6 Governing Law and Consent to Jurisdiction. This Agreement shall be governed by and construed under applicable federal law and the laws of the State of Delaware, excluding any conflict of law provisions. Each party hereto irrevocably consents to the exclusive jurisdiction of any Delaware state or federal court over any suit, action, or proceeding arising out of or relating to this Agreement.

4.7 Notices. Any notice required or permitted under this Agreement shall be given in writing and shall be sent via overnight carrier, or via facsimile and regular mail: (i) in the case of the Carlisle Entities, to Carlisle at the address identified pursuant to Section 9.4 of the Purchase Agreement; and (ii) in the case of the Graco Entities, to Graco at the address identified pursuant to Section 9.4 of the Purchase Agreement.

4.8 Language. The contract language between the parties shall be English.

IN WITNESS WHEREOF, the parties have executed this License Agreement as of the date first set forth above.

GRACO ENTITIES:

GRACO INC.

____
By:______________________________
Its:______________________________

FINISHING BRANDS HOLDINGS INC.

____
By:______________________________
Its:______________________________

GEMA SWITZERLAND GmbH

____
By:______________________________
Its:______________________________

CARLISLE ENTITIES:

CARLISLE COMPANIES INCORPORATED

____
By:______________________________
Its:______________________________

CARLISLE FLUID TECHNOLOGIES, INC.

____
By:______________________________
Its:______________________________

EXHIBIT A

Graco Licensed Intellectual Property

The following Graco Licensed Intellectual Property constitutes "Category 1 Graco Licensed Intellectual Property":

1. U.S. Patent No. 7,478,763, entitled "Spray Coating Device for Spraying Coating Material, in Particular Coating Powder," as well as any and all continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts thereof.

2. Drawing package for RPAA-01.

The following Graco Licensed Intellectual Property constitutes "Category 2 Graco Licensed Intellectual Property," which is further comprised of "Active Category 2 Graco Licensed Intellectual Property" and "Inactive Category 2 Graco Licensed Intellectual Property":

Active Category 2 Graco Licensed Intellectual Property

1. U.S. Patent No. 6,557,789, entitled "Manual Spray Coating Gun," as well as any and all continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts thereof.

2. U.S. Patent No. 6,562,138, entitled "Electrode Holder for a Powder Spray Gun," as well as any and all continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts thereof.

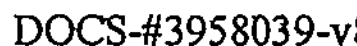
3. U.S. Patent No. 6,712,291, entitled "Spray Coating Apparatus," as well as any and all continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts thereof.

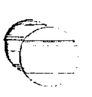
4. U.S. Patent No. 6,935,583, entitled "Coating-Powder Spray Gun," as well as any and all continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts thereof.

Inactive Category 2 Graco Licensed Intellectual Property

5. All continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts of U.S. Patent No. 5,686,149, entitled "Spray Device and Method for Powder Coating Material," which expired or was abandoned prior to the Effective Date.

6. All continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts of U.S. Patent No. 5,735,958, entitled "Electrostatic Coating System," which expired or was abandoned prior to the Effective Date.





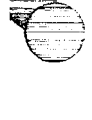
7. All continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts of U.S. Patent Application Publication No. 2003/0197078, entitled “Spray Coating Device,” which expired or was abandoned prior to the Effective Date.

EXHIBIT B

Carlisle Licensed-Back Intellectual Property

1. U.S. Patent No. 7,918,409, entitled "Multiple Charging Electrode," as well as any and all continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts thereof.

2. U. S. Patent No. 8,371,517, entitled "Powder Gun Deflector," as well as any and all continuations, divisionals, continuations-in-part, reissues, reexaminations, and foreign counterparts thereof.



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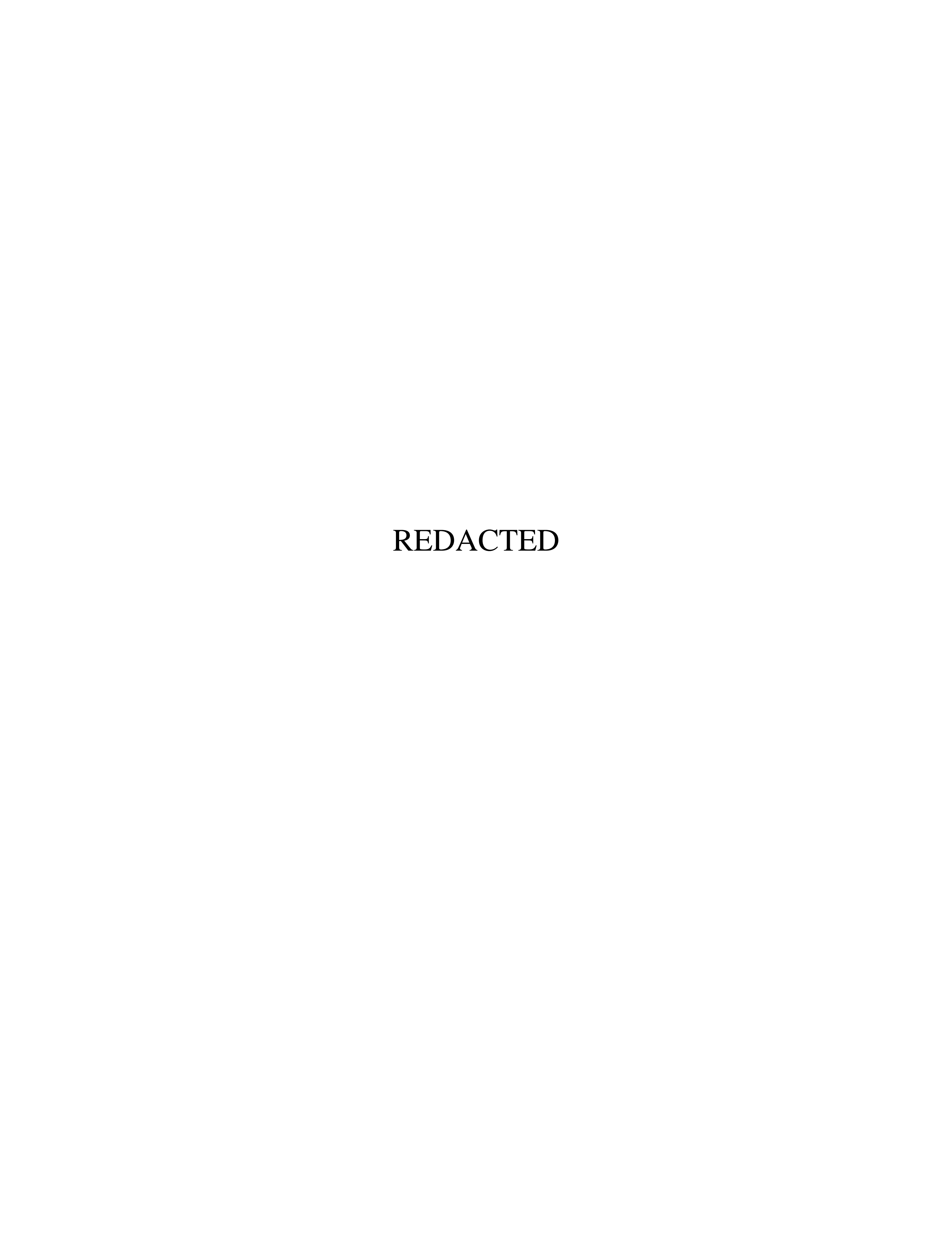

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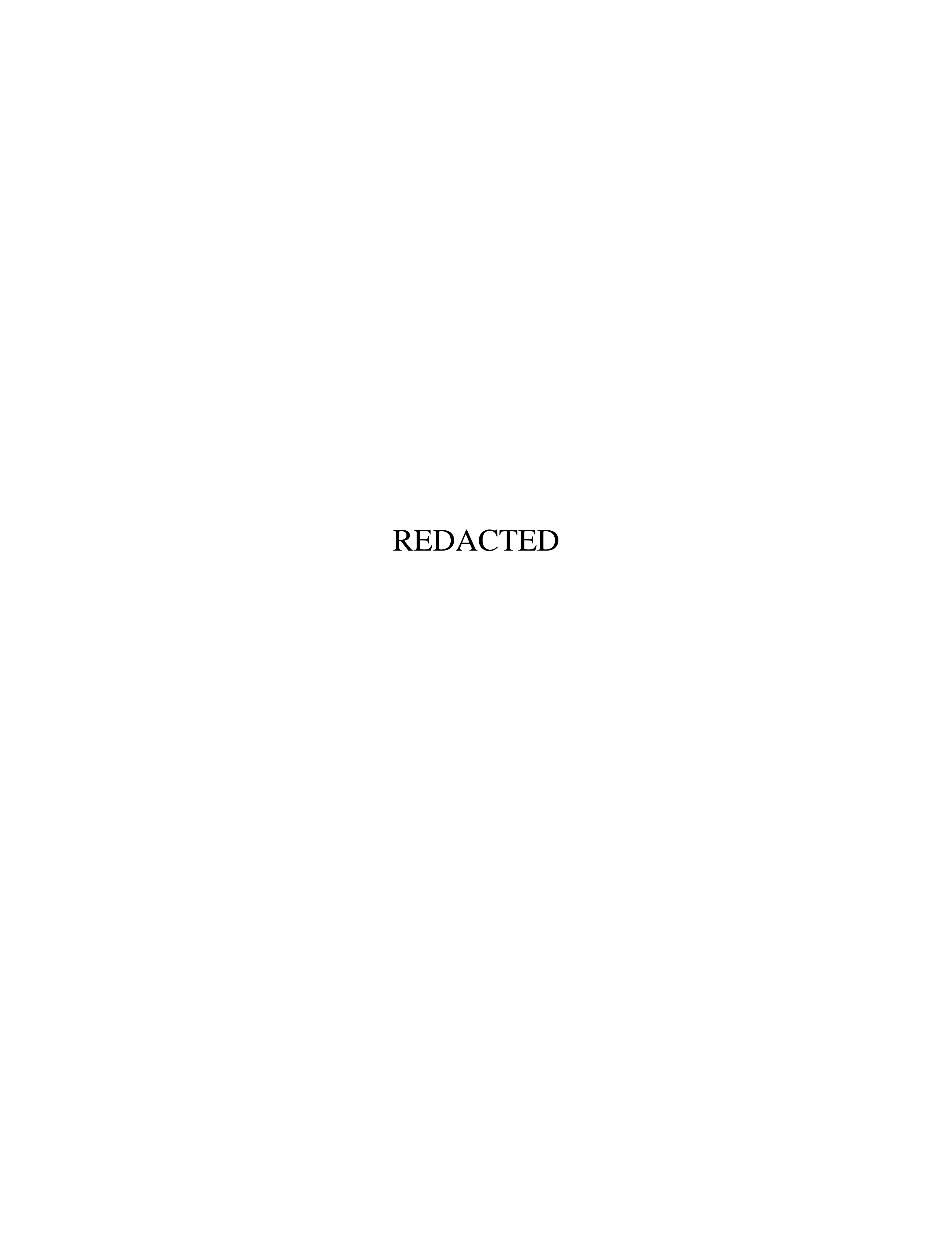
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EDGAR®Online

CARLISLE COMPANIES INC

FORM 10-K
(Annual Report)

Filed 02/19/14 for the Period Ending 12/31/13

Address	11605 NORTH COMMUNITY HOUSE ROAD SUITE 600 CHARLOTTE, NC 28277
Telephone	704-501-1100
CIK	0000790051
Symbol	CSL
SIC Code	3060 - Fabricated Rubber Products, Not Elsewhere
Industry	Chemicals - Plastics & Rubber
Sector	Basic Materials
Fiscal Year	12/31

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

Commission file number 1-9278

CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**31-1168055** (I.R.S. Employer Identification No.)
11605 North Community House Road, Suite 600, Charlotte, North Carolina 28277 (Address of principal executive office, including zip code)	**(704) 501-1100** (Telephone Number)

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

Title of each class	Name of each exchange on which registered
Common stock, $1 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange

Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately $3.7 billion based upon the closing price of the common stock on the New York Stock Exchange on June 30, 2013.

As of February 14, 2014, 63,852,641 shares of common stock of the registrant were outstanding;

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2014 are incorporated by reference in Part III.

Part I

Item 1. Business.

Overview

Carlisle Companies Incorporated ("Carlisle", the "Company", "we", "us" or "our") was incorporated in 1986 in Delaware as a holding company for Carlisle Corporation, whose operations began in 1917, and its wholly-owned subsidiaries. Carlisle is a diversified manufacturing company consisting of four segments which manufacture and distribute a broad range of products. Additional information is contained in Items 7 and 8.

The Company's executive offices are located at 11605 North Community House Road, Suite 600, Charlotte, North Carolina. The Company's main telephone number is (704) 501-1100. The Company's Internet website address is *www.carlisle.com* . Through this Internet website (found in the "Investor Relations" link), the Company makes available free of charge its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, as soon as reasonably practicable after these reports are electronically filed with or furnished to the Securities and Exchange Commission.

Management Philosophy/Business Strategy

The Company strives to be the market leader in the various niche markets it serves. The Company is dedicated to achieving low cost positions and providing service excellence based on, among other things, superior quality, on-time delivery, and short cycle times.

The presidents of the various operating companies are given considerable autonomy and have a significant level of independent responsibility for their businesses and their performance. The Company believes that this structure encourages entrepreneurial action and enhances responsive decision making thereby enabling each operation to better serve its customers and react quickly to its customers' needs.

The Company's executive management role is to (i) provide general management oversight and counsel, (ii) manage the Company's portfolio of businesses including identifying acquisition candidates and assisting in acquiring candidates identified by the operating companies, as well as identifying businesses for divestiture in an effort to optimize the portfolio, (iii) allocate and manage capital, (iv) evaluate and motivate operating management personnel, and (v) provide selected other services.

During 2008, the Company began the implementation of the Carlisle Operating System ("COS"), a manufacturing structure and strategy deployment system based on lean enterprise and six sigma principles. COS is a continuous improvement process and is redefining the way the Company does business. Waste is being eliminated and efficiencies improved enterprise wide, allowing the Company to increase overall profitability. Improvements are not limited to production areas, as COS is also driving improvements in new product innovation, engineering, supply chain management, warranty, and product rationalization. COS is creating a culture of continuous improvement across all aspects of the Company's business operations.

Acquisitions and Divestitures

The Company has a long-standing acquisition strategy. Traditionally, the Company has focused on acquiring new businesses that can be added to existing operations, or "bolt-ons." In addition, the Company considers acquiring new businesses that can operate independently from other Carlisle companies. Factors considered by the Company in making an acquisition include consolidation opportunities, technology, customer dispersion, operating capabilities, and growth potential.

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the

additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale. All prior period results of operations have been retrospectively adjusted to reflect the Transportation Products business as discontinued operations and related assets and liabilities as held for sale.

For more details regarding the acquisition, consolidation, and divestiture of the Company's businesses during the past three years, see "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions", Notes 3 and 4 to the Consolidated Financial Statements in Item 8, and "Discontinued Operations," also in Item 1 below.

Information on the Company's revenues, earnings, and identifiable assets for continuing operations by industry segment for the last three fiscal years is as follows (amounts in millions):

Financial Information about Industry Segments

	2013	2012	2011
Sales to Unaffiliated Customers(1)			
Carlisle Construction Materials	**$ 1,776.5**	$ 1,695.8	$ 1,484.0
Carlisle Interconnect Technologies	**577.7**	463.1	299.6
Carlisle Brake & Friction	**350.0**	449.0	473.0
Carlisle FoodService Products	**238.8**	243.3	235.8
Total	**$ 2,943.0**	$ 2,851.2	$ 2,492.4
Earnings Before Interest and Income Taxes			
Carlisle Construction Materials	**$ 264.0**	$ 273.4	$ 177.9
Carlisle Interconnect Technologies	**89.4**	69.1	41.9
Carlisle Brake & Friction	**33.5**	75.6	77.2
Carlisle FoodService Products	**27.0**	12.3	13.2
Corporate(2)	**(47.1)**	(58.5)	(44.2)
Total	**$ 366.8**	$ 371.9	$ 266.0
Identifiable Assets			
Carlisle Construction Materials	**$ 886.9**	$ 860.4	$ 774.4
Carlisle Interconnect Technologies	**1,017.5**	1,075.7	782.1
Carlisle Brake & Friction	**603.7**	625.7	665.8
Carlisle FoodService Products	**193.2**	190.1	206.8
Corporate(3)	**791.4**	132.3	116.4
Total	**$ 3,492.7**	$ 2,884.2	$ 2,545.5

(1) Intersegment sales or transfers are not material

(2) Includes general corporate expenses

(3) Consists primarily of cash and cash equivalents, facilities, and other invested assets, and includes assets of discontinued operations not classified as held for sale

A reconciliation of assets reported above to total assets as presented on the Company's Consolidated Balance Sheets in Item 8 is as follows:

	2013	2012
Total Identifiable Assets by segment per table above	$ 3,492.7	$ 2,884.2
Assets held for sale of discontinued operations*	0.3	573.1
Total assets per Consolidated Balance Sheets in Item 8	$ 3,493.0	$ 3,457.3

* See Note 4 to the Consolidated Financial Statements in Item 8.

Description of Businesses by Segment

Carlisle Construction Materials ("CCM" or the "Construction Materials segment")

The Construction Materials segment manufactures and sells rubber ("EPDM") and thermoplastic polyolefin ("TPO") roofing systems. In addition, CCM markets and sells polyvinyl chloride membrane ("PVC") and accessories purchased from third party suppliers. Beginning in the first quarter of 2014, CCM will also manufacture PVC. CCM also manufactures and distributes energy-efficient rigid foam insulation panels for substantially all roofing applications. Roofing materials and insulation are sold together in warranted systems or separately in non-warranted systems to the new construction, re-roofing and maintenance, general construction, and industrial markets. Through its coatings and waterproofing operation, this segment manufactures and sells liquid and spray-applied waterproofing membranes, vapor and air barriers, and HVAC duct sealants and hardware for the commercial and residential construction markets. The majority of CCM's products are sold through a network of authorized sales representatives and distributors.

On March 9, 2012, the Company acquired 100% of the equity of Hertalan Holding B.V. ("Hertalan") for a total cash purchase price of approximately €37.3 million, or $48.9 million, net of €0.1 million, or $0.1 million, cash acquired. The acquisition of Hertalan strengthens the Company's ability to efficiently serve European customers in the EPDM roofing market in Europe with local manufacturing and established distribution channels. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation.

On August 1, 2011, the Company acquired PDT Phoenix GmbH ("PDT") for approximately $111.0 million, net of $7.6 million cash acquired. The purchase price of $118.6 million was comprised of $113.4 million in cash and $5.2 million in contingent consideration. Contingent consideration was subsequently increased to $9.9 million as of December 31, 2012 due to an increase in expected earnings of PDT in 2014. The contingent consideration was settled in 2013 for €7.0 million, or $9.5 million. PDT operates manufacturing facilities in Germany and is a leading manufacturer of EPDM based roofing materials. The acquisition of PDT is an important foothold for CCM in servicing the growing single-ply roofing market in Europe. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation. On January 2, 2012, the Company completed the sale of PDT's non-roofing and waterproofing unit ("PDT Profiles") to Datwyler Group of Altdorf, Switzerland for $22.1 million with no pre-tax gain or loss recognized upon the sale. See Note 4 in Item 8 regarding discontinued operations.

CCM operates manufacturing facilities located throughout the United States, its primary market, and in Germany, Netherlands, and Romania. Insulation facilities are located in Montgomery, New York, Franklin Park, Illinois, Lake City, Florida, Terrell, Texas, Tooele, Utah, Smithfield, Pennsylvania, and Puyallup, Washington. EPDM manufacturing operations are located in Carlisle, Pennsylvania, Greenville, Illinois, and in Hamburg and Waltershausen, Germany. Following the acquisition of Hertalan, the Company also operates EPDM manufacturing facilities in Kampen, Netherlands, and

Baia Mare, Romania. TPO facilities are located in Senatobia, Mississippi and Tooele, Utah. Coatings and waterproofing manufacturing operations include four production facilities in North America. Block molded expanded polystyrene, or EPS, operations include ten production and fabrication facilities across the United States. CCM completed construction of a PVC manufacturing plant in Greenville, Illinois, in 2013 and is expected to begin production in the first quarter of 2014.

Raw materials for this segment include EPDM polymer, TPO polymer, carbon black, processing oils, solvents, asphalt, methylene diphenyldiisocyanate, polyol, polyester fabric, black facer paper, oriented strand board, clay, and various packaging materials. Critical raw materials generally have at least two vendor sources to better assure adequate supply. For raw materials that are single sourced, the vendor typically has multiple processing facilities.

Sales and earnings for CCM tend to be somewhat higher in the second and third quarters due to increased construction activity during those periods.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 45 days to 90 days.

(ii) Standard accounts payable payment terms of 30 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

CCM serves a large and diverse customer base; however, in 2013 two customers represented approximately 25% of this segment's revenues, but neither customer represented 10% of the Company's consolidated revenues. The loss of either of these customers could have a material adverse effect on this segment's revenues and cash flows.

This segment faces competition from numerous competitors that produce roofing, insulation, and waterproofing products for commercial and residential applications. The level of competition within this market varies by product line. As one of two leading manufacturers in the niche single-ply industry, CCM competes through pricing, innovative products, long-term warranties, and customer service. CCM offers separately-priced extended warranty contracts on its installed roofing systems, ranging from five years to 30 years and, subject to certain exclusions, covering leaks in the roofing system attributable to a problem with the particular product or the installation of the product. In order to qualify for the warranty, the building owner must have the roofing system installed by an authorized roofing applicator, an independent roofing contractor trained by CCM to install its roofing systems.

Carlisle Interconnect Technologies ("CIT" or the "Interconnect Technologies segment")

The Interconnect Technologies segment designs and manufactures high performance wire, cable, contacts, fiber optic, RF/microwave and specialty filtered connectors, specialty cable assemblies, integrated wired racks, trays, and fully integrated airframe subsystem solutions primarily for the aerospace, defense electronics, industrial, medical, and test and measurement equipment industries. This segment operates manufacturing facilities in the United States, Switzerland, China, Mexico, and the United Kingdom, with the United States, Europe, and China being the primary target markets for sales. Sales are made by direct sales personnel and independent sales representatives.

On December 17, 2012, the Company acquired certain assets and assumed certain liabilities of Thermax ("Thermax"), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited ("Raydex" and together with Thermax, "Thermax/Raydex"), a company incorporated in England and Wales, for total cash consideration of approximately $265.5 million, net of $0.1 million cash acquired. With combined annual sales of approximately $110 million, Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen the Company's interconnect products

business by expanding its product and service range to its customers. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation.

On December 2, 2011, the Company completed the purchase of TSEI Holdings, Inc. ("Tri-Star") for approximately $284.8 million, net of $4.5 million cash acquired. With annual sales of approximately $95 million, Tri-Star is based in El Segundo, California, with machining facilities in Riverside, California, and Lugano, Switzerland. Tri-Star is a supplier to the world's leading aerospace, avionics, and electronics companies. Tri-Star designs, manufactures, and sells customized, high-reliability contacts and connectors critical for accurate and efficient transmission of data and power on aircraft and defense platforms, as well as in high-end industrial equipment. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation.

Raw materials for this segment include gold, copper conductors that are plated with tin, nickel, or silver, polyimide tapes, polytetrafluoroethylene ("PTFE") tapes, PTFE fine powder resin, thermoplastic resins, stainless steel, beryllium copper rod, machined metals, plastic parts, and various marking and identification materials. Key raw materials are typically sourced worldwide and have at least two vendor sources to better assure adequate supply.

The operations of the Interconnect Technologies segment are generally not seasonal in nature.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 30 days to 60 days.

(ii) Standard accounts payable payment terms of 30 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. The majority of CIT's sales are from made-to-order products, resulting in inventories purchased on demand.

CIT serves a large and diverse customer base; however, in 2013 one customer represented 18% of this segment's revenues, but did not represent 10% of the Company's consolidated revenues. The loss of this customer could have a material adverse effect on this segment's revenues and cash flows.

The Interconnect Technologies segment is known for its engineering and product quality. Product performance, either mechanical or electrical in nature, is a principal competitive criterion, with pricing, delivery, and service also being key buying criteria for the customer.

Carlisle Brake & Friction ("CBF" or the "Brake & Friction segment")

The Brake & Friction segment consists of off-highway braking systems and friction products for off-highway, on-highway, aircraft, and other industrial applications. CBF also includes the performance racing group which markets and sells high-performance motorsport braking products. CBF's products are sold by direct sales personnel to OEMs, mass merchandisers, and various wholesale and industrial distributors around the world, including North America, Europe, Asia, South America, and Africa. Key markets served include agriculture, construction, aircraft, mining, heavy truck, wind and alternative energy, and performance racing. Manufacturing facilities are located in the United States, the United Kingdom, Italy, China, and Japan.

The brake manufacturing operations require the use of various metal products such as castings, pistons, springs, and bearings. With respect to friction products, the raw materials used are fiberglass, phenolic resin, metallic chips, copper and iron powders, steel, custom-fabricated cellulose sheet, and various other organic materials. Raw materials are sourced worldwide to better assure adequate supply, and critical raw materials generally have at least two vendor sources.

Sales and earnings tend to be marginally higher in the second and third quarters.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 30 days to 120 days.

(ii) Standard accounts payable payment terms of 30 days to 120 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

CBF serves a large and diverse customer base; however, in 2013 one customer represented approximately 18% of this segment's revenues, but did not represent 10% of the Company's consolidated revenues. The loss of this customer could have a material adverse effect on this segment's revenues and cash flows.

This segment competes globally against regional and international manufacturers. Few competitors participate in all served markets. A majority participate in only a few of CBF's served markets on a regional or global basis. Markets served are competitive and the major competitive factors include product performance, quality, product availability, and price. The relative importance of these competitive factors varies by market segment and channel.

On October 11, 2013, to further streamline operations and reduce manufacturing costs, CBF announced plans to close its manufacturing facility in Akron, OH, relocate manufacturing previously conducted at this facility to other CBF facilities, and sell the facility's remaining assets once operations cease which is expected in the second half of 2014. See Item 7 for further information about the Akron closing.

Carlisle FoodService Products ("CFSP" or the "FoodService Products segment")

The FoodService Products segment manufactures and distributes i) commercial and institutional foodservice permanentware, table coverings, cookware, display pieces, lighting equipment, and supplies to restaurants, hotels, hospitals, nursing homes, schools, and correctional facilities, and (ii) industrial brooms, brushes, mops, and rotary brushes for industrial, commercial, and institutional facilities. CFSP's product line is distributed from two primary distribution centers located in Charlotte, North Carolina, and Oklahoma City, Oklahoma to wholesalers, distributors, and dealers. These distributor and dealer customers, in turn, sell to commercial and non-commercial foodservice operators and sanitary maintenance professionals. Distributors and dealers are solicited through subcontracted manufacturer representatives and direct sales personnel. The FoodService Products segment operates manufacturing facilities in the United States and Mexico, and sales are made primarily in North America and Europe.

Raw materials used by the FoodService Products segment include polymer resins, stainless steel, and aluminum. Key raw materials are sourced nationally from recognized suppliers of these materials.

Sales in the FoodService Products segment tend to be marginally stronger in the second and third quarters.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 30 days to 60 days.

(ii) Standard accounts payable payment terms of 45 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

The FoodService Products segment serves a large and diverse customer base; however, in 2013 two customers together represented 19% of this segment's revenues, but neither represented 10% of the Company's consolidated revenues. The loss of one of these customers could have a material adverse effect on this segment's revenues and cash flows.

The FoodService Products segment is engaged in markets that are generally highly competitive, and competes equally on price, service, and product performance.

Discontinued Operations

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale. All prior period results of operations have been retrospectively adjusted to reflect the Transportation Products business as discontinued operations and related assets and liabilities as held for sale.

On August 1, 2011, the Company acquired all of the equity of PDT. Included with the acquisition were certain assets associated with PDT's profiles and frames business ("PDT Profiles"), which the Company classified as held for sale at the date of acquisition. The Company completed the sale of the PDT Profiles business on January 2, 2012 for $22.1 million with no pre-tax gain or loss recognized upon the sale.

On October 4, 2010, as part of its commitment to concentrate on its core businesses, the Company sold its specialty trailer business for cash proceeds of $39.4 million, including a working capital adjustment of $4.4 million. The Company recorded a pre-tax gain on sale of $6.3 million in the fourth quarter of 2010. On April 19, 2012, the Company entered into an agreement with the buyer of its specialty trailer business whereby the contingent consideration related to the sale was settled for $3.75 million. This amount was recognized as a gain within discontinued operations during the second quarter of 2012. The Company also recorded after-tax, currency related gains of $4.3 million and $1.8 million in the fourth quarter of 2010 related to the final dissolution of its on-highway friction and brake shoe, and systems and equipment businesses, respectively.

The results of operations for these businesses, and any gains or losses recognized from their sale, are reported as "discontinued operations" for all periods presented.

See Note 4 in Item 8 for further information regarding discontinued operations.

Principal Products

The Company's products are discussed above and in Note 2 to the Consolidated Financial Statements in Item 8.

Intellectual Property

The Company owns or holds the right to use a variety of patents, trademarks, licenses, inventions, trade secrets, and other intellectual property rights. The Company has adopted a variety of measures and programs to ensure the continued validity and enforceability of its various intellectual property rights. While the Company's intellectual property is important to its success, the loss or expiration of any particular intellectual property right would not materially affect the Company or any of its segments.

Backlog

Backlog of orders from continuing operations generally is not a significant factor in most of the Company's businesses, as most of the Company's products have relatively short order-to-delivery periods. Backlog of orders from continuing operations was $386.1 million at December 31, 2013 and $392.4 million at December 31, 2012; however, not all of these orders are firm in nature.

Government Contracts

At December 31, 2013, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the U.S. government.

Research and Development

Research and development activities include the development of new product lines, the modification of existing product lines to comply with regulatory changes, and the research of cost efficiencies through raw material substitution and process improvements. The Company's research and development expenses in continuing operations were $29.3 million in 2013 compared to $26.1 million in 2012 and $21.7 million in 2011.

Environmental Matters

The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material and we do not currently have any significant accruals related to potential future costs of environmental remediation at December 31, 2013 and 2012, nor does the Company have any asset retirement obligations recorded at those dates. However, the nature of the Company's operations and its long history of industrial activities at certain of its current or former facilities, as well as those acquired, could potentially result in material environmental liabilities or asset retirement obligations.

While the Company must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on its business, capital expenditures, or financial position. Future events, including those relating to climate change or greenhouse gas regulation, could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

Employees

The Company had approximately 8,000 employees, less than 1% of whom were covered by a collective bargaining agreement, in its continuing operations at December 31, 2013. The Company believes the state of its relationship with its employees is generally good.

International

For foreign sales and an allocation of the assets of the Company's continuing operations, see Note 2 to the Consolidated Financial Statements in Item 8.

NYSE Affirmation

On May 10, 2013, David A. Roberts, the Company's Chief Executive Officer, submitted to the New York Stock Exchange (the "NYSE") the Annual CEO Certification and certified therein that he was not aware of any violation by the Company of the NYSE's Corporate Governance listing standards.

Item 1A. Risk Factors.

The Company's business, financial condition, results of operations, and cash flows can be affected by a number of factors including but not limited to those set forth below, those set forth in our

"Forward Looking Statements" disclosure in Item 7, and those set forth elsewhere in this Annual Report on Form 10-K, any one of which could cause the Company's actual results to vary materially from recent results or from anticipated future results.

Several of the market segments that the Company serves are cyclical and sensitive to domestic and global economic conditions.

Several of the market segments in which the Company sells its products are, to varying degrees, cyclical, and may experience periodic downturns in demand. For example, the Brake & Friction segment is susceptible to downturns in the mining and construction industries, the Interconnect Technologies segment is susceptible to downturns in the commercial airline industry, and the Construction Materials segment is susceptible to downturns in the commercial construction industry.

In addition, both the Interconnect Technologies segment and the Brake & Friction segment may be negatively impacted by reductions in military spending.

Current uncertainty regarding global economic conditions may have an adverse effect on the businesses, results of operations, and financial condition of the Company and its customers, distributors, and suppliers. Among the economic factors which may affect performance are: manufacturing activity, commercial and residential construction, difficulties entering new markets, and general economic conditions such as inflation, deflation, interest rates, and credit availability. These effects may, among other things, negatively impact the level of purchases, capital expenditures, and creditworthiness of the Company's customers, distributors, and suppliers, and therefore, the Company's results of operations, margins, and orders. The Company cannot predict if, when, or how much worldwide economic conditions will improve. These conditions are highly unpredictable and beyond the Company's control. If these conditions deteriorate, however, the Company's business, financial condition, results of operations, and cash flows could be materially adversely affected.

Raw Material costs are a significant component of the Company's cost structure.

The Company utilizes petroleum-based products, steel, and other commodities in its manufacturing processes. Raw materials, including inbound freight, accounted for approximately 64% of the Company's cost of goods sold in 2013. Significant increases in the price of these materials may not be recovered through selling price increases and could adversely affect the Company's business, financial condition, results of operations, and cash flows. The Company also relies on global sources of raw materials, which could be adversely impacted by unfavorable shipping or trade arrangements and global economic conditions.

The Company's growth is partially dependent on the acquisition and successful integration of other businesses.

The Company has a long standing acquisition program and expects to continue acquiring businesses. Typically, the Company considers acquiring bolt-ons. Acquisitions of this type involve numerous risks, which may include potential difficulties in integrating the business into existing operations; a failure to realize expected growth, synergies, and efficiencies; increasing dependency on the markets served by certain businesses; increased debt to finance the acquisitions or the inability to obtain adequate financing on reasonable terms.

If the Company is unable to successfully integrate the acquired business or realize growth, synergies, and efficiencies that were expected when determining a purchase price, goodwill and other intangible assets acquired may be considered impaired, resulting in an adverse impact on the Company's results of operations. See "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" for a discussion of factors considered in subsequent valuation of the Company's acquired goodwill and intangible assets.

The Company also considers the acquisition of businesses which can operate independent of existing operations, which has an increased possibility of diverting management's attention from its core operations.

The Company has significant concentrations in the general construction market.

For the year ended December 31, 2013, approximately 60% of the Company's revenues from continuing operations, and 64% of its EBIT from continuing operations (excluding Corporate expenses) were generated by the Construction Materials segment. Construction spending is affected by economic conditions, changes in interest rates, demographic and population shifts, and changes in construction spending by federal, state, and local governments. A decline in the commercial construction market, as well as certain other operations of the Company, could adversely affect the Company's business, financial condition, results of operations, and cash flows.

The Construction Materials segment competes through pricing, among other factors. Increased competition in this segment has and could continue to place negative pressure on operating results in future periods.

The commercial construction market can be affected by weather.

Adverse weather conditions, such as heavy or sustained rainfall, cold weather, and snow can limit construction activity and reduce demand for roofing materials. Weather conditions can also be a positive factor, as demand for roofing materials may rise after harsh weather conditions due to the need for replacement materials.

The Company is subject to risks arising from international economic, political, legal, and business factors.

The Company has increased, and anticipates that it will continue to increase, its presence in global markets. Approximately 23% of the Company's revenues in 2013 were generated outside the United States and the Company expects that this percentage will grow as the Company continues to expand its international sales efforts.

In addition, to compete globally against low-cost manufacturers, several of the Company's segments operate manufacturing facilities outside the United States, especially in China.

The Company's reliance on non-U.S. revenues and non-U.S. manufacturing bases exposes it to a number of risks, including price and currency controls; exchange rate fluctuations; government embargoes or foreign trade restrictions; extraterritorial effects of U.S. laws such as the Foreign Corrupt Practices Act; expropriation of assets; war, civil uprisings, and riots; political instability; nationalization of private enterprises; hyperinflationary conditions; the necessity of obtaining governmental approval for new and continuing products and operations, currency conversion, or repatriation of assets; legal systems of decrees, laws, taxes, regulations, interpretations, and court decisions that are not always fully developed and that may be retroactively or arbitrarily applied; cost and availability of international shipping channels; and local customer loyalty to local companies.

The loss of, or a significant decline in business with, one or more of the Company's key customers could adversely affect the Company's business, financial condition, results of operations, and cash flows.

The Company operates in several specialty niche markets in which a large portion of the segment's revenues are attributable to a few large customers. See "Item 1. Business—Overview—Description of Businesses by Segment" for discussion of customer concentrations by segment. A significant reduction in purchases by one or more of these customers could have a material adverse effect on the business, financial condition, results of operations, or cash flows of one or more of the Company's segments.

Some of the Company's key customers enjoy significant purchasing power that may be used to exert pricing pressure on the Company. Additionally, as many of the Company's businesses are part of a long supply chain to the ultimate consumer, the Company's business, financial condition, results of operations, or cash flows could be adversely affected if one or more key customers elects to in-source the production of a product or products that the Company currently provides.

If the Company or its business partners are unable to adequately protect the Company's information assets from cyber-based attacks or other security incidents, the Company's operations could be disrupted.

The Company is increasingly dependent on information technology, including the internet, for the storage, processing, and transmission of its electronic, business-related, information assets. The Company leverages its internal information technology infrastructures, and those of its business partners, to enable, sustain, and support its global business interests. In the event that the Company or its business partners are unable to prevent, detect, and remediate cyber-based attacks or other security incidents in a timely manner, the Company's operations could be disrupted or the Company may incur financial or reputational losses arising from the theft, alteration, misuse, unauthorized disclosure, or destruction of its information assets.

The Company may be impacted by new regulations related to conflict minerals.

In August 2012, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted new disclosure regulations for public companies that manufacture products that contain certain minerals and their derivatives, namely tin, tantalum, tungsten, or gold, known as conflict minerals, if these minerals are necessary to the functionality or production of the company's products. These regulations require such companies to report annually whether or not the minerals originate from the Democratic Republic of Congo (DRC) and adjoining countries and in some cases to perform extensive due diligence on their supply chains for the minerals. While the regulations do not require that a company discontinue the use of conflict minerals, the Company nevertheless may be impacted by the regulations. If one or more of the Company's key customers declares that it will become "conflict free", the Company may be forced to re-evaluate the sourcing of certain of its raw materials or risk the loss of business with the customer. This could have the effect of limiting the pool of suppliers from which the Company sources its raw materials and the Company may be unable to obtain conflict free raw materials at competitive prices, which could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows. Additionally, given the complex nature of the Company's supply chain and, in some cases, an extensive chain of custody for materials that the Company uses in its production processes, the Company may incur significant costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals used in its products.

Currency conversion could have a material impact on the Company's reported results of business operations.

The Company's global sales and other activities are translated into U.S. dollars for reporting purposes. The strengthening or weakening of the U.S. dollar could result in unfavorable translation effects as the results of transactions in foreign countries are translated into U.S. dollars. In addition, sales and purchases in currencies other than the U.S. dollar expose the Company to fluctuations in foreign currencies relative to the U.S. dollar. Increased strength of the U.S. dollar will decrease the Company's reported revenues or margins in respect of sales conducted in foreign currencies to the extent the Company is unable or determines not to increase local currency prices. Likewise, decreased strength of the U.S. dollar could have a material adverse effect on the cost of materials and products purchased overseas.

Increases in the cost of providing pension benefits and healthcare benefits could adversely affect the Company's business, financial condition, results of operations, and cash flows.

Pension expense associated with the Company's defined benefit retirement plans may fluctuate significantly depending on future market performance of plan assets and changes in actuarial assumptions.

Net income may be negatively impacted by a decrease in the rate of return on plan assets. Income or expense for the plans is calculated using actuarial valuations. Unfavorable changes in key economic indicators can change the assumptions. The most significant assumptions used are the discount rate and the expected long-term rate of return on plan assets. The key economic factors that affect the expense would also likely affect the amount of cash contributions to the core pension and post-employment plans.

To help mitigate the fluctuation in future cash contributions to the core pension plan, the Company implemented a liability driven investment approach in 2009. This approach seeks to invest primarily in fixed income investments to match the changes in the plan liabilities that occur as a result of changes in the discount rate. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The established target allocation is 88% fixed income securities and 12% equity securities. Fixed income investments are diversified across core fixed income, long duration and high yield bonds. Equity investments are diversified across large capitalization U.S. and international stocks. Investment risk is measured and monitored on an ongoing basis through investment portfolio reviews, annual liability measures, and asset/liability studies.

The Company further reduced its net pension obligation in 2012 by offering a one-time lump-sum window to certain former employees who participate in the Company's core pension plan and in 2013 by transferring certain pension assets and obligations upon sale of the Transportation Products business.

Additionally, the Company's business, financial condition, results of operations, and cash flows may be impacted by future increases in healthcare cost trends as well as costs associated with compliance with the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care Education Affordability Reconciliation Act of 2010.

Dispositions, failure to successfully complete dispositions, or restructuring activities could negatively affect the Company.

From time to time, the Company, as part of its commitment to concentrate on its core business, may dispose of all or a portion of certain businesses. Such dispositions involve a number of risks and present financial, managerial, and operational challenges, including diversion of management attention from the Company's core businesses, increased expense associated with the dispositions, potential disputes with the customers or suppliers of the disposed businesses, potential disputes with the acquirers of the disposed businesses, and a potential dilutive effect on the Company's earnings per share. If dispositions are not completed in a timely manner there may be a negative effect on the Company's cash flows and/or the Company's ability to execute its strategy. See Note 4 in Item 8 for discussion of Discontinued Operations and Assets Held for Sale.

Additionally, from time to time, the Company may undertake consolidation projects in an effort to reduce costs and streamline its operations. Such restructuring activities may divert management attention from the Company's core businesses, increase expenses on a short-term basis, and lead to potential disputes with the customers or suppliers of the affected businesses. If restructuring activities are not completed in a timely manner or if anticipated cost savings, synergies, and efficiencies are not realized there may be a negative effect on the Company's business, financial condition, results of operations, and cash flows. See Note 5 in Item 8 for discussion of Exit and Disposal Activities.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The number, location, and size of the Company's principal properties as of December 31, 2013 are shown on the following chart, by segment.

	Location				Square Footage (in millions)	
Segment	North America	Europe	Asia	No. of Facilities	Owned	Leased
Carlisle Construction Materials	21	6	—	27	3.9	0.9
Carlisle Interconnect Technologies	8	2	1	11	0.2	0.7
Carlisle Brake and Friction	5	2	4	11	0.9	0.5
Carlisle FoodService Products	9	—	—	9	0.5	0.6
Totals	43	10	5	58	5.6	2.6

In addition to the manufacturing plants and warehousing facilities listed above, we lease our corporate offices in Charlotte, NC and in Shanghai, China. We consider these principal properties, as well as the related machinery and equipment, to be well maintained and suitable and adequate for their intended purpose.

Item 3. Legal Proceedings.

Over the years, the Company has been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which Carlisle manufactured in limited amounts between the late-1940's and the mid-1980's. In addition to compensatory awards, these lawsuits may also seek punitive damages.

The Company typically obtains dismissals or settlements of its asbestos-related lawsuits with no material effect on its financial condition, results of operations, or cash flows. The Company maintains insurance coverage that applies to a portion of certain of the Company's defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits.

Based on an ongoing evaluation, the Company believes that the resolution of its pending asbestos claims will not have a material impact on the Company's financial condition, results of operations, or cash flows, although these matters could result in the Company being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

In addition, from time-to-time the Company may be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions, either individually or in the aggregate, will not have a material adverse effect on the consolidated financial position or annual operating cash flows of the Company, but may have a more than inconsequential impact on the Company's results of operations for a particular period.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's common stock is traded on the New York Stock Exchange. At December 31, 2013, there were 1,498 shareholders of record.

Quarterly cash dividends paid and the high and low prices of the Company's stock on the New York Stock Exchange in 2013 and 2012 were as follows:

2013	First	Second	Third	Fourth
Dividends per share	**$ 0.20**	**$ 0.20**	**$ 0.22**	**$ 0.22**
Stock Price				
High	**$ 70.55**	**$ 68.12**	**$ 70.48**	**$ 80.21**
Low	**$ 59.19**	**$ 60.34**	**$ 62.00**	**$ 67.98**

2012	First	Second	Third	Fourth
Dividends per share	$ 0.18	$ 0.18	$ 0.20	$ 0.20
Stock Price				
High	$ 51.16	$ 56.03	$ 55.19	$ 59.36
Low	$ 45.56	$ 48.69	$ 48.25	$ 51.10

The following table summarizes the Company's purchases of its common stock for the quarter ended December 31, 2013:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
October 2013	—	$ —	—	
November 2013	2,000	$ 73.51	—	
December 2013	—	$ —	—	
Total	2,000		—	3,024,499

(1) Represents the number of shares that can be repurchased under the Company's stock repurchase program. The stock repurchase program was originally approved on November 3, 1999, and was reactivated on August 17, 2004. At the time of the authorization, the Company had the authority to purchase 741,890 split-adjusted shares of common stock. The Board of Directors authorized the repurchase of an additional 2,500,000 shares of the Company's common stock on August 1, 2007, and the repurchase of an additional 1,400,000 shares of the Company's common stock on February 12, 2008.

Item 6. Selected Financial Data.

Five-Year Summary

In millions except shares, shareholders of record, and per share data

	2013	2012	2011	2010	2009
Summary of Operations					
Net sales	**$ 2,943.0**	$ 2,851.2	$ 2,492.4	$ 1,842.8	$ 1,624.5
Gross margin	**$ 745.6**	$ 767.0	$ 584.1	$ 434.7	$ 391.8
Selling & administrative expenses	**$ 353.7**	$ 356.6	$ 298.8	$ 244.7	$ 215.0
Research & development expenses	**$ 29.3**	$ 26.1	$ 21.7	$ 16.4	$ 11.0
Other (income) expense, net	**$ (4.2)**	$ 12.4	$ (2.4)	$ (0.9)	$ 7.3
Earnings before interest and income taxes	**$ 366.8**	$ 371.9	$ 266.0	$ 174.4	$ 158.5
Interest expense, net	**$ 33.8**	$ 25.5	$ 21.0	$ 8.2	$ 8.8
Income from continuing operations, net of tax	**$ 235.2**	$ 228.7	$ 172.0	$ 107.9	$ 114.6
Basic earnings per share	**$ 3.69**	$ 3.64	$ 2.77	$ 1.75	$ 1.87
Diluted earnings per share	**$ 3.61**	$ 3.57	$ 2.73	$ 1.73	$ 1.85
(Loss) income from discontinued operations, net of tax	**$ (25.5)**	$ 41.5	$ 8.3	$ 37.7	$ 30.0
Basic (loss) earnings per share	**$ (0.40)**	$ 0.66	$ 0.14	$ 0.61	$ 0.49
Diluted (loss) earnings per share	**$ (0.39)**	$ 0.65	$ 0.13	$ 0.61	$ 0.49
Net income	**$ 209.7**	$ 270.2	$ 180.3	$ 145.6	$ 144.6
Basic earnings per share	**$ 3.29**	$ 4.30	$ 2.91	$ 2.36	$ 2.36
Diluted earnings per share	**$ 3.22**	$ 4.22	$ 2.86	$ 2.34	$ 2.34
Financial Position					
Net working capital(1)	**$ 1,158.6**	$ 734.7	$ 617.2	$ 560.5	$ 498.7
Property, plant and equipment, net (held & used)	**$ 497.2**	$ 465.2	$ 379.3	$ 352.4	$ 298.9
Total assets	**$ 3,493.0**	$ 3,457.3	$ 3,137.9	$ 2,529.5	$ 1,913.9
Long-term debt	**$ 751.0**	$ 752.3	$ 604.2	$ 405.1	$ 156.1
% of total capitalization(2)	**27.4**	29.6	28.7	23.2	11.5
Shareholders' equity	**$ 1,986.1**	$ 1,788.1	$ 1,500.1	$ 1,340.7	$ 1,218.6
Other Data					
Average shares outstanding—basic *(in thousands)*	**63,471**	62,513	61,457	60,901	60,601
Average shares outstanding—diluted *(in thousands)*	**64,806**	63,610	62,495	61,592	61,234
Dividends paid	**$ 53.7**	$ 48.0	$ 43.5	$ 40.6	$ 38.6
Per share	**$ 0.84**	$ 0.76	$ 0.70	$ 0.66	$ 0.63
Capital expenditures	**$ 110.8**	$ 140.4	$ 79.6	$ 64.6	$ 48.2
Depreciation & amortization	**$ 113.9**	$ 104.9	$ 88.0	$ 71.9	$ 67.5
Shareholders of record	**1,498**	1,591	1,669	1,758	1,861

(1) Net working capital is defined as total current assets less total current liabilities.

(2) Percent of total capitalization defined as long-term debt divided by long-term debt plus shareholders' equity.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

We are a diversified manufacturing company focused on achieving profitable growth internally through new product development, product line extensions, and entering new markets, and externally through acquisitions that complement our existing technologies, products, and market channels. We have approximately 8,000 employees in our continuing operations. We currently manage our businesses under the following segments:

- **Carlisle Construction Materials ("CCM" or the "Construction Materials segment");**
- **Carlisle Interconnect Technologies ("CIT" or the "Interconnect Technologies segment");**
- **Carlisle Brake & Friction ("CBF" or the "Brake & Friction segment"); and**
- **Carlisle FoodService Products ("CFSP" or the "FoodService Products segment").**

We are a multi-national company with manufacturing operations located throughout North America, Western Europe, and the Asia Pacific region. Management focuses on maintaining a strong and flexible balance sheet, year-over-year improvement in sales, earnings before interest and income taxes ("EBIT") margins and net earnings, globalization, and reducing working capital (defined as receivables, inventories, net of accounts payable) as a percentage of net sales. Resources are allocated among the operating companies based on management's assessment of their ability to obtain leadership positions and competitive advantages in the markets they serve.

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The results for the Transportation Products business are reported in discontinued operations for all periods presented. Prior to its sale, the Transportation Products business was our second largest segment based on $767.9 million in net sales in 2013. However, this segment was not core to our strategy and did not support our net sales growth and EBIT margin objectives. We intend to use the proceeds to provide value to shareholders by either making investments in furtherance of our long term goals or returning capital to shareholders.

In 2008 we established the Carlisle Operating System, a manufacturing structure and strategy deployment system based on lean enterprise and six sigma principles. The purpose of the Carlisle Operating System is to eliminate waste in all production and business processes, improve manufacturing efficiencies to increase productivity, and to increase EBIT margins and improve cash conversion.

For a more in-depth discussion of the results discussed in this "Executive Overview", please refer to the discussion on "Financial Reporting Segments" presented later in "Management's Discussion and Analysis of Financial Condition and Results of Operations".

We achieved a record $2.94 billion in net sales from continuing operations in the year ended December 31, 2013, a 3.2% increase from net sales of $2.85 billion for the year ended December 31, 2012. Organic sales (defined as net sales excluding sales from acquisitions and divestitures within the last twelve months, as well as the impact of changes in foreign exchange rates) declined 0.4% for the year ended December 31, 2013 versus the prior year, reflecting a decline in sales at Carlisle Brake & Friction largely offset by organic sales growth at Carlisle Construction Materials and Carlisle Interconnect Technologies. Our Brake & Friction segment experienced a 22% decline in sales during 2013 due to a global downturn in the market for heavy equipment. Carlisle Construction Materials and Carlisle Interconnect Technologies experienced growth in the commercial roofing and commercial aerospace markets, respectively. Acquisitions in the Construction Materials and Interconnect

Technologies segments contributed $98.9 million to sales in 2013. The impact of foreign exchange rates had a negligible impact on the year-over-year change in sales.

For the year ended December 31, 2013, EBIT declined 1.4% to $366.8 million primarily due to the sales downturn at Carlisle Brake & Friction as well as the impact of lower selling price and higher raw material cost at Carlisle Construction Materials. Offsetting these negative impacts were higher earnings from organic sales growth at Carlisle Interconnect Technologies and significant profit improvement at Carlisle Foodservice Products from previous consolidation efforts and performance improvement initiatives. Our EBIT margin (EBIT as a percent of net sales) decreased 50 basis points in 2013 to 12.5% primarily due to the lower performance at Carlisle Brake & Friction.

Income from continuing operations was $235.2 million, or $3.61 per diluted share, for the year ended December 31, 2013, a slight increase compared to income of $228.7 million, or $3.57 per diluted share, for the year ended December 31, 2012. For more information regarding the change in income from continuing operations from 2012 to 2013, refer to the discussion below on "2013 Compared to 2012".

2012 was a breakthrough year for Carlisle with respect to sales growth, earnings growth and margin improvement. During 2012, we achieved sales of $2.85 billion, a 14.4% increase from net sales of $2.49 billion for the year ended December 31, 2011. Organic sales (defined as net sales excluding sales from acquisitions and divestitures within the last twelve months, as well as the impact of changes in foreign exchange rates) increased 8.5% for the year ended December 31, 2012 versus the prior year, reflecting higher demand primarily in the Interconnect Technologies and Construction Materials segments and strong selling price realization in the Construction Materials and Foodservice Products segments. Our Brake & Friction Products segment experienced a 5% decline in sales during 2012 due to softening conditions in the worldwide market for off-highway mining and construction applications. Acquisitions in the Construction Materials and Interconnect Technologies segments contributed $158.9 million to sales in 2012. The impact of foreign exchange rates had a negligible impact on the year-over-year change in sales.

For the year ended December 31, 2012, EBIT grew 40% to $371.9 million, due to strong selling price realization, contribution from acquisitions, higher sales volumes and savings from the Carlisle Operating System. For the full year 2012, increased selling prices achieved by our segments exceeded the impact of higher raw material costs. Pre-tax expense related to acquisitions, business development activity and excess costs related to acquired inventory in 2012 were $8.1 million, versus pre-tax expense in 2011 of $6.4 million. See Note 3 in Item 8 for discussion of these acquisitions. In 2012, EBIT margin rose 230 basis points to 13.0% from 10.7% in 2011, reflecting strong price realization and operating performance.

In 2012, as a result of our strong sales and operational performance, we achieved income from continuing operations of $228.7 million, or $3.57 per diluted share, a 33% increase compared to income of $172.0 million, or $2.73 per diluted share, for the year ended December 31, 2011. For more information regarding the change in income from continuing operations from 2011 to 2012, refer to the discussion below on "2012 Compared to 2011".

Due to favorable outlook in some of our key markets and performance initiatives already put in place, we expect higher sales growth and EBIT improvement in 2014 versus 2013. For the full year of 2014, we expect sales growth to total in the high- single digit percentage range and corresponding improvement in EBIT and EBIT margin. Growth in 2014 is anticipated to primarily reflect sales expansion from commercial construction at Carlisle Construction Materials and commercial aerospace demand and new product offerings generating growth at Carlisle Interconnect Technologies. Recovery in the off-highway braking market for Carlisle Brake & Friction in 2014 is expected to be modest. We are also planning for continued sales and EBIT improvement at Carlisle Foodservice Products.

As of December 31, 2013, we had $755 million of cash on hand, including proceeds from the sale of the Transportation Products business, and $600 million of availability under our revolving credit facility. We are committed to using this liquidity to maximize shareholder value by acquiring companies that fit our long term growth profile, investing in our businesses to fuel organic growth and returning capital to shareholders through dividends and our share repurchase program. We currently have authorization from our Board to repurchase 3,024,499 shares.

2013 Compared to 2012

Net Sales

(in millions)	2013	2012	Change	Acquisition Effect	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
Net Sales	**$ 2,943.0**	$ 2,851.2	3.2%	3.5%	0.4%	-0.8%	0.0%	0.1%

In 2013, we achieved record net sales of $2.94 billion and an overall increase in sales over 2012 of 3.2%. Acquisitions in the Construction Materials and Interconnect Technologies segments contributed $98.9 million to net sales in 2013. Refer to the discussion below on "Acquisitions".

During 2013, our organic sales declined slightly by 0.4% primarily due to the large decline in demand at Brake & Friction resulting from a global downturn in the heavy equipment market. Largely offsetting this decline was growth in our Construction Materials and Interconnect Technologies segments from increased demand for commercial roofing and aerospace growth, respectively. Despite higher demand, selling price at Construction Materials fell slightly due to increased pressure in its markets. Brake & Friction also experienced some selling price decline towards the latter part of 2013 resulting from pricing renegotiations with key customers.

Sales by Geographic Area

Country	2013		2012	
United States	**$ 2,260.8**	77%	$ 2,206.0	77%
International:				
Europe	**330.4**		315.9	
Asia	**126.3**		117.3	
Canada	**90.1**		82.6	
Mexico and Latin America	**69.7**		65.8	
Middle East and Africa	**47.4**		46.6	
Other	**18.3**		17.0	
Total International	**682.2**	23%	645.2	23%
Net sales	**$ 2,943.0**		$ 2,851.2	

We have a long-term goal of achieving 30% of total net sales from outside the United States. Total sales to customers located outside the United States increased by 5.7% from $645.2 million in 2012 to $682.2 million in 2013. Of the growth in 2013, $31.2 million in sales came from the acquisitions of Hertalan and Thermax/Raydex. Sales from outside the United States as a percentage of total net sales grew from 22.6% in 2012 to 23.2% in 2013.

Gross Margin

(in millions)	2013	2012	Change
Gross profit	**$ 745.6**	$ 767.0	-2.8%
Gross margin	**25.3%**	26.9%	

Our gross margin (net sales less cost of goods sold, expressed as a percent of net sales) declined by 160 basis points in 2013 versus 2012. The decline in gross margin primarily reflected loss of margin from the sales decline at Brake & Friction as well as lower selling price and higher raw material costs at Construction Materials. Partially offsetting this was organic sales growth at Construction Materials and Interconnect Technologies, efficiency gains from the Carlisle Operating System and savings from plant consolidation activities and other performance improvement initiatives at Foodservice Products.

Selling and Administrative Expenses

(in millions)	2013	2012	Change
Selling & Administrative	**$ 353.7**	$ 356.6	-0.8%
As a percentage of net sales	**12.0%**	12.5%	

The reduction in selling and administrative expenses in 2013 versus the prior year primarily reflected the non-recurrence of costs in 2012 totaling $4.5 million for acquisitions and business development activity and $5.6 million of non-cash expense related to the settlement of pension liabilities. In addition, Foodservice Products and Brake & Friction reduced their selling and administrative expenses by $5.5 million and $3.0 million, respectively. These decreases were partially offset by $15.0 million in higher selling and administrative expenses in 2013 from the acquisitions in the Construction Materials and Interconnect Technologies segments and higher selling commission costs at Construction Materials.

Research and Development Expenses

(in millions)	2013	2012	Change
Research and Development	**$ 29.3**	$ 26.1	12.2%
As a percentage of net sales	**1.0%**	0.9%	

Increased research and development expenses during 2013 versus the prior year included expenses of $1.1 million related to acquisitions in the Construction Materials and Interconnect Technologies segments and investment in new product development at Interconnect Technologies.

Other Expense (Income), Net

(in millions)	2013	2012
Other expense (income), net	**$ (4.2)**	$ 12.4
	$ (4.2)	$ 12.4

Other income, net in 2013 of $4.2 million primarily reflects pre-tax gains related to changes in fair value of contingent consideration for the PDT acquisition in the Construction Materials segment as well as a net gain on the sale of fixed assets. During the third quarter of 2013, the Construction Materials recorded a $1.3 million gain related to the settlement of contingent consideration related to its 2011 acquisition of PDT based upon an earn-out settlement agreement with the former owners, which was paid in the fourth quarter of 2013. In addition, during the third quarter of 2013, Foodservices Products sold its distribution facility in Reno, NV and recognized a pre-tax gain of

$1.0 million on the sale. During the third and fourth quarter of 2013, Construction Materials sold property and fixed assets in Kingston, NY and Kent, WA and recognized a net pre-tax gain of $1.0 million on the sale.

Other expense, net in 2012 of $12.4 million includes $6.0 million in fixed asset impairment charges incurred by the FoodService Products segment related to restructuring activity and its decision to exit the flameless chafer product line. In addition, the Construction Materials segment recorded $5.0 million in Other expense during 2012 for the fair value adjustment to contingent consideration primarily reflecting higher expected earnings of the PDT acquired operations, as part of the PDT purchase agreement.

EBIT (Earnings Before Interest and Taxes)

(in millions)	2013	2012	Change
EBIT	**$ 366.8**	$ 371.9	-1.4%
EBIT Margin	**12.5%**	13.0%	

In 2013, our EBIT declined 1.4% primarily due to the sales downturn at Brake & Friction as well as the impact of lower selling price and higher raw material cost at Construction Materials. Offsetting these negative impacts were higher earnings from organic sales growth at Interconnect Technologies and significant profit improvement at Foodservice Products from previous consolidation efforts and performance improvement initiatives. Included in EBIT in 2013 were exit and disposal costs of $1.3 million and plant start-up costs at Construction Materials of $7.3 million. By comparison, included in EBIT in 2012 were total exit and disposal costs and impairment charges of $6.2 million, which primarily reflected the aforementioned consolidation activities within FoodService Products.

Costs incurred related to the acquisition of Thermax/Raydex totaled $1.1 million in 2013. By comparison, costs incurred related to the acquisitions of Thermax/Raydex, Hertalan, and Tri-Star, and other acquisition and business development efforts during 2012 were $8.1 million. In addition, during 2012 we incurred $5.6 million of expense related to the settlement of pension liabilities under a lump sum offer elected by certain former employees under our core pension plan and recorded $5.0 million in Other expense to adjust contingent consideration for the PDT acquisition to fair value.

Interest Expense

(in millions)	2013	2012	Change
Gross interest expense	**$ 34.3**	$ 26.0	
Interest Income	**(0.5)**	(0.5)	
Interest Expense, net	**$ 33.8**	$ 25.5	32.5%

Interest expense, net for the year ended December 31, 2013 increased 32.5% versus 2012 due to higher average long term borrowings in 2013 versus 2012. In November 2012, we issued $350 million in 3.75% senior unsecured notes due 2022 to pay down outstanding borrowings under our revolving credit facility and fund the Thermax/Raydex acquisition as well as to support our long term growth objectives. We expect interest expense to be approximately $34 million in 2014.

Income Taxes

(in millions)	2013	2012	Change
Income tax expense	**$ 97.8**	$ 117.7	-16.9%
Effective tax rate	**29.4%**	34.0%	

Our effective tax rate varies from the statutory rate within the United States of 35% due primarily to the deduction attributable to U.S. production activities, state tax requirements, earnings in foreign jurisdictions taxed at rates different from the statutory U.S. federal rate, and tax credits. The effective income tax rate on continuing operations in 2013 of 29.4% differs from the statutory rate primarily due to a tax election made in a foreign jurisdiction that resulted in an increase in the tax basis of certain assets with a corresponding elimination of a deferred tax liability. The net tax impact of the election resulted in an $11.8 million one-time benefit in the first six months of the year. This election decreased our effective tax rate by 350 basis points in 2013. The effective tax rate was also decreased because of U.S. Federal tax legislation enacted in January 2013 related to taxation of foreign earned income and research and development expenditures. We estimate our effective tax rate for 2014 will be approximately 34%.

We participated in the U.S. Internal Revenue Service's ("IRS") real time audit program, Compliance Assurance Process ("CAP"), during 2013 and 2012. Under the CAP program, material federal income tax matters were disclosed to the IRS throughout the year with the objective of reaching agreement as to the proper reporting treatment in advance of filing our U.S. Federal tax return. The examinations of the 2011 and 2012 returns have been completed. We believe that this program reduces tax-related uncertainties, enhances transparency, and reduces administrative costs. We expect to continue to participate in the CAP program in 2014.

Income from Continuing Operations

(in millions)	2013	2012	Change
Income from continuing operations, net of tax	**$ 235.2**	$ 228.7	2.8%
EPS			
Basic	**$ 3.69**	$ 3.64	
Diluted	**3.61**	3.57	

The increase in income from continuing operations, net of tax, in 2013 was attributable to the aforementioned $11.8 million tax benefit resulting from an election in a foreign jurisdiction. This benefit was partially offset by slightly lower EBIT in 2013 versus 2012 and higher interest expense from increased long term borrowing levels.

Income (Loss) from Discontinued Operations

(in millions)	2013	2012
Income (loss) from discontinued operations	**$ (60.5)**	$ 55.2
Tax expense (benefit)	**(35.0)**	13.7
	$ (25.5)	$ 41.5
EPS		
Basic	**$ (0.40)**	$ 0.66
Diluted	**(0.39)**	0.65

Loss from Discontinued Operations for the year ended December 31, 2013 primarily reflects the results of the Transportation Products business, which was sold on December 31, 2013 to American Industrial Partners ("AIP"). During 2013, the Transportation Products business had sales of $767.9 million. Included in loss from discontinued operations during 2013 was a pre-tax goodwill impairment charge of $100.0 million due to a decline in the reporting unit's estimated fair value relative to its carrying value. In addition, the Company recorded a pre-tax loss of $12.3 million on the sale of the Transportation Products business, which included charges of $8.4 million for curtailment and

settlement charges related to the transfer of all former Transportation Products business employees and certain of the pension and other post employment obligations to AIP as part of the sale.

Under the terms of the sale agreement, the Company settled $18.6 million in pension liabilities and $1.2 million of other post employee benefit obligations related to certain unionized employees of the Transportation Products business, via the transfer of those liabilities to AIP. An estimated $19.8 million in pension assets are to be transferred from plan assets to AIP in 2014 under the terms of the sale agreement. A finalized asset transfer to the buyer will be performed during 2014 under the terms of the sale agreement. Assets to be transferred to the buyer will be adjusted, as determined by the Company's actuary, to take into account the actual investment return on such assets and benefit payments to plan participants from the closing date to the date of transfer. In regards to this settlement, the Company recorded $7.3 million in settlement costs, including recognition of $6.1 million of previously unrecognized actuarial losses, in discontinued operations.

Pension obligations associated with non-unionized current and former employees of the Transportation Products business were not settled in connection with the sale. Employees transferred with the sale, including certain unionized employees, are no longer active participants in the plan and therefore the expected years of future service of participants has been curtailed and as required under ASC 715, *Compensation—Retirement Benefits* , the Company has recognized a curtailment charge, inclusive of prior service cost, of $0.8 million in discontinued operations.

The after-tax loss from discontinued operations for the full year 2013 reflects the aforementioned losses from operations due to the goodwill impairment charge, offset by operating earnings of the Transportation Products business and a net after-tax gain on the sale of the Transportation Products business of $6.2 million.

Income from Discontinued Operations for the year ended December 31, 2012 primarily reflects the results of the Transportation Products business as well as a $3.75 million gain recognized in April 2012 upon final settlement of contingent consideration from the 2010 sale of our specialty trailer business. During 2012, the Transportation Products business had sales of $778.2 million and pre-tax income from discontinued operations of $52.4 million.

Net Income

(in millions)	2013	2012	Change
Net Income	**$ 209.7**	$ 270.2	-22.3%
EPS			
Basic	**$ 3.29**	$ 4.30	
Diluted	**3.22**	4.22	

The decline in net income from 2012 to 2013 was primarily due to losses incurred in discontinued operations at the Transportation Products business related to goodwill impairment partially offset by the after-tax gain recognized on the sale of the Transportation Products business to AIP in December 2013.

2012 Compared to 2011

Net Sales

(in millions)	2012	2011	Change	Acquisition Effect	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
Net Sales	**$ 2,851.2**	$ 2,492.4	14.4%	6.4%	4.6%	3.6%	0.3%	-0.5%

In 2012, we achieved net sales of $2.85 billion and an overall increase in sales over 2011 of 14.4%. Acquisitions in the Construction Materials and Interconnect Technologies segments contributed a total of $158.9 million to net sales in 2012. Refer to the discussion below on "Acquisitions".

We achieved organic sales growth of 8.5% during 2012 primarily driven by sales volume growth in the Construction Materials and Interconnect Technologies segments and higher selling price in the Construction Materials and Foodservice Products segments. Sales in the Interconnect Technologies segment grew organically by 23%, reflecting robust demand in the commercial aerospace market. The Construction Materials segment achieved organic growth of 10% in 2012, reflecting higher demand for re-roofing products and increased selling prices from pricing actions that started during 2011 and continued in 2012. During the second half of 2012, our organic growth was negatively impacted by reduced sales in the Brake & Friction segment from lower original equipment manufacturers ("OEM") demand in the global construction, mining, and agriculture markets.

Sales by Geographic Area

Country	2012		2011	
United States	**$ 2,206.0**	**77%**	$ 1,997.6	80%
International:				
Europe	**315.9**		233.5	
Asia	**117.3**		104.4	
Canada	**82.6**		76.6	
Mexico and Latin America	**65.8**		26.5	
Middle East and Africa	**46.6**		43.4	
Other	**17.0**		10.4	
Total International	**645.2**	**23%**	494.8	20%
Net sales	**$ 2,851.2**		$ 2,492.4	

Total sales to customers located outside the United States increased by 30% from $494.8 million in 2011 to $645.2 million in 2012. Of the growth in 2012, $158.9 million in sales came from the acquisitions of PDT, Hertalan, Tri-Star, and Thermax/Raydex. Sales from outside the United States as a percentage of total net sales grew from 19.9% in 2011 to 22.6% in 2012. The increase in sales to customers located outside the United States was primarily attributable to sales growth in Europe as well as Mexico and Latin America. The growth in Europe was primarily attributable to sales and manufacturing presence in Germany and the Netherlands added as part of the PDT and Hertalan acquisitions in the Construction Materials segment as well as contributions from the Tri-Star and Thermax/Raydex acquisitions in the Interconnect Technologies segment.

Gross Margin

(in millions)	2012	2011	Change
Gross profit	**$ 767.0**	$ 584.1	31.3%
Gross margin	**26.9%**	23.4%	

We increased our gross margin (net sales less cost of goods sold, expressed as a percent of net sales) by 350 basis points in 2012 versus 2011. The increase in gross margin reflected selling price realization primarily in the Construction Materials segment, strong sales volume growth in the Interconnect Technologies segment, and efficiency gains from the Carlisle Operating System. These positive impacts were partially offset by higher raw material costs in the Construction Materials segment and decline in sales volume in the Brake & Friction segment.

Selling and Administrative Expenses

(in millions)	2012	2011	Change
Selling & Administrative	**$ 356.6**	$ 298.8	19.3%
As a percentage of net sales	**12.5%**	12.0%	

The increase in our selling and administrative expenses in 2012 versus the prior year included $26.1 million of expenses from operations acquired in the Construction Materials and Interconnect Technologies segments. In addition, we incurred increased selling expense from organic growth and higher expense for incentive based compensation. Selling and administrative expenses during 2012 include costs totaling $4.5 million for acquisitions and business development activity and $5.6 million of non-cash expense related to the settlement of pension liabilities.

During the fourth quarter 2012, we offered certain former employees who participate in the Company's core pension plan the option to receive a one-time lump sum payment equal to the present value of the participant's pension benefit. A total of $15 million in lump sum distributions were paid under this offer, which ended during the fourth quarter of 2012. Under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 715, *Compensation—Retirement Benefits*, a portion of the unrecognized actuarial loss in Accumulated Other Comprehensive Income was recognized into earnings as the amount of total lump sum payments from the Company's core pension plan during 2012 exceeded the plan's service and interest cost during the year.

Selling and administrative expenses in 2011 included costs of $3.3 million for the acquisitions of PDT and Tri-Star and acquisition opportunities that were not realized, and $1.6 million in severance and management change costs in the FoodService Products segment.

Research and Development Expenses

(in millions)	2012	2011	Change
Research and Development	**$ 26.1**	$ 21.7	20.2%
As a percentage of net sales	**0.9%**	0.9%	

The increase in our research and development expenses during 2012 versus the prior year included expenses of $1.8 million related to acquisitions in the Construction Materials and Interconnect Technologies segments and increased investment in new product development.

Other Expense (Income), Net

(in millions)	2012	2011
Other (income) expense, net	**12.4**	(2.4)
	$ 12.4	$ (2.4)

Other expense, net in 2012 of $12.4 million includes $6.0 million in fixed asset impairment charges incurred by the FoodService Products segment related to restructuring activity and its decision to exit the flameless chafer product line. In addition, the Construction Materials segment recorded $5.0 million in Other expense during 2012 for fair value adjustment to contingent consideration primarily reflecting higher expected earnings of the PDT acquired operations in 2014, as part of the PDT purchase agreement.

Other income, net in 2011 of $2.4 million includes a $1.7 million gain on the settlement of a legal matter within the Construction Materials segment.

EBIT (Earnings Before Interest and Taxes)

(in millions)	2012	2011	Change
EBIT	**$ 371.9**	$ 266.0	39.9%
EBIT Margin	**13.0%**	10.7%	

In 2012, we achieved record EBIT of $371.9 million. EBIT in 2012 grew 40% versus the prior year due to contributions from acquisitions, strong selling price realization, higher organic sales volume, and reduction in operating costs attributable to efficiencies gained through the Carlisle Operating System. We incurred total restructuring charges during 2012 of $6.2 million, which primarily reflected consolidation activities within the FoodService Products segment as part of its strategic improvement plan. By comparison, in 2011 we incurred restructuring costs of $1.5 million.

Costs incurred related to the acquisitions of Thermax/Raydex, Hertalan, and Tri-Star, and other acquisition and business development efforts during 2012 were $8.1 million, compared to charges of $6.4 million in 2011 for acquisitions. In addition, during 2012 we incurred $5.6 million of expense related to the settlement of pension liabilities under a lump sum offer elected by certain former employees under our core pension plan and recorded $5.0 million in Other expense to adjust contingent consideration for the PDT acquisition to fair value.

Interest Expense

(in millions)	2012	2011
Gross interest expense	**$ 26.0**	$ 21.6
Interest Income	**(0.5)**	(0.6)
Interest Expense, net	**$ 25.5**	$ 21.0

Interest expense, net for the year ended December 31, 2012 increased versus 2011 due to higher average borrowings in 2012 versus 2011. In December 2011, we borrowed $290 million to fund the acquisition of Tri-Star, which was subsequently repaid during 2012. In November 2012, we issued $350 million in 3.75% senior unsecured notes due 2022 to pay down outstanding borrowings under our revolving credit facility and fund the Thermax/Raydex acquisition.

Income Taxes

(in millions)	2012	2011	Change
Income tax expense	$ 117.7	$ 73.0	61.2%
Effective tax rate	**34.0%**	29.8%	

The effective income tax rate of 29.8% for 2011 was lower than the statutory rate due to excess tax credits generated as part of a repatriation of foreign earnings which occurred during 2011. During 2011, we repatriated substantially all of the unremitted earnings of our Italian subsidiary. At that time we provided for the associated tax expense and related tax benefits from foreign tax credits. The total dividend remitted was $79.3 million, and the net tax effect of the repatriation was a tax benefit of $4.2 million. During 2012, we repatriated $4.0 million of our Italian subsidiary's earnings and reflected the associated tax effects in our 2012 provision.

Income from Continuing Operations

(in millions)	2012	2011	Change
Income from continuing operations, net of tax	**$ 228.7**	$ 172.0	33.0%
EPS			
Basic	**$ 3.64**	$ 2.77	
Diluted	**3.57**	2.73	

The increase in income from continuing operations, net of tax, in 2012 was attributable to the EBIT increase of 40%. Partially offsetting the positive impact of higher EBIT was higher interest expense due to increased borrowings levels to support acquisitions and a higher effective tax rate.

Income (Loss) from Discontinued Operations

(in millions)	2012	2011
Income (loss) from discontinued operations	**$ 55.2**	$ 6.5
Tax expense (benefit)	**13.7**	(1.8)
	$ 41.5	$ 8.3
EPS		
Basic	**$ 0.66**	$ 0.14
Diluted	**0.65**	0.13

Income from Discontinued Operations for the year ended December 31, 2012 primarily reflected the performance of the Transportation Products business and a $3.75 million gain recognized in April 2012 upon final settlement of contingent consideration from the 2010 sale of our specialty trailer business. During 2012, the Transportation Products business had sales of $778.2 million and pre-tax income from discontinued operations of $52.4 million.

Results from discontinued operations for the year ended December 31, 2011 primarily reflected operating earnings of the Transportation Products business partially offset by operating losses of the PDT Profiles business. During 2011, the Transportation Products business had sales of $732.1 million and EBIT of $9.1 million. The PDT Profiles business was classified as held for sale at the date of acquisition of PDT. We completed the sale of the PDT Profiles business on January 2, 2012 for $22.1 million with no pre-tax gain or loss recognized upon the sale.

Net Income

(in millions)	2012	2011	Change
Net Income	**$ 270.2**	$ 180.3	49.9%
EPS			
Basic	**$ 4.30**	$ 2.91	
Diluted	**4.22**	2.86	

The improvement in net income from 2011 to 2012 was due to increased net earnings from our continuing operations from improved sales and earnings performance, as well as earnings improvement from discontinued operations in 2012 versus the prior year period.

Acquisitions and Disposals

As previously stated, we have a long standing acquisition strategy that has traditionally focused on bolt-on acquisitions. Factors we consider in making an acquisition include consolidation opportunities,

technology, customer dispersion, operating capabilities, and growth potential. We have also pursued sale of operating divisions when it is determined they no longer fit within the Company's long term goals or strategy.

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale in Income (loss) from discontinued operations.

On December 17, 2012, we acquired certain assets and assumed certain liabilities of Thermax ("Thermax"), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited ("Raydex" and together with Thermax, "Thermax/Raydex"), a company incorporated in England and Wales, for total cash consideration of approximately $265.5 million, net of $0.1 million cash acquired. We funded the acquisition with cash on hand, much of which was received from the proceeds of our November 20, 2012 $350 million senior notes offering. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen our interconnect products business by expanding its product and service range to its customers. Thermax/Raydex operates within the Interconnect Technologies segment. The final amount of goodwill recorded related to the acquisition of Thermax/Raydex was approximately $99.1 million.

On March 9, 2012, we acquired 100% of the equity of Hertalan Holding B.V. ("Hertalan") for a total cash purchase price of approximately €37.3 million, or $48.9 million, net of €0.1 million, or $0.1 million, cash acquired. We funded the acquisition with borrowings under our $600 million senior unsecured revolving credit facility (the "Facility") and cash on hand. The acquisition of Hertalan strengthens our ability to efficiently serve European customers in the EPDM roofing market in Europe with local manufacturing and established distribution channels. Hertalan operates within the Construction Materials segment. The final amount of goodwill recorded related to the acquisition of Hertalan was $13.5 million.

On December 2, 2011, we acquired 100% of the equity of Tri-Star for a total cash purchase price of approximately $284.8 million, net of $4.5 million cash acquired. We funded the acquisition with borrowings under the Facility. The acquisition of Tri-Star adds capabilities and technology to strengthen our interconnect products business by expanding our product and service range to our customers. Tri-Star operates within the Interconnect Technologies segment. The final amount of goodwill recorded related to the acquisition of Tri-Star was $154.9 million.

On August 1, 2011, we acquired 100% of the equity of PDT for approximately €77.0 million, or $111.0 million, net of €5.3 million, or $7.6 million, cash acquired. Of the €82.3 million, or $118.6 million gross purchase price, €78.7 million, or $113.4 million, was paid in cash initially funded with borrowings under our previous revolving credit facility as well as cash on hand. The purchase price included contingent consideration based on future earnings. During the third quarter of 2013 we reached an agreement with the former owners on early settlement terms for the contingent consideration. As a result of this agreement, a favorable adjustment to the fair value of contingent consideration was recorded during the third quarter of 2013 of $1.3 million. In December 2013, the contingent consideration of $9.5 million was paid to the former owners reflecting the terms of the settlement agreement.

PDT operates within the Construction Materials segment. PDT is a leading manufacturer of EPDM-based (rubber) roofing membranes and industrial components serving European markets. The acquisition of PDT provides a platform to serve the European market for single-ply roofing systems,

and expands our growth internationally. The final amount of goodwill recorded related to the acquisition of PDT was $30.4 million. Included with the acquisition were $24.6 million in assets related to the PDT Profiles business, which we classified as held for sale at the date of acquisition. We sold the PDT Profiles business on January 2, 2012 for $22.1 million with no pre-tax gain or loss recognized upon the sale.

Financial Reporting Segments

Carlisle Construction Materials ("CCM" or the "Construction Materials segment")

(in millions)	2013	2012	Change $	Change %	2012	2011	Change $	Change %
Net Sales	**$ 1,776.5**	$ 1,695.8	$ 80.7	4.8%	**$ 1,695.8**	$ 1,484.0	$ 211.8	14.3%
EBIT	**$ 264.0**	$ 273.4	$ (9.4)	-3.4%	**$ 273.4**	$ 177.9	$ 95.5	53.7%
EBIT Margin	**14.9%**	16.1%			**16.1%**	12.0%		

2013 Compared to 2012

CCM's sales grew 4.8% in 2013 versus the prior year reflecting growing demand throughout the year from increased non-residential construction and reroofing activity, partially offset by the negative impact of harsher than normal weather conditions earlier in 2013. CCM's sales of its waterproofing/coatings and Insulfoam products each grew by 13%. The commercial roofing market became slightly more price competitive during the third and fourth quarters of 2013. Sales from CCM's European operations, excluding the impact of foreign exchange fluctuations, were relatively level to the prior year. Contribution in 2013 from the acquisition of Hertalan in March 2012 was $3.7 million in net sales.

For the year ended December 31, 2013, the decrease in CCM's EBIT margin of 120 basis points versus the prior year period primarily reflected lower selling price and higher raw material costs partially offset by higher sales volume. CCM also incurred start up expenses of $7.3 million for its two new polyiso facilities in Puyallup, WA and Montgomery, NY and construction of its PVC manufacturing line in Greenville, IL during 2013. Partially offsetting this was a $1.3 million positive adjustment to the fair value of contingent consideration related to CCM's 2011 acquisition of PDT and $1.0 million in net gain on the sale of fixed assets.

CCM's total capital expenditures in 2013 were $64.5 million. In 2013, CCM completed construction on a 407,000 sq. ft. polyiso plant in Puyallup, WA to service demand in the Pacific-Northwest region and this plant is fully operational. During 2013, CCM completed construction on a 300,000 square foot facility in Montgomery, NY to relocate polyiso operations from its previous 168,000 square foot facility in Kingston, NY. Production at the new Montgomery plant commenced during the third quarter. In addition, CCM completed construction of a new PVC (polyvinyl chloride) roofing membrane manufacturing line at its Greenville, Illinois location. The new PVC manufacturing line is expected to be in production during the first quarter of 2014. With the completion of the PVC line, CCM will be the only supplier of EPDM, TPO and PVC among our competitors.

Beginning in the third quarter 2013, CCM commenced a project to add TPO (thermoplastic polyolefin) manufacturing capacity to its Carlisle, PA location to better service growing demand for TPO roofing applications in the Northeast. This project is expected to be completed in the latter part of 2014. Total capital expenditures for CCM in 2014 are estimated to be $35 million.

CCM's net sales and EBIT are generally higher in the second and third quarters of the year due to increased construction activity during these periods. Over the last several years, CCM's commercial roofing business has shifted significantly towards reroofing, which currently constitutes approximately 75% of its commercial activity. Reroofing activity may lessen in upcoming years as growth rates for non-residential construction are anticipated to be higher than reroofing during this period. However,

reroofing activity is expected to remain a significant portion of CCM's business due to the large base of installed roofs requiring replacement in a given year. The near term outlook for growth in non-residential construction, particularly in the commercial construction market, is favorable due to underlying improvements in the housing market, increasing availability of credit and domestic energy production. Budget constraints at local and federal government levels could have a negative impact of growth rates in the market for institutional construction. Growth in demand in the housing and commercial construction market can be negatively impacted by changes in fiscal policy and rising interest rates.

With the acquisitions of PDT in 2011 and Hertalan in 2012, and their resulting integration, CCM has positioned itself to be the market leader in the European EPDM market. CCM completed the integration of the PDT and Hertalan sales force under one company to further optimize sales capabilities in the growing single ply roofing market in Europe.

While market conditions in the commercial roofing market are improving, maintaining current selling price levels or implementing selling price increases may continue to be challenging. CCM's ability to recover higher raw material costs through price increases or surcharges is subject to significant price competition.

2012 Compared to 2011

CCM's total sales growth of 14% in 2012 versus the prior year reflected organic sales growth of 10.2% and contribution from acquisitions of 4.3%. The acquisitions of PDT in August 2011 and Hertalan in March 2012 contributed $64.1 million to sales during 2012. CCM began 2012 with a high rate of organic sales growth in the first quarter of 2012 of 34% on higher re-roofing demand that was partially attributable to drier than usual weather in the first quarter of 2012. The rate of organic sales growth for the remainder of 2012 was more moderate, reflecting uncertainty about the U.S. economic environment as well as prolonged drought-like conditions in many U.S. regions that lowered demand for re-roofing particularly during the third quarter. Demand in the fourth quarter of 2012 increased moderately versus sales volume in the prior year quarter. CCM's overall organic growth for 2012 reflected higher demand for CCM's re-roofing and polyiso applications and strong selling price realization from pricing actions that began in 2011 and continued during 2012.

CCM's EBIT margin in 2012 rose by 410 basis points over 2011, reflecting selling price realization, higher sales volume, savings from the Carlisle Operating System, and other manufacturing efficiencies. Included in EBIT for the year ended December 31, 2012 were favorable adjustments to deferred warranty and product liability reserves totaling $9.2 million. Partially offsetting this were the unfavorable impact of $5.0 million in Other expense related to fair value adjustment of contingent consideration based upon upwardly revised earnings estimates for the PDT acquisition, $1.3 million in additional cost of goods sold related to recording the acquired Hertalan inventory at estimated fair value, $1.0 million in other transaction expenses and purchase accounting adjustments for the acquisitions of PDT and Hertalan, $0.8 million for write-down of solar inventory, and $0.8 million of exit and disposal costs related to plant consolidations.

During 2012, CCM announced the consolidation of manufacturing operations from our facility in Elberton, GA into our locations in Terrell, TX and Carlisle, PA for which $0.8 million of expense was incurred in 2012. The project was completed in 2012.

Carlisle Interconnect Technologies ("CIT" or the "Interconnect Technologies segment")

(in millions)	2013	2012	Change $	Change %	2012	2011	Change $	Change %
Sales	$ 577.7	$ 463.1	$ 114.6	24.7%	$ 463.1	$ 299.6	$ 163.5	54.6%
EBIT	$ **89.4**	$ 69.1	$ 20.3	29.4%	$ **69.1**	$ 41.9	$ 27.2	64.9%
EBIT Margi	**15.5%**	14.9%			**14.9%**	14.0%		

2013 Compared to 2012

CIT's sales growth during 2013 of 25% reflected organic growth of 4.1% and sales from the Thermax/Raydex acquisition of $95.2 million, or 20.6%. Sales in CIT's aerospace market were up 8.3%, driven by strong demand for in-flight entertainment ("IFE") applications and increased orders related to the ramp up of the Boeing 787 program and other Boeing and Airbus aircraft programs. CIT's sales to the test and measurement market grew by 30% related to new business development efforts. Growth in the aerospace and test and measurement product lines were partially offset by 14.3% lower sales to the military and defense market due to government budget and sequestration constraints. CIT's sales to the industrial market, which currently comprises 3% of CIT's base sales, declined by 18% reflecting weakness in the heavy equipment market.

CIT's EBIT margin increased by 60 basis points in 2013 primarily on higher sales volume and savings from the Carlisle Operating System. EBIT contribution from the Thermax/Raydex acquisition was $14.4 million, including $1.1 million in acquisition related costs mostly due to additional cost of goods sold resulting from the fair valuation of acquired inventory. By comparison, included in EBIT from acquisitions during 2012 was $1.3 million in cost of goods sold related to recording the acquired Tri-Star inventory at estimated fair value as of the acquisition date, $1.0 million in cost of goods sold related to recording the acquired Thermax/Raydex inventory at estimated fair value as of the acquisition date, and $0.6 million in professional fees and other transaction expenses related to acquisitions.

CIT's capital expenditures in 2014 are expected to be $45 million, up significantly from capital expenditures of $12.2 million in 2013. Included in CIT's expenditure plans is the construction of a new 190,000 square foot manufacturing facility in Nogales, Mexico and installation of new equipment at a total cost of $28 million, to meet growing demand for its aerospace applications based upon new contract awards. Completion of the new facility is expected in the second half of 2014.

The outlook for CIT in the commercial aerospace market remains favorable with a strong delivery cycle for new wide body aircraft expected over the next few years. Both Airbus and Boeing forecast growing demand for aircraft delivery over the next several years. During 2013, CIT was awarded significant multi-year contracts with a major aerospace manufacturer for its wire and cabling products. Production of the Boeing 787 steadily increased in 2013 and Boeing is anticipated to be at a full production rate in 2014. CIT has been undergoing negotiations with Boeing under this customer's Accelerated Opportunity Capture ("AOC") program related to pricing and securing of long-term contracts. The potential outcome related to these negotiations may negatively impact revenue and EBIT for CIT in future periods.

The market for IFE applications has been a growth area for CIT in 2013 and the outlook remains positive. One of CIT's key IFE customers comprises approximately 18% of CIT's overall sales. Much of CIT's current sales for IFE applications pertain to interconnect products installed in aircraft seating. The use of wireless connectivity to personal devices ("BYOD") for in-flight entertainment is increasing versus traditional seat installed IFE. Significant product development is occurring to develop applications for on board connectivity. Currently, installation of satellite antenna necessary for onboard connectivity has been delayed due to FAA requirements. However, over the longer term, the outlook for connectivity applications is expected to be strong but may result in lower or more moderate

demand for seat installed IFE applications. CIT manufactures and markets separate applications for both the on board connectivity and seat installed IFE space. Future demand could also be impacted by customer in-sourcing of products currently supplied by CIT.

The outlook for military applications is expected to remain uncertain for the near term due to ongoing government budget constraints. The outlook for our industrial applications to heavy equipment manufacturers is also expected to remain around current levels, although CIT also supplies interconnect products to industrial customers in the energy exploration market, providing further product and end market diversification. CIT made investments in 2013 to expand into the medical cabling industry and expects to generate additional sales in this area in 2014.

2012 Compared to 2011

CIT's 55% net sales increase in 2012 reflected organic sales growth of 23% and contribution from acquisitions of 32%. The acquisitions of Tri-Star on December 1, 2011 and Thermax/Raydex on December 17, 2012 contributed $94.8 million to sales in 2012. CIT's strong organic sales growth was primarily attributable to robust demand in the aerospace market, which was up by 30% on increased orders related to Boeing and Airbus programs and significantly increased demand for IFE applications. Sales in military applications decreased 8% from the prior year and faced uncertainty and delays regarding government military programs.

On December 17, 2012, we acquired Thermax/Raydex for total cash consideration of approximately $265.5 million, net of $0.1 million cash acquired. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex added capabilities and technology to strengthen CIT's interconnect products business by expanding its product and service range to its customers.

CIT's EBIT margin increased 90 basis points to 14.9% in 2012 compared to 14.0% in 2011, reflecting higher sales volume and efficiency savings from the Carlisle Operating System, partially offset by higher raw material costs and increased expense for sourcing and sales resources directed towards product growth opportunities. The acquisitions of Tri-Star and Thermax/Raydex contributed $13.7 million in EBIT during 2012. Included in EBIT from acquisitions is $1.3 million in cost of goods sold related to recording the acquired Tri-Star inventory at estimated fair value as of the acquisition date, $1.0 million in cost of goods sold related to recording the acquired Thermax/Raydex inventory at estimated fair value as of the acquisition date, and $0.6 million in professional fees and other transaction expenses related to acquisitions.

Carlisle Brake & Friction ("CBF" or the "Brake & Friction segment")

(in millions)	2013	2012	Change $	Change %	2012	2011	Change $	Change %
Sales	**$ 350.0**	$ 449.0	$ (99.0)	-22.0%	**$ 449.0**	$ 473.0	$ (24.0)	-5.1%
EBIT	**$ 33.5**	$ 75.6	$ (42.1)	-55.7%	**$ 75.6**	$ 77.2	$ (1.6)	-2.1%
EBIT Margin	**9.6%**	16.8%			**16.8%**	16.3%		

2013 Compared to 2012

Demand in CBF's primary markets for off-highway braking products declined significantly in 2013 reflecting the falloff in global demand for heavy equipment impacting the mining industry, slowdown in construction in emerging markets and inventory destocking by large OEM's. Demand for CBF's braking and friction applications to the construction and mining markets declined by 23% and 41%, respectively, versus the prior year. Partially offsetting these declines was an increase in CBF's sales into the agriculture market of 8%. To a lesser extent, CBF selling price declined during the fourth quarter of 2013 as a result of pricing renegotiations.

The decline in CBF's markets began in the second half of 2012 and remained depressed throughout 2013. During the last four months of 2013, our bookings for upcoming periods increased versus the prior year period. The negative impact of inventory destocking on bookings appeared to diminish towards the end of 2013.

EBIT declined significantly during 2013 due to lower sales volume which resulted in lower production and higher per-unit production costs. CBF took numerous steps in 2013 to reduce operating costs in light of current market conditions, including reduction in administrative costs and personnel and targeted salary reductions, preserving an EBIT margin of 9.6% for the year. CBF has reduced headcount by approximately 20% since the beginning of 2012 in connection with lower sales. Total spending in selling, general and administrative expense fell by $3.0 million versus the prior year. Included in CBF's EBIT for 2013 was $0.9 million in restructuring charges in connection with its plan to close its manufacturing facility in Akron, OH.

On October 11, 2013, to further streamline operations and reduce manufacturing costs, CBF announced plans to close its manufacturing facility in Akron, OH, relocate manufacturing previously conducted at this facility to other CBF facilities, and sell the facility's remaining assets. The project is expected to be completed in the second half of 2014 with total expected costs of $2.9 million, including employee termination, accelerated depreciation, impairment of long-lived assets and equipment relocation costs. The Company incurred $0.9 million of exit and disposal costs in 2013. Annualized savings from this project are estimated to be $0.6 million to be realized beginning in the latter part of 2014.

Recovery in CBF's markets during 2014 is expected to be mild with the outlook for construction expected to improve modestly. The outlook for mining and agriculture is expected to remain relatively flat to slightly negative. In addition, select pricing dynamics in the current demand environment may place pressure on sales and EBIT in future periods. One of CBF's customers represents approximately 18% of CBF's total sales. Decline in orders from this global OEM customer had a significant impact on CBF's overall sales decline during 2013. CBF has several new product initiatives underway, including investment in carbon-carbon technology, to drive additional revenue and future growth opportunities.

Despite the current contraction in the construction and mining end markets, the long term global macroeconomic drivers for CBF are favorable. Demand for infrastructure spending in developing regions such as Asia Pacific and South America and need for agriculture spending due to worldwide demographic trends are expected to grow over the long term and are underlying drivers of demand for CBF's highly specialized off-highway braking applications.

2012 Compared to 2011

CBF's sales in 2012 decreased by 5% versus 2011. The decrease in net sales at CBF reflected an organic sales decline of 3.6% and the negative impact of foreign currency fluctuations of 1.5%. For the first half of 2012, CBF's sales increased by 9% on growth in its primary markets of construction, mining, and agriculture. However, these markets softened starting in the third quarter and then declined more significantly over the remainder of 2012 with an overall 18% decline in sales for the second half of 2012. Demand declined in the second half of 2012 due to efforts by global OEM customers to adjust growing inventory levels, concern over slower growth conditions in China, and the recession in Europe. For the full year 2012, sales in the construction market were lower by 8.3%. Partially offsetting this was higher demand in the agriculture market of 6%. Demand for products in mining applications was relatively level during 2012, but declined during the second half of the year. During 2012, CBF also exited certain unprofitable product lines, resulting in a $9.5 million decrease in sales in 2012 for these products versus 2011.

EBIT decline of 2.1% at CBF in 2012 primarily reflected the impact of lower sales volume, partially offset by higher selling price and savings from the Carlisle Operating System. In response to

slowing demand conditions, CBF underwent proactive cost control measures and streamlined operations so that EBIT margin for CBF improved 50 basis points to 16.8% in 2012 versus margin of 16.3% in 2011.

Carlisle FoodService Products ("CFSP" or the "FoodService Products segment")

(in millions)	2013	2012	Change $	Change %	2012	2011	Change $	Change %
Sales	**$ 238.8**	$ 243.3	$ (4.5)	-1.8%	**$ 243.3**	$ 235.8	$ 7.5	3.2%
EBIT	**$ 27.0**	$ 12.3	$ 14.7	119.5%	**$ 12.3**	$ 13.2	$ (0.9)	-6.8%
EBIT Margin	**11.3%**	5.1%			**5.1%**	5.6%		

2013 Compared to 2012

CFSP's 1.8% sales decrease in 2013 primarily reflected lower sales volume partially offset by selling price increases. Sales in 2013 to the foodservice market were lower by 4.8% and sales to the healthcare industry were relatively level to the prior year. Sales to the foodservice market earlier in the year were negatively impacted by lower inventory stocking levels which were resolved during the fourth quarter of 2013. These reductions were offset by 8.4% higher sales to the janitorial/sanitation market, which currently comprises approximately 13% of CFSP's total sales, reflecting new account conversions.

CFSP has been focused on numerous performance improvement initiatives over the past couple of years. In 2013, CFSP's EBIT of $27.0 million was an earnings record for this segment. CFSP's EBIT in 2013 grew 120% over the prior year and EBIT margin increased 620 basis points to 11.3% as a result of higher selling price, savings from plant consolidations, administrative cost savings and the non-recurrence of $5.3 million in restructuring costs and $4.8 million of asset disposal and inventory write downs related to exit of unprofitable product lines incurred during 2012. Included in CFSP's EBIT for the third quarter of 2013 was a gain of $1.0 million on the sale of its distribution facility in Reno, NV, which was closed last year as part of our restructuring and consolidation efforts.

In the third quarter of 2012, the Company announced plans to close its China manufacturing facility and its Zevenaar, Netherlands and Reno, NV distribution facilities. Manufacturing operations were moved from China to Carlisle's existing Oklahoma City, OK and Chihuahua, Mexico manufacturing facilities. The distribution activities previously conducted at the Zevenaar, Netherlands and Reno, NV facilities were relocated to the Oklahoma City, OK distribution center or to third party distributors throughout Europe. The total costs of the project were $5.7 million, including costs for impairment of long-lived assets, employee termination, contract termination, legal and consulting services, and relocation and retrofitting of plant assets of which $5.3 million was incurred in 2012 and $0.4 million in 2013. As a result of these consolidation activities, CFSP realized reduced operating costs and efficiencies of $5.3 million in 2013, which contributed significantly to its year over year performance improvement.

The outlook for the foodservice, healthcare and janitorial/sanitation market in 2014 is positive within a low single digit percentage range. The healthcare market has been challenging in 2013 due to cost pressures within this market; however pent-up demand for replacement equipment may provide modest growth in 2014. CFSP has made significant operating and performance improvements throughout the course of 2013. Continued margin increases are expected in upcoming periods based upon ongoing profit improvement initiatives addressing both operations and sales.

2012 Compared to 2011

Increased sales at CFSP during 2012 reflected 5% higher selling price from pricing actions taken at the beginning of 2012, partially offset by lower sales volume of 2%. Demand in the foodservice market in 2012 was generally level with 2011, reflecting lack of significant improvement in the foodservice

industry and continued uncertainty by restaurant operators about market conditions. CFSP also experienced moderately lower demand for its products in the healthcare market during 2012.

CFSP incurred costs of $5.3 million in 2012 for the aforementioned plant consolidation and restructuring activities, reflecting $3.7 million for impairment, accelerated depreciation of long-lived assets, employee termination costs of $1.4 million, and other associated costs of $0.2 million. In addition to the above-noted exit and disposal costs, during the third quarter of 2012, CFSP decided to abandon its flameless chafer product line. The abandonment of the product line resulted in a non-cash charge of $2.5 million in 2012 related to the impairment of prepaid royalties related to the product line. Also in 2012, CFSP incurred charges of $2.3 million to write down inventory to its market value.

CFSP's 7% reduction in EBIT from 2011 to 2012 reflects the aforementioned charges for restructuring costs and asset impairment for the exit of the flameless chafer product line, partially offset by the positive impact of selling price realization and reductions in staffing expense and operating costs.

Corporate

(in millions)	2013	2012	Change	2012	2011	Change
Corporate expenses	$ (47.1)	$ (58.5)	19.5%	$ (58.5)	$ (44.2)	-32.4%
As a percentage of net sales	-1.6%	-2.1%		-2.1%	-1.8%	

Corporate expenses are largely comprised of compensation, benefits, and travel expense for the corporate office staff, business development costs, certain external audit fees and internal audit expenses not allocated to the segments. Corporate expense also includes certain gains and losses related to employee benefit obligations of continuing operations that are not allocated to the segments such as pension and post-employment benefit obligation settlement and curtailment charges as well as gains and losses associated with workers' compensation obligations related to changes in discount rates.

For the year ended December 31, 2013, Corporate expenses decreased 20% from the prior year period due to lower incentive compensation expense, the non-recurrence of costs in 2012 of $5.6 million in pension settlement charges and $3.3 million in business development costs.

For the year ended December 31, 2012, the 32% increase in Corporate expenses versus 2011 reflected $5.6 million of expense related to settlement of pension liabilities, increased costs related to acquisition pursuits and business development activities, higher expense for incentive compensation based upon the Company meeting certain performance targets, and other increased expense related to corporate-led company-wide initiatives related to the Carlisle Operating System, procurement and management development.

During the fourth quarter of 2012, the Company offered certain former employees who participate in the Company's core pension plan the option to receive a one-time lump sum payment equal to the present value of the participant's pension benefit. A total of $15 million in lump sum distributions were paid out under this offer, which ended during the fourth quarter of 2012. Under ASC 715, a portion of the unrecognized actuarial loss in Accumulated Other Comprehensive Income was recognized into earnings as the amount of total lump sum payments from the Company's core pension plan during 2012 exceeded the plan's service and interest cost during the year.

Included in Corporate expense for the year ended December 31, 2012 was $3.3 million for the cost of acquisition pursuits and business development activity, as compared to costs of $1.3 million in 2011 for related activity.

Liquidity and Capital Resources

We maintain liquidity sources primarily consisting of cash and cash equivalents and our committed unused credit facility. As of December 31, 2013, we had $755 million of cash on hand, of which

$250 million was located in wholly owned subsidiaries of the Company outside the United States. Our cash balance increased significantly from the prior year primarily due to $369.0 million in proceeds, net of cash on hand at the time of sale, received from the sale of the Transportation Products business, of which $142 million was received by our foreign subsidiaries. Cash held by subsidiaries outside the United States is held in U.S. dollars or in the currency of the country in which it is located. It is our intention to use cash held outside the United States to fund the operating activities of our foreign subsidiaries, to make further investments in our foreign operations and to invest in additional growth opportunities for the Company through acquisitions. Cash outside the United States is generally held in deposit accounts with banking institutions that are parties to our credit facility. The majority of these accounts are at bank subsidiaries that are owned by U.S. corporate banks. Repatriation of cash held by foreign subsidiaries may require the accrual and payment of taxes in the United States, however, we consider such cash to be permanently reinvested in our foreign operations and our current plans do not demonstrate a need, nor do we plan, to repatriate such cash to fund U.S. operations and corporate activities. We plan to continue to invest in our international business and potential acquisitions to achieve our stated goal of 30% of sales outside of the United States.

In addition, cash held by subsidiaries in China is subject to local laws and regulations that require government approval for conversion of such cash to and from U.S. dollars as well as for transfer of such cash to entities that are outside of China. As of December 31, 2013, we had cash and cash equivalents of $19.9 million located in wholly owned subsidiaries of the Company within China.

Sources and Uses of Cash

In millions	2013	2012	2011
Net cash provided by operating activities	**$ 414.7**	$ 485.9	$ 191.2
Net cash provided by (used in) investing activities	**270.1**	(428.5)	(463.5)
Net cash provided by (used in) financing activities	**(41.5)**	(20.6)	256.4
Effect of exchange rate changes on cash	**(1.3)**	1.0	1.2
Change in cash and cash equivalents	**$ 642.0**	$ 37.8	$ (14.7)

2013 Compared to 2012

Net cash provided by operating activities, which includes continuing and discontinued operations, was $414.7 million in the year ended December 31, 2013, compared to $485.9 million in 2012. The decrease was primarily due to lower funds provided by working capital in 2013 versus 2012.

Cash provided by working capital and other assets and liabilities of $48.0 million in 2013 was $57.4 million lower than $105.4 million in 2012. Cash provided by working capital in 2013 primarily consisted of a $35.6 million reduction in inventories and an $8.4 million decrease in accounts receivable, partially offset by a $8.0 million decrease in payables and accrued expenses. Cash provided by working capital in 2012 primarily consisted of a $26.5 million reduction in inventories and a $48.8 million reduction in prepaid expenses and other assets.

Reducing our working capital as a percentage of sales is a key focus area for management. We view the ratio of our average working capital balances (defined as the average of the quarter end balances from continuing operations, excluding current year acquisitions, of trade receivables plus net inventory, less trade payables) as a percentage of annualized sales (defined as year-to-date net sales from continuing operations, excluding current year acquisitions, calculated on an annualized basis) as an important measure of our ability to effectively manage our cash requirements in relation to changes in sales activity. For the full year 2013, average working capital as a percentage of annualized sales for our continuing operations was 18.7%, as compared to a percentage of 20.2% for 2012.

A significant factor behind the improvement in our working capital percentage for Continuing operations was the use of the Carlisle Operating System to focus on inventory optimization strategies. Our inventory turns, which is a measure of how many times inventory is sold and replaced in an annualized period (calculated as total Cost of goods sold divided by average Inventories from December of the prior year to the current year period), increased from 6.3 turns in 2012 to 6.9 turns in 2013. We also made improvement in our accounts receivable collection cycle. As a result, our Days Sales Outstanding, or "DSO", which is a measure of the average number of days to collect payment on our receivables (calculated as average Receivables from December of the prior year to the current period divided by the daily average of annual Net sales) declined from 58.1 days in 2012 to 53.7 days in 2013.

Cash provided by investing activities was $270.1 million in 2013 compared to $428.5 million used in investing activities in 2012. In 2013, cash provided by investing activities related to $369.0 million in proceeds on the sale of the Transportation Products business, net of cash on hand at the time of sale, and $11.9 million in proceeds on the sale of equipment, partially offset by $110.8 million in capital expenditures. In 2012, cash used in investing activities primarily consisted of cash used to purchase Hertalan of $48.9 million, net of cash acquired, and cash used to purchase Thermax/Raydex of $265.5 million, net of cash acquired.

Capital expenditures of $110.8 million in 2013 from continuing and discontinued operations compared to $140.4 million in 2012. The Construction Materials segment represented 58% of total capital expenditures in 2013 as a result of projects to construct a new polyiso plant in Puyallup, WA and a new facility in Montgomery, NY to replace our current polyiso plant in Kingston, NY. In 2013, CCM also substantially completed a project to establish a new PVC (polyvinyl chloride) roofing membrane manufacturing line at our Greenville, Illinois location that will be operational starting in the first quarter of 2014. CCM's total capital expenditures were $64.5 million in 2013.

Cash used in financing activities was $41.5 million in 2013 compared to $20.6 million in 2012. During 2013, cash used in financing activities related to $53.7 million in dividends paid and $1.5 million in repayments on industrial and revenue bonds, partially offset by net cash inflows related to the exercise of employee stock options. During 2012, we repaid $357 million in short term borrowings using cash provided by operations and proceeds from our senior notes offering. On November 17, 2012, we issued $350 million in 3.75% senior notes due 2022 (the "senior notes"). Proceeds from this offering were used to repay remaining borrowings under our revolving credit facility and fund the acquisition of Thermax/Raydex on December 17, 2012. During 2013, we increased our dividends to shareholders by 10%, representing the 37th consecutive year of dividend increases.

2012 Compared to 2011

Net cash provided by operating activities was $485.9 million in the year ended December 31, 2012, compared to $191.2 million in 2011. The increase was primarily due to higher net income in 2012 versus 2011 and lower usage of cash to fund working capital in 2012.

Cash provided by working capital and other assets and liabilities of $105.4 million in 2012 was a $196.5 million improvement versus cash used of $91.1 million in 2011. Cash provided by working capital in 2012 primarily consisted of a $26.5 million reduction in inventories and a $48.8 million reduction in prepaid expenses and other assets. Cash used for working capital in 2011 primarily consisted of a $71.4 million increase in receivables, a $75.8 million increase in inventories, offset by the positive impact of a $50.9 million increase in accounts payable. For the full year 2012, average working capital as a percentage of annualized sales was 20.2%, as compared to a percentage of 19.6% for 2011.

Cash used in investing activities was $428.5 million in 2012 compared to $463.5 million in 2011. In 2012, cash used in investing activities primarily consisted of cash used to purchase Hertalan of $48.9 million, net of cash acquired, and cash used to purchase Thermax/Raydex of $265.5 million, net

of cash acquired. In 2011, cash used in investing activities included cash used to purchase Tri-Star of $284.4 million, net of cash acquired, and cash used to purchase PDT of $105.8 million, net of cash acquired. We also acquired certain assets of Cragar Industries, Inc. for $2.7 million.

Capital expenditures of $140.4 million in 2012 compared to $79.6 million in 2011. The Construction Materials segment represented approximately 58% of total capital expenditures in 2012, versus 27% of total capital expenditures in 2011, as a result of projects to construct a new polyiso plant in Puyallup, WA and a new facility in Montgomery, NY to replace our current polyiso plant in Kingston, NY. In May 2012, CCM commenced a project to establish a new PVC (polyvinyl chloride) roofing membrane manufacturing line in Greenville, Illinois. CCM's total capital expenditures were $81.5 million in 2012. In addition to the projects at CCM, CIT and CBF also completed projects in 2012 to expand manufacturing facilities.

Cash used in financing activities was $20.6 million in 2012 compared to cash provided by financing activities of $256.4 million in 2011. During 2012, we paid down $357 million in short term borrowings using cash provided by operations and proceeds from our senior notes offering. On November 17, 2012, we issued $350 million in 3.75% senior notes due 2022 (the "senior notes"). Proceeds from this offering were used to pay down remaining borrowings under our revolving credit facility and fund the acquisition of Thermax/Raydex on December 17, 2012.

Debt Instruments, Guarantees and Covenants

The following table quantifies certain contractual cash obligations and commercial commitments at December 31, 2013:

In millions	Total	2014	2015	2016	2017	2018	Thereafter
Short-term credit lines and long-term debt	$ 752.0	$ —	$ —	$ 150.0	$ —	$ 3.0	$ 599.0
Interest on long-term debt (1)	231.3	35.1	35.1	31.7	25.9	25.9	77.6
Noncancelable operating leases	60.4	15.5	11.9	9.6	7.9	7.0	8.5
Estimated workers' compensation claims	27.0	7.2	5.2	3.5	2.5	1.9	6.7
Estimated post-retirement benefit payments	299.1	17.3	15.9	14.8	14.5	14.1	222.5
Total commitments	$ 1,369.8	$ 75.1	$ 68.1	$ 209.6	$ 50.8	$ 51.9	$ 914.3

(1) Future expected interest payments are calculated based on the stated rate for fixed rate debt and the effective interest rate at December 31, 2013 for variable rate debt.

The above table does not include $143.6 million of long-term deferred revenue and $199.2 million of other long-term liabilities. Excluded Other long-term liabilities consist primarily of deferred income tax liabilities and other tax liabilities, and deferred compensation. Due to factors such as the timing of book-tax difference reversals and retirement of employees, it is not reasonably possible to estimate when these will become due.

The amount of $27.0 million in obligations for workers compensation claims reflects an estimate for undiscounted claims reported to the company and incurred but not yet reported. The Company's estimate is based upon actuarial assumptions and loss development factors and the Company's historical loss experience. See Note 13 in the Notes to Consolidated Financial Statements.

The amount of $299.1 million in post-retirement benefit payments primarily reflects undiscounted estimated employee obligations under the Company's qualified defined benefit pension plans, as well as obligations for the Company's non-qualified executive supplemental and director plans and other post-retirement welfare plans. The amount of estimated obligations is based upon plan provisions, increases to compensation levels, actuarial assumptions and health care cost trends. Of the $299.1 million in estimated obligations, approximately $266.0 million in projected benefit obligations

reflect obligations under the Company's qualified defined benefit plans that were measured at $162.1 million as of December 31, 2013 on a discounted basis. As of December 31, 2013, the fair value of plan assets held by the Company in a trust to support these obligations was $173.5 million. The Company maintains a liability driven investment approach whereby plan assets are invested primarily in fixed income investments to match changes in the projected benefit obligation of funded plans that occur as a result of changes in the discount rate. The difference of $11.4 million between the Company's fair value of plan assets versus its discounted benefit obligations for its qualified pension plans is reflected in Other long-term assets on the Company's Consolidated Balance Sheet. Reported in Other long-term liabilities on the Company's Consolidated Balance Sheet is $18.9 million in discounted projected employee obligations for the Company's non-qualified supplemental and director plans and other post-retirement welfare plans. See Note 1, Note 15 and Note 18 in the Notes to Consolidated Financial Statements.

Although we have entered into purchase agreements for certain key raw materials, there were no such contracts with a term exceeding one year in place at December 31, 2013.

On October 20, 2011 we entered into a $600 million senior unsecured revolving credit facility (the "Facility") to replace our former credit facility. The renewed facility had an expiration date of October 20, 2016. On December 12, 2013, we executed an amendment to the facility (the "Amendment") to amend certain terms and extend the term of the facility to December 12, 2018. The amended credit facility allows for borrowings of between one month and six month maturity at an interest rate spread of 1.125 percentage points over Libor, based upon our current investment grade credit rating. Under the terms of the amendment, the annual facility fee was reduced from 0.20 percentage points of the overall facility to 0.125 percentage points. As a result, our annual facility fee was reduced from $1.2 million to $750,000. The amendment also modified our leverage ratio covenant to permit a temporary increase in the ratio in the event of a material acquisition. We use the facility for general working capital purposes and to provide additional liquidity to pursue growth opportunities including acquisitions.

On November 20, 2012, we completed a public offering of $350.0 million of notes with a stated interest rate of 3.75% due November 15, 2022 (the "2022 Notes"). The 2022 Notes were issued at a discount of approximately $1.1 million, resulting in proceeds of approximately $348.9 million. Interest on the 2022 Notes is paid each May 15 and November 15, which commenced on May 15, 2013. The proceeds were utilized to re-pay borrowings under our $600 million revolving credit facility and fund the acquisition of Thermax/Raydex on December 17, 2012.

On December 9, 2010, we completed a public offering of $250.0 million of notes with a stated interest rate of 5.125% due December 15, 2020 (the "2020 Notes"). The 2020 Notes were issued at a discount of approximately $1.1 million, resulting in proceeds of approximately $248.9 million. Interest on the 2020 Notes is paid each June 15 and December 15, which commenced on June 15, 2011. The proceeds were utilized to re-pay borrowings under our revolving credit facility that were used to partially finance the acquisition of Hawk.

In connection with the acquisition of Hawk on December 1, 2010, we assumed Hawk's 8.75% senior notes due November 1, 2014 (the "Hawk senior notes"). The Hawk senior notes were recorded at estimated fair value of $59.0 million on the date of acquisition. See Note 3 in Item 8 for further information regarding the Hawk acquisition. On December 10, 2010, we notified the holders of the Hawk senior notes of our intent to redeem such notes under the terms of the related indenture. On January 10, 2011, we redeemed all of the outstanding Hawk senior notes for approximately $59.1 million, of which $57.1 million related to the outstanding principal amount, $1.9 million related to an early redemption premium, and $0.1 million related to accrued and unpaid interest. We redeemed the Hawk senior notes using borrowings under our revolving credit facility.

At December 31, 2013, we had $600 million available under our $600 million revolving credit facility. The revolving credit facility provides for grid-based interest pricing based on the credit rating of our senior unsecured bank debt or other unsecured senior debt and our utilization of the facility. Our senior unsecured debt is rated BBB by Standard & Poor's and Baa2 by Moody's. The facility requires us to meet various restrictive covenants and limitations including certain leverage ratios, interest coverage ratios, and limits on outstanding debt balances held by certain subsidiaries. We had no borrowings on our facility during the year ended December 31, 2013.

We also maintain a $45.0 million uncommitted line of credit, of which $45.0 million was available for borrowing as of December 31, 2013. We had no borrowings under the uncommitted line of credit during 2013.

As of December 31, 2013, we had outstanding letters of credit amounting to $29.7 million. Letters of credit are issued primarily to provide security under insurance arrangements and certain borrowings. Letters of credit were previously issued under our revolving credit facility and reduced the amount available for borrowings under the facility. Currently, our letters of credit are issued separately from our revolving credit facility and do not affect borrowing availability under the facility.

At December 31, 2013, the fair value of our $350 million 3.75% notes due 2022, $250 million 5.125% notes due 2020 and $150 million 6.125% notes due 2016, using Level 2 inputs, is approximately $326.3 million, $259.8 million and $163.8 million, respectively. Fair value is estimated based on current yield rates plus our estimated credit spread available for financings with similar terms and maturities.

Under our various debt and credit facilities, we are required to meet various restrictive covenants and limitations, including certain leverage ratios, interest coverage ratios, and limits on outstanding debt balances held by certain subsidiaries. We were in compliance with all covenants and limitations in 2013 and 2012.

We view our debt to capital ratio (defined as short-term debt plus long-term debt divided by the sum of total Shareholders' equity, long-term debt and short-term debt) as an important indicator of our ability to utilize debt in financing acquisitions and capital investments. As of December 31, 2013, our debt to capital ratio was 27%.

Cash Management

As stated above, reducing the level of working capital as a percentage of net sales is a key management focus. Our priorities for the use of cash are to invest in growth and performance improvement opportunities for our existing businesses and maintain assets through capital expenditures, pursue strategic acquisitions that meet shareholder return criteria, pay dividends to shareholders, and return value to shareholders through share repurchases.

Capital expenditures in 2014 are expected to be $118 million, including business sustaining projects, cost reduction efforts, and new product expansion. Capital expenditures expected in 2014 include the completion of a PVC manufacturing plant and additional TPO manufacturing line for CCM and construction of a new plant in Nogales, Mexico for CIT.

No minimum contributions to our pension plans are required in 2014. However, during 2014 we expect to pay approximately $1.0 million in participant benefits under the executive supplemental and director plans. In light of our plans' funded status, we expect to make discretionary contributions between $0 and $4 million to our other pension plans in 2014. We did not make any contributions to the pension plans during 2013.

We intend to pay dividends to our shareholders and have increased our dividend rate annually for the past 37 years.

We announced the reactivation of our share repurchase program in August 2004. In August 2007, the Board of Directors authorized the repurchase of 2,500,000 shares of our common stock. In February 2008, the Board of Directors authorized the repurchase of an additional 1,400,000 shares of our common stock. At this time we have authority to repurchase 3,024,499 shares. Shares may be repurchased at management's direction. The decision to repurchase shares will depend on price, availability, and other corporate developments. Purchases may occur from time-to-time in the open market and no maximum purchase price has been set.

We believe that our operating cash flows, credit facilities, lines of credit, and leasing programs provide adequate liquidity and capital resources to fund ongoing operations, expand existing lines of business, and make strategic acquisitions. In addition, we believe that our liquidity and capital resources from U.S. operations are adequate to fund our U.S. operations and corporate activities without a need to repatriate funds held by subsidiaries outside the United States. However, the ability to maintain existing credit facilities and access the capital markets can be impacted by economic conditions outside our control, specifically credit market tightness or sustained market downturns. Our cost to borrow and capital market access can be impacted by debt ratings assigned by independent rating agencies, based on certain credit measures such as interest coverage, funds from operations and various leverage ratios.

Environmental

We are subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material and we do not currently have any significant accruals related to potential future costs of environmental remediation at December 31, 2013 and 2012, nor do we have any asset retirement obligations recorded at those dates. However, the nature of our operations and our long history of industrial activities at certain of our current or former facilities, as well as those acquired, could potentially result in material environmental liabilities or asset retirement obligations.

While we must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on our business, capital expenditures, or financial position. Future events, including those relating to climate change or greenhouse gas regulation, could require us to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

Legal Proceedings

Over the years, we have been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which we manufactured in limited amounts between the late-1940's and the mid-1980's. In addition to compensatory awards, these lawsuits may also seek punitive damages.

We typically obtain dismissals or settlements of our asbestos-related lawsuits with no material effect on our financial condition, results of operations, or cash flows. We maintain insurance coverage that applies to a portion of certain of our defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits.

Based on an ongoing evaluation, we believe that the resolution of our pending asbestos claims will not have a material impact on our financial condition, results of operations, or cash flows, although

these matters could result in us being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

In addition, from time-to-time we may be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions, either individually or in the aggregate, will not have a material adverse effect on our consolidated financial position or annual operating cash flows, but may have a more than inconsequential impact on our results of operations for a particular period.

Critical Accounting Policies

Our significant accounting policies are more fully described in the Note 1 in Item 8. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observation of trends in the industry, information provided by our customers, and information available from other outside sources, as appropriate. We consider certain accounting policies related to revenue recognition, inventory cost and valuation, deferred revenue and extended product warranty, valuation of goodwill and indefinite-lived intangible assets, valuation of long-lived assets and pensions and other post-retirement plans to be critical policies due to the estimation processes involved.

Revenue Recognition. Revenues are recognized when pervasive evidence of an arrangement exists, goods have been shipped (or services have been rendered), the customer takes ownership and assumes risk of loss, collection is probable, and the sales price is fixed or determinable. Provisions for discounts and rebates to customers and other adjustments are provided for at the time of sale as a deduction to revenue.

Inventories. Inventories are valued at the lower of cost or market with cost determined primarily on an average cost basis. Cost of inventories includes direct as well as certain indirect costs associated with the acquisition and production process. These costs include raw materials, direct and indirect labor, and manufacturing overhead. Manufacturing overhead includes materials, depreciation and amortization related to property, plant and equipment and other intangible assets used directly and indirectly in the acquisition and production of inventory, and costs related to our distribution network such as inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and other such costs associated with preparing our products for sale.

We regularly review inventory quantities on hand for excess and obsolete inventory based on estimated forecasts of product demand and production requirements for the next twelve months and issues related to specific inventory items.

Deferred Revenue and Extended Product Warranty. We offer extended warranty contracts on sales of certain products; the most significant being those offered on our installed roofing systems within the Construction Materials segment. The lives of these warranties range from five to thirty years. All revenue from the sale of these contracts is deferred and amortized on a straight-line basis over the life of the contracts. Current costs of services performed under these contracts are expensed as incurred. We also record an additional loss and a corresponding reserve if the total expected costs of providing services under the contract exceed unearned revenues equal to such excess. We estimate total expected warranty costs using quantitative measures based on historical claims experience and management judgment.

Goodwill and Indefinite-Lived Intangible Assets. Indefinite-lived intangible assets are recognized and recorded at their acquisition-date fair values. Intangible assets with indefinite useful lives are not amortized but are tested annually, or more often if impairment indicators are present, for impairment

via a one-step process by comparing the fair value of the intangible asset with its carrying value. If the intangible asset's carrying value exceeds its fair value, an impairment charge is recorded in current earnings for the difference. We estimate the fair value of our indefinite-lived intangible assets based on the income approach utilizing the discounted cash flow method. We periodically re-assess indefinite-lived intangible assets as to whether their useful lives can be determined and if so, we begin amortizing any applicable intangible asset.

Goodwill is not amortized but is tested annually, or more often if impairment indicators are present, for impairment at a reporting unit level. We have determined that our operating segments are our reporting units. We have allocated goodwill to our reporting units as follows:

In millions	December 31, 2013	December 31, 2012
Carlisle Construction Materials	$ **129.1**	$ 127.2
Carlisle Interconnect Technologies	**442.6**	444.6
Carlisle Brake & Friction	**226.7**	226.7
Carlisle FoodService Products	**60.3**	60.3
Total	$ **858.7**	$ 858.8

First, goodwill is tested for impairment by comparing the fair value of the reporting unit with the reporting unit's carrying amount to identify any potential impairment. If fair value is determined to be less than carrying value, a second step is used whereby the implied fair value of the reporting unit's goodwill, determined through a hypothetical purchase price allocation, is compared with the carrying amount of the reporting units' goodwill. If the implied fair value of the reporting units' goodwill is less than its carrying amount, an impairment charge is recorded in current earnings for the difference. We also assess the recoverability of goodwill if facts and circumstances indicate goodwill may be impaired. In our most recent test, we estimated the fair value of our reporting units primarily based on the income approach utilizing the discounted cash flow method. We also utilized fair value estimates derived from the market approach utilizing the public company market multiple method to validate the results of the discounted cash flow method, which required us to make assumptions about the applicability of those multiples to our reporting units. The discounted cash flow method required us to estimate future cash flows and discount those amounts to present value. The key assumptions that drove fair value included:

- Industry weighted-average cost of capital ("WACC"): We utilized a WACC relative to each reporting unit's industry as the discount rate for estimated future cash flows. The WACC is intended to represent a rate of return that would be expected by a market place participant. We utilize third party valuation providers to assist management in determining the appropriate WACC by industry.

- EBIT margins: We utilized historical and expected EBIT margins, which varied based on the projections of each reporting unit being evaluated.

While we believe these assumptions are appropriate, they are subject to uncertainty and by nature include judgments and estimates regarding various factors including the realization of sales price increases, fluctuation in price and availability in key raw materials, and operating efficiencies.

See Note 12 to the Consolidated Financial Statements in Item 8 for more information regarding goodwill.

Valuation of Long-Lived Assets. Long-lived assets or asset groups, including amortizable intangible assets, are tested for impairment whenever events or circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. For purposes of testing for impairment, we group our long-lived assets classified as held and used at the lowest level for which identifiable cash

flows are largely independent of the cash flows from other assets and liabilities. Our asset groupings vary based on the related business in which the long-lived asset is employed and the interrelationship between those long-lived assets in producing net cash flows; for example, multiple manufacturing facilities may work in concert with one another or may work on a stand-alone basis to produce net cash flows. We utilize our long-lived assets in multiple industries and economic environments and our asset grouping reflects these various factors. The following are examples of events or changes in circumstances that we consider:

- Significant decrease in the market price of a long-lived asset (asset group)
- Significant change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
- Significant adverse change in the legal factors or business climate that could affect the value of a long-lived asset (asset group), including an adverse assessment by a regulator
- Accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
- Current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
- Current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life

We monitor the operating and cash flow results of our long-lived assets or asset groups classified as held and used to identify whether events and circumstances indicate the remaining useful lives of those assets should be adjusted, or if the carrying value of those assets or asset groups may not be recoverable. In the event indicators of impairment are identified, undiscounted estimated future cash flows are compared to the carrying value of the long-lived asset or asset group. If the undiscounted estimated future cash flows are less than the carrying amount, we determine the fair value of the asset or asset group and record an impairment charge in current earnings to the extent carrying value exceeds fair value. Fair values may be determined based on estimated discounted cash flows, by prices for like or similar assets in similar markets, or a combination of both. There are currently no long-lived assets or asset groups classified as held and used for which the related undiscounted cash flows do not substantially exceed their carrying amounts.

Long-lived assets or asset groups that are part of a disposal group that meets the criteria to be classified as held for sale are not assessed for impairment but rather if fair value, less cost to sell, of the disposal group is less than its carrying value a loss on sale is recorded against the disposal group.

Pensions and Other Post-Retirement Plans. We maintain defined benefit retirement plans for certain employees. The annual net periodic expense and benefit obligations related to these plans are determined on an actuarial basis. This determination requires assumptions to be made concerning general economic conditions (particularly interest rates), expected return on plan assets, increases to compensation levels, and health care cost trends. These assumptions are reviewed periodically by management in consultation with our independent actuary and investment manager. Changes in the assumptions to reflect actual experience can result in a change in the net periodic expense and accrued benefit obligations. The defined benefit pension plans' assets consist primarily of fixed-income and equity mutual funds, which are considered Level 1 assets under the fair value hierarchy as their fair value is derived from market-observable data. We use the market related valuation method to determine the value of plan assets, which recognizes the change of the fair value of the plan assets over five years. If actual experience differs from these long-term assumptions, the difference is recorded as an unrecognized actuarial gain (loss) and then amortized into earnings over a period of time based on

the average future service period, which may cause the expense related to providing these benefits to increase or decrease. The weighted-average expected rate of return on plan assets was 6.45% for the 2013 valuation. While we believe 6.45% is a reasonable expectation based on the plan assets' mix of fixed income and equity investments, significant differences in actual experience or significant changes in the assumptions used may materially affect the pension obligations and future expense. The effects of a 0.25% increase or decrease in the expected rate of return would cause our estimated 2013 pension expense to be approximately $0.3 million lower or $0.3 million higher, respectively. The assumed weighted-average discount rate was 4.43% for the 2013 valuation. The effects of a 0.25% increase or decrease in the assumed discount rate would cause our projected benefit obligation at December 31, 2013 to be approximately $2.9 million lower or $3.0 million higher, respectively. We used a weighted-average assumed rate of compensation increase of 3.46% for the 2013 valuation. This rate is not expected to change in the foreseeable future and is based on our actual rate of compensation increase over the past several years, adjusted to reflect management's expectations regarding future labor costs.

We also have a limited number of unfunded post-retirement benefit programs that provide certain retirees with medical and prescription drug coverage. The annual net periodic expense and benefit obligations of these programs are also determined on an actuarial basis and are subject to assumptions on the discount rate and increases in compensation levels. The discount rate used for the 2013 valuation was 3.77%. The effects of a 1% increase or decrease in either the discount rate or the assumed health care cost trend rates would not be material. Similar to the defined benefit retirement plans, these plans' assumptions are reviewed periodically by management in consultation with our independent actuary. Changes in the assumptions can result in a change in the net periodic expense and accrued benefit obligations.

Income Taxes. We record income taxes in accordance with ASC 740, *Income Taxes* , which includes an estimate of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns.

Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess the realizability of deferred tax assets and the adequacy of deferred tax liabilities.

Realization of deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. We believe that it is more likely than not that we may not realize the benefit of certain deferred tax assets and, accordingly, have established a valuation allowance against them. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of and potential changes to ongoing tax planning strategies. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that the remaining deferred tax assets will be realized. However, deferred tax assets could be reduced in the near term if our estimates of taxable income during the carryforward period are significantly reduced or tax planning strategies are no longer viable.

The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions and ongoing audits by federal, state and foreign tax authorities, which may result in proposed adjustments. We perform reviews of our income tax positions on a quarterly basis and accrue for potential uncertain tax positions. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters.

We participate in the U.S. Internal Revenue Service's ("IRS") real time audit program, Compliance Assurance Process ("CAP"), during 2013, 2012 and 2011. Under the CAP program,

material federal income tax matters were disclosed to the IRS throughout the year with the objective of reaching agreement as to the proper reporting treatment in advance of filing our U.S. federal tax return. The examinations of the 2011 and 2012 returns have been completed. We believe that this program reduces tax-related uncertainties, enhances transparency, and reduces administrative costs. We will continue to participate in the CAP program in 2014.

New Accounting Standards Not Yet Effective

Accounting standards issued but not effective until after December 31, 2013, are not expected to have a significant effect on our consolidated financial statements.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally use words such as "expect," "foresee," "anticipate," "believe," "project," "should," "estimate," "will," "plans", "forecast" and similar expressions, and reflect our expectations concerning the future. Such statements are made based on known events and circumstances at the time of publication, and as such, are subject in the future to unforeseen risks and uncertainties. It is possible that our future performance may differ materially from current expectations expressed in these forward-looking statements, due to a variety of factors such as: increasing price and product/service competition by foreign and domestic competitors, including new entrants; technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; our mix of products/services; increases in raw material costs which cannot be recovered in product pricing; domestic and foreign governmental and public policy changes including environmental regulations; threats associated with and efforts to combat terrorism; protection and validity of patent and other intellectual property rights; the successful integration and identification of our strategic acquisitions; the cyclical nature of our businesses; and the outcome of pending and future litigation and governmental proceedings. In addition, such statements could be affected by general industry and market conditions and growth rates, the condition of the financial and credit markets, and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. Further, any conflict in the international arena may adversely affect general market conditions and our future performance. We undertake no duty to update forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk in the form of changes in commodity prices for raw materials, foreign currency exchange rates, and interest rates. We may from time to time enter into financial instruments or commodity futures contracts to manage these risks; however, we do not utilize such instruments or contracts for speculative or trading purposes. In the event that we enter into a hedge contract, it is possible that such future dated contracts could no longer serve as a hedge if the projected cash flow does not occur as anticipated at the time of contract initiation. We generally do not hedge the risk from translation of sales and activities into U.S. dollars for financial reporting.

To manage commodity pricing risk, we may from time to time enter into financial instrument contracts, longer dated purchase contracts, or commodity indexed sales contracts. We continually address the impact of commodity price increases on our sales, operating margins, and cash flow. To mitigate our exposure to fluctuations in the prices of silver and copper, which are key raw materials within the Interconnect Technologies segment, we had commodity swap agreements with an aggregate notional amount of $2.3 million outstanding as of December 31, 2012, all of which matured during 2013. We had no commodity swap agreements in place as of December 31, 2013. The fair value of open contracts as of December 31, 2012 was $0.1 million.

We are primarily exposed to the exchange rates of currencies including the Chinese Renminbi, Euro, Canadian Dollar, British Pound, Swiss Franc, Indian Rupee, Hong Kong Dollar, and Mexican Peso. A portion of our revenues, comprising less than 10% of total revenues, are for sales of products manufactured in China for the North American market. These sales are generated predominately in U.S. Dollars. Many of the obligations incurred by these operations are settled in Chinese Renminbi or Hong Kong Dollars. Should the U.S. Dollar weaken significantly against the Renminbi or Hong Kong Dollar, our results of operations could be adversely affected. We continue to monitor developments in China that may affect our strategy and will hedge our currency risk exposure or shift production to the U.S. when deemed effective and prudent.

Approximately 23% of our revenues from continuing operations for the year ended December 31, 2013 are from countries other than the U.S.

We had foreign exchange forward contracts with an aggregate notional amount of $2.1 million outstanding as of December 31, 2013, with scheduled maturities of $2.1 million during 2014. The fair value of open contracts as of December 31, 2013 reflected net assets of $0.2 million.

From time to time we may manage our interest rate exposure through the use of treasury locks, interest rate swaps and cross-currency swaps to reduce volatility of cash flows, impact on earnings, and to lower our cost of capital. Our exposure to interest rates on our outstanding debt is described in "Item 7.Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt Instruments, Guarantees and Covenants." We are exposed to variable rate interest risk in the form of outstanding borrowings on our $600 million revolving credit facility. We are not currently exposed to currency risk on borrowings denominated in non-USD; however, from time-to-time, we may borrow in non-USD denominations. There were no treasury locks, interest rate swaps or cross-currency swaps in place as of December 31, 2013.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Carlisle Companies Incorporated

We have audited the accompanying consolidated balance sheets of Carlisle Companies Incorporated as of December 31, 2013 and 2012, and the related consolidated statements of earnings and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Carlisle Companies Incorporated at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Carlisle Companies Incorporated's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 19, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Charlotte, North Carolina
February 19, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Carlisle Companies Incorporated

We have audited Carlisle Companies Incorporated's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework)(the COSO criteria). Carlisle Companies Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Carlisle Companies Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Carlisle Companies Incorporated as of December 31, 2013 and 2012 and the related consolidated statements of earnings and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 of Carlisle Companies Incorporated and our report dated February 19, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Charlotte, North Carolina
February 19, 2014

Carlisle Companies Incorporated

Consolidated Statements of Earnings and Comprehensive Income

(Dollars in millions, except per share amounts)	For the Years ended December 31, 2013	2012	2011
Net sales	$ 2,943.0	$ 2,851.2	$ 2,492.4
Cost and expenses:			
Cost of goods sold	2,197.4	2,084.2	1,908.3
Selling and administrative expenses	353.7	356.6	298.8
Research and development expenses	29.3	26.1	21.7
Other (income) expense, net	(4.2)	12.4	(2.4)
Earnings before interest and income taxes	366.8	371.9	266.0
Interest expense, net	33.8	25.5	21.0
Earnings before income taxes from continuing operations	333.0	346.4	245.0
Income tax expense (Note 7)	97.8	117.7	73.0
Income from continuing operations	235.2	228.7	172.0
Discontinued operations (Note 4)			
Income (loss) from discontinued operations	(60.5)	55.2	6.5
Income tax (benefit) expense	(35.0)	13.7	(1.8)
Income (loss) from discontinued operations	(25.5)	41.5	8.3
Net income	$ 209.7	$ 270.2	$ 180.3
Basic earnings (loss) per share attributable to common shares (1)			
Income from continuing operations	$ 3.69	$ 3.64	$ 2.77
Income (loss) from discontinued operations	(0.40)	0.66	0.14
Basic Earnings per share	$ 3.29	$ 4.30	$ 2.91
Diluted earnings (loss) per share attributable to common shares (1)			
Income from continuing operations	$ 3.61	$ 3.57	$ 2.73
Income (loss) from discontinued operations	(0.39)	0.65	0.13
Diluted earnings per share	$ 3.22	$ 4.22	$ 2.86
Comprehensive Income			
Net income	$ 209.7	$ 270.2	$ 180.3
Other comprehensive income (loss)			
Change in foreign currency translation, net of tax	(1.6)	3.2	(12.2)
Change in accrued post-retirement benefit liability, net of tax	5.9	6.6	5.7
Loss on hedging activities, net of tax	(0.3)	(0.3)	(0.4)
Other comprehensive income (loss)	4.0	9.5	(6.9)
Comprehensive income	$ 213.7	$ 279.7	$ 173.4

(1) Earning per share calculated based on the two-class method. See Note 8 for detailed calculations.

See accompanying notes to these Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Balance Sheets

(Dollars in millions except share amounts)	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ **754.5**	$ 112.5
Receivables, less allowance of $3.3 in 2013 and $5.2 in 2012	**399.6**	408.4
Inventories (Note 10)	**298.8**	325.0
Deferred income taxes (Note 7)	**35.7**	37.3
Prepaid expenses and other current assets	**46.4**	26.5
Current assets held for sale (Note 4)	—	295.6
Total current assets	**1,535.0**	1,205.3
Property, plant and equipment, net of accumulated depreciation of $468.0 in 2013 and $416.8 in 2012 (Note 11)	**497.2**	465.2
Other assets:		
Goodwill, net (Note 12)	**858.7**	858.8
Customer relationship and other intangible assets, net (Note 12)	**579.8**	614.8
Other long-term assets	**22.0**	35.7
Non-current assets held for sale (Note 4)	**0.3**	277.5
Total other assets	**1,460.8**	1,786.8
TOTAL ASSETS	$ **3,493.0**	$ 3,457.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt, including current maturities (Note 14)	$ —	$ —
Accounts payable	**187.0**	205.9
Accrued expenses	**172.0**	172.6
Deferred revenue (Note 16)	**17.4**	17.6
Current liabilities associated with assets held for sale (Note 4)	—	74.5
Total current liabilities	**376.4**	470.6
Long-term liabilities:		
Long-term debt (Note 14)	**751.0**	752.3
Deferred revenue (Note 16)	**143.6**	135.4
Other long-term liabilities (Note 18)	**235.9**	263.3
Non-current liabilities associated with assets held for sale	—	47.6
Total long-term liabilities	**1,130.5**	1,198.6
Shareholders' equity (Note 19):		
Preferred stock, $1 par value per share. Authorized and unissued 5,000,000 shares	—	—
Common stock, $1 par value per share. Authorized 100,000,000 shares; 78,661,248 shares issued; 63,658,777 outstanding in 2013 and 63,127,299 outstanding in 2012	**78.7**	78.7
Additional paid-in capital	**201.1**	171.4
Deferred compensation equity (Note 6)	**3.0**	0.6
Cost of shares of treasury—14,761,481 shares in 2013 and 15,249,714 shares in 2012	**(209.5)**	(215.4)
Accumulated other comprehensive loss (Note 20)	**(31.5)**	(35.5)
Retained earnings	**1,944.3**	1,788.3
Total shareholders' equity	**1,986.1**	1,788.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ **3,493.0**	$ 3,457.3

See accompanying notes to these Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Statements of Cash Flows

(Dollars in millions)	For the Years ended December 31, 2013	2012	2011
Operating activities			
Net income	**$ 209.7**	$ 270.2	$ 180.3
Reconciliation of net income to cash flows from operating activities:			
Depreciation	**75.4**	74.6	68.1
Amortization	**38.5**	30.3	19.9
Non-cash compensation, net of tax benefit	**11.9**	8.5	12.5
Non-cash pension settlement	**—**	5.6	—
Gain on sale of businesses	**(6.2)**	(3.7)	—
(Gain) loss on sale of property and equipment, net	**(1.3)**	2.1	1.8
Impairment of assets	**100.3**	6.4	—
Deferred taxes	**(61.7)**	(13.8)	1.8
Foreign exchange (gain) loss	**0.1**	0.1	(2.1)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables	**8.4**	21.0	(71.4)
Inventories	**35.6**	26.5	(75.8)
Prepaid expenses and other assets	**11.1**	48.8	7.3
Accounts payable	**(20.6)**	(15.7)	50.9
Accrued expenses and deferred revenues	**12.6**	14.9	(11.0)
Long-term liabilities	**0.9**	9.9	8.9
Other operating activities	**—**	0.2	—
Net cash provided by operating activities	**414.7**	485.9	191.2
Investing activities			
Capital expenditures	**(110.8)**	(140.4)	(79.6)
Acquisitions, net of cash	**—**	(314.3)	(392.9)
Proceeds from sale of property and equipment	**11.9**	—	3.5
Proceeds from sale of businesses, net of cash	**369.0**	25.8	5.3
Proceeds from hedging activities	**—**	0.4	—
Other investing activities	**—**	—	0.2
Net cash provided by (used in) investing activities	**270.1**	(428.5)	(463.5)
Financing activities			
Net change in short-term borrowings and revolving credit lines	**—**	(357.4)	346.9
Proceeds from long-term debt	**—**	348.9	—
Reductions of long-term debt	**(1.5)**	—	—
Debt issuance costs	**(0.6)**	(2.9)	(1.8)
Redemption of Hawk bonds	**—**	—	(59.0)
Acquisition date value of contingent consideration settled	**(5.2)**	—	—
Dividends	**(53.7)**	(48.0)	(43.5)
Stock options and treasury shares, net	**19.5**	38.8	13.8
Net cash provided by (used in) financing activities	**(41.5)**	(20.6)	256.4
Effect of exchange rate changes on cash	**(1.3)**	1.0	1.2
Change in cash and cash equivalents	**642.0**	37.8	(14.7)
Cash and cash equivalents			
Beginning of period	**112.5**	74.7	89.4
End of period	**$ 754.5**	$ 112.5	$ 74.7

See accompanying notes to these Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Statement of Shareholders' Equity

(In millions, except share amounts)

	Common Stock		Additional	Deferred Compensation	Accumulated Other Comprehensive		Shares in Treasury		Total Shareholders'
	Shares	Amount	Paid-In Capital	Equity	Income	Retained Earnings	Shares	Cost	Equity
Balance at December 31, 2010	61,024,932	$ 78.7	$ 92.4	$ —	$ (38.1)	$1,429.3	17,011,676	$(221.6)	$ 1,340.7
Net income		—	—	—	—	180.3		—	180.3
Other comprehensi income, net of tax		—	—	—	(6.9)	—		—	(6.9)
Cash dividends—$0.70 per share		—	—	—	—	(43.5)		—	(43.5)
Stock based compensatio other(1)	639,881	—	27.8	—	—	—	(543,916)	1.7	29.5
Balance at December 31, 2011	61,664,813	78.7	120.2	—	(45.0)	1,566.1	16,467,760	(219.9)	1,500.1
Net income		—	—	—	—	270.2		—	270.2
Other comprehensi income, net of tax		—	—	—	9.5	—		—	9.5
Cash dividends—$0.76 per share		—	—	—	—	(48.0)		—	(48.0)
Stock based compensatio other(1)	1,462,486	—	51.2	0.6	—	—	(1,218,046)	4.5	56.3
Balance at December 31, 2012	63,127,299	78.7	171.4	0.6	(35.5)	1,788.3	15,249,714	(215.4)	1,788.1
Net income		—	—	—	—	209.7		—	209.7
Other comprehensi income, net of tax		—	—	—	4.0	—		—	4.0
Cash dividends—$0.84 per share		—	—	—	—	(53.7)		—	(53.7)
Stock based compensatio other(1)	531,478	—	29.7	2.4	—	—	(488,233)	5.9	38.0
Balance at December 31, 2013	**63,658,777**	**$ 78.7**	**$ 201.1**	**$ 3.0**	**$ (31.5)**	**$1,944.3**	**14,761,481**	**$(209.5)**	**$ 1,986.1**

(1) Stock based compensation includes stock option activity, net of tax, and restricted share activity

See accompanying notes to these Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1—Summary of Accounting Policies

Nature of Business

Carlisle Companies Incorporated, its wholly owned subsidiaries and their divisions or subsidiaries, referred to herein as the "Company" or "Carlisle," is a global diversified company that designs, manufactures, and markets a wide range of products that serve a broad range of niche markets including commercial roofing, energy, agriculture, mining and construction equipment, aerospace and electronics, dining and food delivery, and healthcare. The Company markets its products as a component supplier to original equipment manufacturers, distributors, as well as directly to end-users.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and accounts have been eliminated. The Company's fiscal year-end is December 31.

The Company has reclassified certain prior period amounts in the consolidated financial statements to be consistent with current period presentation. See Note 4 regarding the divestiture of the Transportation Products business.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("United States" or "U.S.") 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 reporting period. Actual results could differ from those estimates.

Cash Equivalents

Debt securities with a maturity of three months or less when acquired are considered cash equivalents.

Revenue Recognition

Revenues are recognized when persuasive evidence of an arrangement exists, goods have been shipped (or services have been rendered), the customer takes ownership and assumes risk of loss, collection is probable, and the sales price is fixed or determinable.

Provisions for rights of return, discounts, and rebates to customers and other adjustments are provided for at the time of sale as a deduction to revenue. Costs related to standard warranties are estimated at the time of sale and recorded as a component of Cost of goods sold.

Shipping and Handling Costs

Costs incurred to physically transfer product to customer locations are recorded as a component of cost of goods sold. Charges passed on to customers are recorded into revenue.

Receivables and Allowance for Doubtful Accounts

Receivables are stated at net realizable value. The Company performs ongoing evaluations of its customers' current creditworthiness, as determined by the review of their credit information to determine if events have occurred subsequent to the recognition of the revenue and related receivable

Note 1—Summary of Accounting Policies (Continued)

that provides evidence that such receivable will be realized at an amount less than that recognized at the time of sale. Estimates of net realizable value are based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The allowance for doubtful accounts was $3.3 million at December 31, 2013 and $5.2 million at December 31, 2012. Changes in economic conditions in specific markets in which the Company operates could have an effect on reserve balances required and on the ability to recognize revenue until cash is collected or collectability is probable. The following is activity in the Company's allowance for doubtful accounts for the years ended December 31:

in millions	2013	2012	2011
Balance at January 1	**$ 5.2**	$ 5.2	$ 4.6
Provision charged to expense	**0.1**	1.0	0.9
Provision charged to other accounts	**(1.4)**	—	0.3
Amounts written off, net of recoveries	**(0.6)**	(1.0)	(0.6)
Balance at December 31	**$ 3.3**	$ 5.2	$ 5.2

Inventories

Inventories are valued at the lower of cost or market with cost determined primarily on an average cost basis. Cost of inventories includes direct as well as certain indirect costs associated with the acquisition and production process. These costs include raw materials, direct and indirect labor, and manufacturing overhead. Manufacturing overhead includes materials, depreciation and amortization related to property, plant and equipment and other intangible assets used directly and indirectly in the acquisition and production of inventory, and costs related to the Company's distribution network such as inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and other such costs associated with preparing the Company's products for sale.

Deferred Revenue and Extended Product Warranty

The Company offers extended warranty contracts on sales of certain products; the most significant being those offered on its installed roofing systems within the Construction Materials segment. The lives of these warranties range from five to thirty years. All revenue for the sale of these contracts is deferred and amortized on a straight-line basis over the life of the contracts. Current costs of services performed under these contracts are expensed as incurred. The Company also records reserve within Accrued expenses if the total expected costs of providing services at a product line level exceed unearned revenues. Total expected costs of providing extended product warranty services are actuarially determined using standard quantitative measures based on historical claims experience and management judgment. See Note 16.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Costs allocated to property, plant and equipment of acquired companies are based on estimated fair value at the date of acquisition. Depreciation is principally computed on the straight-line basis over the estimated useful lives of the assets. Depreciation includes the amortization of capital leases. Asset lives are 20 to 40 years for buildings, 5 to 15 years for machinery and equipment, and 3 to 10 years for leasehold improvements.

Note 1—Summary of Accounting Policies (Continued)

Valuation of Long-Lived Assets

Long-lived assets or asset groups, including amortizable intangible assets, are tested for impairment whenever events or circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. For purposes of testing for impairment, the Company groups its long-lived assets classified as held and used at the lowest level for which identifiable cash flows are largely independent of the cash flows from other assets and liabilities. The Company's asset groupings vary based on the related business in which the long-lived asset is employed and the interrelationship between those long-lived assets in producing net cash flows; for example, multiple manufacturing facilities may work in concert with one another or may work on a stand-alone basis to produce net cash flows. The Company utilizes its long-lived assets in multiple industries and economic environments and its asset groupings reflect these various factors. The following are examples of events or changes in circumstances that the Company considers:

- Significant decrease in the market price of a long-lived asset (asset group)
- Significant change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
- Significant adverse change in the legal factors or business climate that could affect the value of a long-lived asset (asset group), including an adverse assessment by a regulator
- Accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
- Current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
- Current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life

The Company monitors the operating and cash flow results of its long-lived assets or asset groups classified as held and used to identify whether events and circumstances indicate the remaining useful lives of those assets should be adjusted, or if the carrying value of those assets or asset groups may not be recoverable. In the event indicators of impairment are identified, undiscounted estimated future cash flows are compared to the carrying value of the long-lived asset or asset group. If the undiscounted estimated future cash flows are less than the carrying amount, the Company determines the fair value of the asset or asset group and records an impairment charge in current earnings to the extent carrying value exceeds fair value. Fair values may be determined based on estimated discounted cash flows, by prices for like or similar assets in similar markets, or a combination of both. There are currently no long-lived assets or asset groups classified as held and used for which the related undiscounted cash flows do not substantially exceed their carrying amounts.

Long-lived assets or asset groups that are part of a disposal group that meets the criteria to be classified as held for sale are not assessed for impairment but rather if fair value, less cost to sell, of the disposal group is less than its carrying value a loss is recorded against the disposal group.

Lease Arrangements

The Company is a party to various lease arrangements that include scheduled rent increases, rent holidays, or may provide for contingent rentals or incentive payments to be made to the Company as part of the terms of the lease. Scheduled rent increases and rent holidays are included in the

Note 1—Summary of Accounting Policies (Continued)

determination of minimum lease payments when assessing lease classification and, along with any lease incentives, are included in rent expense on a straight-line basis over the lease term. Scheduled rent increases that are dependent upon a change in an index or rate such as the consumer price index or prime rate are included in the determination of rental expense at the time the rate or index changes. Contingent rentals are excluded from the determination of minimum lease payments when assessing lease classification and are included in the determination of rent expense when the event that will require additional rents is considered probable. See Note 13 for further information regarding rent expense.

Contingencies and Insurance Recoveries

The Company is exposed to losses related to various potential claims from third-parties related to its employee obligations and other matters in the normal course of business, including litigation. The Company records a liability related to such potential claims, both those reported to the Company and incurred but not yet reported, when probable and reasonably estimable and with respect to workers' compensation obligations utilizes actuarial models to estimate the ultimate total cost of such claims, primarily based on historical loss experience and expectations about future costs of providing workers compensation benefits.

As part of its risk management strategy, the Company maintains occurrence-based insurance contracts related to certain contingent losses primarily workers' compensation, medical and dental, general liability, property, and product liability claims up to applicable retention limits. The Company records a recovery under these insurance contracts when such recovery is deemed probable. See Note 13.

Goodwill and Other Intangible Assets

Intangible assets are recognized and recorded at their acquisition-date fair values. Intangible assets that are subject to amortization are amortized on a straight-line basis over their useful lives. Definite-lived intangible assets consist primarily of acquired customer relationships and patents, in addition to non-compete agreements and intellectual property. The Company determines the useful life of its customer relationship intangible assets based on multiple factors including the size and make-up of the acquired customer base, the expected dissipation of those customers over time, the Company's own experience in the particular industry, the impact of known trends such as technological obsolescence, product demand, or other factors, and the period over which expected cash flows are used to measure the fair value of the intangible asset at acquisition. The Company periodically re-assesses the useful lives of its customer relationship intangible assets when events or circumstances indicate that useful lives have significantly changed from the previous estimate.

Intangible assets with indefinite useful lives are not amortized but are tested annually, or more often if impairment indicators are present, for impairment via a one-step process by comparing the fair value of the intangible asset with its carrying value. If the intangible asset's carrying value exceeds its fair value, an impairment charge is recorded in current earnings for the difference. The Company estimates the fair value of its indefinite-lived intangible assets based on the income approach utilizing the discounted cash flow method. The Company's annual testing date for indefinite-lived intangible assets is October 1. The Company periodically re-assesses indefinite-lived intangible assets as to whether their useful lives can be determined and if so, begins amortizing any applicable intangible asset.

Note 1—Summary of Accounting Policies (Continued)

Goodwill is not amortized but is tested annually, or more often if impairment indicators are present, for impairment at a reporting unit level. The Company's annual testing date for goodwill is October 1. The Company has determined that its operating segments are its reporting units.

First, goodwill is tested for impairment by comparing the fair value of the reporting unit with the reporting unit's carrying amount to identify any potential impairment. If fair value is determined to be less than carrying value, a second step is used whereby the implied fair value of the reporting unit's goodwill, determined through a hypothetical purchase price allocation, is compared with the carrying amount of the reporting units' goodwill. If the implied fair value of the reporting units' goodwill is less than its carrying amount, an impairment charge is recorded in current earnings for the difference. The Company also assesses the recoverability of goodwill if facts and circumstances indicate goodwill may be impaired.

See Note 12 for more information regarding goodwill and other intangible assets.

Pension and Other Post Retirement Benefits

The Company maintains defined benefit pension plans for certain employees. Additionally, the Company has a limited number of post-retirement benefit programs that provide certain retirees with medical and prescription drug coverage. The annual net periodic expense and benefit obligations related to these plans are determined on an actuarial basis annually on December 31, unless a remeasurement event occurs in an interim period. This determination requires assumptions to be made concerning general economic conditions (particularly interest rates), expected return on plan assets, increases to compensation levels, and health care cost trends. These assumptions are reviewed periodically by management in consultation with its independent actuary. Changes in the assumptions to reflect actual experience can result in a change in the net periodic expense and accrued benefit obligations. The defined benefit pension plans' assets are measured at fair value annually on December 31, unless a remeasurement event occurs in an interim period. Such assets consist primarily of equity and fixed income mutual funds that are primarily considered Level 1 assets under the fair value hierarchy, as their fair value is derived from market observable data. The Company uses the market related valuation method to determine the value of plan assets for purposes of determining the expected return on plan assets component of net periodic benefit cost. The market related valuation method recognizes the change of the fair value of the plan assets over five years. If actual experience differs from these long-term assumptions, the difference is recorded as an unrecognized actuarial gain (loss) and then amortized into earnings over a period of time based on the average future service period, which may cause the expense related to providing these benefits to increase or decrease. See Note 15 for additional information regarding these plans and the associated plan assets.

Derivative Financial Instruments

The Company records derivative financial instruments at fair value on the balance sheet, with changes in fair value recorded currently in earnings unless the Company elects to and qualifies to account for the derivative as either a fair value hedge or a cash flow hedge, depending upon the type of risk being hedged. If the Company elects to designate a derivative as a fair value hedge and it is highly effective, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If a fair value hedge is terminated before maturity, the adjusted carrying amount of the hedged asset or liability remains as a component of the carrying amount of that asset or liability until it is disposed. If the hedged item is an interest-bearing financial instrument, the adjusted carrying amount is amortized into earnings over the remaining life of the

Note 1—Summary of Accounting Policies (Continued)

instrument. If the Company elects to designate the derivative as a cash flow hedge and it is highly effective, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized currently in earnings.

The Company is subject to market risk from exposures to changes in interest rates due to its financing, investing, and cash management activities. The Company uses treasury lock contracts, interest rate swap agreements, or other derivative instruments from time to time to manage the interest rate risk of its floating and fixed rate debt portfolio. The Company, on a periodic basis, assesses the initial and ongoing effectiveness of its hedging relationships. As of December 31, 2013, the Company had not entered into any derivative financial instruments to hedge interest rate risk.

Foreign exchange forward contracts at December 31, 2013 relate to contracts held for purposes of mitigating the Company's exposure to fluctuations in foreign exchange rates, resulting from assets or liabilities that are held by certain of its operating subsidiaries in currencies other than the subsidiary's functional currency. The Company had foreign exchange forward contracts with an aggregate notional amount of $2.1 million outstanding as of December 31, 2013, with scheduled maturities of $2.1 million during 2014. The fair value of open contracts was $0.2 million as of December 31, 2013. Approximately 23% of the Company's revenues from continuing operations for the year ended December 31, 2013 are from countries other than the U.S.

Selling and Administrative Expenses

Selling and administrative expenses includes wages and benefits related to the Company's sales force, its administrative functions such as corporate management and other indirect costs not allocated to inventories, including a portion of depreciation and amortization.

Income Taxes

Income taxes are recorded in accordance with ASC 740, Income Taxes, which includes an estimate of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The amount of income tax that the Company pays annually is dependent on various factors, including the timing of certain deductions and ongoing audits by federal, state and foreign tax authorities, which may result in proposed adjustments.

Stock-Based Compensation

The Company accounts for stock-based compensation under the fair-value method. Accordingly, equity classified stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period, which generally matches the stated vesting period of the award, but may also be shorter if the employee is retirement-eligible and under the award's terms may fully-vest upon retirement from the Company. The Company recognizes expense for awards that have graded vesting features under the graded vesting method, which considers each separately vesting tranche as though they were, in substance, multiple awards.

Note 1—Summary of Accounting Policies (Continued)

Foreign Currency Translation

The functional currency of the Company's subsidiaries outside the United States is the currency of the primary economic environment in which the subsidiary operates. Assets and liabilities of these operations are translated at the exchange rate in effect at each balance sheet date. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of shareholders' equity in Accumulated other comprehensive income. Gains and losses from foreign currency transactions and from the remeasurement of monetary assets and liabilities and associated income statement activity of foreign subsidiaries where the functional currency is the U.S. Dollar and the books are maintained in the local currency are included in Other expense (income), net.

New Accounting Standards Adopted

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* . ASU 2013-02 requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source (e.g., the release due to cash flow hedges from interest rate contracts) and the income statement line items affected by the reclassification (e.g., interest income or interest expense). If a component is not required to be reclassified to net income in its entirety (e.g., the net periodic pension cost), companies would instead cross reference to the related footnote for additional information (e.g., the pension footnote). ASU 2013-02 is effective for fiscal and interim reporting periods beginning after December 15, 2012. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

In July 2012, FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* . ASU 2012-02 amends the guidance on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option of first performing a qualitative assessment to determine whether there are any events or circumstances indicating that it is more likely than not that an indefinite-lived intangible asset is impaired. ASU 2012-02 is effective for fiscal and interim impairment tests performed in fiscal years beginning after September 15, 2012. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

In September 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-08, *Guidance on Testing Goodwill for Impairment* . ASU 2011-08 gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in Step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. ASU 2011-08 is effective for fiscal and interim reporting periods within those years beginning after December 15, 2011. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

In June 2011, FASB issued ASU 2011-05, *Presentation of Comprehensive Income* . ASU 2011-05 revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in Accounting Standards Codification ("ASC") 220,

Note 1—Summary of Accounting Policies (Continued)

Comprehensive Income, and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. In December 2011, the FASB issued ASU 2011-12 which defers the requirement in ASU 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-05 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2011, with early adoption permitted. The Company has elected to adopt ASU 2011-05, as amended by ASU 2011-12, beginning with the quarter ended December 31, 2011. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

In May 2011, FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. ASU 2011-04 provides guidance to develop a single, converged fair value framework; amend the requirements of fair value measurement; and enhance related disclosure requirements, particularly for recurring Level 3 fair value measurements. This guidance clarifies the concepts of (i) the highest and best use and valuation premise for nonfinancial assets, (ii) application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, (iii) premiums or discounts in fair value measurements, and (iv) fair value measurement of an instrument classified in a reporting entity's shareholders' equity. ASU 2011-04 is effective for fiscal and interim reporting periods beginning after December 15, 2011. The adoption of this ASU had no material effect on the Company's consolidated financial statements. On February 5, 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source (e.g., the release due to cash flow hedges from interest rate contracts) and the income statement line items affected by the reclassification (e.g., interest income or interest expense). If a component is not required to be reclassified to net income in its entirety (e.g., the net periodic pension cost), companies would instead cross reference to the related footnote for additional information (e.g., the pension footnote). ASU 2013-02 is effective for fiscal and interim reporting periods beginning after December 15, 2012. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

New Accounting Standards Not Yet Effective

There are currently no new accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations, and cash flows upon adoption.

Note 2—Segment Information

The Company's operations are reported in the following segments:

Carlisle Construction Materials ("CCM" or the "Construction Materials segment") —the principal products of this segment are rubber (EPDM), thermoplastic polyolefin (TPO), and polyvinyl chloride (PVC) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofing, and insulation

Note 2—Segment Information (Continued)

products. The markets served include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants, and coatings and waterproofing.

Carlisle Interconnect Technologies ("CIT" or the "Interconnect Technologies segment") —the principal products of this segment are high-performance wire, cable, connectors, contacts, and cable assemblies primarily for the aerospace, defense electronics, industrial, medical, and test and measurement equipment markets.

Carlisle Brake & Friction ("CBF" or the "Brake & Friction segment") —the principal products of this segment include high-performance brakes and friction material, and clutch and transmission friction material for the mining, construction, aerospace, agriculture, motor sports, and alternative energy markets.

Carlisle FoodService Products ("CFSP" or the "FoodService Products segment") —the principal products of this segment include commercial and institutional foodservice permanentware, table coverings, cookware, catering equipment, fiberglass and composite material trays and dishes, industrial brooms, brushes, mops, and rotary brushes for commercial and non-commercial foodservice operators and sanitary maintenance professionals.

Corporate —includes other unallocated costs, primarily general corporate expenses. Corporate assets consist primarily of cash and cash equivalents, facilities, deferred taxes, and other invested assets. Corporate assets also include assets of ceased operations not classified as held for sale.

On October 21, 2013, the Company entered into a definitive agreement to sell the Transportation Products business for total cash consideration of $375 million, subject to working capital and other customary adjustments. On December 31, 2013, the Company completed the divestiture of the Transportation Products business. All prior period results of operations have been retrospectively adjusted to reflect the Transportation Products business as discontinued operations. See Note 4 for further information related to the sale of the Transportation Products business.

Geographic Area Information —sales from continuing operations are attributable to the United States and to all foreign countries based on the country to which the product was delivered. Sales by region for the years ended December 31 are as follows (in millions):

Country	2013	2012	2011
United States	**$ 2,260.8**	$ 2,206.0	$ 1,997.6
International:			
Europe	**330.4**	315.9	233.5
Asia	**126.3**	117.3	104.4
Canada	**90.1**	82.6	76.6
Mexico and Latin America	**69.7**	65.8	26.5
Middle East and Africa	**47.4**	46.6	43.4
Other	**18.3**	17.0	10.4
Net sales	**$ 2,943.0**	$ 2,851.2	$ 2,492.4

Note 2—Segment Information (Continued)

Long-lived assets, comprised of net property, plant and equipment, goodwill and other intangible assets, investments and other long-term assets, located in the United States and foreign countries are as follows (in millions):

Country	2013	2012	2011
Long-lived asset held and used:			
United States	**$ 1,479.6**	$ 1,735.1	$ 1,428.1
Europe	**343.5**	331.6	334.6
Asia	**77.1**	127.4	130.8
United Kingdom	**55.7**	55.5	27.4
Canada	**1.1**	1.2	1.4
Mexico	**1.0**	1.2	1.5
Total long-lived asset	**$ 1,958.0**	$ 2,252.0	$ 1,923.8

Financial information for operations by reportable business segment is included in the following summary:

In millions	Sales(1)	EBIT	Assets(2)	Depreciation and Amortization	Capital Spending
2013					
Carlisle Construction Materials	**$ 1,776.5**	**$ 264.0**	**$ 886.9**	**$ 31.0**	**$ 64.5**
Carlisle Interconnect Technologies	**577.7**	**89.4**	**1,017.5**	**34.4**	**12.2**
Carlisle Brake & Friction	**350.0**	**33.5**	**603.7**	**21.3**	**10.4**
Carlisle FoodService Products	**238.8**	**27.0**	**193.2**	**7.7**	**10.8**
Corporate	**—**	**(47.1)**	**791.4**	**1.7**	**—**
Total	**$ 2,943.0**	**$ 366.8**	**$ 3,492.7**	**$ 96.1**	**$ 97.9**
2012					
Carlisle Construction Materials	$ 1,695.8	$ 273.4	$ 860.4	$ 27.9	$ 81.5
Carlisle Interconnect Technologies	463.1	69.1	1,075.7	24.6	19.2
Carlisle Brake & Friction	449.0	75.6	625.7	20.2	19.8
Carlisle FoodService Products	243.3	12.3	190.1	9.1	4.9
Corporate	—	(58.5)	132.3	1.7	1.6
Total	$ 2,851.2	$ 371.9	$ 2,884.2	$ 83.5	$ 127.0
2011					
Carlisle Construction Materials	1,484.0	177.9	774.4	$ 23.7	$ 21.1
Carlisle Interconnect Technologies	299.6	41.9	782.1	12.9	14.8
Carlisle Brake & Friction	473.0	77.2	665.8	20.2	16.8
Carlisle FoodService Products	235.8	13.2	206.8	9.2	5.1
Corporate	—	(44.2)	116.4	1.7	0.2
Total	$ 2,492.4	$ 266.0	$ 2,545.5	$ 67.7	$ 58.0

(1) Excludes intersegment sales

(2) Corporate assets include assets of discontinued operations not classified as held for sale

Note 2—Segment Information (Continued)

A reconciliation of assets, depreciation, and amortization and capital spending reported above to the amounts presented on the Consolidated Statements of Cash Flows is as follows:

	2013	2012
Assets per table above	$ 3,492.7	$ 2,884.2
Assets held for sale of discontinued operations (Note 4)	0.3	573.1
Total Assets per Consolidated Balance Sheets	$ 3,493.0	$ 3,457.3

	2013	2012	2011
Depreciation and amortization per table above	$ 96.1	$ 83.5	$ 67.7
Depreciation and amortization of discontinued operations	17.8	21.4	20.3
Total depreciation and amortization	$ 113.9	$ 104.9	$ 88.0

	2013	2012	2011
Capital spending per table above	$ 97.9	$ 127.0	$ 58.0
Capital spending of discontinued operations	12.9	13.4	21.6
Total capital spending	$ 110.8	$ 140.4	$ 79.6

Note 3—Acquisitions

2012 Acquisitions

Thermax and Raydex/CDT Limited

On December 17, 2012, the Company acquired certain assets and assumed certain liabilities of Thermax ("Thermax"), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited ("Raydex" and together with Thermax, "Thermax/Raydex"), a company incorporated in England and Wales, for total cash consideration of approximately $265.5 million, net of $0.1 million cash acquired. The Company funded the acquisition with proceeds from its 3.75% senior unsecured notes due 2022 issued in November 2012. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen the Company's interconnect products business by expanding its product and service range to its customers. Thermax/Raydex operates within the Interconnect Technologies segment.

The following table summarizes the consideration transferred to acquire Thermax/Raydex and the allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that consideration be allocated to the

Note 3—Acquisitions (Continued)

acquired assets and assumed liabilities based upon their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation 12/31/2012	Measurement Period Adjustments Twelve Months Ended 12/17/2013	Final Allocation As of 12/17/2013
Total cash consideration transferred	$ 265.6	$ —	$ 265.6
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash & cash equivalents	$ 0.1	$ —	$ 0.1
Receivables	14.3	—	14.3
Inventories	15.4	—	15.4
Prepaid expenses and other current assets	0.9	—	0.9
Property, plant and equipment	7.2	—	7.2
Definite-lived intangible assets	135.1	—	135.1
Indefinite-lived intangible assets	9.1	—	9.1
Accounts payable	(12.0)	—	(12.0)
Accrued expenses	(2.6)	—	(2.6)
Net deferred tax liabilities	(2.8)	1.8	(1.0)
Total identifiable net assets	164.7	1.8	166.5
Goodwill	$ 100.9	$ (1.8)	$ 99.1

The goodwill recognized in the acquisition of Thermax/Raydex is attributable to the workforce of Thermax/Raydex, the consistent financial performance of this complementary supplier of high-reliability interconnect products to leading aerospace, avionics and electronics companies and the enhanced scale that Thermax/Raydex brings to the Company. Thermax/Raydex brings additional high-end cable products and qualified positions to serve the Company's existing commercial aerospace and industrial customers. Goodwill arising from the acquisition of Thermax is deductible for income tax purposes. All of the goodwill was assigned to the Interconnect Technologies reporting unit. Indefinite-lived intangible assets of $9.1 million represent acquired trade names. The $135.1 million value allocated to definite-lived intangible assets consists of $111.4 million of customer relationships with useful lives ranging from 17 to 18 years, $23.5 million of acquired technology with useful lives ranging from 9 to 11 years, and a $0.2 million non-compete agreement with a useful life of 5 years.

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the December 17, 2012 closing date.

Hertalan Holding B.V.

On March 9, 2012, the Company acquired 100% of the equity of Hertalan Holding B.V. ("Hertalan") for a total cash purchase price of €37.3 million, or $48.9 million, net of €0.1 million, or $0.1 million, cash acquired. The Company funded the acquisition with borrowings under its $600 million senior unsecured revolving credit facility (the "Facility") and cash on hand. See Note 15 for further information regarding borrowings. The acquisition of Hertalan strengthens the Company's ability to efficiently serve European customers in the EPDM roofing market in Europe with local

Note 3—Acquisitions (Continued)

manufacturing and established distribution channels. Hertalan operates within the Construction Materials segment.

The following table summarizes the consideration transferred to acquire Hertalan and the allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that consideration be allocated to the acquired assets and assumed liabilities based upon their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation As of 3/31/2012	Measurement Period Adjustments Twelve Months Ended 3/9/2013	Final Allocation As of 3/9/2013
Total cash consideration transferred	$ 49.3	$ (0.3)	$ 49.0
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash & cash equivalents	$ 0.1	$ —	$ 0.1
Receivables	3.7	—	3.7
Inventories	10.5	(1.0)	9.5
Prepaid expenses and other current assets	0.2	—	0.2
Property, plant and equipment	13.0	(0.1)	12.9
Definite-lived intangible assets	9.9	4.8	14.7
Indefinite-lived intangible assets	2.6	5.4	8.0
Other long-term assets	0.3	—	0.3
Accounts payable	(3.3)	—	(3.3)
Accrued expenses	(2.5)	—	(2.5)
Long-term debt	(1.3)	—	(1.3)
Deferred tax liabilities	(4.4)	(2.3)	(6.7)
Other long-term liabilities	(0.1)	—	(0.1)
Total identifiable net assets	28.7	6.8	35.5
Goodwill	$ 20.6	$ (7.1)	$ 13.5

The goodwill recognized in the acquisition of Hertalan is attributable to the workforce of Hertalan, the solid financial performance of this leading manufacturer of EPDM roofing and waterproofing systems and the significant strategic value of the business to Carlisle. Hertalan provides Carlisle with a solid manufacturing and knowledge base for EPDM roofing products in Europe and provides an established distribution network throughout Europe, both of which enhance Carlisle's goal of expanding its global presence. The European market shows favorable trends towards EPDM roofing applications and Carlisle can provide additional product development and other growth resources to Hertalan. Goodwill arising from the acquisition of Hertalan is not deductible for income tax purposes. All of the goodwill was assigned to the Construction Materials reporting unit. Indefinite-lived intangible assets of $8.0 million represent acquired trade names. The $14.7 million value allocated to definite-lived intangible assets represents customer relationships with useful lives of 9 years.

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the March 9, 2012 closing date.

Note 3—Acquisitions (Continued)

2011 Acquisitions

Tri-Star Electronics International, Inc.

On December 2, 2011, the Company acquired 100% of the equity of TSEI Holdings, Inc. ("Tri-Star") for a total cash purchase price of $284.8 million, net of $4.5 million cash acquired. The total cash purchase price includes a $0.4 million purchase price adjustment during the three months ended March 31, 2012. The Company funded the acquisition with borrowings under the Facility. See Note 15 for further information regarding borrowings. The acquisition of Tri-Star adds capabilities and technology to strengthen the Company's interconnect products business by expanding its product and service range to its customers. Tri-Star operates within the Interconnect Technologies segment.

The following table summarizes the consideration transferred to acquire Tri-Star and the allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that consideration be allocated to the acquired assets and assumed liabilities based upon their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation As of 12/31/2011	Measurement Period Adjustments Twelve Months Ended 12/2/2012	Final Allocation As of 12/2/2012
Total cash consideration transferred	$ 288.9	$ 0.4	$ 289.3
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash & cash equivalents	$ 4.5	$ —	$ 4.5
Receivables	14.0	—	14.0
Inventories	22.8	—	22.8
Prepaid expenses and other current assets	5.6	—	5.6
Property, plant and equipment	15.4	(2.1)	13.3
Definite-lived intangible assets	112.0	9.5	121.5
Indefinite-lived intangible assets	28.0	(8.6)	19.4
Other long-term assets	0.1	—	0.1
Accounts payable	(6.5)	—	(6.5)
Accrued expenses	(4.4)	—	(4.4)
Deferred tax liabilities	(58.9)	3.4	(55.5)
Other long-term liabilities	(0.4)	—	(0.4)
Total identifiable net assets	132.2	2.2	134.4
Goodwill	$ 156.7	$ (1.8)	$ 154.9

The goodwill recognized in the acquisition of Tri-Star is attributable to the workforce of Tri-Star, the consistent financial performance of this complementary supplier of high-reliability interconnect products to leading aerospace, avionics and electronics companies and the enhanced scale that Tri-Star brings to the Company. Tri-Star brings additional high-end connector products and qualified positions to serve the Company's existing commercial aerospace and industrial customers. Tri-Star will also supply the Company with efficient machining and plating processes that will lower costs and improve product quality. Favorable trends in the commercial aerospace markets and increasing electronic

Note 3—Acquisitions (Continued)

content in several industrial end markets provide a solid growth platform for the Interconnect Technologies segment. Goodwill arising from the acquisition of Tri-Star is not deductible for income tax purposes. All of the goodwill was assigned to the Interconnect Technologies segment. Indefinite-lived intangible assets of $19.4 million represent acquired trade names. The $121.5 million value allocated to definite-lived intangible assets consists of $94.8 million of customer relationships with useful lives ranging from 12 to 21 years, $23.2 million of acquired technology with useful lives of 16 years, $2.5 million of non-compete agreements with useful lives ranging from 3 to 5 years, and $1.0 million of customer certifications and approvals with useful lives of 3 years.

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the December 2, 2011 closing date.

PDT Phoenix GmbH

On August 1, 2011, the Company acquired 100% of the equity of PDT Phoenix GmbH ("PDT") for €77.0 million, or $111.0 million, net of €5.3 million, or $7.6 million, cash acquired. Of the €82.3 million, or $118.6 million gross purchase price, €78.7 million, or $113.4 million, was paid in cash initially funded with borrowings under the Facility and cash on hand. PDT is a leading manufacturer of EPDM-based (rubber) roofing membranes and industrial components serving European markets. The acquisition of PDT provides a platform to serve the European market for single-ply roofing systems, and expands the Company's growth internationally. PDT operates within the Construction Materials segment.

The agreement to acquire PDT provided for contingent consideration based on future earnings. The fair value of contingent consideration recognized at the acquisition date was €3.6 million, or $5.2 million, and was estimated using a discounted cash flow model based on financial projections of the acquired company. See Note 9 for further information regarding settlement of the contingent consideration.

The purchase price of PDT included certain assets of the PDT Profiles business, which the Company sold on January 2, 2012 for €17.1 million, or $22.1 million. The PDT Profiles business was classified as held for sale at the date of acquisition and on the Company's consolidated balance sheet as of December 31, 2011.

The following table summarizes the consideration transferred to acquire PDT and the allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that consideration be allocated to the acquired assets and assumed liabilities based upon their acquisition date fair values with the remainder allocated to goodwill.

Note 3—Acquisitions (Continued)

(in millions)	Preliminary Allocation As of 12/31/2011	Measurement Period Adjustments Twelve Months Ended 8/1/2012	Final Allocation As of 8/1/2012
Consideration transferred:			
Cash consideration	$ 113.4	$ —	$ 113.4
Contingent consideration	5.2	—	5.2
Total fair value of consideration transferred	$ 118.6	$ —	$ 118.6
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash & cash equivalents	$ 7.6	$ —	$ 7.6
Receivables	12.2	—	12.2
Inventories	10.5	—	10.5
Prepaid expenses and other current assets	0.8	—	0.8
Current assets held for sale	3.6	—	3.6
Property, plant and equipment	3.4	—	3.4
Definite-lived intangible assets	57.1	—	57.1
Indefinite-lived intangible assets	6.9	—	6.9
Other long-term assets	0.1	—	0.1
Non-current assets held for sale	21.6	(0.6)	21.0
Accounts payable	(9.0)	—	(9.0)
Accrued expenses	(1.2)	—	(1.2)
Current liabilities associated with assets held for sale	—	—	—
Deferred tax liabilities	(21.5)	—	(21.5)
Other long-term liabilities	(3.3)	—	(3.3)
Total identifiable net assets	88.8	(0.6)	88.2
Goodwill	$ 29.8	$ 0.6	$ 30.4

The purchase price allocation reflects updated fair value estimates for assets acquired and liabilities assumed. The amount of goodwill recognized in the acquisition of PDT is attributable to the workforce of PDT, the solid financial performance of this leading manufacturer of single-ply roofing and waterproofing systems and the significant strategic value of the business to Carlisle. PDT provides Carlisle with a solid manufacturing and knowledge base for single-ply roofing products in Europe and provides an established distribution network throughout Europe, both of which enhance Carlisle's goal of expanding its global presence. The European market shows favorable trends towards single-ply roofing applications and Carlisle can provide additional product development and other growth resources to PDT. Goodwill arising from the acquisition of PDT is not deductible for income tax purposes. All of the goodwill was assigned to the Construction Materials segment. Indefinite-lived intangible assets of $6.9 million represent acquired trade names. Of the $57.1 million value allocated to definite-lived intangible assets, approximately $33.3 million was allocated to patents, with useful lives ranging from 10 to 20 years, and $23.8 million was allocated to customer relationships, with useful lives of 19 years.

Note 3—Acquisitions (Continued)

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the August 1, 2011 closing date.

Note 4—Discontinued Operations and Assets Held for Sale

The major classes of assets held for sale included in the Company's Consolidated Balance Sheets were as follows:

In millions	December 31, 2013	December 31, 2012
Assets held for sale:		
Receivables	$ —	$ 74.4
Deferred income taxes	—	6.5
Inventories	—	213.0
Prepaid expenses and other current assets	—	1.7
Total current assets held for sale	—	295.6
Property, plant and equipment, net	**0.3**	171.9
Goodwill	—	100.0
Other long term assets	—	5.6
Total non-current assets held for sale	**0.3**	277.5
Total assets held for sale	$ **0.3**	$ 573.1
Liabilities associated with assets held for sale:		
Accounts payable	$ —	$ 53.8
Accrued expenses	—	20.7
Total current liabilities associated with assets held for sale	—	74.5
Total non-current liabilities associated with assets held for sale	—	47.6
Total liabilities associated with assets held for sale	$ —	$ 122.1

Sale of the Transportation Products Business

On October 21, 2013, the Company entered into a definitive agreement to sell the Transportation Products business for total cash consideration of $375 million, subject to working capital and other customary adjustments. On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale in Income (loss) from discontinued operations. Total assets held for sale related to the Transportation Products disposal group were $573.1 million and total liabilities associated with assets for sale were $122.1 million as of December 31, 2012.

Income (loss) from discontinued operations included Transportation Products business revenues of $767.9 million, $778.2 million, and $732.1 million, and pre-tax income (loss) from discontinued

Note 4—Discontinued Operations and Assets Held for Sale (Continued)

operations of $(46.1) million, $52.4 million, and $9.1 million for the years ended December 31, 2013, 2012, and 2011, respectively.

Other Divestitures of Long-lived Assets and Long-lived Assets Held for Sale

As of November 8, 2013, the Company completed the sale of CCM's Kent, WA long-lived tangible assets for cash proceeds of $5.4 million, recognizing a pre-tax gain of $1.6 million within Other income (expense) in the Consolidated Statement of Earnings.

In the third quarter of 2012, the Company announced plans to restructure certain of CFS's manufacturing and distribution operations. As of December 31, 2013 and 2012, assets held for sale includes $0.3 million of long-lived tangible assets related to the Zevenaar, Netherlands distribution center. On September 30, 2013, the Company completed the sale of Reno, NV long-lived tangible assets for cash proceeds of $6.2 million, recognizing a pre-tax gain of $1.0 million within Other income (expense) in the Consolidated Statement of Earnings.

On January 2, 2012, the Company completed the sale of the PDT Profiles business for cash consideration of €17.1 million, or $22.1 million. The Company had acquired all of the equity of PDT on August 1, 2011 (see Note 3). Included with the acquisition were certain assets associated with the PDT Profiles business, which the Company classified as held for sale at the date of acquisition. No gain or loss was recognized upon the sale of the PDT Profiles business.

Income (Loss) from Discontinued Operations

Discontinued operations for the years ended 2013, 2012 and 2011 include the results of the Transportation products business and 2012 includes the PDT Profiles business and a settlement gain related to contingent consideration from the 2010 sale of the Specialty Trailer business, each of which was a component of the Company and was classified as discontinued in the Consolidated Statement of Earnings for all periods presented.

Income (loss) from discontinued operations for the year ended December 31, 2013 includes a $30.4 million net loss from operations of the Transportation Products business, inclusive of a pre-tax goodwill impairment charge of $100.0 million.

Income (loss) from discontinued operations for the year ended December 31, 2012 included $37.6 million of net income from operations of the Transportation Products business and a $3.8 million gain on the settlement of the contingent consideration relating to the October 2010 sale of the Company's specialty trailer business.

Income (loss) from discontinued operations for the year ended December 31, 2011 included $15.2 million of net income from operations of the Transportation Products business, operating results of the PDT Profiles business, a $0.6 million write-down of the land and building of the thermoset molding operation upon sale of these assets, and a $0.9 million gain on the settlement of environmental liabilities related to the refrigerated truck bodies business within discontinued operations.

Note 5—Exit and Disposal Activities

The following table represents the costs associated with certain exit and disposal activities related to continuing operations on the Company's Consolidated Statements of Earnings for the years ended December 31:

In millions	2013	2012	2011
Cost of goods sold	$ 1.0	$ 2.2	$ 0.6
Selling and administrative expenses	—	0.2	0.9
Other (income) expense, net	0.3	3.8	—
Total exit and disposal costs	$ 1.3	$ 6.2	$ 1.5

Exit and disposal activities by type of cost for the years ended December 31 were as follows:

In millions	2013	2012	2011
Termination benefits	$ 0.5	$ 1.7	$ 0.5
Impairments	0.3	4.0	—
Other associated costs	0.5	0.5	1.0
Total exit and disposal costs	$ 1.3	$ 6.2	$ 1.5

Other associated costs are primarily related to asset relocation costs and accelerated depreciation.

Unpaid and accrued exit and disposal costs and related activity for the years ended December 31, 2013 and 2012 were as follows:

In millions	Termination Benefits	Impairments	Other associated costs	Total
Balance at December 31, 2011	$ 0.5	$ —	$ 0.4	$ 0.9
2012 charges	1.7	4.0	0.5	6.2
2012 usage	(0.8)	(4.0)	(0.3)	(5.1)
Balance at December 31, 2012	1.4	—	0.6	2.0
2013 charges	0.5	0.2	0.6	1.3
2013 usage	(1.5)	(0.2)	(1.1)	(2.8)
Balance at December 31, 2013	**$ 0.4**	**$ —**	**$ 0.1**	**$ 0.5**

Costs associated with exit and disposal activities by segment were as follows:

In millions	2013	2012	2011
Total by segment			
Carlisle Construction Materials	$ —	$ 0.8	$ —
Carlisle Brake & Friction	0.9	0.1	1.5
Carlisle FoodService Products	0.4	5.3	—
Total exit and disposal costs	$ 1.3	$ 6.2	$ 2.6

Carlisle Construction Materials —During the second quarter of 2012, the Company announced plans to consolidate its manufacturing operations in Elberton, GA into its locations in Terrell, TX and Carlisle, PA. Costs of $0.8 million incurred in 2012 consisted of employee termination costs, equipment relocation, and other associated costs. No further costs are expected to be incurred related to this project.

Note 5—Exit and Disposal Activities (Continued)

Carlisle Brake & Friction —During the fourth quarter of 2013, the Company announced plans to close its Akron, OH stamping plant. Manufacturing operations are being relocated to the Catoosa, OK facility. The project is expected to be completed in 2014 with total expected costs of $2.9 million, including employee termination, accelerated depreciation, impairment of long-lived assets and equipment relocation costs. The Company incurred $0.9 million of exit and disposal costs in 2013 for employee termination costs, accelerated depreciation, asset impairment and equipment relocation costs. Included in Accrued Expenses at December 31, 2013 was a $0.4 million liability related to unpaid employee termination costs associated with this project.

In the third quarter of 2011, the Company decided to close its braking plant in Canada. The total cost of the project was $1.0 million, including $0.9 million of expense recognized in 2011 for employee termination costs and other associated costs. Expenses of $0.1 million were recognized in 2012 reflecting $0.3 million of losses on the sale of certain assets in connection with the plant closure, net of $0.2 million income to reverse an accrual for pension costs which will not be paid. As of December 31, 2013, a $0.1 million liability, reported in Accrued Expenses, exists for unpaid lease termination costs. The Company expects no additional costs to be incurred related to this project.

Carlisle FoodService Products —In the third quarter of 2012, the Company announced plans to close its China manufacturing facility and its Zevenaar, Netherlands and Reno, NV distribution facilities. Manufacturing operations were moved from China to Carlisle's existing Oklahoma City, OK and Chihuahua, Mexico manufacturing facilities. The distribution activities previously conducted at the Zevenaar, Netherlands and Reno, NV facilities were relocated to the Oklahoma City, OK distribution center or to third party distributors throughout Europe. The total expected cost of the project is $5.7 million, including costs for impairment of long-lived assets, employee termination, contract termination, legal and consulting services, and relocation and retrofitting of plant assets of which $5.3 million was incurred in 2012. During 2013, the Company incurred $0.4 million of exit and disposal costs for employee termination and equipment relocation. The Company expects no additional costs to be incurred related to this project.

Note 6—Stock-Based Compensation

Stock-based compensation cost is recognized over the requisite service period, which generally equals the stated vesting period, unless the stated vesting period exceeds the date upon which an employee reaches retirement eligibility. Pre-tax stock-based compensation expense of $17.0 million, $18.5 million and $15.7 million was recognized for the years ended December 31, 2013, 2012 and 2011, respectively. Pre-tax stock-based compensation expense included $0.9 million, $1.6 million and $3.4 million related to discontinued operations for the years ended December 31, 2013, 2012, and 2011, respectively.

2008 Executive Incentive Program

The Company maintains an Executive Incentive Program (the "Program") for executives and certain other employees of the Company and its operating divisions and subsidiaries. The Program was approved by shareholders on April 20, 2004. The Program allows for awards to eligible employees of stock options, restricted stock, stock appreciation rights, performance shares and units or other awards based on Company common stock. At December 31, 2013, 3,094,447 shares were available for grant under this plan, of which 693,705 were available for the issuance of restricted and performance share awards.

Note 6—Stock-Based Compensation (Continued)

2005 Nonemployee Director Equity Plan

The Company also maintains the Nonemployee Director Equity Plan (the "Plan") for members of its Board of Directors, with the same terms and conditions as the Program. At December 31, 2013, 267,210 stock options and 37,210 restricted shares were available for grant under this plan. Members of the Board of Directors that receive stock-based compensation are treated as employees for accounting purposes.

Stock Option Awards

Options issued under these plans vest one-third on the first anniversary of grant, one-third on the second anniversary of grant and the remaining one-third on the third anniversary of grant. All options have a maximum term life of 10 years. Shares issued to cover options under the Program and the Plan may be issued from shares held in treasury, from new issuances of shares or a combination of the two.

For 2013, 2012, and 2011, share-based compensation expense related to stock options was as follows:

	Years Ended December 31		
(in millions, except per share amounts)	2013	2012	2011
Pre-tax compensation expense	$ 4.9	$ 7.5	$ 6.6
After-tax compensation expense	$ 3.0	$ 4.7	$ 4.1
Impact on diluted EPS	$ 0.05	$ 0.07	$ 0.07

Unrecognized compensation cost related to stock options of $3.2 million at December 31, 2013 is to be recognized over a weighted average period of 1.75 years.

Excess income tax benefits related to share-based compensation expense that must be recognized directly in equity are considered financing cash flows. The amount of financing cash flows for these benefits was $5.3 million, $11.7 million and $3.2 million for the years ended December 31, 2013, 2010 and 2011, respectively.

The Company utilizes the Black-Scholes_Merton ("BSM") option pricing model to determine the fair value of its stock option awards. The BSM relies on certain assumptions to estimate an option's fair value. The weighted average assumptions used in the determination of fair value for stock option awards in 2013, 2012, and 2011 were as follows:

	Years Ended December 31		
	2013	2012	2011
Expected dividend yield	**1.2%**	1.5%	1.7%
Expected life in years	**5.71**	5.78	5.76
Expected volatility	**32.2%**	36.0%	32.0%
Risk-free interest rate	**1.0%**	0.9%	2.2%
Weighted average fair value	**$ 17.58**	$ 14.57	$ 10.61

The expected life of options is based on the assumption that all outstanding options will be exercised at the midpoint of the grant date and the option expiration date. The expected volatility is based on historical volatility as well as implied volatility of the Company's publicly traded options. The risk-free interest rate is based on rates of U.S. Treasury issues with a remaining life equal to the

Note 6—Stock-Based Compensation (Continued)

expected life of the option. The expected dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant

Stock option activity under the Company's stock option awards for 2013, 2012 and 2011 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	4,235,303	$ 30.38
Options granted	637,255	38.23
Options exercised	(552,639)	27.61
Options forfeited	(227,404)	29.13
Outstanding at December 31, 2011	4,092,515	$ 32.05
Options granted	488,805	49.58
Options exercised	(1,265,768)	28.45
Options forfeited	(90,421)	39.67
Outstanding at December 31, 2012	3,225,131	$ 35.88
Options granted	283,975	64.80
Options exercised	(472,040)	33.81
Options forfeited	(44,059)	48.47
Outstanding at December 31, 2013	**2,993,007**	**$ 38.76**

The weighted-average grant-date fair value of options granted during the years ended December 31, 2013, 2012 and 2011 was $5.0 million, $7.1 million and $6.7 million, respectively.

The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was approximately $15.5 million, $31.1 million and $11.0 million, respectively. The weighted average contractual term of options outstanding at December 31, 2013, 2012 and 2011 was 5.72, 6.21 and 6.56 years, respectively.

At December 31, 2013, 2012 and 2011, 2,378,543, 2,203,107 and 2,642,842 options were exercisable, with a weighted average exercise price of $34.87, $32.47 and $32.95, respectively. The weighted average contractual term of options exercisable at December 31, 2013 and 2012 was 4.98 and 5.05 years, respectively.

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2013 and 2012 was $75.8 million and $37.8 million, respectively. The total grant date fair value of options vested during the year ended December 31, 2013, 2012 and 2011 was $8.0 million, $6.0 million and $6.0 million, respectively.

Restricted Stock Awards

Restricted stock awarded under the Program is generally released to the recipient after a period of three years; however, 56,700 shares awarded to executive management in February 2008 vested ratably over five years. The number and weighted average grant-date fair value of restricted shares issued in each of the last three years was as follows: in 2013 71,255 awards were granted at a weighted average fair value of $64.80; in 2012, 85,990 awards were granted at a weighted average fair value of $49.60; and in 2011, 111,685 awards were granted at a weighted average fair value of $38.31. Compensation

Note 6—Stock-Based Compensation (Continued)

expense related to restricted stock awards of $4.6 million, $5.0 million and $5.2 million were recognized for the years ended December 31, 2013, 2012 and 2011, respectively. Unrecognized compensation cost related to restricted stock awards of $2.9 million at December 31, 2013 is to be recognized over a weighted average period of 1.68 years.

The following represents activity related to restricted stock for the years ended December 31, 2013, 2012 and 2011.

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2010	**624,640**	**$ 28.10**
Shares granted	111,685	38.31
Shares vested	(188,195)	34.80
Shares forfeited	(19,555)	20.33
Outstanding at December 31, 2011	**528,575**	**$ 27.83**
Shares granted	85,990	49.60
Shares vested	(305,850)	21.82
Shares forfeited	(24,480)	12.18
Outstanding at December 31, 2012	**284,235**	**$ 25.99**
Shares granted	71,255	64.80
Shares vested	(109,445)	34.08
Shares forfeited	(5,055)	47.85
Outstanding at December 31, 2013	**240,990**	**$ 49.66**

Performance Share Awards

The Company granted 71,255, 85,990 and 109,075 performance share awards in the years ended December 31, 2013, 2012 and 2011, respectively. The performance shares vest based on the employee rendering three years of service to the Company, and the attainment of a market condition over the performance period, which is based on the Company's relative total shareholder return versus the S&P Midcap 400 Index® over a pre-determined time period as determined by the Compensation Committee of the Board of Directors. The grant date fair value of the 2013, 2012 and 2011 performance shares of $91.33, $69.76 and $53.95, respectively, was estimated using a Monte-Carlo simulation approach based on a three year measurement period. Such approach entails the use of assumptions regarding the future performance of the Company's stock and those of the peer group of companies. Those assumptions include expected volatility, risk-free interest rates, correlation coefficients and dividend reinvestment. Dividends accrue on the performance shares during the performance period and are to be paid in cash based upon the number of awards ultimately earned.

The Company expenses the compensation cost associated with the performance awards on a straight-line basis over the vesting period of three years. In the years ended December 31, 2013, 2012 and 2011, the Company recognized approximately $6.5 million, $6.2 million and $3.8 million, respectively, of compensation cost related to the performance share awards. Unrecognized compensation cost related to the performance share awards was approximately $4.1 million, $5.0 million and $5.6 million at December 31, 2013, 2012 and 2011 and will be recognized in current income in

Note 6—Stock-Based Compensation (Continued)

equal installments over the remaining years. For purposes of determining diluted earnings per share, the performance share awards are considered contingently issuable shares and are included in diluted earnings per share based upon the number of shares that would have been awarded had the conditions at the end of the reporting period continued until the end of the performance period. See Note 8 for further information regarding earnings per share computations.

The following represents activity related to performance shares for the years ended December 31, 2013, 2012 and 2011:

	Number of Performance Units	2013 Awards	2012 Awards	2011 Awards	2010 Awards
Outstanding at December 31, 2010	98,835	—	—	—	98,835
Units granted	109,075	—	—	109,075	—
Units forfeited	(10,255)	—	—	(6,135)	(4,120)
Outstanding at December 31, 2011	**197,655**	—	—	**102,940**	**94,715**
Units granted	85,990	—	85,990	—	—
Units converted to shares	86,385	—	—	—	86,385
Units vested and issued	(90,832)	—	—	—	(90,832)
Units vested and deferred	(24,388)	—	—	—	(24,388)
Units forfeited	(24,080)	—	(6,650)	(9,100)	(8,330)
Outstanding at December 31, 2012	**230,730**	—	**79,340**	**93,840**	**57,550**
Units granted	71,255	71,255	—	—	—
Units converted to shares	89,610	—	—	89,610	—
Units vested and issued	(45,544)	—	—	—	(45,544)
Units vested and deferred	(12,006)	—	—	—	(12,006)
Units forfeited	(5,055)	(1,080)	(1,745)	(2,230)	—
Outstanding at December 31, 2013	**328,990**	**70,175**	**77,595**	**181,220**	—

The Company's relative total shareholder return versus companies in the S&P Midcap 400 Index® over the period covered by the 2011 awards and 2010 awards resulted in participants being awarded an additional 89,610 shares and 86,385 shares, respectively, under the plan. The awarding of these additional shares had no impact on stock-based compensation expense as the likelihood of their issuance was included in the determination of grant date fair value using a Monte Carlo simulation approach.

Restricted Stock Units

The restricted stock units awarded to eligible directors are fully vested and will be issued in shares of Company common stock after the director ceases to serve as a member of the Board, or if earlier, upon a change in control of the Company. The $64.80 grant date fair value of the 2013 restricted stock units is based on the closing market price of the stock on February 6, 2013, the date of the grant.

Deferred Compensation

Certain employees are eligible to participate in the Company's Non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"). In addition to the ability to defer a portion of their cash compensation, participants may elect to defer all or part of their stock-based compensation. The cost of shares to be issued upon vesting is measured at grant date fair value and is classified as Deferred compensation equity in the consolidated balance sheets.

Note 7—Income Taxes

A summary of pre-tax income from U.S. and non U.S. operations is as follows:

In millions	2013	2012	2011
Continuing operations			
U.S. domestic	**$ 291.9**	$ 311.8	$ 220.0
Foreign	**41.1**	34.6	25.0
Total pre-tax income from continuing operations	**333.0**	346.4	245.0
Discontinued operations			
U.S. domestic	**(132.4)**	40.6	(4.6)
Foreign	**71.9**	14.6	11.1
Total pre-tax income (loss) from discontinued operations	**(60.5)**	55.2	6.5
Total pre-tax income	**$ 272.5**	$ 401.6	$ 251.5

The provision for income taxes from continuing operations is as follows:

In millions	2013	2012	2011
Current expense			
Federal and State	**$ 97.2**	$ 114.1	$ 65.3
Foreign	**21.9**	14.2	11.0
Total current expense	**119.1**	128.3	76.3
Deferred expense (benefit)			
Federal and State	**(8.2)**	(6.3)	5.0
Foreign	**(13.1)**	(4.3)	(8.3)
Total deferred expense (benefit)	**(21.3)**	(10.6)	(3.3)
Total tax expense	**$ 97.8**	$ 117.7	$ 73.0

A reconciliation of the tax provision for continuing operations computed at the U.S. federal statutory rate to the actual tax provision is as follows:

In millions	2013	2012	2011
Taxes at the 35% U.S. statutory rate	**$ 116.6**	$ 121.2	$ 85.8
State and local taxes, net of federal income tax benefit	**6.2**	6.4	4.5
Benefit of foreign earnings taxed at lower rates	**(3.0)**	(2.2)	(0.1)
Benefit for domestic manufacturing deduction	**(9.7)**	(10.5)	(6.9)
Benefits from state tax incentives	**(1.3)**	—	—
Benefit associated with foreign reorganization	**(11.8)**	1.0	(5.0)
Change in valuation allowances	**0.8**	(2.2)	—
Other, net	—	4.0	(5.3)
Tax expense	**$ 97.8**	$ 117.7	$ 73.0
Effective income tax rate on continuing operations	**29.4%**	34.0%	29.8%

Cash payments for income taxes, net of refunds, were $127.7 million, $100.8 million, and $73.5 million in 2013, 2012, and 2011, respectively.

Note 7—Income Taxes (Continued)

Deferred tax assets (liabilities) at December 31 related to the following:

In millions	2013	2012
Deferred revenue	$ 20.2	$ 18.8
Warranty reserves	4.1	4.5
Inventory reserves	9.1	11.0
Doubtful receivables	1.9	4.1
Employee benefits	41.0	30.0
Foreign loss carry forwards	6.2	8.7
Deferred state tax attributes	18.2	14.7
Other, net	9.8	2.7
Gross deferred assets	110.5	94.5
Valuation allowances	(13.5)	(10.3)
Deferred tax assets after valuation allowances	$ 97.0	$ 84.2
Depreciation	(52.4)	(53.4)
Amortization	(43.2)	(35.1)
Acquired identifiable intangibles	(127.6)	(140.7)
Other, net	—	(1.0)
Gross deferred liabilities	(223.2)	(230.2)
Net deferred tax liabilities	$ (126.2)	$ (146.0)

At December 31, 2013 the Company had no deferred tax assets related to net operating loss ("NOL") carryforwards for U.S. federal tax purposes but had a deferred tax asset for state NOL carryforwards of approximately $14.3 million (expiring 2015-2032) and deferred tax assets related to NOL carryforwards in foreign jurisdictions of approximately $6.2 million (expiring 2014-2020). The Company believes that it is likely that certain of the state NOL's will expire unused and therefore has established a valuation allowance of approximately $11.4 million against the deferred tax assets associated with these NOL carryforwards. Likewise, the Company believes that it is likely that certain of the foreign NOL's will expire unused and therefore has established a valuation allowance of approximately $2.1 million against the deferred tax assets associated with these NOL carryforwards. Although realization is not assured for the remaining deferred tax assets, the Company believes that the timing and amount of the reversal of taxable temporary differences, expected future taxable income and tax planning strategies will generate sufficient income to be fully realized. However, deferred tax assets could be reduced in the near term if our estimates of the timing and amount of the reversal of taxable temporary differences, expected future taxable income during the carryforward period are significantly reduced or tax planning strategies are no longer viable.

Deferred tax assets and (liabilities) are classified as current or long-term consistent with the classification of the asset or liability to which the difference relates. Foreign deferred tax assets and (liabilities) are grouped separately from U.S. domestic assets and (liabilities).

Note 7—Income Taxes (Continued)

Deferred tax assets and (liabilities) are included in the balance sheet as follows:

In millions	2013	2012
Deferred income taxes	$ 35.7	$ 37.3
Accrued expenses	$ (0.8)	—
Other long-term assets	4.9	4.9
Other long-term liabilities	(166.0)	(188.2)
Net deferred tax liabilities	$ (126.2)	$ (146.0)

The Company is not required to provide U.S. federal or state income taxes on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. The Company's excess of financial reporting over the tax basis of investments in foreign subsidiaries is approximately equal to the cumulative undistributed earnings of its foreign subsidiaries. The Company reconsiders this assertion quarterly.

Generally, the Company considers all foreign earnings to be of a permanent investment nature. However, in late 2010 the Company acquired several foreign subsidiaries with unremitted earnings. During 2011 the Company determined that repatriation of significantly all of the unremitted earnings of an acquired Italian subsidiary would be advantageous for both treasury and tax reasons. At the time that the accumulated earnings were repatriated the Company provided for the associated tax expense and related tax benefits from foreign tax credits. The total dividend remitted in 2011 was $79.3 million, and the 2011 net tax impact of the repatriation was a tax benefit of $4.2 million. As part of the same tax planning strategy, the Company determined it would be advantageous for tax reasons to remit a portion of the 2012 earnings. Therefore, during 2012 approximately $4.0 million of the current year Italian earnings were repatriated. The Company does not intend to repatriate any further earnings of the Italian subsidiary.

At December 31, 2013, the Company intends to permanently reinvest abroad all of the earnings of its foreign subsidiaries. The Company has identified appropriate long term uses for such earnings outside the United States, considers the unremitted earnings to be indefinitely reinvested, and accordingly has made no provision for federal or state income or withholding taxes on such earnings. It is not practicable to calculate the unrecognized deferred tax liability on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries.

Unrepatriated earnings for the years ended December 31 were as follows:

In millions	2013	2012	2011
Indefinitely reinvested	$ 403.8	$ 300.5	$ 266.9
Not indefinitely reinvested	—	—	0.9
Total	$ 403.8	$ 300.5	$ 267.8

Unrecognized tax benefits reflect the difference between the tax benefits of positions taken or expected to be taken on income tax returns and the tax benefits that meet the criteria for current recognition in the financial statements. The Company periodically assesses its unrecognized tax benefits.

Note 7—Income Taxes (Continued)

A summary of the movement in gross unrecognized tax benefits (before estimated interest and penalties) is as follows:

In millions	2013	2012	2011
Balance at January 1	**$ 9.3**	$ 9.6	$ 13.1
Additions based on tax positions related to current year	**1.3**	1.5	1.8
Additions (reductions) related to purchase accounting	—	1.6	(2.8)
Adjustments for tax positions of prior years	**1.6**	(0.4)	0.2
Reductions due to statute of limitations	**(2.0)**	(2.4)	(2.6)
Reductions due to settlementss	—	(0.6)	(0.1)
Balance at December 31	**10.2**	$ 9.3	$ 9.6

If the unrecognized tax benefits as of December 31, 2013 were to be recognized, approximately $8.5 million would impact the Company's effective tax rate. The amount impacting the Company's effective rate is calculated by adding accrued interest and penalties to the gross unrecognized tax benefit and subtracting the tax benefit associated with state taxes and interest.

The Company classifies and reports interest and penalties associated with unrecognized tax benefits as a component of the income tax provision on the Consolidated Statements of Earnings and Comprehensive Income, and as a long-term liability on the Consolidated Balance Sheets. The total amount of such interest and penalties accrued, but excluded from the table above, at the years ending 2013, 2012 and 2011 were $1.2 million, $1.3 million and $1.8 million respectively.

The Company is subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. During the year the Company has worked with the IRS to complete its compliance assurance process for the 2012 tax year. The Company is currently working with the IRS to complete its compliance assurance audit for the 2013 tax year and expects conclusion of the process within the next twelve months.

Generally, state income tax returns are subject to examination for a period of three to five years after filing. Substantially all material state tax matters have been concluded for tax years through 2008. Various state income tax returns for subsequent years are in the process of examination. At this stage the outcome is uncertain; however, the Company believes that contingencies have been adequately provided for. The Company believes that any material results from income tax examinations underway in foreign jurisdictions have been adequately provided for.

Within the next twelve months state and foreign audits may conclude and statutes of limitations will expire affecting the amount of unrecognized tax benefits. The change in unrecognized tax benefits that may result is not known but the Company does not anticipate that there will be a material impact.

Note 8—Earnings Per Share

The Company's unvested restricted shares and restricted stock units contain nonforfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. The computation below of earnings per share excludes the income attributable to the unvested restricted shares and restricted stock units from the numerator and excludes the dilutive impact of those underlying shares from the denominator. Stock options are included in the calculation of diluted earnings per share utilizing the treasury stock method and performance share awards are included in the calculation of diluted earnings per share using the contingently issuable method. Neither is considered to be participating securities as they do not contain non-forfeitable dividend rights.

The following reflects the Income from continuing operations and share data used in the basic and diluted earnings per share computations using the two-class method:

In millions, except share and per share amounts	2013	2012	2011
Numerator:			
Income from continuing operations	$ **235.2**	$ 228.7	$ 172.0
Less: dividends declared—common stock outstanding, unvested restricted shares and restricted share units	**(53.7)**	(48.0)	(43.5)
Undistributed earnings	**181.5**	180.7	128.5
Percent allocated to common shareholders(1)	**99.5%**	99.4%	99.0%
	180.6	179.7	127.3
Add: dividends declared—common stock	**53.4**	47.7	43.1
Numerator for basic and diluted EPS	$ **234.0**	$ 227.4	$ 170.4
Denominator (in thousands):			
Denominator for basic EPS: weighted-average common shares outstanding	**63,471**	62,513	61,457
Effect of dilutive securities:			
Performance awards	**416**	399	318
Stock options	**919**	698	720
Denominator for diluted EPS: adjusted weighted average common shares outstanding and assumed conversion	**64,806**	63,610	62,495
Per share income from continuing operations:			
Basic	$ **3.69**	$ 3.64	$ 2.77
Diluted	$ **3.61**	$ 3.57	$ 2.73

	2013	2012	2011
(1) Basic weighted-average common shares outstanding	**63,471**	62,513	61,457
Basic weighted-average common shares outstanding, unvested restricted shares expected to vest and restricted share units	**63,797**	62,871	62,047
Percent allocated to common shareholders	**99.5%**	99.4%	99.0%

Note 8—Earnings Per Share (Continued)

To calculate earnings per share for the Income (loss) from discontinued operations and for Net income, the denominator for both basic and diluted earnings per share is the same as used in the above table. The Income (loss) from discontinued operations and the Net income were as follows:

In millions, except share amounts	2013	2012	2011
Income (loss) from discontinued operations attributable to common shareholders for basic and diluted earnings per share	**$ (25.4)**	$ 41.2	$ 8.2
Net income attributable to common shareholders for basic and diluted earnings per share	**$ 208.6**	$ 268.5	$ 178.6
Antidilutive stock options excluded from EPS calculation(1)	**—**	—	200.0

(1) Represents stock options excluded from the calculation of diluted earnings per share as such options had exercise prices in excess of the weighted-average market price of the Company's common stock during these periods. Amounts in thousands.

Note 9—Fair Value Measurements

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value may be measured using three levels of inputs:

Level 1—quoted prices in active markets for identical assets and liabilities.

Level 2—observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3—unobservable inputs in which there is little or no market data available, which requires the reporting entity to develop its own assumptions.

Recurring Measurements

The fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis were as follows:

In millions	Balance at December 31, 2013	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and cash equivalents	**$ 754.5**	$ 754.5	$ —	$ —
Short-term investments	**1.4**	1.4	—	—
Foreign currency forward contracts	**0.2**	—	0.2	—
Total assets measured at fair value	**$ 756.1**	$ 755.9	$ 0.2	$ —

Cash and cash equivalents include $3.6 million of money market accounts for the Company's Deferred Compensation Plan. Short-term investments of $1.4 million at December 31, 2013 consist of investments held in mutual funds for the Company's Deferred Compensation Plan and are classified in the consolidated balance sheet at December 31, 2013 in Prepaid expenses and other current assets.

Note 9—Fair Value Measurements (Continued)

Foreign exchange forward contracts at December 31, 2013 relate to contracts held for purposes of mitigating the Company's exposure to fluctuations in foreign exchange rates, resulting from assets or liabilities that are held by certain of its operating subsidiaries in currencies other than the subsidiary's functional currency. Such forward contracts are valued at fair value using observable market inputs such as forward prices and spot prices of the underlying exchange rate pair. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. The Company has not designated these forward contracts as cash flow hedges and, accordingly, recognizes associated changes in fair value of the forwards through Other income (expense). The fair value of these contracts is recorded within Other current assets in the consolidated balance sheet as of December 31, 2013 as none of the contract terms exceed one year from the balance sheet date.

In millions	Balance at December 31, 2012	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and cash equivalents	$ 112.5	$ 112.5	$ —	$ —
Short-term investments	0.6	0.6	—	—
Commodity swap agreements	0.1	—	0.1	—
Foreign currency forward contracts	0.3	—	0.3	—
Total assets measured at fair value	$ 113.5	$ 113.1	$ 0.4	$ —
Contingent consideration	9.9	—	—	9.9
Total liabilities measured at fair value	$ 9.9	$ —	$ —	$ 9.9

Cash and cash equivalents at December 31, 2012 include $1.6 million in money market accounts for the Company's Deferred Compensation Plan. Short-term investments of $0.6 million at December 31, 2012 consist of investments held in mutual funds for the Company's deferred compensation program and are classified in the condensed consolidated balance sheet at December 31, 2012 in Prepaid expenses and other current assets.

Commodity swap agreements at December 31, 2012 relate to swap agreements held for purposes of mitigating the Company's exposure to fluctuations in the prices of silver and copper, which are key raw materials within the Interconnect Technologies segment. Such swaps are valued using third-party valuation models that measure fair value using observable market inputs such as forward prices and spot prices of the underlying commodities. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. The Company has not designated these swaps as cash flow hedges and, accordingly, recognizes associated changes in fair value of the swaps through Other income (expense). The fair value of these swaps is recorded within Prepaid expenses and other current assets in the consolidated balance sheet as of December 31, 2012 as none of the swap terms exceed one year from the balance sheet date. The swaps expired on December 31, 2013.

Contingent consideration represents fair value of the earn-out associated with the purchase of PDT and was estimated using a discounted cash flow model based on financial projections of the acquired company. During the fourth quarter of 2013 the earn-out was settled for or €7.0 million, or $9.5 million, upon agreement by both parties. See Note 3 for further information regarding the PDT acquisition.

Note 9—Fair Value Measurements (Continued)

See Note 14 regarding the fair value of the Company's Borrowings and Note 15 regarding fair value measurements related to the Company's Retirement Plans.

Non-Recurring Measurements

During the second quarter of 2013, the Company recognized a goodwill impairment charge of $100.0 million, reducing the carrying value of goodwill associated with the former Transportation Products reporting unit to $0. The estimated fair value of goodwill was determined using the residual value method as required by ASC 350, *Goodwill and Other Intangible Assets* . This estimate was based on fair value determinations using Level 3 inputs. See Note 12 for information regarding this impairment.

During the year ended December 31, 2012, the FoodService Products segment measured long-lived assets on a non-recurring basis at certain facilities resulting in an impairment charge of $3.5 million, which was included in Other expense (income). These measurements were based on fair value determination of certain long-lived assets within the FoodService Products segment using Level 3 inputs. See Note 5 for information regarding asset impairment within the FoodService Products segment.

During the year ended December 31, 2011 there were no non-recurring fair value measurements subsequent to initial recognition. See Note 3 for information regarding assets acquired and liabilities assumed in the Thermax/Raydex, Hertalan, Tri-Star, PDT and Hawk acquisitions measured at fair value during the initial measurement period.

Note 10—Inventories

The components of inventories at December 31 were as follows:

(in millions)	2013	2012
Finished goods	**$ 161.0**	$ 161.2
Work-in-process	**39.3**	41.8
Raw materials	**120.0**	143.5
Capitalized variances	**4.8**	6.6
Reserves	**(26.3)**	(28.1)
Inventories	**$ 298.8**	$ 325.0

Note 11—Property, Plant, and Equipment

The components of property, plant, and equipment at December 31 were as follows:

(in millions)	2013	2012
Land	**$ 38.9**	$ 35.7
Buildings and leasehold improvements	**259.1**	224.0
Machinery and equipment	**606.9**	558.9
Projects in progress	**60.3**	63.4
	965.2	882.0
Accumulated depreciation	**(468.0)**	(416.8)
Property, plant and equipment, net	**$ 497.2**	$ 465.2

During 2013, 2012, and 2011, the Company capitalized interest in the amount of $1.7 million, $1.8 million and $1.3 million, respectively.

Note 12—Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012 were as follows:

In millions	Construction Materials	Interconnect Technologies	Brake and Friction	FoodService Products	Disc. Ops	Total
Balance at January 1, 2012						
Goodwill	$ 112.6	$ 345.6	$ 226.7	$ 60.3	$ 202.9	$ 948.1
Accumulated impairment losses	—	—	—	—	(102.9)	(102.9)
	112.6	345.6	226.7	60.3	100.0(A)	845.2
Goodwill acquired during year	13.5	100.9	—	—	—	114.4
Measurement period adjustments	0.6	(1.8)	—	—	—	(1.2)
Currency translation	0.5	(0.1)	—	—	—	0.4
Goodwill	$ 127.2	$ 444.6	$ 226.7	$ 60.3	$ 202.9	$ 1,061.7
Accumulated impairment losses	—	—	—	—	(102.9)	(102.9)
Balance at December 31, 2012	127.2	444.6	226.7	60.3	100.0	958.8
Goodwill acquired during year	—	—	—	—	—	—
Measurement period adjustments	—	(1.8)	—	—	—	(1.8)
Impairment loss	—	—	—	—	(100.0)	(100.0)
Currency translation	1.9	(0.2)	—	—	—	1.7
Goodwill	129.1	442.6	226.7	60.3	202.9	1,061.6
Accumulated impairment losses	—	—	—	—	(202.9)	(202.9)
Balance at December 31, 2013	**$ 129.1**	**$ 442.6**	**$ 226.7**	**$ 60.3**	**$ —**	**$ 858.7**

(A) Goodwill associated with discontinued operations is included in non-current assets held for sale in the accompanying consolidated balance sheet.

During the second quarter of 2013, the Company recognized a goodwill impairment loss of $100.0 million due to a decline in the former Transportation Products reporting unit's estimated fair value relative to its carrying value. The impairment charge has been reclassified to Income (loss) from discontinued operations. Fair value was based on an income approach utilizing the discounted cash flow method. The decline in the former reporting unit's estimated fair value was primarily driven by a rise in the underlying interest rates used to determine the discount rate utilized in the discounted cash flow method. This rise in interest rates occurred substantially in the final month of the second quarter of 2013. ASC 350, *Intangibles—Goodwill and Other* requires that goodwill impairment be based on the implied value of a reporting unit's goodwill based on the residual method in the same manner as goodwill is recognized in a business combination under ASC 805, *Business Combinations* . Under the residual method, the implied fair value of the reporting unit's goodwill is equal to the difference between the reporting unit's fair value and the fair value of the reporting unit's assets and liabilities, both recognized and unrecognized.

On December 17, 2012, the Company acquired Thermax/Raydex for a total purchase price of $265.5 million, net of $0.1 million cash acquired. The resulting preliminary goodwill recorded of $100.9 million was allocated to the Interconnect Technologies reporting unit. Measurement period adjustments during the year ended December 31, 2013 resulted in a $1.8 million reduction to the goodwill of Thermax/Raydex. See Note 3 for further information regarding this acquisition.

Note 12—Goodwill and Other Intangible Assets (Continued)

On March 9, 2012, the Company acquired Hertalan for a total purchase price of €37.3 million, or $48.9 million, net of €0.1 million, or $0.1 million, cash acquired. The resulting goodwill recorded of $13.5 million was allocated to the Construction Materials reporting unit. See Note 3 for further information regarding this acquisition.

On December 2, 2011, the Company acquired Tri-Star for an initial total purchase price of $284.4 million, net of $4.5 million cash acquired. The resulting preliminary goodwill recorded of $156.7 million was allocated to the Interconnect Technologies segment. Measurement period adjustments, including a $0.4 million increase in the total purchase price due to a working capital adjustment, during the year ended December 31, 2012 resulted in a $1.8 million reduction to the goodwill of Tri-Star. See Note 3 for further information regarding this acquisition.

On August 1, 2011, the Company acquired PDT for a total purchase price of $111.0 million, net of $7.6 million cash acquired. The resulting revised preliminary goodwill recorded of $29.8 million was allocated to the Construction Materials segment. Measurement period adjustments during the year ended December 31, 2012 resulted in a $0.6 million increase to the goodwill of PDT. See Note 3 for further information regarding this acquisition.

The Company's Other intangible assets, net at December 31, 2013, are as follows:

In millions	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization:			
Patents	$ 134.6	$ (29.2)	$ 105.4
Customer Relationships	443.3	(95.8)	347.5
Other	19.0	(10.1)	8.9
Assets not subject to amortization:			
Trade names	118.0	—	118.0
Other intangible assets, net	**$ 714.9**	**$ (135.1)**	**$ 579.8**

The Company's Other intangible assets, net at December 31, 2012, were as follows:

In millions	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization:			
Patents	$ 133.2	$ (20.0)	$ 113.2
Customer Relationships	441.4	(68.3)	373.1
Other	20.9	(9.7)	11.2
Assets not subject to amortization:			
Trade names	117.3	—	117.3
Other intangible assets, net	**$ 712.8**	**$ (98.0)**	**$ 614.8**

Estimated amortization expense over the next five years is as follows: $37.3 million in 2014, $36.5 million in 2015, $35.6 million in 2016, $34.8 million in 2017 and $34.8 million in 2018.

Note 12—Goodwill and Other Intangible Assets (Continued)

The net carrying values of the Company's Other intangible assets by reportable segment as of December 31 were as follows:

In millions	December 31, 2013	December 31, 2012
Carlisle Construction Materials	$ **86.9**	$ 89.7
Carlisle Interconnect Technologies	**330.8**	353.4
Carlisle Brake & Friction	**130.1**	136.8
Carlisle FoodService Products	**32.0**	34.9
Total	$ **579.8**	$ 614.8

The acquired cost of the Company's customer relationship intangible assets by estimated useful life are as follows (in millions):

Estimated Useful Life (Years)	Gross Balance as of December 31, 2013	2012
5	$ **13.7**	$ 13.7
9	$ **15.5**	14.8
10	$ **10.2**	10.2
12	$ **62.1**	62.1
15	$ **39.1**	39.1
16	$ **48.7**	48.7
17	$ **21.7**	21.5
18	$ **101.7**	101.7
19	$ **22.9**	21.9
20	$ **75.0**	75.0
21	$ **32.7**	32.7
Total	$ **443.3**	$ 441.4

See Note 1 in these Notes to Consolidated Financial Statements for information regarding the valuation of goodwill and indefinite-lived intangible assets.

Note 13—Commitments and Contingencies

Leases

The Company currently leases a portion of its manufacturing facilities, distribution centers and equipment, some of which include scheduled rent increases stated in the lease agreement generally expressed as a stated percentage increase of the minimum lease payment over the lease term. The Company currently has no leases that require rent to be paid based on contingent events nor has it received any lease incentive payments. Rent expense was $23.9 million, $24.0 million and $19.5 million in 2013, 2012 and 2011, respectively, inclusive of rent based on scheduled rent increases and rent holidays recognized on a straight-line basis. Future minimum payments under its various non-cancelable operating leases in each of the next five years are approximately $15.5 million in 2014, $11.9 million in 2015, $9.6 million in 2016, $7.9 million in 2017, $7.0 million in 2018 and $8.5 million thereafter.

Note 13—Commitments and Contingencies (Continued)

Purchase Obligations

Although the Company has entered into purchase agreements for certain key raw materials, there were no such contracts with a term exceeding one year in place at December 31, 2013.

Workers' Compensation Claims and Related Losses

The Company has accrued approximately $26.9 million and $24.1 million related to workers' compensation claims at December 31, 2013 and 2012, respectively. At December 31, 2013, $9.1 million and $17.8 million are included in Accrued expenses and Other long-term liabilities, respectively, and at December 31, 2012, $7.1 million and $17.0 million were included in Accrued expenses and Other long-term liabilities, respectively, in the Consolidated Balance Sheet. Workers' compensation obligations related to former employees associated with the Transportation Products business and arising prior to the sale of the Transportation Products business have been retained by the Company and the Company is obligated to pay the related claims until they are extinguished or otherwise settled. The Company will not be held liable for any workers' compensation claims related to the former Transportation products business incurred after December 31, 2013. The liability related to workers' compensation claims, both those reported to the Company and those incurred but not yet reported, is estimated based on actuarial estimates and loss development factors and the Company's historical loss experience.

The Company maintains occurrence-based insurance contracts with certain insurance carriers in accordance with its risk management practices that provides for reimbursement of worker's compensation claims in excess of $0.5 million. The Company records a recovery receivable from the insurance carriers when such recovery is deemed probable based on the nature of the claim and history of recoveries. At December 31, 2013 and 2012 the Company did not have any recovery receivables recorded for worker's compensation claims.

Litigation

Over the years, the Company has been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which Carlisle manufactured in limited amounts between the late-1940's and the mid-1980's. In addition to compensatory awards, these lawsuits may also seek punitive damages.

Generally, the Company has obtained dismissals or settlements of its asbestos-related lawsuits with no material effect on its financial condition, results of operations or cash flows. The Company maintains insurance coverage that applies to the Company's defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits.

At this time, the amount of reasonably possible additional asbestos claims, if any, is not material to the Company's financial position, results of operations or operating cash flows although these matters could result in the Company being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

From time-to-time the Company may be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions, either individually or in the aggregate, will not have a material adverse effect on the consolidated financial position, results of operations for a particular period or annual operating cash flows of the Company.

Note 13—Commitments and Contingencies (Continued)

Environmental Matters

The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment of and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material and we do not currently have any significant accruals related to potential future costs of environmental remediation at December 31, 2013 and 2012, nor do we have any asset retirement obligations recorded at those dates. However, the nature of the Company's operations and its long history of industrial activities at certain of its current or former facilities, as well as those acquired, could potentially result in material environmental liabilities or asset retirement obligations.

While the Company must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on its business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation, could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

Note 14—Borrowings

As of December 31, 2013 and 2012 the Company's borrowings were as follows:

In millions	2013	2012
3.75% notes due 2022, net of unamortized discount of ($1.0) and ($1.1), respectively	**$ 349.0**	$ 348.9
5.125% notes due 2020, net of unamortized discount of ($0.8) and ($0.9), respectively	**249.2**	249.1
6.125% notes due 2016, net of unamortized discount of ($0.3) and ($0.4) respectively	**149.7**	149.6
Revolving credit facility	**—**	—
Industrial development and revenue bonds through 2018	**3.0**	4.5
Other, including capital lease obligations	**0.1**	0.2
Total long-term debt	**751.0**	752.3
Less current portion	**—**	—
Total long-term debt, net of current portion	**$ 751.0**	$ 752.3

3.75% Notes Due 2022

On November 20, 2012, the Company completed a public offering of $350.0 million of notes with a stated interest rate of 3.75% due November 15, 2022 (the "2022 Notes"). The 2022 Notes were issued at a discount of approximately $1.1 million, resulting in proceeds to the Company of approximately $348.9 million. The 2022 Notes are presented net of the related discount in Long-term debt in the consolidated balance sheet at December 31, 2013 and 2012. Interest on the 2022 Notes will be paid each May 15 and November 15, commencing on May 15, 2013. The Company incurred costs to issue

Note 14—Borrowings (Continued)

the 2022 Notes of approximately $2.9 million, inclusive of underwriters', credit rating agencies' and attorneys' fees and other costs. The issuance costs have been recorded in Other long-term assets in the consolidated balance sheet at December 31, 2013 and 2012. Both the discount and the issuance costs will be amortized to interest expense over the life of the 2022 Notes.

The 2022 Notes, in whole or in part, may be redeemed at the Company's option, plus accrued and unpaid interest, at any time prior to August 15, 2022 at a price equal to the greater of:

- 100% of the principal amount; or
- The sum of the present values of the remaining scheduled payments of principal and interest discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 35 basis points.

The 2022 Notes may also be redeemed at any time after August 15, 2022, in whole or in part, at the Company's option at 100% of the principal amount, plus accrued and unpaid interest. Upon a change-in-control triggering event, the Company will be required to offer to repurchase the 2022 Notes at 101% of the principal amount, plus accrued and unpaid interest.

The 2022 Notes are subject to the Company's existing indenture dated January 15, 1997 with Bank of New York Mellon, as trustee, and accordingly are subject to the same restrictive covenants and limitations as the Company's existing indebtedness. The 2022 Notes are general unsecured obligations of the Company and rank equally with the Company's existing and future unsecured and unsubordinated indebtedness. The 2022 Notes are subordinate to any existing or future debt or other liabilities of the Company's subsidiaries. At December 31, 2013, the principal amount of the Company's subsidiaries indebtedness was approximately $3.1 million.

5.125% Notes Due 2020

On December 9, 2010, the Company completed a public offering of $250.0 million of notes with a stated interest rate of 5.125% due December 15, 2020 (the "2020 Notes"). The 2020 Notes were issued at a discount of approximately $1.1 million, resulting in proceeds to the Company of approximately $248.9 million. The 2020 Notes are presented net of the related discount in Long-term debt in the consolidated balance sheet at December 31, 2012 and 2011. Interest on the 2020 Notes will be paid each June 15 and December 15, commencing on June 15, 2011. The Company incurred costs to issue the 2020 Notes of approximately $1.9 million, inclusive of underwriters', credit rating agencies' and attorneys' fees and other costs. The issuance costs have been recorded in Other long-term assets in the consolidated balance sheet at December 31, 2013 and 2012. Both the discount and the issuance costs will be amortized to interest expense over the life of the 2020 Notes. The proceeds were utilized to re-pay borrowings under the Company's Revolving Credit Facility that were used to finance the acquisition of Hawk.

The 2020 Notes, in whole or in part, may be redeemed at the Company's option, plus accrued and unpaid interest, at any time prior to September 15, 2020 at a price equal to the greater of:

- 100% of the principal amount; or
- The sum of the present values of the remaining scheduled payments of principal and interest discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 35 basis points.

Note 14—Borrowings (Continued)

The 2020 Notes may also be redeemed at any time after September 15, 2020, in whole or in part, at the Company's option at 100% of the principal amount, plus accrued and unpaid interest. Upon a change-in-control triggering event, the Company will be required to offer to repurchase the 2020 Notes at 101% of the principal amount, plus accrued and unpaid interest.

The 2020 Notes are subject to the Company's existing indenture dated January 15, 1997 with Bank of New York Mellon, as trustee, and accordingly are subject to the same restrictive covenants and limitations as the Company's existing indebtedness. The 2020 Notes are general unsecured obligations of the Company and rank equally with the Company's existing and future unsecured and unsubordinated indebtedness. The 2020 Notes are subordinate to any existing or future debt or other liabilities of the Company's subsidiaries. At December 31, 2013, the principal amount of the Company's subsidiaries indebtedness was approximately $3.1 million.

Revolving Credit Facilities

On October 20, 2011, the Company entered into a Third Amended and Restated Credit Agreement ("the Credit Agreement") administered by JPMorgan Chase Bank, N.A. ("JPMorgan Chase"). On December 12, 2013, we executed an amendment to the facility ("the Amendment") to amend certain terms and extend the term of the facility to December 12, 2018. The Credit Agreement provides for a $600 million revolving line of credit.

The new revolving credit facility provides for grid-based interest pricing based on the credit rating of the Company's senior unsecured bank debt or other unsecured senior debt. The facility requires the Company to meet various restrictive covenants and limitations including certain leverage ratios, interest coverage ratios and limits on outstanding debt balances held by certain subsidiaries.

In addition to JPMorgan Chase, the following lenders are parties to the Credit Agreement: Wells Fargo Bank, N.A., Bank of America, N.A., SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ Ltd, Mizuho Corporate Bank (USA), T.D. Bank, N.A., HSBC Bank USA National Association and PNC Bank National Association (collectively, the "Lenders"). The following Lenders provide the Company general banking and/or investment advisory services: JPMorgan Chase, Wells Fargo Bank, Bank of America, SunTrust Bank, The Bank of Tokyo, Mizuho Bank, T.D. Bank, HSBC Bank and PNC Bank.

At December 31, 2013, the Company had $600.0 million available under its Amended Credit Agreement. The average interest rate of the Company's revolving credit facilities for 2012 was 1.30%. There was no interest on borrowings under the revolving credit facility in 2013.

The Company also maintains an uncommitted line of credit of which $45.0 million was available for borrowing as of December 31, 2013 and 2012. The average interest rate on the uncommitted line was 1.58% for 2012. There were no borrowings under the uncommitted facility in 2013.

As of December 31, 2013, the Company had outstanding issued letters of credit amounting to $29.7 million. Letters of credit are issued primarily to provide security under insurance arrangements and certain borrowings. Letters of credit were previously issued under the Company's revolving credit facility and reduced the amount available for borrowings under the facility. Currently, the Company's letters of credit are issued separately from its revolving credit facility and do not affect borrowing availability under the credit facility.

Note 14—Borrowings (Continued)

Industrial Development and Revenue Bonds

The industrial development and revenue bonds are collateralized by letters of credit, Company guarantees and/or by the facilities and equipment acquired through the proceeds of the related bond issuances. In December 2013, the Company repaid $1.5 million of the outstanding principal on the industrial development and revenue bonds. The weighted average interest rates on the revenue bonds for 2013 and 2012 were 1.09% and 1.22%, respectively. The Company estimates the fair value of its industrial development and revenue bonds approximates their carrying value.

Covenants and Limitations

Under the Company's various debt and credit facilities, the Company is required to meet various restrictive covenants and limitations, including certain net worth, cash flow ratios and limits on outstanding debt balances held by certain subsidiaries. The Company was in compliance with all covenants and limitations in 2013 and 2012.

Other Matters

Cash payments for interest were $35.0 million in 2013, $25.7 million in 2012, and $23.0 million in 2011. Interest expense, net is presented net of interest income of $0.5 million in 2013, $0.5 million in 2012, and $0.5 million in 2011.

Regarding the Company's long-term debt, $150.0 million (excluding unamortized discount of $0.3 million) matures in 2016, $3.0 million matures in 2018, $250 million (excluding unamortized discount of $0.8 million) matures in 2020, and $350.0 million (excluding unamortized discount of $1.0 million) matures in 2022.

At December 31, 2013, the fair value of the Company's par value $350 million, 3.75% senior notes due 2022, $250 million, 5.125% senior notes due 2020, and par value $150 million, 6.125% senior notes due 2016, using the Level 2 inputs, is approximately $326.3 million, $259.8 million and $163.8 million, respectively. Fair value is estimated based on current yield rates plus the Company's estimated credit spread available for financings with similar terms and maturities. The Company estimates that the fair value of amounts outstanding under the revolving credit facility approximates their carrying value.

Note 15—Retirement Plans

Defined Benefit Plans

The Company maintains defined benefit retirement plans for certain employees. Benefits are based primarily on years of service and earnings of the employee. The Company recognizes the funded status of its defined benefit pension plans in the Consolidated Balance Sheets. The funded status is the difference between the retirement plans' projected benefit obligation and the fair value of the retirement plans' assets as of the measurement date.

Included in Accumulated other comprehensive income, net of tax at December 31, 2013, are the following amounts that have not yet been recognized in net periodic pension costs: unrecognized actuarial losses of $44.3 million ($27.6 million, net of tax) and unrecognized prior service cost of $1.0 million ($0.6 million, net of tax). The prior service cost and actuarial loss included in Accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the

Note 15—Retirement Plans (Continued)

year ended December 31, 2014, are $0.2 million cost ($0.1 million cost, net of tax) and $3.7 million ($2.3 million, net of tax) respectively.

The reconciliation of the beginning and ending balances of the projected pension benefit obligation, the fair value of the plan assets and the ending accumulated benefit obligation are as follows:

In millions	2013	2012
Funded status		
Projected benefit obligation		
Beginning of year	$ 207.3	$ 214.8
Change in benefit obligation:		
Service cost	5.1	4.7
Interest cost	8.1	9.8
Actuarial (gain)/loss	(5.6)	6.5
Settlement due to divestiture	(18.6)	—
Benefits paid	(16.6)	(28.5)
End of year	179.7	207.3
Fair value of plan assets		
Beginning of year	209.6	211.7
Change in plan assets:		
Actual return on plan assets	(0.8)	21.2
Company contributions	1.3	5.2
Foreign Currency	(0.2)	—
Benefits paid	(16.6)	(28.5)
Sub Total	193.3	209.6
Due to AIP (estimate)	(19.8)	—
End of year	173.5	209.6
(Unfunded) funded status end of year	$ (6.2)	$ 2.3
Accumulated benefit obligation at end of year	$ 175.0	$ 202.3

The accumulated benefit obligation differs from the projected pension benefit obligation in that it includes no assumption about future compensation levels. The Company's projected benefit obligation at December 31, 2013 includes approximately $17.7 million related to the Company's executive supplemental and director defined benefit pension plans. The executive supplemental and director defined benefit plans have no plan assets and the Company is not required to fund the obligations. The U.S. plans required to be funded by the Company were fully funded at December 31, 2013.

The Company sold the assets of the Carlisle Transportation Products business on December 31, 2013. Under the terms of the sale agreement, the Company settled $18.6 million in pension liabilities and $1.2 million of other post employee benefit obligations related to certain unionized employees of the Transportation Products business, via the transfer of those liabilities to AIP. An estimated $19.8 million in pension assets are to be transferred from plan assets to AIP in 2014 under the terms of the sale agreement. A finalized asset transfer to the buyer will be performed during 2014 under the terms of the sale agreement. Assets to be transferred to the buyer will be adjusted, as determined by the Company's actuary, to take into account the actual investment return on such assets and benefit payments to plan participants from the closing date to the date of transfer. In regards to this settlement, the Company recorded $7.3 million in settlement costs, including recognition of $6.1 million of previously unrecognized actuarial losses, in discontinued operations.

Note 15—Retirement Plans (Continued)

Pension obligations associated with non-unionized current and former employees of the Transportation Products business were not settled in connection with the sale. Employees transferred with the sale, including certain unionized employees, are no longer active participants in the plan and therefore the expected years of future service of participants has been curtailed and as required under ASC 715, the Company has recognized a curtailment charge, inclusive of prior service cost, of $0.8 million in discontinued operations.

See Note 4 for further information related to the sale of the Transportation Products business.

The fair value of the plans' assets at December 31, 2013 and 2012 by asset category are as follows:

Fair Value Measurements at December 31, 2013

Asset Category (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash	$ 0.6	$ —	$ —	$ **0.6**
Mutual funds :				
Equity mutual funds(1)	$ 23.8	$ —	$ —	**23.8**
Fixed income mutual funds(2)	168.9	—	—	**168.9**
Sub Total	**$ 193.3**	**$ —**	**$ —**	**$ 193.3**
Due to AIP (estimate)	$ (19.8)	$ —	$ —	**(19.8)**
Total	**$ 173.5**	**$ —**	**$ —**	**$ 173.5**

Fair Value Measurements at December 31, 2012

Asset Category (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash		$ —	$ —	$ —
Mutual funds:				
Equity mutual funds(1)	$ 24.6	$ 1.5	$ —	26.1
Fixed income mutual funds(2)	174.3	9.2	—	183.5
Total	$ 198.9	$ 10.7	$ —	$ 209.6

(1) This category is comprised of investments in mutual funds that invest in equity securities such as large publicly traded companies listed in the S&P 500 Index; small to medium sized companies with market capitalization in the range of the Russell 2500 Index; and foreign issuers in emerging markets.

(2) This category is comprised of investments in mutual funds that invest in U.S. corporate and government fixed income securities, including asset-backed securities; high yield fixed income securities primarily rated BB, B, CCC, CC, C and D; and US dollar denominated debt securities of government, government related and corporate issuers in emerging market countries.

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EDITED TRANSCRIPT

CSL - Carlisle Companies Inc Conference call to discuss Acquisition of Liquid Finishing Business Assets from Graco and recently announced Acquisition of LHi Technology

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PRESENTATION

Operator

Good morning, my name is Kristin and I will be your conference operator today. At this time I would like to welcome everyone to the Carlisle Company conference call. All lines have been placed on mute to predict any background noise. After the speakers remarks' there will be a question and answer session. (Operator Instructions). Thank you.

Mr. David Roberts, you may begin your conference.

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Thank you. Good morning and welcome to the Carlisle conference call. It is a great day here in Charlotte, by the way.

On the phone with me is our Chief Operating Officer Chris Koch, our CFO Steven Ford, our CAO Kevin Zdimal, in our VP of Corporate Development, Scott Selbach.

With the news over the past seven days, I felt it would be the best to update all of you on some of the specifics of the announced acquisitions of LHi and Finishing Brands. Many of you have been in meetings with us over the last year where I have talked about lessening our dependence on the aerospace industry at CIT, and looking for a new leg that will replace the transportation product segment that we sold at the end of 2013. We didn't plan for both of these transactions to occur in close proximity to each other, but as we have found, it is impossible to predict and control timing of acquisitions.

Now that we have closed on the LHi transaction and will be working with the FTC to gain approval for the purchase of Finishing Brands, I can't tell you how pleased we are with both of the transactions that we are completing. These are quality businesses, managed by professional teams, and both will add shareholder value.

LHi was and Finishing Brands will be funded out of cash that we have generated from operations; cash we received from the sale of transportation products; and cash we are holding following our debt offering during the latter part of 2012.

Before we begin to review the detail of the two acquisitions, I ask that you turn your attention to slide 2, titled forward-looking statements. I strongly urge you to read these statements and review the documents we file with the SEC. Both detail the risk associated with investing in Carlisle.

Now let's turn to slide 4, which is a summary of the LHi transaction. The business was purchased from 3i, a private equity firm located in London, for $195 million, all in cash and a stock transaction.

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We were attracted to LHi because of its size -- more than $100 million in sales -- knowing that it could become the cornerstone of our medical cabling business. While their margins are currently less -- slightly less than 15%, we are confident that through the application of COS we can improve their margins moving them closer to our current segment performance. This will take at least a year to accomplish, but we are committed to make it happen. LHi should be accretive to EPS in its first full year.

The transition -- transaction closed on October 1. Slides 5 and 6 provide a bit more color on the strategic fit within CIT. The Company manufactures its products in Shenzhen, China, and calls every notable global medical equipment manufacturer a customer. Integrating LHi and its product line into CIT provides a kickstart to our medical cabling business, which has been growing nicely but off of a very small base.

The addition of LHi broadens our product offering. We currently offer a sophisticated wire and connector solution to our customers. And with the addition of LHi, we are now in a position to be a supplier of not only highly sophisticated products, but also mid-range reusable and high-volume disposable products. This product range will provide a one-stop solution for our customers.

With the addition of LHi, we now have manufacturing in the US, in Mexico, and in China.

Slide 7 details LHi's sales over the last four years. This has been a highly successful company that has grown through new product development. The management team that drove that performance will remain with the business.

Slide 8 is a pro forma look at CIT had we owned LHi through the first half of the year. Looking at the pie chart on the right side of the slide, shows that medical would have represented more than 15% of our sales. Through organic growth and acquisitions over the next two years, we plan for medical to grow to approximately 30% of our overall sales within CIT.

Let's now turn to the acquisition we announced earlier this morning, Finishing Brands, which is the liquid finishing component of the business that Graco acquired from ITW approximately three years ago. Shortly after Graco bought the business, the FTC ruled that a combination of ITW and Graco liquid finishing businesses would not be desirable in the marketplace. Following that ruling, Graco moved the business into a separate company and it has been managed by the ITW team that came over when the business was acquired.

When Chris Koch and I heard that the FTC decision was that it had to be separated, we contacted Graco and notified them that we would be interested in acquiring Finishing Brands. We saw it as an opportunity to create a new leg that could be a high-margin contributor with characteristics very similar to Graco's industrial business.

With my experience as CEO of Graco, and Chris's experience holding various executive positions at Graco, one of which was director of sales and marketing of the industrial business, we felt the learning curve would be short and we would become a formidable competitor to Graco's industrial segment, and that is clearly our intent. Once we close, this business will be called Carlisle Fluid Technologies or CFT.

Let's now turn to slide 10, which describes the transaction. We are paying $590 million in an all-cash transaction, all coming from our balance sheet. This is an asset deal that provides a cash tax deduction of up to $25 million each year for the next 15 years.

When you look at the historical performance of this business, it is easy to see how it fits our strategic financial objectives. It has operating margins in excess of 15% and the majority of its sales are outside of North America. It also has a significant revenue stream coming from the aftermarket, and most importantly, it is scalable.

The business is expected to be accretive to margins and it will be accretive to EPS in its first year as a Carlisle segment. Like LHi, the cash return on the investment is expected to exceed the cost of capital within three years.

Closing is dependent upon achieving regulatory approval. We hope to have those approvals by the end of 2014, but with the year coming to an end in the next 2 1/2 months, this could move into early 2015.

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As you look at slide 11, you'll see four brands that are viewed as premium brands by the marketplace. Ransburg, DeVilbiss, Binks, and BGK are crested brands by automotive OEs, wood finishers, aircraft builders, railcar manufacturers, auto re-finishers, shipbuilders, and heavy equipment manufacturing companies. The last 12 months' sales were $275 million. EBIT margins for the business have exceeded 20% during the same period.

To the key markets I have just mentioned, Finishing Brands sells applicators, pumps, packages, and plural component equipment. On slide 12, you will find a pie chart that details the percentage of products sold to each of the specific end markets.

Look at slide 13 and you will find the strategic rationale for this acquisition. I ask that you look at the last line on the first slide. Chris Koch and I know these markets. We know the products and we know the key people in the channels.

As I have said a number of times over the past eight months, we will not acquire an additional leg that we don't understand. Finishing Brands fits that bill perfectly. The business has a healthy margin profile, global growth opportunities, and engineering components that prevent its products from becoming a commodity. It has a very strong aftermarket revenue stream. These are ideal characteristics to establish a business for the long run.

We are buying it to make it larger through acquisition and product development. It is our objective to make it even more of a formidable player in a global market than it is today. We also feel strongly that through the implementation of COS, we can make the business more efficient. We will do this while being highly competitive in every market segment we participate in.

Slide 15 provides a geographic overview of the business. The 700 employees of Finishing Brands are located in 26 facilities across seven countries.

Slide 16 describes some of the opportunities we have identified. As I mentioned earlier, COS will be a key tool that we use to make the business more efficient, but this will not be a cost out exercise. We are buying a well-run company and we are making an investment to increase the number of new products being introduced, to improve the existing facilities, and to expand its global operations, all while we look for acquisitions to make the business bigger.

But now turn to slide 18 where we will see a pro forma look at how Graco would have -- Graco, sorry about that -- Carlisle would have looked, had we had LHi and Finishing Brands for the full year over the last 12 months. Sales would have been up $382 million and EBIT margins would have increased from 17.1% to 17.3%, which are pre-COS improvements.

We would not have been accepting of only a 20 basis point margin improvement and will expect a higher level of performance from these businesses going forward.

The last slide in our presentation, slide 19, is a pro forma look at our balance sheet. After investing $785 million, we still will have only $750 million in long-term debt and our entire $600 million revolver available to us. Our debt-to-cap remains at 25%.

This concludes my prepared remarks. Operator, we will now ask you to open the floor for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ivan Marcuse.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Congratulations on the deal, or deals.

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David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Thank you.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

First question, for the liquid businesses, what is the market dynamics like? Meaning, what is the market share of Graco and liquid brands? And is it a fragmented market?

And you talked about gaining the $500 million. So is that -- from $275 million to $500 million, would you say roughly 70% of that is going to be acquisitions, or how to think about that?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Yes, I think where it will come from, Ivan, the vast majority of that would have to come through acquisition. We want to look at some pump companies and some other businesses that would be great additions to the finishing products that they have.

If you really looked across some of the segments, there are two main players in the market and that would be the old ITW business, or Finishing Brands, and Graco. And they both have market share leadership positions in a given market. So, I mean, I couldn't sit here and really tell you where one is stronger than the other. They are both formidable players in the market.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

So, if you look at Graco's margins in the industrial business, they are up around -- they are on an operating basis up around 30%. Do you think that this business could get up there or is there something that is structural within the liquids that would prevent that to happen over time?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

No I really don't think there is anything structural that would prevent that from happening. I think we need to broaden the product offering. I think that's some of the things that drives Graco margins are the fact that they bring a very broad product into the market, so I think that would help. But there's nothing in the business that wouldn't suggest that we can't push in that direction.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

And then last question, and I will jump back into queue. Of the OEM and aftermarket revenues, how would you -- is that a 50/50, or how would you split OEM to aftermarket?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

I think it is probably -- and I don't have it in front of me. It is probably closer to 55/45 or so.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

OEM being 55?

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David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Yes.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Got it. All right, thank you very much.

Operator

Kevin Hocevar.

Kevin Hocevar - *Northcoast Research - Analyst*

Good morning, congratulations on the acquisitions.

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Thanks, Kevin.

Kevin Hocevar - *Northcoast Research - Analyst*

I was wondering if you could touch on, you know, with two decent sized acquisitions here, how we should think of cash deployment going forward. I know you have talked about share repurchases, but you have been in this self-imposed blackout period, so -- because you were looking at these. So, does that come to the forefront? Or do you still have bandwidth to handle more acquisitions presently?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Well, at this point, these were the two acquisitions that we were looking at. So we are going to be in a blackout period obviously until we are release earnings here next week, I guess it is. And then once we get through earnings release, we are then in a position that we can go out and repurchase shares if we still -- feel still fit.

We still are going to have cash available by the end of the year. We generate most of our cash in the fourth quarter. And despite the fact that we spent nearly $800 million on these two acquisitions, we will still have cash available to buy some shares back.

Kevin Hocevar - *Northcoast Research - Analyst*

Okay. And I was wondering if you could touch on how the liquid business, what type of sales growth has that business been seeing organically the past couple of years and what are your expectations looking out?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

It has been growing mid-single digits. We would expect that, again, depending on what we can do to broaden the product offering, that we should be able to get growth slightly higher than that. I don't think it is going to the anything in the double-digit category, but it certainly could be mid to high single digit growth.

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Kevin Hocevar - *Northcoast Research - Analyst*

Okay. And then you mentioned on -- with a question that Ivan asked, getting the $500 million acquisition will be a big part of that. How soon can you start adding on acquisitions given -- I am assuming there will be some integration period going on here -- how soon do you think you can start adding on M&A to that company?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Kevin, if somebody showed up on the porch tomorrow with a pump company, we would buy it.

Kevin Hocevar - *Northcoast Research - Analyst*

Okay, that's helpful. Thanks for your time.

Operator

Ajay Kejriwal, FBR Capital Markets.

Ajay Kejriwal - *FBR Capital Markets - Analyst*

Good morning and congratulations; two really good deals, one week.

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Thank you.

Ajay Kejriwal - *FBR Capital Markets - Analyst*

Maybe just on the cash returns, it said on both deals you expect to exceed cost of capital three years out. So that is really good bar there. Maybe help us with what cost of capital you are using and then return expectations four, five years out.

Steven Ford - *Carlisle Companies, Inc. - CFO*

Sure. So, Ajay, we are using about 9.5% as our cost of capital and we are computing this as our cash earnings. So it is our net earnings and adding back the D&A is what is allowing us to recover our cost of capital within a three-year period.

Ajay Kejriwal - *FBR Capital Markets - Analyst*

Good comment that is helpful. And you have good detail here on slight 18 pro forma, both revenue, EBITDA. Could you maybe help us with the D&A? I know it is probably early, the deal is not yet closed, but just any help you can provide how we should be thinking about the D&A on the two deals.

Steven Ford - *Carlisle Companies, Inc. - CFO*

Yes. At this point, we really would prefer to go through the valuation exercise with our professionals before we provide any color on that.

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Ajay Kejriwal - *FBR Capital Markets - Analyst*

Okay, that is fair. And then LHi sounds like there is opportunity as you implement COS. Maybe give us a sense of what that opportunity might be in terms of margin improvement. Could you, as you implement COS, could you get margins back to or even higher than where they were, after amortization of intangibles and all that?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Yes, I think that that would be difficult, but maybe a little history lesson on LHi. They grew so quickly that what they were doing is basically throwing bodies at the volume. And so they become -- became somewhat inefficient in what they are doing, and when they did that their margins started to take a down -- or start on a downward trend. But it is nothing that is alarming to us.

As we looked at the operations, there were opportunities for very inexpensive automated pieces of equipment that would allow us to automate some of their processes. In fact, they had already started with some of that. It is just that they didn't have the capability because they were trying to keep up with the revenue growth. So I think that with the engineering resource we have in St. Augustine, we will be able to certainly help them bring automation on more quickly than what they were.

Now, I am not sure that this business would ever be above a 20% margin business, particularly with the purchase accounting. But I don't see any reason why it wouldn't be in the mid-teens somewhere.

Ajay Kejriwal - *FBR Capital Markets - Analyst*

Got it. That's helpful. And maybe one last quick one on the tax benefit with liquid finishing. It sounds like that is a cash benefit. Would that help lower year effective tax rate overall? Or how should we think about that?

Steven Ford - *Carlisle Companies, Inc. - CFO*

No. It will not impact the effective tax rates, but there is a real tax savings. I mean we effectively will have basis in depreciable assets and we will be able to deduct that and save on our taxes. We sort of -- on a present value basis, we estimate the benefit to be around $70 million. And we use that savings relative to what we are paying to come up with a tax-effected multiple. But it is not going to impact our effective tax rate.

Now, Ajay, with respect to the effective tax rate, this is a more global business. This will give us some more planning opportunities. And I would expect the tax rate to be a little bit lower than the 33% or so rate that our existing businesses currently operate at.

Ajay Kejriwal - *FBR Capital Markets - Analyst*

Excellent. Congratulations, again. Thank you.

Steven Ford - *Carlisle Companies, Inc. - CFO*

Thank you.

Operator

Glenn Wortman, Sidoti & Company.

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Glenn Wortman - *Sidoti & Company - Analyst*

Good morning. You might have already answered this, but you said 15%-plus op margin business for liquid finishing. I don't know if you can get a little bit more specific than that. And does that include the effects of purchase accounting?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Yes. I think that until we own it and really get into it, the initial target is 15%, but the question was asked earlier. If you look at the Graco industrial business, it is generating returns in the 30% range. And we would expect that we could, over time, be able to get certainly closer to those returns.

Glenn Wortman - *Sidoti & Company - Analyst*

Okay. Now, I don't know if this is the right time for this, but is there any way you can give us an update on just the current business conditions for your other --?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

No.

Glenn Wortman - *Sidoti & Company - Analyst*

All right. Thank you very much.

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Sorry, Glenn, but (laughter).

Operator

Tim Wojs, Baird.

Tim Wojs - *Baird Equity Research - Analyst*

Hey, guys, congrats.

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Thanks, Tim.

Tim Wojs - *Baird Equity Research - Analyst*

I guess, just, you mentioned some investments in the liquid finishing business. I was just wondering if there is any way to ballpark some of those investments that might run through the P&L, whether it is people or some of the facility upgrades, and how we should think about that going forward.

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David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Yes, Tim, we just don't have a good enough feel for it. We need the management team to be involved in this. And it being in the held-separate category with Graco for the last couple of years, it really there has not been a lot of influence from the Graco side; in fact, no influence from the Graco side. And we have met the management team, but obviously we don't own the business yet. So we can't have any involvement with them.

Just from afar looking at it, we think that there's potentially some areas that they can improve in machining, just a variety of other things that we will have to take a look at. It is not going to be massive. You aren't going to see $40 million, $50 million, $60 million spent in this business. But there will be some capital required as we go forward.

Tim Wojs - *Baird Equity Research - Analyst*

Okay, that is helpful. And then, just in terms of the leadership you mentioned, it is it going to be the same team that runs that business? Or how do you think about who is going to run the business?

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Well, yes. We have got the management teams coming over with it. It is our intent to stick with those folks. The -- we are not quite sure -- it is going to be a separate segment itself. We have got to really understand fully how we are going to manage it.

But certainly Chris Koch will be intimately involved in it as we bring it in, as we start to integrate it into Graco (sic). So, other than it reporting as a separate segment today, I can't tell you who will be in charge, so on and so forth.

Tim Wojs - *Baird Equity Research - Analyst*

Okay. That is helpful. Thanks, guys.

Operator

(Operator Instructions). We have no further questions. I will now turn it back over to David Roberts for any closing remarks.

David Roberts - *Carlisle Companies, Inc. - Chairman and CEO*

Thank you, Kristin. I just want to thank everybody for attending the call. I think I misspoke earlier. I said that our conference call was next week. It is actually in two weeks. So, Glenn, you are going to have to wait another two weeks to get an update on business trends. But, anyway, again, thank everybody for calling and talk to you all later.

Operator

Thank you for your participation in today's conference call. You may now disconnect your lines.

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