

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On June 28, 1996, AGCO Corporation ("AGCO" or the "Company") acquired certain assets and liabilities of the agricultural and industrial equipment business (the "Acquired Business") of Iochpe-Maxion S.A. ("Iochpe-Maxion") for consideration consisting of approximately \$260.0 million (the "Maxion Acquisition"). The Maxion Acquisition was financed primarily by borrowings under the Company's revolving credit facility. The acquired assets and assumed liabilities consist primarily of accounts receivable, inventories, property, plant and equipment (including two manufacturing facilities), accounts payable and accrued liabilities. The Acquired Business was utilized by Iochpe-Maxion for the manufacture and distribution of agricultural tractors and combines and industrial loader-backhoes, and it is the Company's intention to utilize these assets in a similar manner in the future. The purchase price was determined through arms-length negotiations between the Company and Iochpe-Maxion and was based primarily on the estimated fair market value of the net assets acquired, the results of past operations of the Acquired Business and the expected future operations and related contribution that the Acquired Business is expected to make to the Company.

As a result of the Maxion Acquisition, the Company's operations expand to the design, manufacture and sale of tractors, combines and loader-backhoes in Brazil. The Acquired Business and Massey Ferguson are the market leaders in the Brazilian agricultural equipment market. The Acquired Business' average annual sales volume for the last three fiscal years has been approximately \$400 million.

DESCRIPTION OF THE ACQUIRED BUSINESS

Prior to the acquisition, the Acquired Business was AGCO's Massey Ferguson licensee in Brazil, manufacturing and distributing agricultural tractors and combines under the Massey Ferguson brand name, industrial loader-backhoes under the Massey Ferguson and Maxion brand names and combines under the IDEAL brand name. Through this licensee relationship, AGCO's participation was limited to its receipt of royalty payments for the Acquired Business' use of the Massey Ferguson brand name. At the time of the acquisition, the Acquired Business' production and other operations were completely independent of AGCO.

Manufacturing

AGCO acquired Iochpe-Maxion's tractor and combine manufacturing facilities. The agricultural tractor and industrial loader-backhoe production facility, together with the spare parts warehouse, is located in Canoas, a suburb of Porto Alegre, in the southern-most state of Rio Grande do Sul. The Canoas facility produces tractors in the 50 to 173 horsepower range. The combine manufacturing facility is located in Santa Rosa, Rio Grande do Sul. Similar to the Company, the acquired facilities are primarily assembly operations with all major components such as engines and transmissions being outsourced. The current product line consists of quality products of a lower specification and lower cost to meet the demands of the Brazilian market.

Engines for the majority of the Acquired Business' products are currently sourced from Iochpe-Maxion's engine division. In connection with the acquisition, the Company has entered into an engine supply agreement with Iochpe-Maxion to continue to source certain engines for use in AGCO's Brazilian production.

Distribution

The Acquired Business distributes products through approximately 140 independent dealers with approximately 360 outlets under the Massey Ferguson and IDEAL brand names. IDEAL also has independent distributor representation in Argentina, Chile, Ecuador, Paraguay and Uruguay and the industrial line has distributors in Argentina and Uruguay. The Maxion Acquisition enhances the Company's presence in the agricultural equipment market in South America by acquiring a market leadership position in Brazil, which is the largest market in South America.

The independent dealers and distributors are responsible for retail sales to end users and after-sales service and support. In Brazil, dealers are prohibited from carrying competing brands of tractors or combines from other manufacturers.

Retail Financing

A significant portion of retail sales of agricultural equipment in Brazil are financed through government subsidized financing programs. The Company believes the availability of government subsidized financing has and will continue to be an important factor affecting market demand.

Employees

The Maxion Acquisition increased the Company's workforce by approximately 1,400. Of these employees, approximately 900 are employed at the Canoas facility and approximately 500 are employed at the Santa Rosa facility. The manufacturing employees are generally represented by unions. In Brazil, new union contracts are negotiated each year and a number of employers in a geographic region are often parties to the same union agreement.

Environmental Laws

The Company believes that the Acquired Business is in compliance in all material respects with Brazilian environmental laws and the cost of compliance with such laws will not have a material adverse effect on the Company's results of operations or financial condition.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired

The financial statements required by Item 7(a) relative to the Maxion Acquisition described in Item 2 of this Form 8-K of AGCO Corporation are attached hereto as an exhibit and incorporated herein by this reference.

(b) Pro Forma Financial Information

The unaudited pro forma financial information required by Item 7(b) relative to the Maxion Acquisition described in Item 2 of this Form 8-K of AGCO Corporation is attached hereto as an exhibit and incorporated herein by this reference.

(c) Exhibits

Exhibit No. -----	Description -----
23.1	Consent of Price Waterhouse Auditores Independentes, independent public accountants.
99.1	Financial Statements required by Item 7(a).
99.2	Pro Forma Financial Information required by Item 7(b).
99.3	Agreement dated June 27, 1996 by and between Iochpe-Maxion S.A. and AGCO Corporation.
99.4	Engine Supply Agreement dated June 27, 1996 by and between Iochpe-Maxion S.A. and AGCO Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AGCO CORPORATION
Registrant

Date: July 12, 1996

By: Chris E. Perkins

Chris E. Perkins
Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Sequentially Numbered Page
23.1	Consent of Price Waterhouse Auditores Independentes, independent public accountants	
99.1	Financial Statements required by Item 7(a)	
99.2	Pro Forma Financial Information required by Item 7(b)	
99.3	Agreement dated June 27, 1996 by and between Iochpe-Maxion S.A. and AGCO Corporation	
99.4	Engine Supply Agreement dated June 27, 1996 by and between Iochpe-Maxion S.A. and AGCO Corporation	

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in AGCO Corporation's Registration Statements on Form S-8 (File No. 33-63802, File No. 33-83104, File No. 33-91686 and File No. 333-4707) of our report dated July 10, 1996 relating to the financial statements of the Agricultural Division of Iochpe-Maxion S.A., which appears in the Current Report on Form 8-K of AGCO Corporation dated June 28, 1996.

/s/ Price Waterhouse

Price Waterhouse
Auditores Independentes

Sao Paulo, Brazil
July 15, 1996

AGRICULTURAL DIVISION OF
IOCHPE-MAXION S.A.
Financial Statements at
December 31, 1995, 1994 and 1993
and Report of Independent Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

July 10, 1996

To the Boards of Directors of
Iochpe-Maxion S.A. and
AGCO Corporation

- 1 We have audited the accompanying balance sheets of the Agricultural Division ("the Division"), a wholly-owned division of Iochpe-Maxion S.A., as of December 31, 1995 and 1994 and the related statements of operations and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the management of Iochpe-Maxion S.A. Our responsibility is to express an opinion on these financial statements based on our audits.
- 2 We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.
- 3 As discussed in Note 1 to the financial statements, on June 28, 1996, certain assets and liabilities of the Agricultural Division, including the manufacturing facilities, were sold to AGCO Corporation.
- 4 In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division as of December 31, 1995 and 1994 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with accounting principles generally accepted in the United States of America.

/s/ Price Waterhouse

Price Waterhouse
Auditores Independentes
CRC-SP-160

/s/ Claudio Avelino Mac-Knight Filippi

Claudio Avelino Mac-Knight Filippi
Partner
Contador CRC-MG-16.843"S" SP-1.331

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

BALANCE SHEET

In thousands of U.S. dollars

	DECEMBER 31	
	1995	1994
ASSETS		
Current assets		
Cash and cash equivalents	2	947
Investments (Note 4)	1,058	1,892
Accounts and notes receivable, net of allowances (Note 5)	25,572	78,052
Inventories, net (Note 6)	84,810	43,299
Taxes recoverable	4,717	5,804
Deferred income tax and social contribution (Note 3)	9,611	5,522
Advances to suppliers	3,171	1,061
Other current assets	6,259	2,782
	-----	-----
	135,200	139,359
	-----	-----
Property, plant and equipment, net (Note 7)	31,375	31,024
Non-current receivables, net (Note 5)	10,532	15,047
Deferred income tax and social contribution (Note 3)	5,502	7,466
Deposits	36	33
Investments (Note 4)	2,528	4,396
	-----	-----
	185,173	197,325
	=====	=====

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

BALANCE SHEET

In thousands of U.S. dollars

(continued)

	DECEMBER 31	
	1995	1994
LIABILITIES AND DIVISION EQUITY		
Current liabilities		
Trade accounts payable	22,484	44,403
Loans (Note 8)	16,119	46,975
Commissions payable	5,391	2,229
Payroll and related charges	5,849	9,606
Taxes payable	725	2,594
Other	2,062	4,782
	52,630	110,589
Long-term liabilities		
Loans (Note 8)	4,744	2,661
Payable to head office (Note 12)	121,119	4,981
	178,493	118,231
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
Division equity		
Equity at January 1, 1993	38,667	38,667
Retained earnings (deficit) (Note 13)	(31,987)	40,427
	6,680	79,094
	185,173	197,325

The accompanying notes are an integral part of these financial statements.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

STATEMENT OF OPERATIONS
In thousands of U.S. dollars

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
NET SALES	265,208	563,178	368,712
COST OF SALES	221,466	406,118	293,052
GROSS PROFIT	43,742	157,060	75,660
EXPENSES (INCOME)			
Selling	31,577	41,441	23,411
General and administrative	29,326	21,860	14,451
Overhead allocated by head office	10,429	16,681	12,735
Research and development	4,869	1,345	2,482
Excess capacity costs (Note 14)	16,096		
Interest and financial expenses	39,541	91,758	48,891
Interest and financial income	(6,038)	(87,580)	(50,896)
Other, net	685	(35)	(71)
Foreign exchange loss	9,952	18,533	9,297
INCOME (LOSS) BEFORE TAXES	(92,695)	53,057	15,360
Income tax and social contribution expense (benefit) (Note 3)	(20,281)	21,706	6,284
NET INCOME (LOSS)	(72,414)	31,351	9,076

The accompanying notes are an integral part of these financial statements.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

STATEMENT OF CASH FLOWS
In thousands of U.S. dollars

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	(72,414)	31,351	9,076
Adjustments to reconcile net income (loss) with cash provided by (used in) operating activities			
Foreign exchange loss	9,952	18,533	9,297
Depreciation and amortization	4,313	3,950	3,733
Deferred tax charges (credits)	(2,125)	(5,535)	(2,501)
Gain on sale of property, plant and equipment	(276)	(106)	(124)
Other			12
Decrease (increase) in assets			
Accounts and notes receivable	48,549	(101,311)	(100,017)
Taxes recoverable	359	(6,185)	(9,135)
Inventories	(41,511)	(22,875)	(7,662)
Other	(6,584)	(4,236)	(2,959)
Increase (decrease) in liabilities			
Trade accounts payable	(17,461)	48,210	50,007
Advances from dealers		(504)	11,207
Commission payable	3,734	1,927	13,522
Payroll and related charges	(2,713)	10,046	19,518
Income and other taxes	(1,657)	2,816	2,819
Payable to head office	31,785	90,366	52,557
Other	(2,270)	4,921	11,481
Net cash provided by (used in) operating activities	(48,319)	71,368	60,831
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(4,690)	(5,147)	(2,101)
Additions to deposits	(3)	(25)	
Decrease (increase) in investments in time deposits	2,039	(6,884)	(5,610)
Proceeds from sale of property, plant and equipment	302	169	396
Net cash used in investing activities	(2,352)	(11,887)	(7,315)

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

STATEMENT OF CASH FLOWS

In thousands of U.S. dollars

(continued)

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term debt, net	(26,766)	51,025	51,858
Long-term debt			
Issuances	2,628	3,043	2,000
Repayments		(72)	(1,061)
Net amount received from (remitted to) head office	84,353	(83,220)	(54,722)
Net cash provided by (used in) financing activities	60,215	(29,224)	(1,925)
Effect of exchange rate changes on cash	(10,489)	(29,687)	(52,099)
Increase (decrease) in cash and cash equivalents	(945)	570	(508)
Cash and cash equivalents, beginning of year	947	377	885
Cash and cash equivalents, end of year	2	947	377
Cash paid during the year for:			
Interest and financial charges	39,541	91,758	48,891
Income tax (Note 3)	0	0	0

The accompanying notes are an integral part of these financial statements.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

1 BUSINESS

The Agricultural Division ("the Division"), a wholly-owned division of Iochpe-Maxion S.A., is principally engaged in the production and sale of tractors, harvesters, and replacement parts. The Division's plants are located in Canoas and Santa Rosa (Rio Grande do Sul, Brazil). The Division distributes its products through independent dealers in Brazil. In addition, the Division sells its products directly to end users in other South American countries.

On June 28, 1996, AGCO Corporation acquired certain assets and liabilities of the Division, including the manufacturing facilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

The financial statements of the Division have been derived from the consolidated financial statements of Iochpe-Maxion S.A. and have been prepared to present the financial position, results of operations and cash flows of the Division on a stand-alone basis. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which differ in certain respects from the Brazilian accounting principles applied by Iochpe-Maxion S.A.

The head office of Iochpe-Maxion S.A. provides certain services to, and incurs certain costs on behalf of, its subsidiaries and divisions. These services include accounting, legal and computer services. These costs are allocated to the subsidiaries and divisions on a pro rata basis based on the relative net sales of the subsidiaries and divisions. Management considers this allocation method to be reasonable.

The income tax returns of Iochpe-Maxion S.A. include the operations of the Division. For financial reporting purposes, the Division computes a current provision (credit) for income taxes and social contribution on a separate return basis based on statutory rates in effect, and a credit or charge for the current provision (credit) is recorded in the receivable from (payable to) head office account.

(B) REMEASUREMENT OF THE FINANCIAL STATEMENTS

The Division transacts the majority of its business in Brazilian currency and has selected the United States dollar as its reporting currency. Accordingly, the financial statements of the Division are remeasured into United States currency in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" (SFAS 52), as applicable to operations of an entity denominated in the currency of a country with a highly-inflationary economy.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

Monetary assets and liabilities are remeasured to United States dollars at period-end exchange rates. Nonmonetary assets and division equity are remeasured to United States dollars at historical exchange rates. Income and expense items are remeasured at average monthly rates of exchange prevailing during the period, except for depreciation and cost of sales, which are remeasured at historical exchange rates.

The foreign exchange gain or loss on remeasurement is charged to the statement of operations currently.

Unless otherwise stated, all monetary assets and liabilities of the Division are denominated in Brazilian currency.

(C) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. The estimates made by management primarily relate to selection of useful lives for property, plant and equipment, receivable and inventory allowances and certain accrued liabilities, principally relating to sales allowances and warranty.

(D) TIME DEPOSITS

These investments are carried at cost plus accrued interest, which approximates market value.

(E) INVENTORIES

Inventories are stated at the average cost of purchase or production. These amounts do not exceed replacement or realizable values. Allowances for slow-moving or obsolete inventory are recorded when applicable.

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Interest on construction in progress during 1995, 1994 and 1993 was not capitalized due to immateriality. Depreciation is computed on the straight-line basis at rates which take into consideration the useful lives of the items; principally 25 years for buildings and improvements, 10 years for machinery and equipment and 5 years for tooling. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

(G) REVENUES AND EXPENSES

Revenues are recognized when products are shipped or services are rendered; expenses and costs are recognized on the accrual basis.

(H) PRODUCT WARRANTY COSTS

The Division's manufactured products are covered by warranties of between eight and twelve months. Estimated warranty costs are accrued at the time of sale based on past experience and current circumstances.

(I) COMPENSATED ABSENCES

The Division fully accrues the liability for future compensation to employees for vacations vested during the period.

(J) INTEREST AND FINANCIAL INCOME AND EXPENSE

Interest and financial income and expense include interest at stated rates as well as indexation of receivables and payables to the consumer price index or other inflation indices. Unearned financial income on accounts receivable is recognized on a ratable basis over the terms of the receivables.

(K) INCOME TAXES

Statement of Financial Accounting Standards No. 109 has been applied for all periods presented. The current income tax charge (credit) has been determined by applying the statutory rate for the period to pre-tax income (loss) adjusted for temporary differences. The deferred tax effects of temporary differences have been recognized in the financial statements except that, in accordance with paragraph 9(f) of SFAS 109, deferred taxes have not been recorded for differences relating to certain assets and liabilities that are remeasured from Brazilian currency to U.S. dollars at historical exchange rates and that result from changes in exchange rates or indexing to inflation in local currency for tax purposes.

(L) STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, time deposits that have an original maturity to the Division of 90 days or less are considered cash equivalents.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

(M) DIVISION EQUITY

Division equity represents an amount equivalent to the net assets of the Division at January 1, 1993, increased (decreased) by net income (loss) in each period.

(N) RECENT ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which established accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used, as well as for long-lived assets and certain identifiable intangibles to be disposed. This standard will be required to be adopted in 1996. The adoption of this standard will not have a material effect on the Division's financial position.

3 INCOME TAXES

Income taxes in Brazil include federal income tax and social contribution. The statutory rates applicable in each period were as follows:

	%		

	YEAR ENDED DECEMBER 31		

	1995	1994	1993
	-----	-----	-----
Federal income tax	43.00	35.00	35.00
Social contribution (*)	5.18	5.91	5.91
	=====	=====	=====
Composite tax rate	48.18	40.91	40.91
	=====	=====	=====

(*) The social contribution is deductible for federal income tax purposes.

In January 1995, the federal income tax rate was increased from 35% to 43% resulting in a composite tax rate of 48.18%. Based on legislation enacted on December 26, 1995, the rates were subsequently changed to 25% for income tax and 5.56% for social contribution (a composite tax rate of 30.56%) effective January 1, 1996.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

The components of the income tax expense (benefit) were as follows:

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
	-----	-----	-----
Current provision (benefit)	(18,156)	27,241	8,785
Deferred provision (benefit)	(2,125)	(5,535)	(2,501)
	-----	-----	-----
	<u>(20,281)</u>	<u>21,706</u>	<u>6,284</u>
	=====	=====	=====

The amount reported as income tax expense or benefit in these financial statements is reconciled to the statutory rates as follows:

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
	-----	-----	-----
Income (loss) before income taxes	(92,695)	53,057	15,360
	=====	=====	=====
Tax expense (benefit) at statutory rate	(44,660)	21,706	6,284
Effect of changes in tax rates	24,379		
	-----	-----	-----
Tax expense (benefit) per statement of operations	<u>(20,281)</u>	<u>21,706</u>	<u>6,284</u>
	=====	=====	=====

The major components of the deferred tax accounts in the balance sheet are as follows:

	AS OF DECEMBER 31	
	1995	1994
	-----	-----
Temporary differences, mainly non-deductible accrued expenses	13,479	8,165
Unearned financial income	1,634	4,823
	-----	-----
Deferred tax asset (liability)	<u>15,113</u>	<u>12,988</u>
	=====	=====
Current assets	9,611	5,522
	=====	=====
Non-current assets	5,502	7,466
	=====	=====

The Division generated a tax loss of approximately US\$ 102,000 in 1995. The benefit of the tax loss (US\$ 31,000 at December 31, 1995) is recorded as an income tax benefit and a reduction of the payable to head office, because the loss is available to all unincorporated divisions of Iochpe-Maxion S.A. and may be carried forward indefinitely.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

4 INVESTMENTS

Investments consist of time deposits denominated in Brazilian currency.

The Division's non-current investments are subject to compensating balance arrangements in connection with certain banks' machine financing programs for the Division's customers.

5 ACCOUNTS AND NOTES RECEIVABLE

AS OF DECEMBER 31

	1995	1994
	-----	-----
Customers		
Domestic	118,353	241,935
Less: Receivables sold with recourse under the "vendor" program	(75,234)	(139,154)
Outstanding domestic receivables	43,119	102,781
Export, all denominated in U.S. dollars	2,229	2,385
	-----	-----
Subtotal	45,348	105,166
Unearned financial income	(5,348)	(11,790)
Allowance for doubtful accounts	(3,896)	(277)
	-----	-----
Total	36,104	93,099
	=====	=====
Current assets	25,572	78,052
Non-current assets	10,532	15,047
	-----	-----
	36,104	93,099
	=====	=====

The original collection terms of long-term accounts receivable vary from 18 to 36 months, and most of these receivables are indexed to the variation in agricultural commodity prices.

Outstanding domestic receivables include balances which are indexed to the variation of certain agricultural commodity prices in Brazil:

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

	As of December 31	
	1995	1994
Milk	4,062	7,952
Corn	3,890	5,983
Soybeans	712	451
Sugar cane	97	783
Beef	75	229
	8,836	15,398
	=====	=====

Gains on indexed receivables amounted to US\$ 1,111, US\$ 29,164 and US\$ 13,244 in 1995, 1994 and 1993, respectively.

The Division is currently executing property guarantees obtained on certain overdue receivables, in the amount of approximately US\$ 5,800 at December 31, 1995.

The Division has financed certain customer receivables under the "vendor" program. Customer receivables in this program have been sold with recourse to various banks, including Banco Iochpe S.A., a subsidiary of Iochpe-Maxion S.A. Proceeds from sales of receivables with recourse amounted to US\$ 179,000, US\$ 408,000 and US\$ 142,000 in 1995, 1994 and 1993, respectively. Expected losses under the recourse provisions of the program are included in the allowance for doubtful accounts.

Domestic sales of agricultural machinery are dependent upon government financing and assistance programs available to farmers for the acquisition of capital goods, in addition to general market conditions for agricultural produce.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

6 INVENTORIES, NET

AS OF DECEMBER 31

	1995	1994
	-----	-----
Finished products	24,446	6,415
Merchandise for resale (accessories)	4,277	6,184
Raw materials	52,866	29,901
Spare parts and maintenance supplies	3,221	799
	-----	-----
	84,810	43,299
	=====	=====

7 PROPERTY, PLANT AND EQUIPMENT

AS OF DECEMBER 31

	1995	1994
	-----	-----
Land	9,293	9,293
Buildings and improvements	11,514	11,496
Equipment and installations	24,095	21,513
Tooling	11,339	11,992
Furniture and fixtures	811	756
Other	3,837	3,372
Construction in progress	2,225	1,988
	-----	-----
	63,114	60,410
Accumulated depreciation	(31,739)	(29,386)
	-----	-----
Total	31,375	31,024
	=====	=====

A substantial part of the Division's plant and equipment is pledged in guarantee of borrowings.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

8 LOANS

AS OF DECEMBER 31

1995 1994

COMMERCIAL PAPER PAYABLE IN U.S. DOLLARS; ANNUAL INTEREST RATE OF 12.5%; VARIOUS MATURITIES THROUGH DECEMBER 1995		34,438
SHORT-TERM AND MEDIUM-TERM FINANCING OF IMPORT TRANSACTIONS; PAYABLE IN U.S. DOLLARS; AVERAGE ANNUAL INTEREST RATES OF 8.3% AND 9.0%, RESPECTIVELY; VARIOUS MATURITIES THROUGH JUNE 1997 AND JUNE 1995, RESPECTIVELY	12,664	3,047
LOCAL CURRENCY LOANS; AVERAGE ANNUAL INTEREST RATE OF 11% PLUS THE REFERENCE INTEREST RATE (TR); VARIOUS MATURITIES THROUGH 2000	8,199	12,151
	-----	-----
	20,863	49,636
Current liabilities	(16,119)	(46,975)
	-----	-----
Long-term liabilities	4,744	2,661
	=====	=====

The loans fall due as follows:

1996	16,119
1997	2,055
1998	1,132
1999	1,064
2000	493

	20,863
	=====

Loans are guaranteed by liens on machinery and equipment.

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the Division's financial instruments approximates fair market value because of the short-term maturity or frequent repricing of these instruments.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

In connection with the sale of machines to certain agricultural producers, the Division enters into unsecured swap contracts with these customers. Under the terms of these contracts, the Division receives monthly interest payments based on the variation of certain agricultural commodity prices (such as soybeans, corn, sugar cane, beef etc.) and pays interest at the reference interest rate (TR) or the consumer price index (IPC), plus 11% per annum semiannually. The Division adjusts these swap contracts to estimated fair value and records the fair value adjustment and the net difference between the rates received and paid as components of interest and financial income. The contracts are recorded as a component of accounts receivable. The carrying value of these contracts was an asset of US\$ 5,200 at December 31, 1995 and a liability of US\$ 400 at December 31, 1994.

The nominal value of these swap contracts is summarized below:

	As of December 31	
	1995	1994
	-----	-----
Commodity		
Milk	9,478	18,556
Corn	9,076	13,962
Soybeans	1,660	1,053
Sugar cane	227	1,828
Beef	175	536
	-----	-----
	20,616	35,935
	=====	=====

Losses on these swap contracts amounted to US\$ 8,505, US\$ 28,653 and US\$ 7,378 in 1995, 1994 and 1993, respectively.

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

10 COMMITMENTS AND CONTINGENCIES

EMPLOYEE BENEFITS

The Division maintains no private pension plans for its employees but makes monthly contributions based on payroll to the government pension, social security and severance indemnity plans and such payments are expensed as incurred. In addition, certain payments are due on dismissal of employees, being principally one month's salary and a severance payment calculated at 40% of the accumulated contributions made to the government severance indemnity plan on behalf of the employee. Amounts paid on dismissal totalled US\$ 2,723, US\$ 2,383 and US\$ 756 in the years ended December 31, 1995, 1994 and 1993, respectively. Dismissals subsequent to December 31, 1995 amounted to an additional US\$ 54.

OTHER

Iochpe-Maxion S.A. is a defendant in numerous lawsuits relating to the Division in the ordinary course of business. Management does not believe that an adverse outcome in any or all of these proceedings would have a material adverse effect on the Division's financial position or results of operations.

11 RELATED PARTY TRANSACTIONS

The Division purchases engines and other components from other divisions of Iochpe-Maxion S.A. In addition, certain services provided by Iochpe-Maxion S.A.'s head office and machinery maintenance division are charged to the Division. These transactions are summarized below:

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
	-----	-----	-----
Purchases of engines, at cost	34,714	44,712	31,037
Purchases of components	1,137	1,732	
Purchases of maintenance services	3,661		
Allocation of overhead from head office	10,429	16,681	12,735

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

Transfers of engines are recorded at cost. For management purposes only, Iochpe-Maxion S.A. imputes a profit margin on these transfers, which would have resulted in additional charges to cost of sales of US\$ 6,048, US\$ 14,776 and US\$ 3,570 in 1995, 1994 and 1993, respectively.

12 RECEIVABLE FROM (PAYABLE TO) HEAD OFFICE

The amount receivable from (payable to) head office does not accrue interest. The major movements in this account relate to the following:

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Balance at beginning of the year	(4,981)	2,165	
Income tax credit (provision)	18,156	(27,241)	(8,785)
Overhead allocation	(10,429)	(16,681)	(12,735)
Purchases of engines, components and maintenance services	(39,512)	(46,444)	(31,037)
Cash remittances (receipts), net	(84,353)	83,220	54,722
Balance at end of the year	(121,119)	(4,981)	2,165
Average balance during the year	(95,963)	(6,358)	2,997

13 RETAINED EARNINGS (DEFICIT)

Changes in retained earnings (deficit) are summarized below:

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Balance at beginning of the year	40,427	9,076	
Net income (loss)	(72,414)	31,351	9,076
Balance at the end of the year	(31,987)	40,427	9,076

AGRICULTURAL DIVISION OF IOCHPE-MAXION S.A.

NOTES TO THE FINANCIAL STATEMENTS

AT DECEMBER 31, 1995, 1994 AND 1993

Expressed in thousands of U.S. dollars, unless otherwise indicated

14 EXCESS MANUFACTURING CAPACITY

During the third and fourth quarters of 1995, the Division temporarily ceased most of its manufacturing operations in response to a decline in demand for its products. The fixed costs attributable to the idle capacity are included in net income (loss) for the periods affected.

* * *

F-20

PRO FORMA FINANCIAL INFORMATION

The Pro Forma Consolidated Statements of Income are based on the historical Consolidated Financial Statements of the Company, adjusted to give effect to the following as if it had occurred on January 1, 1995: (i) the Maxion Acquisition, (ii) the Company's issuance in March 1996 of \$250.0 million of its 8 1/2% Senior Subordinated Notes Due 2006 (the "March Offering") and the application of the net proceeds therefrom and (iii) the Company's replacement in March 1996 of its \$550.0 million secured revolving credit facilities (the "Old Credit Facility") with a new five year \$650.0 million unsecured multi-currency revolving credit facility (the "New Credit Facility"). The Pro Forma Consolidated Balance Sheet as of March 31, 1996 is based on the historical Consolidated Financial Statements of the Company, adjusted to give effect to the Maxion Acquisition, as if it had occurred on March 31, 1996.

The Maxion Acquisition was accounted for under the purchase method of accounting. The total purchase price for the Maxion Acquisition was allocated to tangible and identifiable intangible assets and liabilities based upon the Company's preliminary estimates of their fair values with the excess of cost over net assets acquired allocated to goodwill. The allocation of the purchase price for this acquisition is subject to revision when additional information concerning asset and liability valuations is obtained. The Company does not believe that the asset and liability valuation for this acquisition will be materially different from the pro forma information presented herein. For purposes of presenting pro forma results, no changes in revenues and expenses have been made to reflect the results of any modification to operations that might have been made had such transactions been consummated on the assumed effective date of the transactions. The pro forma expenses include the recurring costs which are directly attributable to these transactions, such as interest expense, depreciation expense and amortization of the excess of cost over net assets acquired.

The Pro Forma Financial Information does not purport to represent what the Company's results of operations or financial position would actually have been had such transactions actually occurred on any of the dates set forth above or to project the Company's results of operations for any future period.

PRO FORMA CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1995

CONSOLIDATED				
	COMPANY	MAXION ACQUISITION(2)	ADJUSTMENTS	PRO FORMA
(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Revenues:				
Net sales.....	\$2,068,427	\$265,208	\$(19,587)(3) 1,971(4)	\$2,316,019
Finance income.....	56,621	--	--	56,621
	2,125,048	265,208	(17,616)	2,372,640
Costs and Expenses:				
Cost of goods sold.....	1,627,716	237,562	(19,587)(3) 6,048(5) 1,327(6)	1,853,066
Selling, general and administrative expenses.....	200,588	60,903	1,971(4) (704)(7)	262,758
Engineering expenses.....	27,350	4,869	--	32,219
Interest expense, net.....	63,211	33,503	23,271(8)	119,985
Other expense, net.....	9,602	685	704(7) 2,843(9)	13,834
Nonrecurring acquisition related expenses.....	6,000	--	--	6,000
Corporate overhead allocated from Iochpe-Maxion.....	--	10,429	--	10,429
Foreign exchange losses.....	--	9,952	--	9,952
	1,934,467	357,903	15,873	2,308,243
Income (loss) before income taxes, equity in net earnings of unconsolidated subsidiary and affiliates and extraordinary loss....	190,581	(92,695)	(33,489)	64,397
Provision (benefit) for income taxes...	65,897	(20,281)	(10,248)(10)	35,368
Income (loss) before equity in net earnings of unconsolidated subsidiary and affiliates and extraordinary loss.....	124,684	(72,414)	(23,241)	29,029
Equity in net earnings of unconsolidated subsidiary and affiliates.....	4,458	--	--	4,458
Net income (loss).....	129,142	(72,414)	(23,241)	33,487
Preferred stock dividends.....	2,012	--	--	2,012
Net income (loss) available for common stockholders.....	\$ 127,130	\$(72,414)	\$(23,241)	\$ 31,475
Net Income per Common Share:				
Primary.....	\$ 2.76			\$ 0.68
Fully diluted.....	\$ 2.30			\$ 0.62
Weighted Average Number of Common and Common Equivalent Shares Outstanding:				
Primary.....	46,126			46,126
Fully diluted.....	56,684			56,684

PRO FORMA CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1995

EQUIPMENT OPERATIONS (1)				
	COMPANY	MAXION ACQUISITION(2)	ADJUSTMENTS	PRO FORMA
(IN THOUSANDS)				
Revenues:				
Net sales.....	\$2,068,427	\$265,208	\$(19,587)(3) 1,971(4)	\$2,316,019
Finance income.....	--	--	--	--
	2,068,427	265,208	(17,616)	2,316,019
Costs and Expenses:				
Cost of goods sold.....	1,627,716	237,562	(19,587)(3) 6,048(5) 1,327(6)	1,853,066
Selling, general and administrative expenses.....	186,752	60,903	1,971(4) (704)(7)	248,922

Engineering expenses.....	27,350	4,869	--	32,219
Interest expense, net.....	31,490	33,503	23,271 (8)	88,264
Other expense, net.....	9,654	685	704 (7)	13,886
			2,843 (9)	
Nonrecurring acquisition related expenses.....	6,000	--	--	6,000
Corporate overhead allocated from Iochpe-Maxion.....	--	10,429	--	10,429
Foreign exchange losses.....	--	9,952	--	9,952
	<u>1,888,962</u>	<u>357,903</u>	<u>15,873</u>	<u>2,262,738</u>
Income (loss) before income taxes, equity in net earnings of unconsolidated subsidiary and affiliates and extraordinary loss....	179,465	(92,695)	(33,489)	53,281
Provision (benefit) for income taxes...	61,563	(20,281)	(10,248) (10)	31,034
Income (loss) before equity in net earnings of unconsolidated subsidiary and affiliates and extraordinary loss.....	117,902	(72,414)	(23,241)	22,247
Equity in net earnings of unconsolidated subsidiary and affiliates.....	11,240	--	--	11,240
Net income (loss).....	129,142	(72,414)	(23,241)	33,487
Preferred stock dividends.....	2,012	--	--	2,012
Net income (loss) available for common stockholders.....	<u>\$ 127,130</u>	<u>\$(72,414)</u>	<u>\$(23,241)</u>	<u>\$ 31,475</u>

PRO FORMA CONSOLIDATED STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 1996

CONSOLIDATED				
	COMPANY	MAXION ACQUISITION(2)	ADJUSTMENTS	PRO FORMA
(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Revenues:				
Net sales.....	\$453,884	\$ 48,172	\$(1,212)(3) 278 (4)	\$501,122
Finance income.....	16,808	--	--	16,808
	470,692	48,172	(934)	517,930
Costs and Expenses:				
Cost of goods sold.....	360,144	60,051	(1,212)(3) 166 (5) 332 (6)	419,481
Selling, general and administrative expenses.....	49,439	8,608	278 (4) (75)(7)	58,250
Engineering expenses.....	6,979	1,022	--	8,001
Interest expense (income), net.....	15,052	(5,485)	6,022 (8)	15,589
Other expense (income), net.....	2,466	(1,414)	75 (7) 711 (9)	1,838
Nonrecurring expenses.....	5,923	--	--	5,923
Corporate overhead allocated from Iochpe-Maxion.....	--	1,437	--	1,437
Foreign exchange losses.....	--	1,977	--	1,977
	440,003	66,196	6,297	512,496
Income (loss) before income taxes, equity in net earnings of unconsolidated subsidiary and affiliates and extraordinary loss.....	30,689	(18,024)	(7,231)	5,434
Provision (benefit) for income taxes.....	10,867	(5,508)	(2,210)(10)	3,149
Income (loss) before equity in net earnings of unconsolidated subsidiary and affiliates and extraordinary loss.....	19,822	(12,516)	(5,021)	2,285
Equity in net earnings of unconsolidated subsidiary and affiliates.....	773	--	--	773
Income (loss) before extraordinary loss.....	\$ 20,595	\$(12,516)	\$(5,021)	\$ 3,058
Income (Loss) before Extraordinary Loss per Common Share:				
Primary.....	\$ 0.40			\$ 0.06
Fully diluted.....	\$ 0.37			\$ 0.06
Weighted Average Number of Common and Common Equivalent Shares Outstanding:				
Primary.....	51,292			51,292
Fully diluted.....	57,071			57,071

PRO FORMA CONSOLIDATED STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 1996

EQUIPMENT OPERATIONS(1)				
	COMPANY	MAXION ACQUISITION(2)	ADJUSTMENTS	PRO FORMA
(IN THOUSANDS)				
Revenues:				
Net sales.....	\$453,884	\$ 48,172	\$(1,212)(3) 278 (4)	\$501,122
Finance income.....	--	--	--	--
	453,884	48,172	(934)	501,122
Costs and Expenses:				
Cost of goods sold.....	360,144	60,051	(1,212)(3) 166 (5) 332 (6)	419,481
Selling, general and administrative expenses.....	46,246	8,608	278 (4) (75)(7)	55,057
Engineering expenses.....	6,979	1,022	--	8,001
Interest expense (income), net.....	5,964	(5,485)	6,022 (8)	6,501
Other expense (income), net.....	2,443	(1,414)	75 (7) 711 (9)	1,815

Nonrecurring expenses.....	5,923	--	--	5,923
Corporate overhead allocated from				
Iochpe-Maxion.....	--	1,437	--	1,437
Foreign exchange losses.....	--	1,977	--	1,977
	-----	-----	-----	-----
	427,699	66,196	6,297	500,192
	-----	-----	-----	-----
Income (loss) before income taxes, equity				
in net earnings of unconsolidated				
subsidiary and affiliates and				
extraordinary loss.....	26,185	(18,024)	(7,231)	930
Provision (benefit) for income taxes.....	9,033	(5,508)	(2,210)(10)	1,315
	-----	-----	-----	-----
Income (loss) before equity in net				
earnings of unconsolidated subsidiary				
and affiliates and extraordinary				
loss.....	17,152	(12,516)	(5,021)	(385)
Equity in net earnings of unconsolidated				
subsidiary and affiliates.....	3,443	--	--	3,443
	-----	-----	-----	-----
Income (loss) before extraordinary				
loss.....	\$ 20,595	\$(12,516)	\$(5,021)	\$ 3,058
	=====	=====	=====	=====

- (1) The Pro Forma Income Statement Data under the caption "Equipment Operations" reflects the consolidation of all operations of the Company and its subsidiaries with the exception of Agricredit, which is included using the equity method of accounting.
- (2) Represents the actual results of operations of the Acquired Business for fiscal 1995 and the three months ended March 31, 1996.
- (3) To reflect the elimination of sales of machinery and equipment from the Company to the Acquired Business of \$5,032 and from the Acquired Business to the Company of \$14,555 for the year ended December 31, 1995 and from the Company to the Acquired Business of \$290 and from the Acquired Business to the Company of \$922 for the three months ended March 31, 1996.
- (4) To reflect the elimination of sales commissions paid by the Acquired Business to the Company which the Acquired Business recorded as a reduction to net sales and the Company recorded as a reduction to selling, general and administrative expenses.
- (5) To reflect a write-up in the cost of engines purchased from the Iochpe-Maxion engine division based on an imputed profit margin on the interdivisional transfers. The Acquired Business' historical financial statements under the heading "Maxion Acquisition" in the Pro Forma Consolidated Statements of Income included herein reflect engine prices at the cost to Iochpe-Maxion S.A. without such imputed profit margin.
- (6) To reflect increased depreciation expense related to the write-up over book value of the acquired fixed assets based on management's preliminary estimates of the fair value.
- (7) To reflect the elimination of royalties paid by the Acquired Business to the Company which the Acquired Business recorded as selling, general and administrative expenses and the Company recorded as other income.
- (8) To reflect the increase in interest expense with respect to the following:

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996
--	---------------------------------	--------------------------------------

Interest and fees incurred on the Company's revolving credit facility in connection with the financing of the Maxion Acquisition in the principal amount of \$260 million at an interest rate of 7.6% for the year ended December 31, 1995 and 6.7% for the three months ended March 31, 1996.	\$19,760	\$4,355
Increase in interest expense and fees on borrowings incurred in connection with the March Offering and the replacement of the Old Credit Facility with the New Credit Facility. Excludes the write-off of capitalized fees and expenses associated with the refinancing of the Old Credit Facility, which were \$3.5 million, net of taxes, and which were recorded as an extraordinary loss in the first quarter of 1996.	3,511	1,667
	-----	-----
	\$23,271	\$6,022
	=====	=====

- (9) To reflect amortization of the preliminary estimate of the excess of cost over net assets acquired related to the Maxion Acquisition.
- (10) To reflect the additional tax benefit related to the net effect of the pro forma adjustments recorded at the statutory rate of 30.6% in effect at December 31, 1995 and March 31, 1996.

Pro Forma Consolidated Balance Sheet
As of March 31, 1996

ASSETS	Consolidated		
	Historical	Adjustments	Pro Forma
	(In thousands)		
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 27,207	\$ -	\$ 27,207
Accounts and notes receivable, net of allowances.	753,653	27,000 (2)	780,653
Receivables from unconsolidated subsidiary and affiliates	6,041	-	6,041
Credit receivables, net	197,790	-	197,790
Inventories, net	429,704	40,000 (2)	469,704
Other current assets	57,625	14,221 (2)	71,846
	-----	-----	-----
Total current assets	1,472,020	81,221	1,553,241
Noncurrent credit receivables, net	390,549	-	390,549
Property, plant and equipment, net	143,696	96,265 (2)	239,961
Investments in unconsolidated subsidiary and affiliates	45,975	-	45,975
Other assets	49,822	-	49,822
Intangible assets, net	104,158	113,735 (2)	217,893
	-----	-----	-----
Total assets	\$2,206,220	\$291,221	\$2,497,441
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Current portion of long-term debt.	\$ 365,193	\$ -	\$ 365,193
Accounts payable	277,749	17,000 (2)	294,749
Payables to unconsolidated subsidiary and affiliates	26,561	-	26,561
Accrued expenses	218,353	14,221 (2)	232,574
Other current liabilities.	12,153	-	12,153
	-----	-----	-----
Total current liabilities	900,009	31,221	931,230
Long-term debt	602,533	260,000 (3)	862,533
Convertible subordinated debentures	29,926	-	29,926
Postretirement health care benefits	23,799	-	23,799
Other noncurrent liabilities	39,296	-	39,296
	-----	-----	-----
Total liabilities	1,595,563	291,221	1,886,784
Stockholders' Equity:			
Common stock	519	-	519
Additional paid-in capital	315,264	-	315,264
Retained earnings.	304,292	-	304,292
Unearned compensation	(19,418)	-	(19,418)
Additional minimum pension liability	(2,619)	-	(2,619)
Cumulative translation adjustment.	12,619	-	12,619
	-----	-----	-----
Total stockholders' equity	610,657	-	610,657
	-----	-----	-----
Total liabilities and stockholders' equity	\$2,206,220	\$291,221	\$2,497,441
	=====	=====	=====

ASSETS	Equipment Operations (1)		
	Historical	Adjustments	Pro Forma
	(In thousands)		
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 24,595	\$ -	\$ 24,595
Accounts and notes receivable, net of allowances.	753,653	27,000 (2)	780,653
Receivables from unconsolidated subsidiary and affiliates	9,690	-	9,690
Credit receivables, net	-	-	-
Inventories, net	429,704	40,000 (2)	469,704
Other current assets	54,266	14,221 (2)	68,487
	-----	-----	-----
Total current assets	1,271,908	81,221	1,353,129
Noncurrent credit receivables, net	-	-	-
Property, plant and equipment, net	143,348	96,265 (2)	239,613
Investments in unconsolidated subsidiary and affiliates	108,598	-	108,598
Other assets	49,822	-	49,822
Intangible assets, net	104,158	113,735 (2)	217,893
	-----	-----	-----
Total assets	\$1,677,834	\$291,221	\$1,969,055
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Current portion of long-term debt.	\$ -	\$ -	\$ -
Accounts payable	273,708	17,000 (2)	290,708
Payables to unconsolidated subsidiary and affiliates	26,561	-	26,561

Accrued expenses	208,231	14,221 (2)	222,452
Other current liabilities	12,153	-	12,153
	-----	-----	-----
Total current liabilities	520,653	31,221	551,874
	-----	-----	-----
Long-term debt	462,533	260,000 (3)	722,533
Convertible subordinated debentures	29,926	-	29,926
Postretirement health care benefits	23,799	-	23,799
Other noncurrent liabilities	30,266	-	30,266
	-----	-----	-----
Total liabilities	1,067,177	291,221	1,358,398
Stockholders' Equity:			
Common stock	519	-	519
Additional paid-in capital	315,264	-	315,264
Retained earnings	304,292	-	304,292
Unearned compensation	(19,418)	-	(19,418)
Additional minimum pension liability	(2,619)	-	(2,619)
Cumulative translation adjustment	12,619	-	12,619
	-----	-----	-----
Total stockholders' equity	610,657	-	610,657
	-----	-----	-----
Total liabilities and stockholders' equity	\$1,677,834	\$291,221	\$1,969,055
	=====	=====	=====

(1) The Balance Sheet Data captioned "Equipment Operations" reflects the consolidation of all operations of the Company and its subsidiaries with the exception of Agricredit, which is included using the equity method of accounting.

(2) To reflect the preliminary purchase price allocation of the net assets acquired related to the Maxion Acquisition.

(3) To reflect the increase in outstanding borrowings as a result of the Maxion Acquisition.

AGREEMENT
BETWEEN
AGCO CORPORATION
AND
IOCHPE-MAXION S.A.

JUNE 27, 1996

TABLE OF CONTENTS

ARTICLE I
FORMATION AND CAPITALIZATION OF NEWCO

1.1	Formation of Newco	1
1.2	Transfer of Assets	1
1.3	Excluded Assets.	3
1.4	Assumption of Liabilities by Newco.	3
1.5	Working Capital Adjustments.	4
1.6	Post-Closing Adjustments.	4

ARTICLE II
PURCHASE OF SHARES IN NEWCO BY MAXION AND AGCO AND CLOSING

2.1	Issuance of Newco Shares to Maxion and AGCO.	5
2.2	Split of Newco.	6
2.3	Transfer Taxes	6
2.4	Closing.	6
2.5	Deliveries at Closing.	6

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF MAXION

3.1	Organization and Good Standing.	6
3.2	Power and Authorization.	7
3.3	Binding Effect.	7
3.4	No Violation; Consents.	7
3.5	Capitalization	7
3.6	Corporate Records.	8
3.7	Financial Statements.	8
3.8	Liabilities.	8
3.9	Division Assets.	8
3.10	Real Property.	8
3.11	Intellectual Property.	9
3.12	Notes and Accounts Receivable.	9
3.13	Inventories.	9
3.14	Contracts and Commitments.	9
3.15	Dealers and Suppliers.	10
3.16	Products and Services.	10
3.17	Ordinary Course of the Business.	10
3.18	Litigation.	11
3.19	Compliance with Laws.	11
3.20	Permits and Licenses.	11
3.21	Taxes.	11
3.22	Insurance.	12
3.23	Environmental.	12
3.24	Compensation Structure.	16
3.25	Labor-Related Matters.	16
3.26	Transactions With Management.	16
3.27	Propriety of Past Payments	16
3.28	Insolvency Proceedings	17
3.29	Representations and Warranties.	17

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF AGCO

4.1	Organization and Good Standing.	17
4.2	Power and Authorization.	17
4.3	Binding Effect.	17
4.4	No Violation; Consents.	17
4.5	Representations and Warranties.	18

ARTICLE V
COVENANTS OF MAXION PENDING CLOSING

5.1	Conduct of the Business Pending Closing	18
5.2	Access to the Business.	19
5.3	Acquisition Proposals.	20
5.4	Approvals and Consents.	20
5.5	Further Action.	20

ARTICLE VI
CONDITIONS TO OBLIGATIONS OF AGCO

6.1	Representations and Warranties	20
6.2	Performance of Agreements	20
6.3	Regulatory Approvals	21
6.4	Board Approval	21
6.5	Consents and Approvals of Third Parties	21
6.6	No Injunctions	21
6.7	No Material Adverse Change	21
6.8	Trademark License Agreement	21
6.9	Engine Supply Agreement.	21
6.10	Shared Services Agreement.	21
6.11	Certificates.	21
6.12	Opinion of Counsel	22
6.13	Books and Records	22
6.14	Permits and Licenses.	22
6.15	Ordinary Course of Business.	22
6.16	Real Estate.	22
6.17	Pay-Off Letters.	22
6.18	Evidence Regarding Representations and Warranties	23
6.19	Other Documents.	23

ARTICLE VII
CONDITIONS TO OBLIGATIONS OF MAXION

7.1	Representations and Warranties	23
7.2	Performance of Agreements	23
7.3	Approvals	23
7.4	Board Approval	23
7.5	No Injunctions	23

7.6	Trademark License Agreement	23
7.7	Engine Supply Agreement	23
7.8	Shared Services Agreement	23
7.9	Certificates	24
7.10	Opinion of Counsel	24
7.11	Other Documents	24

ARTICLE VIII
OTHER AGREEMENTS OF THE PARTIES

8.1	Employees.	24
8.2	Restrictive Covenants.	24
8.3	Environmental.	25
8.4	Brokers; Expenses.	27
8.5	Best Efforts; Further Assurances	27
8.6	Publicity	27
8.7	Transition Period	27
8.8	Easements	27
8.9	United States GAAP Financial Statements	27

ARTICLE IX
INDEMNIFICATION

9.1	Indemnification by Maxion.	28
9.2	Indemnification by AGCO	29
9.3	Administration of Claims	29
9.4	Limitation on Indemnification Obligation	30

ARTICLE X
TERMINATION

10.1	Termination	31
10.2	Cut-Off Date.	31
10.3	Effect of Termination.	31

ARTICLE XI
MISCELLANEOUS

11.1	Notices.	31
11.2	Dispute Resolution.	32
11.3	Entire Agreement.	32
11.4	Waiver; Amendment.	32
11.5	Severability	33
11.6	Governing Law	33
11.7	Assignment	33
11.8	Binding Effect.	33
11.9	Cumulative Remedies	33
11.10	Headings	33
11.11	Reference with Agreement.	33

11.12	Interpretation	33
11.13	Definition of Knowledge	33
11.14	Multiple Copies	34

SCHEDULES

Schedule 1.2-1	Changes to March 31, 1996 Balance Sheet
Schedule 1.2-2	Permitted Liens
Schedule 1.2(d)	Real Property
Schedule 1.3(b)	Excluded Contracts
Schedule 1.4	Certain Assumed Liabilities
Schedule 1.6	Closing Adjustment Schedule Accounts
Schedule 2.1	Funding Timetable
Schedule 3.4(d)	Required Consents
Schedule 3.7	Financial Statements
Schedule 3.9	Division Assets
Schedule 3.11	Intellectual Property
Schedule 3.14	Contracts
Schedule 3.15	Dealers and Suppliers
Schedule 3.16	Products and Services; Warranty
Schedule 3.17	Exceptions to Ordinary Course of Business
Schedule 3.18	Litigation
Schedule 3.20	Permits and Licenses
Schedule 3.22	Insurance
Schedule 3.23	Environmental
Schedule 3.24	Key Employees
Schedule 3.25	Labor Matters
Schedule 8.1	Excluded Employees
Schedule 8.3(c)	Wastewater Treatment Facilities
Schedule 8.8	Easements

EXHIBITS

Exhibit A	Working Capital Adjustments
Exhibit B	Trademark License Agreement
Exhibit C	Engine Supply Agreement
Exhibit D	Shared Services Agreement
Exhibit E	Opinion of Maxion Counsel
Exhibit F	Opinion of AGCO Counsel

AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into this 27th day of June, 1996 (the "Effective Date"), by and between IOCHPE-MAXION S.A., a Brazilian company ("Maxion"), and AGCO CORPORATION, a Delaware corporation ("AGCO"). For purposes of this Agreement, the term "AGCO" shall include any person or entity controlled, directly or indirectly, by AGCO.

W I T N E S S E T H:

WHEREAS, Maxion is engaged, through its agricultural equipment and industrial tractor division (the "Division"), in the business of developing, manufacturing, distributing and selling agricultural equipment, industrial tractors, and related products and parts (the "Business"); and

WHEREAS, pursuant to the terms and conditions set forth herein, Maxion desires to sell to AGCO, and AGCO desires to purchase from Maxion, substantially all of the assets used or employed by Maxion in connection with the operation of the Business and to assume certain specific liabilities related to the Business;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the premises, the mutual promises, covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
FORMATION AND CAPITALIZATION OF NEWCO

1.1 FORMATION OF NEWCO. Prior to the "Closing" (as hereinafter defined), Maxion shall form a wholly owned (except for a nominal amount of shares which shall be owned by a nominee of Maxion), direct Brazilian subsidiary ("Newco"), with issued capital stock of 10,000 shares. For purposes of this Agreement, the term "Newco" shall include any successor to Newco. Maxion shall not permit Newco to issue any shares of its capital stock except as expressly provided in this Agreement.

1.2 TRANSFER OF ASSETS. At the Closing, and subject to Section 2.1 hereof, Maxion shall transfer, assign, convey and deliver to Newco, all of the assets, properties and rights of Maxion (other than the "Excluded Assets" as defined in Section 1.3 hereof) which are used or employed in the operation of the Business (collectively, the "Division Assets"), including, without limitation, all assets, properties and rights reflected on the balance sheet of the Division as of March 31, 1996 (the "March 31, 1996 Balance Sheet") included in the "Financial Statements" (as defined in Section 3.7 hereof), with only such changes since the date thereof: (i) as shall have occurred in the ordinary course of the Business consistent with past practices; or (ii) as listed on Schedule 1.2-1. Maxion shall transfer, assign, convey and deliver the Division Assets to Newco free and clear of all liens, claims, security interests and other encumbrances, except for only the liens more particularly described on Schedule 1.2-2 hereto (collectively, the "Permitted Liens"). For Brazilian tax law purposes, Maxion shall transfer the Division Assets to Newco (and record the Division Assets on the books and records of Newco) at their book values as of the Closing (which values shall reflect the April 25, 1996 reappraised value of fixed assets at approximately R\$98,000,000) and shall

pay all taxes associated therewith in a timely manner. Without limiting the generality of the foregoing, the Division Assets shall include the following assets, properties and rights used or employed in the operation of the Business:

- (a) all machinery, equipment, tooling, office equipment, vehicles, furniture, fixtures and other tangible personal property;
- (b) all accounts receivable (other than any accounts receivable originating from Cuba or Iraq), notes receivable and prepaid expenses;
- (c) all inventories, including all finished goods, work-in-process, raw materials, spare parts and supplies;
- (d) the real property, including all buildings, improvements, structures and fixtures located thereon and all easements and other rights relating thereto, used by the Division located in Canoas and Santa Rosa, Rio Grande do Sul, Brazil, as more particularly described on Schedule 1.2(d);
- (e) all patents, copyrights, know how, technical documentation, trade secrets, trademarks, service marks, trade names and other intellectual property (together with all applications therefor, collectively, "Intellectual Property"), whether owned or licensed;
- (f) all contracts, agreements and other instruments, including all dealer contracts and distribution agreements, relating to the Business, except any such contracts, agreements and other instruments which are required to be listed on Schedule 3.14 to make the representations and warranties contained in Section 3.14 hereof true and correct and which are not listed thereon;
- (g) all licenses, permits and authorizations relating to the Business;
- (h) Maxion's ownership interest in Consorcio Massey Ferguson;
- (i) all books, records and documents relating to Newco or the Division Assets, except to the extent Maxion is required to retain any such books, records or documents pursuant to applicable law (in which case Newco shall be afforded access to and copies of such retained books, records and documents in connection with the operation of the Business); and
- (j) to the extent transferable, all tax credits relating to the Business.

Maxion shall be solely responsible for all liabilities and costs associated with the transfer and assignment of the Division Assets to Newco.

1.3 EXCLUDED ASSETS. Notwithstanding the provisions of Section 1.2 hereof, the term "Division Assets" shall not include any of the following assets, properties and rights (collectively, the "Excluded Assets"):

- (a) all cash and cash equivalents;
- (b) all contracts, agreements and other instruments listed on Schedule 1.3(b);
- (c) all insurance policies maintained by Maxion (other than insurance proceeds relating to any losses to Division Assets occurring prior to the Closing);
- (d) all tax credits allocable to the raw materials and component parts contained in any products sold by the Division prior to the Closing; and
- (e) any assets used or employed primarily in connection with Maxion's engine production division and retrofitting division, provided that such assets are not reflected on the Financial Statements and, subject to Section 8.7 hereof, such assets are not located on any of the real property described in Section 1.2(d) hereof.

1.4 ASSUMPTION OF LIABILITIES BY NEWCO. Subject to Sections 1.5 and 1.6 hereof, at the Closing Newco shall only assume the liabilities and obligations of Maxion (i) which arise with respect to any period of time after the Closing under the contracts being assigned to Newco pursuant to Section 1.2(f) hereof or (ii) which were incurred in the ordinary course of the Business consistent with past practices and are reflected on Schedule 1.4 hereto (all of such liabilities being assumed by Newco are hereinafter referred to collectively as the "Assumed Liabilities"). Notwithstanding the foregoing, the term "Assumed Liabilities" shall not include (and Newco shall not assume or agree to pay) any of the following "Excluded Liabilities":

- (a) any indebtedness of Maxion or the Division for borrowed money, including all amounts outstanding under any bank or other lending institution loan agreements;
- (b) any liabilities of Maxion or the Division related to (i) any former employee of the Business, (ii) any existing employee of the Business that is not performing services for or on behalf of the Business as of the Closing, except to the extent otherwise required by Brazilian law, or (iii) any existing employee of the Business to the extent that such liability relates to events or acts occurring prior to the Closing, except to the extent otherwise required by Brazilian law;
- (c) any liabilities of Maxion or the Division relating to or arising from any violation of or noncompliance with any federal, state or local law, statute, rule or regulation applicable to Maxion, the Division or the Business to the extent that such liability exists prior to, or relates to

events or acts occurring prior to, the Closing, including any such laws, statutes, rules and regulations related to environmental, employment, and health and safety matters;

- (d) any liabilities of Maxion or the Division with respect to any taxes (provided the tax credits described in Section 1.3(d) hereof may be applied thereto), levies, license fees or withholdings of any kind related to any date or period of time prior to the Closing;
- (e) any liability of Maxion or the Division arising under any agreement, contract or other document to the extent such liability relates to events occurring prior to the Closing, except to the extent any such amounts are reflected on the March 31, 1996 Balance Sheet, with only such changes since the date thereof as shall have occurred in the ordinary course of the Business consistent with past practices or as otherwise agreed by AGCO and Maxion;
- (f) any liability of Maxion or the Division under any tort or similar claim to the extent such liability relates to events occurring prior to the Closing;
- (g) any liability of Maxion or the Division that has not been incurred in the ordinary course of the Business or does not relate to the Business; and
- (h) any liability (other than product warranty claims of the Division) relating to any products manufactured or sold by Maxion or the Division prior to the Closing, including, without limitation, any product liability claims.

Notwithstanding anything else herein to the contrary, Maxion shall be responsible for, and shall timely pay and discharge when due, all of the Excluded Liabilities.

1.5 WORKING CAPITAL ADJUSTMENTS. Maxion and AGCO hereby agree that the value of inventory and accounts receivable of the Business being transferred to Newco pursuant to Section 1.2 hereof may be in excess of the value intended to be contributed to Newco by Maxion. In addition, the value of the accounts payable of the Business being assumed by Newco pursuant to Section 1.4 hereof may be in excess of the value intended in connection with such contribution. Accordingly, Maxion and AGCO hereby agree that such items shall be adjusted after the Closing in accordance with the provisions of Exhibit A attached hereto.

1.6 POST-CLOSING ADJUSTMENTS.

(a) AGCO and Maxion agree that the amount of the "Contributed Consideration" (as defined in Section 2.1(b) hereof) shall be adjusted subsequent to the Closing in the manner set forth in this Section 1.6.

(b) Within 90 days following the Closing, Newco shall prepare and submit to Maxion a financial schedule (the "Closing Adjustment Schedule") setting forth the amount

as of the Closing of the types of assets and liabilities of the Division described on Schedule 1.6 hereto. The Closing Adjustment Schedule shall be prepared in accordance with Brazilian generally accepted accounting principles applied consistently with past practices. Upon receipt of the Closing Adjustment Schedule, Maxion shall have a period of fifteen (15) days to notify Newco of any objections it has with respect to any of the information set forth on the Closing Adjustment Schedule; and thereafter Newco and Maxion shall attempt in good faith to resolve any such objections. In the event that the parties are unable to resolve any such objections, the dispute shall be submitted to a mutually agreeable independent nationally recognized accounting firm, which shall resolve such dispute. The parties shall equally share the expense of any such accounting firm.

(c) Within five (5) days following the later of (i) the expiration of the fifteen (15) day period during which Maxion may object to the Closing Adjustment Schedule, or (ii) the resolution of any objections filed by Maxion with respect to the Closing Adjustment Schedule:

- (x) Maxion shall pay to Newco the amount of any excess of liabilities over the amount of assets, as reflected on the Closing Adjustment Schedule, or
- (y) Newco shall pay to Maxion the amount of any excess of assets over the amount of liabilities, as reflected on the Closing Adjustment Schedule.

(d) Nothing contained in the Closing Adjustment Schedule is intended to limit or restrict the amount, type or class of assets being transferred by Maxion to Newco pursuant to Section 1.2 hereof.

ARTICLE II

PURCHASE OF SHARES IN NEWCO BY MAXION AND AGCO AND CLOSING

2.1 ISSUANCE OF NEWCO SHARES TO MAXION AND AGCO.

(a) Subject to the terms and conditions contained herein, Maxion shall contribute to Newco an amount equal to R\$147,685,340.14 in exchange for 100,000,000 shares of the capital stock of Newco, being represented by (i) the real estate transferred to Newco pursuant to Section 1.2 hereof and more particularly described on Schedule 1.2(d) hereto and (ii) the receivable held by Maxion against Newco in an amount, subject to Exhibit A hereto, equal to the assets transferred to Newco pursuant to Section 1.2 hereof other than the real estate referenced in subsection (i) above (such receivable being created upon the transfer of such assets to Newco pursuant to Section 1.2 hereof).

(b) Subject to the terms and conditions contained herein, and in accordance with Schedule 2.1 hereto, at the Closing AGCO shall cause an indirect, wholly owned Brazilian subsidiary ("AGCO Brazil") to contribute to Newco the "Contributed Consideration" (as hereinafter defined) in exchange for 56,811,581 shares (to be adjusted for currency fluctuations to the time of funding) of the capital stock of Newco, and Newco shall register such shares in the name of AGCO Brazil in the Book of Registry of Nominative Shares of Newco. For purposes of this Agreement, "Contributed Consideration" shall mean

an amount in reais equal to U.S. \$260,000,000 (to be calculated in accordance with the rate of exchange for which such amount will be converted into reais on the date of such contribution by AGCO Brazil).

2.2 SPLIT OF NEWCO. At the Closing, Maxion and AGCO Brazil shall effect a split of Newco pursuant to Brazilian Law No. 6.404/76 such that: (a) Maxion receives the Contributed Consideration: (i) of which the total amount (the "Debt Repayment Amount") necessary to repay in full the obligations of Maxion more particularly described on Schedule 1.2-2 hereto shall be paid directly to the appropriate lenders of Maxion (the "Lenders") on behalf of Maxion, all in accordance with Schedule 1.2-2 hereto, and (ii) R\$1,509,759.31 of which shall be paid directly to AGCO (or retained by Newco for the account of AGCO) on behalf of Maxion for certain commission and royalty obligations owed by Maxion to AGCO; (b) the shares of Newco owned by Maxion and Maxion's nominee shall be cancelled; (c) AGCO Brazil and one (1) nominee of AGCO remain the sole owners of all the issued and outstanding shares of capital stock of Newco; and (d) Newco retains sole ownership of all of the Division Assets, free and clear of all liens, claims, security interests and other encumbrances (other than the Permitted Liens, which will be released upon the Lenders' compliance with the terms of their respective pay-off letters delivered pursuant to Section 6.18 hereof).

2.3 TRANSFER TAXES. Any and all transfer, sales, stamp, documentation, income or other taxes, assessments or fees which may arise or result from the transfer of the Division Assets to Newco, the split of Newco or any other transaction contemplated herein shall be the responsibility of, and shall be promptly and timely paid by, Maxion.

2.4 CLOSING. Provided that all of the conditions contained in Articles VI and VII hereof have been satisfied or waived in accordance therewith, the closing of the transactions provided for in this Agreement (the "Closing") shall occur at the offices of Maxion located at Av. das Nacoes Unidas, 17.891 - 10# andar, 04795-100 - Seo Paulo - SP, Federative Republic of Brazil, at 10:00 a.m. local time on June 28, 1996, or on such other date or at such other place as the parties hereto shall mutually agree.

2.5 DELIVERIES AT CLOSING. At the Closing, each of Maxion and AGCO shall deliver to the other all of the documents, instruments, certificates and opinions required to be delivered by it pursuant to Article VI and Article VII hereof, respectively.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF MAXION

Notwithstanding any independent investigation or verification undertaken by AGCO or its representatives (including, without limitation, any environmental audits or reports), Maxion hereby represents and warrants to AGCO as follows:

3.1 ORGANIZATION AND GOOD STANDING. Maxion is a corporation duly organized, validly existing and in good standing under the laws of Brazil. Maxion is duly qualified to conduct business as a corporation and is in good standing in each jurisdiction in which such qualification is required as a result of the conduct of its businesses or the ownership of its properties. As of the Closing, Newco shall be a corporation duly organized, validly existing

and in good standing under the laws of Brazil, and, subject to Section 3.20, Newco shall be duly qualified to conduct business as a corporation and in good standing in each jurisdiction in which such qualification is required as a result of the conduct of the Business and the ownership of the Division Assets.

3.2 POWER AND AUTHORIZATION. Maxion has full power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Maxion and Maxion's performance of its obligations hereunder have been duly authorized by all necessary corporate action on the part of Maxion. No other action is necessary to authorize the execution, delivery and performance of this Agreement by Maxion.

3.3 BINDING EFFECT. This Agreement constitutes the legal, valid and binding obligation of Maxion enforceable in accordance with its terms.

3.4 NO VIOLATION; CONSENTS. Neither the execution and delivery of this Agreement by Maxion nor the performance by Maxion of all of its obligations hereunder will:

- (a) violate or conflict with any provision of the Bylaws of Maxion;
- (b) violate, breach or otherwise constitute or give rise to a default under any material contract, commitment or other obligation to or by which Maxion or the Division is a party or is bound;
- (c) violate or conflict with any statute, ordinance, law, rule, regulation, judgment, order or decree of any court or other governmental or regulatory authority to which Maxion or the Division is subject; or
- (d) except as set forth on Schedule 3.4(d), require any consent, approval or authorization of, notice to, or filing, recording, registration or qualification with any person, entity, court or governmental or regulatory authority.

3.5 CAPITALIZATION. As of the Closing, only 10,000 shares of the capital stock of Newco shall be issued and outstanding, all of which shall be owned by Maxion (except for a nominal amount of shares which shall be owned by a nominee of Maxion), and all of such shares shall have been duly authorized and validly issued, and shall be fully paid and non-assessable. Except for the shares to be issued to Maxion and AGCO Brazil pursuant to this Agreement, as of the Closing there shall be no outstanding options, warrants, calls, rights, commitments or agreement obligating Maxion or Newco to issue, deliver or sell additional shares of Newco's capital stock. Upon the issuance of such shares to Maxion and AGCO Brazil pursuant to this Agreement, 100,010,000 of the issued and outstanding shares of the capital stock of Newco shall be owned by Maxion (except for a nominal amount of such shares which shall be owned by a nominee of Maxion) and 56,811,581 (to be adjusted for currency fluctuations to the time of funding) of such issued and outstanding shares shall be owned by AGCO Brazil (except for a nominal amount of shares which shall be owned by a nominee of AGCO).

3.6 CORPORATE RECORDS. The books and records of the Division heretofore furnished to AGCO by Maxion are true, correct and complete in all material respects, and the books and records of Newco to be furnished to AGCO by Maxion prior to or at the Closing shall be true, correct and complete in all material respects.

3.7 FINANCIAL STATEMENTS. Attached hereto as Schedule 3.7 are true, correct and complete copies of: (a) audited financial statements (including a balance sheet, income statement and statement of cash flow) with respect to the Division for the years ended December 31, 1995, and December 31, 1994; and (b) reviewed financial statements (including a balance sheet, income statement and statement of cash flow) with respect to the Division for the fiscal quarters ended March 31, 1996, and March 31, 1995 (such audited and reviewed financial statements being referred to collectively as the "Financial Statements"). The Financial Statements were prepared in accordance with Brazilian generally accepted accounting principles consistently applied ("GAAP"), can be reconciled with the books and records of the Division, and present fairly the financial position, results of operations and cash flow of the Division as of the dates thereof and the periods covered thereby.

3.8 LIABILITIES. To the best of Maxion's knowledge, the Division does not have as of the date hereof any debt, liability, or obligation of any kind (whether accrued, absolute, known or unknown, contingent or otherwise), other than (a) the Excluded Liabilities, and (b) those reflected on the March 31, 1996 Balance Sheet with only such changes thereto as have been incurred since the date thereof in the ordinary course of the Business consistent with past practices. Subject to Exhibit A, as of the Closing, Newco shall have no debt, liability or obligation of any kind (whether accrued, absolute, known or unknown, contingent or otherwise) other than the Assumed Liabilities.

3.9 DIVISION ASSETS. Schedule 3.9 describes all of the Division Assets in a manner sufficient to permit AGCO to identify and locate such Division Assets. The Division Assets constitute and include all of the assets, properties and rights, other than the Excluded Assets, which are used or employed in connection with the operation of, and which are required by AGCO to operate, the Business (including, without limitation, the manufacturing of the Division's products) in a manner consistent with past operations. As of the date hereof Maxion has, and as of the Closing Newco shall have, good, valid and marketable title to all of the Division Assets (other than the "Leased Assets" as hereinafter defined), free and clear of all liens, charges, security interests and other encumbrances, other than the Permitted Liens which will be released in accordance with Section 2.2 hereof. Schedule 3.9 also identifies all of the Division Assets which are leased from any person or entity (collectively, the "Leased Assets"). As of the date hereof Maxion has, and as of the Closing Newco shall have, the right to use all of the Leased Assets in connection with the operation of the Business pursuant to valid and enforceable lease agreements. As of the Closing, Newco shall own no assets other than the Division Assets. All of the Division Assets are in good operating condition and repair (normal wear and tear excepted).

3.10 REAL PROPERTY. Schedule 1.2(d) sets forth a complete and correct list of all real property used in connection with the operation of the Business and the fair market value of each such parcel of real property. Maxion has (and Newco shall have as of the Closing) good, valid and marketable title to all of such real property, free and clear of all liens, claims, security interests and other encumbrances, other than the Permitted Liens which will

be released at the Closing in accordance with Section 2.1 hereof. None of such real property is subject to any easement, right of way, license, grant, building or use restriction, exception, reservation, limitation or other impediment which adversely interferes with or impairs the present and continued use thereof in the operation of the Business in a manner consistent with past practices.

3.11 INTELLECTUAL PROPERTY. Schedule 3.11 contains a complete list of all Intellectual Property used by the Division in, or necessary to, the operation of the Business. As of the date hereof, Maxion owns or holds a valid license to use (and as of the Closing Newco shall own or hold a valid license to use) all right, title and interest in and to, and has (and Newco shall have as of the Closing) all rights to protect and use, all such Intellectual Property. Schedule 3.11 identifies any such Intellectual Property which is owned as of the date hereof by any person or entity other than Maxion (or will be owned as of the Closing by any person or entity other than Newco) and any Intellectual Property in or to which Maxion has granted any rights to any other person or entity, and Schedule 3.11 briefly describes the terms of all such arrangements. Maxion has not, in the operation of the Business, violated or infringed any Brazilian patent, copyright, trade secret, trademark, service mark or other intellectual property rights of any other person or entity, and there are no claims pending or threatened against Maxion asserting that its use of any Intellectual Property infringes the rights of any other person or entity. Maxion has not made or asserted any claim of violation or infringement of any Intellectual Property against any other person or entity, and Maxion is not aware of any such violation or infringement.

3.12 NOTES AND ACCOUNTS RECEIVABLE. All notes receivable, accounts receivable and other receivables of the Business reflected on the March 31, 1996 Balance Sheet, and all such receivables arising since the date thereof, represent bona fide claims against debtors for sales made, services performed or other charges arising on or before the date hereof, and all of the goods delivered and services performed that gave rise to such receivables were delivered or performed in accordance with the applicable orders, contracts, or dealer or customer requirements. None of such receivables are subject to any defenses, counterclaims or rights of offset, and the accounts receivable included in the Division Assets shall be fully collectible in the ordinary course of the Business. All such receivables are evidenced by written agreements, invoices or other instruments, true and correct copies of which will be made available to AGCO for examination prior to the Closing. The Division has not written off any such receivables since March 31, 1996, except in the ordinary course of the Business consistent with past practices.

3.13 INVENTORIES. The inventory included in the Division Assets consists of items of a quality and quantity usable and salable in the ordinary course of the Business, and the values of obsolete materials, excess materials and materials below standard quality have been written down on the Division's books and records on a consistent basis to realizable market value, or adequate reserves have been provided therefor.

3.14 CONTRACTS AND COMMITMENTS. Schedule 3.14 contains a list which identifies and briefly describes all written and oral contracts, agreements, leases, guaranties or commitments relating to the Business to which Maxion or the Division is a party or by which Maxion or the Division may be bound (including, without limitation, distributorship agreements, dealer agreements, and open purchase orders): (a) involving the payment by or to the Business of more than \$25,000 in any twelve (12) month period; (b) which may not be

terminated by the Business on less than ninety (90) days' notice; or (c) which is otherwise material to the operation of the Business. Each such contract, agreement, guaranty or commitment was entered into in the ordinary course of the Business, is in full force and effect, is valid and enforceable in accordance with its terms, constitutes a legal and binding obligation of the respective parties thereto, and is not the subject of any notice of default, termination or partial termination. Maxion and the Division have complied in all material respects with the provisions of each such contract, agreement, guaranty and commitment and have submitted a true and complete copy of each such document to AGCO for its review.

3.15 DEALERS AND SUPPLIERS. Schedule 3.15 contains a complete and accurate list of all dealers and suppliers of the Business for the years 1994 and 1995, showing sales by dealer, by geography and by year with respect to each product manufactured or sold in connection with the operation of the Business. Maxion has not received any notice from any such dealer or supplier that it intends to terminate, decrease or otherwise adversely alter its relationship with the Division or its successor which would materially and adversely affect the Business (individually or in the aggregate), and Maxion knows of no reason why any such dealer or supplier would not continue to do business with Newco under substantially similar terms as it does business with the Division. As of the Closing, Newco shall be the proper and vested assignee to Maxion's interest in each contract between Maxion and any dealer or supplier of the Business.

3.16 PRODUCTS AND SERVICES. Schedule 3.16 lists all of the products manufactured or sold, and all of the services performed, as part of the Business during the past two (2) years. Schedule 3.16 also contains a true, correct and complete copy of all warranties given by Maxion with respect to any of such products or services, and the amounts reserved on the March 31, 1996 Balance Sheet (with only such changes since the date thereof as shall have occurred in the ordinary course of the Business consistent with past practices or as otherwise agreed by AGCO and Maxion) for warranty obligations and returned goods are adequate therefor.

3.17 ORDINARY COURSE OF THE BUSINESS. Except as set forth on Schedule 3.17, the Business has been operated in the ordinary course consistent with past practices since December 31, 1995. Without limiting the generality of the foregoing, since December 31, 1995:

- (a) there has been no material adverse change in the business, assets, liabilities, results of operation or financial condition of the Business;
- (b) there has been no destruction or loss of or to any of the assets or properties used in connection with the operation of the Business;
- (c) except for the sale of inventory in the ordinary course of the Business, there has been no sale, transfer or other disposition of any asset of the Business;
- (d) the books, accounts and records of the Business have been maintained in the usual, regular and ordinary manner on a basis consistent with prior years;

- (e) except as otherwise set forth on Schedule 3.18, there has been no labor dispute, unfair labor practice charge or employment discrimination charge, nor institution or threatened institution of any effort, complaint or other proceeding in connection therewith, involving the Business or affecting the operation of the Business;
- (f) there has been no amendment, termination or waiver of any right of Maxion or the Division with respect to the Business under any contract or agreement or governmental license, permit or authorization; and
- (g) all obligations, liabilities and expenses of the Business, including customary discretionary expenses, have been paid, satisfied or discharged on a basis consistent with past payment practices, it being recognized that any delay in payment practices will result in adverse consequences to Newco.

3.18 LITIGATION. Except as set forth on Schedule 3.18, there is no litigation, action, suit, arbitration, mediation, hearing, other legal or regulatory proceeding or governmental investigation pending or, to Maxion's knowledge, threatened by or against Maxion (or Newco as of the Closing) which may result in any liability to AGCO, Newco or the Division, or which otherwise affects the Division Assets, the Business, or Maxion's ability to perform its obligations under this Agreement. No judgment, award, order or decree has been rendered against Maxion (or Newco as of the Closing) which affects the Division, the Division Assets, the Business or Maxion's ability to perform its obligations under this Agreement and which has not been paid or discharged prior to the date hereof.

3.19 COMPLIANCE WITH LAWS. Maxion has complied (and Newco shall have complied as of the Closing) with all statutes, laws, rules, regulations, orders, decrees and ordinances applicable to it or the operation of the Business, including, without limitation, all statutes, laws, rules, regulations, orders, decrees and ordinances relating to environmental, trade regulation, labor, benefits and employee matters.

3.20 PERMITS AND LICENSES. Maxion holds (and Newco shall hold as of the Closing as the successor to the Division, subject only to certain post-closing administrative filings) all required permits, licenses, approvals and authorizations from all governmental or regulatory authorities which are necessary to conduct the Business in a manner consistent with past practices, except to the extent that the failure to hold such permit, license, approval or authorization does not result in a loss of any material amount or have a material adverse effect on the Business. As of the date hereof, all of such permits, licenses, approvals and authorizations are in full force and effect (and no suspension of any of them is pending or threatened). All of such permits, licenses, approvals and authorizations are listed on Schedule 3.20 and shall be assigned to Newco prior to or at the Closing.

3.21 TAXES. Maxion has filed (and Newco shall have filed as of the Closing) all "Tax" (as hereinafter defined) reports and returns of every kind and nature required to be filed by it with respect to the Division Assets and the operation of the Business and all of such reports and returns are true, correct and complete in all respects. Maxion has paid (and Newco shall have paid as of the Closing) all Taxes required to be paid by it under such reports and returns, and no such amounts are past due or delinquent as of the date hereof.

Without limiting the generality of the foregoing, Maxion has withheld proper and accurate amounts from the employees of the Business for all periods prior to the date hereof and will withhold proper and accurate amounts from the date hereof until Closing, all in compliance with the Tax withholding provisions of applicable federal, state and local tax laws. In addition, Maxion will timely pay all Taxes required to be paid by it after the Closing relating to any date or period of time occurring prior to the Closing. Except as set forth on Schedule 3.18, Maxion is not a party or subject to any levy, assessment, collection or pending action, proceeding or claim, and no notice of the possible institution of any levy, assessment or collection action, proceeding or claim has been given to or received by Maxion, which in any way may result in any liability to AGCO, Newco or the Division, or which otherwise affects the Business, the Division Assets or the transactions contemplated herein. For purposes of this Agreement, "Taxes" shall mean any taxes, fees, levies, duties, charges or similar assessments (including interest, penalties and additions) imposed by or payable to any governmental or other taxing authority, whether foreign, federal, state, local or otherwise, including, without limitation, income, franchise, withholding, excise, ad valorem, value added, real and personal property, sales, use, employment, net worth, services and other taxes of any kind or nature.

3.22 INSURANCE. Schedule 3.22 contains a complete list and description (including the expiration date, premium amount and coverage thereunder) of all policies of insurance and bonds presently maintained by, or providing coverage for, Maxion or the Division or any of its officers and directors relating to the Business, all of which are and will be maintained in full force and effect through the date of the Closing, together with a complete list of all claims made within the last three (3) years and all pending claims under any of such policies or bonds. All material terms, obligations and provisions of each of such policies and bonds have been complied with, all premiums due thereon have been paid, and no notice of cancellation with respect thereto has been received. Such policies and bonds provide adequate coverage to insure the Division Assets and the Business and the activities of its officers and directors against such risks and in such amounts as are prudent and customary. Maxion has heretofore delivered to AGCO a true, correct and complete copy of each such insurance policy and bond (or a summary thereof).

3.23 ENVIRONMENTAL.

(a) For purposes of this Agreement, the following terms shall have the following respective meanings:

- (i) "Environment" shall mean natural resources, surface water, groundwater, drinking water supply, soils, subsurface strata, and ambient air.
- (ii) "Environmental Requirements" shall mean all federal, state, municipal and local laws, statutes, orders, regulations, decrees, resolutions, proclamations, permits, licenses, approvals, authorizations, consents, judgments, judicial decisions, and other governmental requirements, limitations and standards relating to the Environment, health and safety issues, including, without limitation, the manufacture, generation, use, processing, treatment, recycling, storage, handling, "Release" (as

hereinafter defined), investigation, removal, remediation, and cleanup of or other corrective action for "Hazardous Substances" (as hereinafter defined), exposure to Hazardous Substances, and personal injury, natural resource damage, property damage, and interference with the use of property caused by or resulting from Hazardous Substances.

- (iii) "Environmental Authorizations" shall mean all permits, licenses, approvals, authorizations, consents, waivers, exemptions, variances, and permissions granted or issued under Environmental Requirements and all filings, plans, reports, notifications, disclosures, and agreements prepared, made, or submitted pursuant to Environmental Requirements.
- (iv) "Environmental Claims" shall mean all civil, criminal and administrative actions, suits, litigation, demands, accusations, allegations, claims, hearings, notices of violation, liens, investigations and proceedings, and including all judgments, awards, orders, penalties and fines which have not been paid, discharged, or satisfied in full, which arise as a result of or otherwise in connection with (A) a violation or alleged violation of any Environmental Requirement applicable to the Business or the Division Assets as operated, used or maintained prior to or at the time of the Closing, (B) any Release prior to or at the time of the Closing of a Hazardous Substance at, on, under or from any of the Division Assets, any properties adjacent thereto, or any other property or facility at which waste generated through the operation of the Business has come to be located, or (C) Environmental Conditions associated with the Division Assets, properties adjacent thereto, or any other property or facility at which waste generated through the operation of the Business has come to be located.
- (v) "Environmental Conditions" shall mean (A) the state of the Environment relating to or arising out of the use, handling, storage, treatment, recycling, generation, transportation, processing, or Release or threatened Release of Hazardous Substances prior to or at the time of the Closing, or (B) the exposure of persons to Hazardous Substances in the workplace or in the Environment.
- (vi) "Hazardous Substances" shall mean all hazardous, toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, and volatile substances, materials, compounds, chemicals, and waste, and all other industrial waste, sanitary waste, pollutants and contaminants, and all constituents thereof, including, without limitation, all substances, materials, wastes, chemicals, compounds,

contaminants and pollutants regulated or addressed by Environmental Requirements.

- (vii) "Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, or disposing into or migration within the Environment.

(b)

knowledge of Maxion:

Except as set forth on Schedule 3.23, to the best

- (i) Maxion, the Division and Newco are and have been in full compliance with all Environmental Requirements applicable to the Business and the Division Assets.
- (ii) Throughout the conduct of the Business and ownership and operation of the Division Assets, Maxion has held and maintained full compliance with Environmental Authorizations required for the Division Assets and the operation of the Business, including, without limitation, the management, storage, treatment, emission, discharge and disposal of waste generated through the operation of the Business, and all such presently required Environmental Authorizations are listed on Schedule 3.20. Such Environmental Authorizations are not subject to any pending or threatened suspension, termination or modification by any governmental authority under any Environmental Requirement. Such Environmental Authorizations have been or will be assigned or reissued on substantially the same terms to Newco in accordance with all applicable Environmental Requirement, including, without limitation, the terms of the Environmental Authorizations, and each assignment or reissuance is final, complete and not subject to appeal and has not and will not necessitate or result in any new, additional or different terms in the Environmental Authorizations. Newco is in full compliance with all such Environmental Authorizations.
- (iii) There is no Environmental Claim pending or threatened against Maxion, Newco or the Division, or which otherwise affects the Division Assets or the Business.
- (iv) There has been no Release into the Environment of any Hazardous Substance at, on, under, or from any of the Division Assets or otherwise in connection with the Business which, alone or in combination with any other Release of a Hazardous Substance, has damaged natural resources, may pose a substantial threat to human health or the Environment, or for which investigation, removal, remediation, cleanup or other corrective action is or may be required under applicable Environmental Requirements. There is no Environmental

- Condition associated with the Division Assets or the Business for which investigation, removal, remediation, cleanup or other corrective action is or may be required under applicable Environmental Requirements.
- (v) With regard to any property or facility other than the Division Assets at which waste generated through the operation of the Business has been stored, treated, recycled, disposed of, or otherwise come to be located, there is no Environmental Condition at such property or facility which may give rise to any liability of Newco under Environmental Requirements or to any Environmental Claim against Newco.
- (vi) Maxion and Newco have timely prepared, submitted and made all filings, reports, plans, agreements, disclosures and notifications and have maintained all records and data required under Environmental Requirements in connection with the Business and the Division Assets.
- (vii) There are no active, inactive or abandoned underground storage tanks at the real property listed on Schedule 1.2(d). There are no polychlorinated biphenyls in any equipment or machinery included within the Division Assets. There are no asbestos containing materials in any of the equipment, buildings, structures or fixtures included within the Division Assets, other than asbestos containing materials which are in good condition and exposure to which could not pose a substantial threat to human health.
- (viii) Industrial wastes (including, without limitation, process-related wastes) have not been disposed of, discharged, emitted or otherwise Released at or from the real property listed on Schedule 1.2(d), including, without limitation, in surface impoundments, lagoons, pits, landfills, sprayfields, wells, or surface water bodies at, on, under or adjacent to such property.
- (ix) Maxion has implemented adequate pollution control technology for the Business and Division Assets.
- (x) Neither Maxion, Newco nor the Division has received any notice that any aspect of the Business or the Division Assets is in violation of any Environmental Requirements, including without limitation Environmental Authorizations thereunder, or that Maxion, Newco or the Division is responsible for the investigation, removal, remediation, or cleanup of or other corrective action for any Hazardous Substance Released at, on, under or from the Division Assets or any other property or facility at which waste generated through the operation of the Business has come to be located.

- (xi) There is no aspect of the Business or the Division Assets that could, with the passage of time or giving of notice or both, give rise to a violation of applicable Environmental Requirements, including, without limitation, Environmental Authorizations issued thereunder, or to an Environmental Claim against Newco. There is no Environmental Condition with respect to the Division Assets or the Business that could, with the passage of time or giving of notice or both, give rise to any liability or obligation of Newco or any Environmental Claim against Newco.

3.24 COMPENSATION STRUCTURE. Schedule 3.24 contains a true and complete list of the names, titles, and compensation arrangements of each employee of the Business (including, without limitation, all salary, wages, bonuses, accrued vacation, and other fringe benefits) who is paid in excess of \$100,000.00 per year. No such employee has informed or advised Maxion or the Division (nor are Maxion or the Division otherwise aware) that he does not intend to continue his employment with the Business after the date hereof. Each employee of the Business is regularly registered as such in the proper registry books, together with his corresponding salary, all in compliance with applicable laws and regulations. Maxion has obtained all registrations and filings and has taken all necessary actions required under all applicable social security, labor and social contribution laws and regulations with respect to such employees. Neither the Division nor Maxion (on behalf of the Division) is a party to any employment agreement which cannot be cancelled or terminated on less than ninety (90) days' notice, and Maxion has heretofore provided AGCO with copies of all written agreements, correspondence, memoranda and other written materials currently in effect which have been provided to such employees relating to their current compensation. A list of such agreements is set forth on Schedule 3.24.

3.25 LABOR-RELATED MATTERS. Except as set forth on Schedule 3.25, neither Maxion nor the Division is a party to any collective bargaining agreement or agreement of any kind with any union or labor organization relating to the Business. Neither Maxion nor the Division is in violation of or default under any such collective bargaining or other agreement. Except for those which do not have a material adverse effect on the Business (individually or in the aggregate), and other than as set forth on Schedule 3.25, there are no unfair labor practice charges pending or threatened against the Business and there are no charges, complaints, claims or proceedings pending or, to Maxion's knowledge, threatened against Maxion or the Division with respect to any alleged violation of any legal duty (including but not limited to any wage and hour claims, employment discrimination claims or claims arising out of any employment relationship) as to any of the Business' employees or as to any person seeking employment therefrom, and no such violations exist.

3.26 TRANSACTIONS WITH MANAGEMENT. Neither Maxion (in connection with the Business), Newco nor the Division is a party to or has any contracts with or commitments to present or former shareholders, directors, officers, employees or agents, including any business directly or indirectly controlled by any such person (other than employment agreements with current officers, directors, and employees of the Business.)

3.27 PROPRIETY OF PAST PAYMENTS. No funds or assets of the Business have been used for illegal purposes. No unrecorded fund or asset of the Business has been established

for any purpose which would violate any law or which would have a material adverse effect on the Business; no accumulation or use of the Business' funds which would violate any law or which would have a material adverse effect on the Business has been made without being accounted for in the books and records of the Business; all material payments by or on behalf of the Business have been duly and properly recorded and accounted for in its books and records in accordance with its policies with respect thereto; no false or artificial entry has been made in the books and records of the Business for any reason; no payment has been made by or on behalf of the Business with the advance knowledge and understanding that any part of such payment would be used for any unlawful purpose; and neither Maxion nor the Division has made, directly or indirectly, any illegal contributions to any political party, official or candidate.

3.28 **INSOLVENCY PROCEEDINGS.** No insolvency proceedings of any kind or nature, including, without limitation, bankruptcy, receivership, reorganization, or other arrangement with creditors, whether voluntary or involuntary, with respect to Maxion, the Division, the Division Assets or the Business are pending or, to Maxion's knowledge, threatened.

3.29 **REPRESENTATIONS AND WARRANTIES.** No representation or warranty made by Maxion in this Agreement or pursuant hereto contains any untrue statement, and such representations and warranties do not omit any statement necessary in order to make any statement contained herein not misleading. All of the representations and warranties contained herein shall be true and correct as of the Closing, as if made and given again as of the date thereof. All of the representations and warranties made by Maxion in this Agreement shall survive the closing of the transactions contemplated hereby for a period of forty-two (42) months.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF AGCO

Notwithstanding any independent investigation or verification undertaken by Maxion or its representatives, AGCO hereby represents and warrants to Maxion as follows:

4.1 **ORGANIZATION AND GOOD STANDING.** AGCO is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, United States of America.

4.2 **POWER AND AUTHORIZATION.** AGCO has full corporate power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by AGCO and AGCO's performance of its obligations hereunder have been duly authorized by all necessary corporate action on the part of AGCO. No other action is necessary to authorize the execution, delivery and performance of this Agreement by AGCO.

4.3 **BINDING EFFECT.** This Agreement constitutes the legal, valid and binding obligation of AGCO enforceable in accordance with its terms.

4.4 **NO VIOLATION; CONSENTS.** Neither the execution and delivery of this Agreement by AGCO nor the performance by AGCO of its obligations hereunder will:

- (a) violate or conflict with any provision of the Certificate of Incorporation or Bylaws of AGCO;
- (b) violate, breach or otherwise constitute or give rise to a default under any material contract, commitment or other obligation to or by which AGCO is a party or is bound;
- (c) violate or conflict with any statute, ordinance, law, rule, regulation, judgment, order or decree of any court or other governmental or regulatory authority to which AGCO is subject; or
- (d) require any consent, approval or authorization of, notice to, or filing, recording, registration or qualification with any third party, court or governmental or regulatory authority.

4.5 REPRESENTATIONS AND WARRANTIES. No representation or warranty made by AGCO in this Agreement or pursuant hereto contains any untrue statement, and such representations and warranties do not omit any statement necessary in order to make any statement contained therein not misleading. All of the representations and warranties contained herein shall be true and correct as of the Closing, as if made and given again as of the date thereof. All of the representations and warranties made by AGCO in this Agreement shall survive the closing of the transactions contemplated hereby for a period of forty-two (42) months.

ARTICLE V
COVENANTS OF MAXION PENDING CLOSING

Maxion agrees that from the date hereof until the Closing, without the prior written approval of AGCO in each instance, Maxion shall comply with the following:

5.1 CONDUCT OF THE BUSINESS PENDING CLOSING.

- (a) CONDUCT OF THE BUSINESS. Maxion shall carry on the Business in the usual, regular and ordinary course in accordance with past practices and operations, will preserve intact the present organization of the Business, and will use its best efforts to keep available the services of the present officers and employees of the Business and to preserve the Business' goodwill and the Business' relationships with dealers, customers, suppliers and others having business dealings with it.
- (b) MAINTENANCE OF PROPERTIES. Maxion will maintain the Division Assets in good operating condition (ordinary wear and tear excepted).
- (c) INSURANCE. Maxion will maintain and keep in full force and effect all of the insurance currently maintained by it with respect to the Business.
- (d) DISPOSITION OF ASSETS. Maxion will not sell, mortgage, pledge, lease, or otherwise transfer or dispose of any tangible or intangible asset used in the operation of the Business or enter into any agreement with respect to the foregoing, other than sales of

inventory in the ordinary course of the Business consistent with past practices and sales of other assets which are not material to the operation of the Business, individually or in the aggregate.

(e) COMPENSATION. Maxion will not increase the benefits or other compensation payable or to become payable to any director, officer or employee of the Business (other than general increases in compensation to employees of the Business in the ordinary course of the Business consistent with past practices), increase any payment of or commitment to pay any bonus, profit sharing or other extraordinary compensation to any employee of the Business, or enter into any agreement with respect to the foregoing.

(f) CONTRACTS. Except in the ordinary course of the Business on a basis consistent with past practices, Maxion will not enter into any contract or agreement of the kind described in Section 3.14 hereof.

(g) BOOKS AND RECORDS. Maxion will maintain its books and records related to the Business in the usual, regular and ordinary course of the Business on a basis consistent with past practices.

(h) PROTECTION OF CONFIDENTIAL INFORMATION AND TRADE SECRETS. Maxion will continue to protect all confidential information and trade secrets of the Business.

(i) LIABILITIES. Neither Maxion (on behalf of the Division), Newco nor the Division will incur any indebtedness for borrowed money or any other liabilities other than in the ordinary course of the Business consistent with past practices.

(j) OTHER ACTIONS. Maxion will not take any action that would, or could reasonably be expected to, result in any representation or warranty contained in this Agreement concerning Maxion, the Division, the Division Assets or the Business becoming untrue in any respect.

(k) NOTIFICATION OF CHANGES. Maxion shall promptly notify AGCO in writing of any change or event having, or which can reasonably be foreseen to have, a material adverse effect on the Division Assets or the Business; provided, however, that nothing contained in this Section 5.1(k) shall relieve Maxion of any liability with respect to any breach of representation or warranty contained in this Agreement.

5.2 ACCESS TO THE BUSINESS.

(a) Maxion shall permit AGCO and its representatives, agents, counsel and accountants, to have full access at all reasonable times to the premises, business, properties, assets, financial statements, contracts, books, records and working papers of, and other relevant information pertaining to, the Business and to cause its officers and employees to furnish to AGCO and its representatives, agents, counsel and accountants, such financial and operating data and other information with respect to the business, properties and assets of the Business as AGCO may request.

(b) Maxion shall permit AGCO and its representatives, agents, counsel and accountants to talk to and meet with the dealers, distributors, suppliers, customers and employees of the Business.

(c) Maxion shall permit AGCO and its representatives, agents, counsel and accountants to talk to and meet with the independent public accountants of the Business to obtain access to all of such accountants' workpapers prepared in connection with their audits of the Division as of December 31, 1995, and December 31, 1994, and their reviews of the Division as of March 31, 1996, and March 31, 1995.

5.3 ACQUISITION PROPOSALS. Maxion shall not, directly or indirectly: (a) solicit, initiate or encourage (or authorize any person to solicit, initiate or encourage) any inquiries, proposals or offers from any person or entity relating to any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, or any merger, consolidation or business combination with the Division or the Business; or (b) participate in any discussions or negotiations regarding, or furnish to any other person or entity any information with respect to, any effort or attempt by any other person or entity to do or seek any of the foregoing. Maxion will promptly notify AGCO if any such proposal or offer, or any inquiry or contact with any person or entity with respect thereto, is made.

5.4 APPROVALS AND CONSENTS. Maxion and AGCO shall cooperate to give all notices and obtain as soon as is reasonably practicable all approvals, consents and waivers of federal, state and local government departments or agencies or of any other parties required or deemed necessary or beneficial for consummation of the transactions contemplated by this Agreement.

5.5 FURTHER ACTION. Upon the terms and subject to the conditions of this Agreement, Maxion and AGCO shall use all reasonable efforts to take or cause to be taken all actions and to do or cause to be done all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, and neither Maxion nor AGCO shall take any action inconsistent with its obligations under this Section 5.5.

ARTICLE VI CONDITIONS TO OBLIGATIONS OF AGCO

All of the obligations of AGCO under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions, any of which may be waived in writing by AGCO in its sole discretion:

6.1 REPRESENTATIONS AND WARRANTIES. All representations and warranties of Maxion contained in this Agreement or made pursuant hereto shall be true and correct as of the Closing as if made at and as of such time.

6.2 PERFORMANCE OF AGREEMENTS. Maxion shall have fully performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

6.3 REGULATORY APPROVALS. Maxion and AGCO shall have received from any and all governmental authorities, bodies or agencies having jurisdiction over the transactions contemplated by this Agreement such consents, authorizations and approvals as are necessary for the consummation thereof, all applicable waiting or similar periods required by law shall have expired, and such regulatory consents, authorizations and approvals shall not contain conditions or restrictions unduly burdensome on the operation of the Business following the Closing.

6.4 BOARD APPROVAL. The board of directors of AGCO shall have approved the transactions contemplated by this Agreement.

6.5 CONSENTS AND APPROVALS OF THIRD PARTIES. All consents, authorizations and approvals to the transactions contemplated by this Agreement that are required pursuant to the terms of any material agreement or arrangement relating to the Business to which Maxion or the Division is a party or by which Maxion or the Division is bound or in order to preserve any right, license or franchise held or owned by Maxion or the Division relating to the Business shall have been duly obtained, and all such consents, authorizations and approvals shall be in form and substance satisfactory to AGCO.

6.6 NO INJUNCTIONS. No preliminary or permanent injunction or other order by any federal, state or local court which prevents the consummation of the transactions contemplated by this Agreement shall have been issued and remain in effect, and no action to obtain any such injunction or order shall have been filed and remain pending.

6.7 NO MATERIAL ADVERSE CHANGE. There shall not have occurred between December 31, 1995, and the Closing any material adverse change in the Business or any material loss or damage to any of the Division Assets, including, without limitation, the loss or removal of any key management employees of the Business which would have a material adverse effect on the Business.

6.8 TRADEMARK LICENSE AGREEMENT. Maxion shall have executed and delivered to AGCO a Trademark License Agreement substantially in the form of Exhibit B attached hereto (the "Trademark License Agreement").

6.9 ENGINE SUPPLY AGREEMENT. Maxion shall have executed and delivered to AGCO an Engine Supply Agreement substantially in the form of Exhibit C attached hereto (the "Engine Supply Agreement").

6.10 SHARED SERVICES AGREEMENT. Maxion shall have executed and delivered to AGCO a Shared Services Agreement substantially in the form of Exhibit D attached hereto (the "Shared Services Agreement").

6.11 CERTIFICATES. Maxion shall have delivered to AGCO:

- (a) a certificate, dated as of the Closing, certifying in such detail as AGCO may reasonably request to the fulfillment of the conditions set forth in Sections 6.1 and 6.2;

- (b) a certificate, dated as of the Closing and certified by an officer of Maxion, that the resolutions attached to such certificate approving the transactions contemplated by this Agreement are true and complete in all respects and are in full force and effect as of the Closing;
- (c) a certificate, dated as of the Closing and certified by an officer of Newco, that: (i) the Bylaws of Newco attached to such certificate are true and complete in all respects, and (ii) the resolutions attached to such certificate approving the transactions contemplated by this Agreement are true and complete in all respects and are in full force and effect as of the Closing; and
- (d) an incumbency certificate reasonably acceptable to AGCO.

6.12 OPINION OF COUNSEL. Maxion shall have delivered to AGCO an opinion of Cendido Jose Mendes Prunes or other or additional counsel to Maxion, dated as of the Closing in substantially the form of Exhibit E attached hereto.

6.13 BOOKS AND RECORDS. Maxion shall have delivered to AGCO all minute books, stock record books, books of account, bank accounts, corporate seals, leases, contracts, agreements, customer lists, files and other documents, instruments and papers of the Division and Newco relating to the Business, except to the extent Maxion is required to retain any such books, records or other documents pursuant to applicable law (in which case Newco shall be afforded access to and copies of such retained books, records and other documents in connection with the operation of the business).

6.14 PERMITS AND LICENSES. Newco shall have obtained all required permits, licenses, approvals, authorizations and registrations from all governmental or regulatory authorities which are necessary to conduct the Business in accordance with past practices, including, without limitation, the proper registration with the Federative Revenue Secretariat and the Rio Grande do Sul Revenue Department.

6.15 ORDINARY COURSE OF BUSINESS. Maxion shall have operated the Business in the ordinary course consistent with past practices and consistent with financial information previously furnished to AGCO from December 31, 1995, through the Closing, including, without limitation, continuing to: (a) manufacture all appropriate levels of inventory; (b) satisfy all dealer and customer requests and order all appropriate raw materials; (c) retain the services of its key employees; and (d) properly maintain, insure and protect all of the Division Assets.

6.16 REAL ESTATE. Maxion shall have transferred and assigned the title to the real property listed on Schedule 1.2(d) to Newco, and Newco shall have all right and authority to operate the Business on such property as the successor to the Division.

6.17 PAY-OFF LETTERS. AGCO shall have received a pay-off letter from each of the Lenders with respect to its portion of the Debt Repayment Amount.

6.18 EVIDENCE REGARDING REPRESENTATIONS AND WARRANTIES. AGCO shall have received such evidence as AGCO may reasonably request that the representations and warranties of Maxion contained in this Agreement are true and correct.

6.19 OTHER DOCUMENTS. At or prior to the Closing, Maxion shall have delivered such other documents, agreements and certificates as may have been reasonably requested by AGCO.

ARTICLE VII
CONDITIONS TO OBLIGATIONS OF MAXION

All of the obligations of Maxion under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions, any of which may be waived in writing by Maxion:

7.1 REPRESENTATIONS AND WARRANTIES. All representations and warranties of AGCO contained in this Agreement or made pursuant hereto shall be true and correct as of the Closing as if made at and as of such time.

7.2 PERFORMANCE OF AGREEMENTS. AGCO shall have fully performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

7.3 APPROVALS. Any and all governmental authorities, bodies or agencies having jurisdiction over the transactions contemplated by this Agreement shall have granted such consents, authorizations and approvals as are necessary for the consummation thereof, and all applicable waiting or similar periods required by law shall have expired.

7.4 BOARD APPROVAL. The board of directors of Maxion shall have approved the transactions contemplated by this Agreement.

7.5 NO INJUNCTIONS. No preliminary or permanent injunction or other order by any federal, state or local court which prevents the consummation of the transactions contemplated by this Agreement shall have been issued and remain in effect, and no action to obtain any such injunction or order shall have been filed and remain pending.

7.6 TRADEMARK LICENSE AGREEMENT. AGCO shall have executed and delivered to Maxion the Trademark License Agreement.

7.7 ENGINE SUPPLY AGREEMENT. AGCO shall have executed and delivered to Maxion the Engine Supply Agreement.

7.8 SHARED SERVICES AGREEMENT. AGCO shall have executed and delivered to Maxion the Shared Services Agreement.

7.9 CERTIFICATES. AGCO shall have executed and delivered to Maxion:

- (a) a certificate, dated as of the Closing, certifying in such detail as Maxion may reasonably request to the fulfillment of the conditions set forth in Sections 7.1 and 7.2; and
- (b) an incumbency certificate reasonably acceptable to Maxion.

7.10 OPINION OF COUNSEL. AGCO shall have delivered to Maxion an opinion of Michael F. Swick or other or additional counsel to AGCO, dated as of the Closing in substantially the form of Exhibit F attached hereto.

7.11 OTHER DOCUMENTS. At or prior to the Closing, AGCO shall have delivered such other documents, agreements and certificates as may have been reasonably requested by Maxion.

ARTICLE VIII
OTHER AGREEMENTS OF THE PARTIES

8.1 EMPLOYEES. Maxion shall cause Newco to offer employment to all of the employees of the Business immediately prior to the Closing, and who reside in Brazil, other than the individuals listed on Schedule 8.1 hereto, on substantially the same terms and conditions as such employees are employed by Maxion or the Division prior to the Closing.

8.2 RESTRICTIVE COVENANTS.

(a) For purposes of this Agreement, the following terms shall have the following respective meanings:

(i) "Confidential Information" shall mean all valuable, proprietary and confidential information in any way relating to the Business or belonging to or pertaining to Newco or AGCO (including, without limitation, all such information acquired from Maxion pursuant to this Agreement) that does not constitute a "Trade Secret" (as hereinafter defined) and that is not generally known by or available to AGCO's competitors.

(ii) "Trade Secrets" shall mean all "trade secrets" in any way relating to the Business or belonging to or pertaining to Newco or AGCO (including, without limitation, all such trade secrets acquired from Maxion pursuant to this Agreement) as defined under applicable law.

(iii) "Competing Business" shall mean any business that, directly or indirectly, engages in the development, manufacture, distribution or sale of agricultural equipment, industrial tractors or related products or parts.

(iv) "Restricted Territory" shall mean Brazil, Argentina, Uruguay and Paraguay.

(b) In recognition of AGCO's need to protect its legitimate business interests, and as covenants ancillary to the sale of a business, Maxion hereby covenants and agrees as follows:

(i) It shall not, without the prior written consent of AGCO in each instance, use, disclose, transfer, assign, disseminate, reproduce, copy or otherwise communicate, directly or indirectly, in any way for itself or for any other person or entity: (A) any Confidential Information for a period of five (5) years after the Closing; or (B) any Trade Secret at any time during which such information shall constitute a trade secret under applicable law.

(ii) It shall not, without the prior written consent of AGCO in each instance, directly or indirectly, engage in (whether as an owner, investor, manager, operator, partner, consultant, creditor, advisor, independent contractor or otherwise), or assist any other person or entity in engaging in a Competing Business in the Restricted Territory for a period of five (5) years after the Closing.

(iii) It shall not, either directly or indirectly by itself or through any subsidiary or affiliate, without the prior written consent of AGCO in each instance, for a period of five (5) years after the Closing: (A) hire any employee of the Business; or (B) solicit or attempt to solicit any employee, supplier, consultant contractor or other personnel of the Business to terminate, alter or lessen such party's affiliation or relationship with AGCO or Newco or to violate the terms of any agreement or understanding between such employee, supplier, consultant, contractor or other personnel and AGCO or Newco.

(c) AGCO and Maxion acknowledge and agree that the covenants of Maxion set forth in this Section are reasonable as to time, scope, territory and otherwise given AGCO's need to protect its legitimate business interests and given the substantial consideration which Maxion is receiving hereunder. The parties further acknowledge and agree that monetary damages may not be an adequate remedy for any breach of the provisions of this Section by Maxion and that AGCO may (in its sole discretion) apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violation (or threatened violation) of this Section. In the event any covenant or agreement contained in this Section shall be determined by a court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it is the intention of AGCO and Maxion that this Section be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

8.3 ENVIRONMENTAL.

(a) Prior to the date hereof, AGCO has performed (i) a preliminary assessment of Environmental Conditions and Hazardous Substances at or associated with the

Division Assets and the Business, and (ii) an audit to assess the compliance of the Division Assets and Business with Environmental Requirements. After the Closing, AGCO shall, in its sole discretion, be entitled to cause additional investigation and assessment of the Environment (including the collection of soil, groundwater and surface water samples), to be conducted in order to fully evaluate any potential Environmental Conditions and Hazardous Substances at or associated with the property listed in Schedule 1.2(d). AGCO shall deliver to Maxion a copy of each such environmental audit obtained by it with respect to the property listed on Schedule 1.2(d).

(b) Notwithstanding anything else herein to the contrary, Maxion shall be solely responsible for all costs associated with any work, including, without limitation, investigative, assessment, removal, remediation and other corrective action, which is required by any federal, state or local governmental or regulatory agency, department or other authority under Environmental Requirements to address Hazardous Substances released at, on, under or from any of the Division Assets prior to the date of the Closing.

(c) Notwithstanding anything else herein to the contrary, Maxion shall be solely responsible for constructing and installing wastewater treatment facilities on the real property described on Schedule 1.2(d), each as more particularly described on Schedule 8.3(c), which comply with all applicable Environmental Requirements and Environmental Authorizations, including, without limitation, the operating licenses for the Business and Division Assets, and all instructions, specifications and other requirements of federal, state or local governmental or regulatory agencies, departments or other authorities. Maxion shall be solely responsible for all costs associated therewith. Maxion shall construct and install the facilities pursuant to the schedule prescribed by the environmental agency for the State of Rio Grande do Sul, the State Foundation for Environmental Protection (FEPAM), and, notwithstanding such schedule, shall complete the construction and installation of the facility on the Canoas property in accordance herewith on or before July 15, 1996, and shall complete the construction and installation of the facility on the Santa Rosa property in accordance herewith on or before February 15, 1997. Maxion has informed FEPAM of all chemical constituents in the wastewater generated in the operation of the Business.

(d) In the event that an Environmental Claim is asserted against Newco or AGCO, including, without limitation, Environmental Claims associated with violations and Environmental Conditions which exist at the time of and continue after the Closing, Maxion shall be solely responsible for all costs associated with work necessary to remedy, abate, or otherwise respond to the underlying violation, Hazardous Substance or Environmental Condition which gives rise to such Environmental Claim

(e) Upon completion of the wastewater treatment facility at the Canoas property described on Schedule 1.2(d), Maxion shall promptly move all waste, other than waste containing PCB, from the waste storage area on such property to the new waste storage area at such wastewater treatment facility. In addition, Maxion shall promptly move all waste containing PCB, including, without limitation, all PCB waste oils and PCB-containing equipment, to the portion of the Canoas property retained by it. Maxion, at its own expense, shall be solely responsible for the proper disposal or recycling of all hazardous waste present at the time of Closing at the Canoas property described on Schedule 1.2(d), including, without limitation, PCB waste oils, PCB-containing equipment and wastewater treatment sludges.

8.4 BROKERS; EXPENSES. Each party hereto hereby represents and warrants to the other parties hereto that it has not incurred any liability for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with or in any way related to the transactions contemplated by this Agreement, except that Maxion has engaged Banco de Inwertimentos Garantia S.A. to represent it in connection with the transactions contemplated by this Agreement, and AGCO may be obligated to Dillon, Read & Co. Inc. in connection with the transactions contemplated by this Agreement. Each party hereto shall pay its own fees and expenses (including the fees and expenses of its attorneys, accountants, investment bankers, brokers, financial advisors and other professionals) incurred in connection with this Agreement and all transactions contemplated hereby.

8.5 BEST EFFORTS; FURTHER ASSURANCES. Subject to the terms and conditions contained herein, each of the parties hereto agrees to use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement. In the event that at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, the appropriate party shall take all such actions without any further consideration therefor.

8.6 PUBLICITY. From and after the date of this Agreement and until the Closing, each party hereto agrees to obtain the approval of the other party prior to issuing any press release, written public statement or announcement with respect to the transactions contemplated by this Agreement; provided, however, that the provisions of this Section 8.6 shall not prohibit either party hereto from making any such release, statement or announcement if, upon advice of counsel, such party believes that it is required to do so under any applicable law, rule or regulation, and such party shall use reasonable efforts to notify the other party thereof prior to making such release, statement or announcement.

8.7 TRANSITION PERIOD. With respect to the Canoas real property more particularly described on Schedule 1.2(d), Maxion and AGCO shall cooperate in good faith to move any of the Division Assets currently located on the portion of such property to be retained by Maxion to the portion thereof transferred to Newco, and to move any of the Excluded Assets currently located on the portion thereof transferred to Newco to the portion thereof retained by Maxion, as promptly as reasonably possible after the Closing (but in any event prior to December 31, 1996). Each of Maxion and AGCO shall be responsible for any costs of moving any of its assets to its property.

8.8 EASEMENTS. At the Closing, Maxion and Newco shall each grant to the other an easement with respect to a portion of the Canoas real property described on Schedule 1.2(d) hereto owned by it, all as more particularly described on Schedule 8.8 hereto.

8.9 UNITED STATES GAAP FINANCIAL STATEMENTS. Maxion shall cause Price Waterhouse LLP to prepare after the Closing in accordance with United States GAAP: (a) audited financial statements (including a balance sheet, income statement and statement of cash flow) with respect to the Division for the years ended December 31, 1995, December 31, 1994, and December 31, 1993; and (b) reviewed financial statements (including a balance sheet, income statement and statement of cash flow) with respect to the Division for the fiscal quarter ended March 31, 1996. Maxion shall deliver a true, correct and complete copy

of such United States GAAP audited and reviewed financial statements to AGCO as soon as they are available, which shall not be later than July 5, 1996.

ARTICLE IX
INDEMNIFICATION

9.1 INDEMNIFICATION BY MAXION. Subject to Section 9.4(a) hereof, Maxion hereby indemnifies and agrees to promptly defend and hold harmless AGCO, Newco and their respective officers, directors, shareholders, employees, agents and affiliates from and against any and all claims, costs, expenses (including, without limitation, attorneys' fees and court costs), judgments, penalties, fines, damages, losses and liabilities of any kind or nature (collectively, "Losses") incurred by any of them resulting from, arising out of, or related to any of the following:

- (a) any inaccuracy in, or the breach of, any representation or warranty made by Maxion herein or in any Exhibit, Schedule, document or agreement executed by Maxion and delivered to AGCO pursuant hereto, provided that Maxion shall have no liability hereunder with respect to any breach of any representation or warranty contained in Article III hereof unless notice of such claim is delivered to Maxion within the time limitation set forth in Section 3.29 hereof;
- (b) any breach of any covenant or agreement of Maxion contained herein or in any Exhibit, Schedule, document or agreement executed by Maxion and delivered to AGCO pursuant hereto;
- (c) notwithstanding anything else contained in Article III hereof to the contrary, the operation of the Business or use of the Division Assets for all periods prior to the Closing, including, without limitation, any product liability or other claims arising from products manufactured, sold or distributed by Maxion prior to the Closing (other than product warranty claims);
- (d) notwithstanding anything else contained herein to the contrary, any liabilities arising in connection with any Environmental Claims or Environmental Conditions, including, without limitation, liabilities associated with violations or Environmental Conditions which exist at the time of and continue after the Closing;
- (e) notwithstanding anything else contained in Article III hereof to the contrary, any debts, liabilities, penalties, fines, Taxes, judgments or other obligations of any kind or nature of Maxion, other than the Assumed Liabilities;
- (f) notwithstanding anything else contained in Article I or III hereof to the contrary, any liabilities of Maxion or the Division related to (i) any former employee of the Business, (ii) any existing employee of the Business that is not performing services for or on behalf of the

Business as of the Closing, or (iii) any existing employee of the Business to the extent that such liability relates to events or acts occurring prior to the Closing;

- (g) notwithstanding anything else contained in Article III hereof to the contrary, any liabilities of Maxion or the Division relating to or arising from any violation of or noncompliance with any federal, state or local law, statute, rule or regulation applicable to Maxion, the Division or the Business to the extent that such liability exists prior to, or relates to events or acts occurring prior to, the Closing, including any such laws, statutes, rules and regulations related to environmental, employment, and health and safety matters; and
- (h) notwithstanding anything else contained in Article III hereof to the contrary, any other Excluded Liabilities or liabilities of Maxion, Newco or the Division not specifically assumed by Newco hereunder.

9.2 INDEMNIFICATION BY AGCO. Subject to Section 9.4(b) hereof, AGCO hereby indemnifies and agrees to promptly defend and hold harmless Maxion and its officers, directors, shareholders, employees, agents and affiliates from and against any and all Losses incurred by any of them resulting from, arising out of, or related to any of the following:

- (a) any inaccuracy in, or breach of, any representation or warranty made by AGCO herein or in any Exhibit, Schedule, document or agreement executed by AGCO and delivered to Maxion pursuant hereto; provided, that AGCO shall have no liability hereunder with respect to any breach of any representation or warranty contained in Article III hereof unless notice of such claim is delivered to AGCO within the time limitation set forth in Section 4.5 hereof;
- (b) any breach of any covenant or agreement of AGCO contained herein or in any Exhibit, Schedule, document or agreement executed by AGCO and delivered to Maxion pursuant hereto; and
- (c) the Assumed Liabilities.

9.3 ADMINISTRATION OF CLAIMS.

(a) Whenever any claim shall arise for indemnification under this Article IX, the party entitled to indemnification (the "Indemnified Party") shall promptly notify the appropriate other party (the "Indemnifying Party") of the claim and, when known, the facts constituting the basis for such claim. In the event of any claim for indemnification hereunder resulting from or in connection with any claim or legal proceeding by a person who is not a party to this Agreement (a "Third Party Claim"), such notice shall also specify, if known, the amount or a good faith estimate of the amount of the liability arising therefrom.

(b) The Indemnified Party shall not settle or compromise or voluntarily enter into any binding agreement to settle or compromise, or consent to entry of any judgment arising from, any such claim or proceeding except in accordance with this Section.

With respect to any Third Party Claim, the Indemnifying Party shall undertake the defense thereof by representatives of its own choosing reasonably satisfactory to the Indemnified Party. The Indemnified Party or any other party shall have the right to participate in any such defense of a Third Party Claim with advisory counsel of its own choosing at its own expense. In the event the Indemnifying Party, after half of the period for the presentation of a defense against any such Third Party Claim, fails to begin to diligently defend it (or at any time thereafter ceases to diligently defend it), the Indemnified Party will have the right to undertake the defense, compromise or settlement of such Third Party Claim on behalf of, and for the account of, the Indemnifying Party, at the expense and risk of the Indemnifying Party.

(c) Notwithstanding anything else contained herein to the contrary, and in addition to its obligations pursuant to Section 9.1 hereof, Maxion agrees that, in the event any Tax assessment or other claim is made against AGCO, Newco or the Business relating to the operation of the Business prior to the Closing, it will agree to be substituted as the defendant in any action arising in connection with such Tax assessment or claim.

9.4 LIMITATION ON INDEMNIFICATION OBLIGATION.

(a) Notwithstanding the provisions of Section 9.1 hereof, and subject to Section 3.29 hereof:

(i) Maxion shall not have any liability pursuant to Section 9.1(a) hereof unless the aggregate amount of all claims payable pursuant to Section 9.1(a) hereof is at least \$200,000, and then only to the extent such claims exceed \$200,000; provided, however, that Maxion shall be responsible hereunder without regard to the limitation contained in this Section 9.4(a)(i) for any claims exceeding \$25,000 individually.

(ii) Maxion's maximum aggregate liability pursuant to Section 9.1(a) hereof shall not exceed One Hundred Sixty Million Dollars (\$160,000,000), provided that the limitation contained in this Section 9.4(a)(ii) shall not apply with respect to any breach of representation or warranty contained in Sections 3.1, 3.2, 3.3, 3.4, 3.5 or 3.28 hereof; and

(iii) Maxion shall not be responsible hereunder for any indirect or consequential damages.

(b) Notwithstanding the provisions of Section 9.2 hereof, and subject to Section 4.5 hereof:

(i) AGCO shall not have any liability pursuant to Section 9.2(a) hereof unless the aggregate amount of all claims payable pursuant to Section 9.2(a) hereof is at least \$200,000, and then only to the extent such claims exceed \$200,000; provided, however, that AGCO shall be responsible hereunder without regard to the limitation contained in this Section 9.4(b)(i) for any claims exceeding \$25,000 individually.

(ii) AGCO shall not be responsible hereunder for any indirect or consequential damages.

ARTICLE X
TERMINATION

10.1 TERMINATION. This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing, as follows:

(a) MUTUAL CONSENT. By mutual consent in writing of both AGCO and Maxion hereto;

(b) MATERIAL INFORMATION. By AGCO, if Maxion fails to disclose any material information about the Business, the Division Assets or Newco or provides AGCO with materially inaccurate or misleading information regarding the same;

(c) MAXION'S FAILURE TO CLOSE. By AGCO, if AGCO is prepared to close and all conditions to Maxion's obligations to close pursuant to Article VII have been satisfied and Maxion fails to close in accordance with Article II;

(d) AGCO'S FAILURE TO CLOSE. By Maxion, if Maxion is prepared to close and all conditions to AGCO's obligations to close pursuant to Article VI have been satisfied and AGCO fails to close in accordance with Article II; and

(e) MATERIAL ADVERSE CHANGE. By AGCO, if a material adverse change occurs in the Business or the Division Assets.

10.2 CUT-OFF DATE. If the Closing shall not have occurred on or before June 30, 1996, either party hereto may terminate this Agreement by delivering written notice thereof to the other party hereto.

10.3 EFFECT OF TERMINATION. If this Agreement is terminated pursuant to Section 10.1(a), 10.1(e) or 10.2, all rights and obligations of Maxion and AGCO hereunder shall terminate, and no party hereto shall have any further liability or obligation hereunder to any other party hereto. If this Agreement is terminated pursuant to Section 10.1(b), 10.1(c) or 10.1(d), the non-breaching party shall be entitled to exercise and pursue all rights and remedies available to it hereunder, at law, in equity or otherwise, and shall be entitled to recover from the other party all of its out-of-pocket expenses incurred in connection with or relating to the negotiation, preparation, execution and delivery of this Agreement.

ARTICLE XI
MISCELLANEOUS

11.1 NOTICES.

(a) All notices, consents, requests and other communications hereunder shall be in writing and shall be sent by hand delivery, by certified or registered mail (return-receipt requested), or by a recognized national overnight courier service as set forth below:

11.5 SEVERABILITY. If any provision of this Agreement shall be held void, voidable, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof, and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, voidable, invalid or inoperative provision had not been contained herein.

11.6 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of Brazil.

11.7 ASSIGNMENT. Neither party hereto may assign this Agreement, in whole or in part, without the prior written consent of the other party, and any attempted assignment not in accordance herewith shall be null and void and of no force or effect; provided, however, that AGCO may assign this Agreement to a wholly owned subsidiary of AGCO, but such assignment shall not relieve AGCO of responsibility for its obligations hereunder; provided further, that Maxion shall assign its shares of the capital stock of Newco (and all rights related thereto) to Iochpe-Maxion Trading S.A., a wholly owned subsidiary of Maxion, immediately prior to effecting the split of Newco pursuant to Section 2.2 hereof, but such assignment shall not relieve Maxion of responsibility for its obligations hereunder.

11.8 BINDING EFFECT. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.9 CUMULATIVE REMEDIES. All rights and remedies of each party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

11.10 HEADINGS. The titles, captions and headings contained in this Agreement are inserted for convenience of reference only and are not intended to be a part of or to affect in any way the meaning or interpretation of this Agreement.

11.11 REFERENCE WITH AGREEMENT. Numbered or lettered articles, sections, paragraphs, subsections, schedules and exhibits herein contained refer to articles, sections, paragraphs, subsections, schedules and exhibits of this Agreement unless otherwise expressly stated. The words "herein," "hereof," "hereunder," "hereby," "this Agreement" and other similar references shall be construed to mean and include this Agreement and all Exhibits and Schedules and all amendments to any of them unless the context shall clearly indicate or require otherwise.

11.12 INTERPRETATION. This Agreement shall not be construed more strongly against either party hereto regardless of which party is responsible for its preparation, it being agreed that this Agreement was fully negotiated by both parties hereto.

11.13 DEFINITION OF KNOWLEDGE. Any reference in this Agreement or in any certificate delivered pursuant hereto to a party's "knowledge" (whether to "the best of" such party's knowledge or other similar expressions relating to the knowledge or awareness of any party) shall include all matters which such party or any of its officers or directors actually knew or should have known after diligent inquiry.

11.14 MULTIPLE COPIES. This Agreement may be executed by the parties hereto in one or more copies.

IN WITNESS WHEREOF, the undersigned have caused their respective duly authorized representatives to execute this Agreement as of the day and year first above written.

"AGCO"

AGCO CORPORATION

By: /s/ Michael F. Swick

Michael F. Swick, Vice President
and General Counsel

"Maxion"

IOCHPE-MAXION S.A.

By: /s/ Ivoncy Brochmann Ioschpe

Ivoncy Brochmann Ioschpe, President

EXHIBIT A

As soon as possible after the Closing (but in no event later than August 31, 1996), AGCO shall cause Newco to prepare and deliver to Maxion a schedule of the items of inventory ("the Existing Inventory") and accounts receivable (the "Existing Accounts Receivable") actually transferred to, and accounts payable (the Existing Payables") actually assumed by, Newco at the Closing (the "Working Capital Schedule"). The Existing Inventory shall be valued on the Working Capital Schedule at the values determined therefore in accordance with paragraph A.2 below. Maxion shall have ten (10) days after its receipt thereof to notify AGCO of any objections it has to the Working Capital Schedule. AGCO and Maxion shall thereafter in good faith attempt to resolve any disputes regarding the Working Capital Schedule as quickly as possible; provided, however, that if any such dispute has not been resolved within ten (10) days, either party may engage a mutually acceptable independent public accounting firm to review such Working Capital Schedule and resolve such dispute. The cost of such review shall be borne by the party requesting the review. The Working Capital Schedule shall then be used to make the following adjustments:

A. Inventory

1. At the Closing, Newco's book value for the Existing Inventory shall be equal to Maxion's book value therefor immediately prior to the Closing, and Newco shall have an obligation to Maxion (the "Excess Inventory Amount") equal to such book value of Existing Inventory less \$40,000,000.
2. The value of the Existing Inventory to be included on the Working Capital Schedule (the "Adjusted Value Existing Inventory") shall be determined by Newco as follows:
 - a. Newco shall identify any defective, excess or obsolete items in the Existing Inventory and shall reduce the book value of the Existing Inventory (and the Existing Inventory Amount) by the book value of such defective, excess and obsolete items (for purposes hereof, "excess" inventory shall include any item which Newco determined in good faith not to be usable in production during the ninety (90) day period following the Closing).
 - b. Newco shall then redetermine the values of all items of remaining Existing Inventory (excluding such defective, excess and obsolete items) at the lower of book value or replacement value (for purposes hereof, "replacement value" shall be determined in good faith by Newco, taking into account an item's condition, usability, salability and age).
 - c. Such redetermined value shall be the Adjusted Value Existing Inventory.
3. Newco shall have a period of thirty (30) days after the Working Capital Schedule is finalized to select the items of Adjusted Value Existing Inventory which will comprise the \$40,000,000, and all of such items shall be valued at the values therefor redetermined by Newco pursuant to paragraph A.2.b. above. In determining the specific items of Adjusted Value Existing Inventory

to be included in such \$40,000,000, priority shall be given first to finished goods (provided such finished goods are new and are current models) and work-in-progress and then to an adequate level of replacement parts.

4. Newco may satisfy its obligation to Maxion for the Excess Inventory Amount by paying to Maxion in cash the lowest available market price for any Existing Inventory not included in the \$40,000,000 (including any defective, excess or obsolete items) if, as and when Newco uses any of such inventory in the operation of the Business, and the Excess Inventory Amount shall be reduced by an amount equal to the book value of such items (Newco will commit to use any items of excess inventory in accordance herewith if, as and when such items are needed in production prior to any purchase of such items from a third party supplier). In addition, the Excess Inventory Amount shall be reduced by an amount equal to the book value of any such inventory written down or written off by Newco; provided, however, that Newco shall not, without the prior written consent of Maxion (which shall not be unreasonably withheld), write down or write off any such items within three (3) years after the Closing.
5. In addition, after the Closing, Maxion and AGCO shall in good faith negotiate in an attempt to agree upon a mutually acceptable amount which AGCO may pay to Maxion in full satisfaction of its obligation to Maxion for the Excess Inventory Amount.
6. At any time after Newco determines the items of Adjusted Value Existing Inventory to be included in the \$40,000,000, Maxion may require Newco to reconvey to Maxion all or any portion of the defective, excess or obsolete inventory identified by Newco pursuant to paragraph A.2.a. above, and Newco shall receive in exchange therefor a corresponding reduction in the Excess Inventory Amount equal to the book value of such reconveyed items. Notwithstanding the foregoing, Maxion shall not, directly or indirectly, sell or attempt to sell any of such reconveyed items to any of Newco's dealers or distributors. In addition, Maxion shall offer in writing to Newco the right to purchase any of such reconveyed excess inventory items prior to selling them to any other person or entity on the same terms as such items would be sold to such other person or entity.
7. In the event the Adjusted Value Existing Inventory is less than \$40,000,000, Maxion will promptly pay to Newco in cash an amount equal to such difference.

B. Accounts Receivable

1. Newco shall have an obligation to Maxion equal to the amount of the Existing Receivables less \$27,000,000 (the "Excess Receivable Amount").
2. Newco shall have a period of ninety (90) days after the Closing to select which accounts shall comprise the \$27,000,000.

3. Newco may satisfy its obligation to Maxion for the Excess Receivable Amount by:
 - a. paying such amount to Maxion in cash as and when Newco collects such amounts in the ordinary course of the Business within the ninety (90) days after the Closing; and
 - b. returning any such uncollected accounts to Maxion within ninety (90) days after the Closing for full credit at the face amount of such receivables.

In addition, Maxion and AGCO shall in good faith negotiate in an attempt to agree upon a mutually acceptable amount which AGCO may pay to Maxion in full satisfaction of its obligation to Maxion for the Excess Receivable Amount.

4. In the event the Existing Receivables are less than \$27,000,000, Maxion will promptly pay to Newco in cash an amount equal to such difference. Furthermore, in the event that proceeds received by Newco from the collection of the Existing Receivables during the period ending ninety (90) days after the Closing do not aggregate \$27,000,000, Maxion shall promptly pay to Newco the amount of such deficit.
5. Within thirty (30) days after the Closing, Maxion shall repurchase from its third party lenders all other receivables generated in the operation of the Business. Maxion shall then transfer and assign all of such receivables to Newco, and the amount of such receivables shall be added to the Excess Receivable Amount.
6. Newco shall collect all receivables which arose as a result of a customer sale financed by FINAME (i.e. commodity-indexed receivables) on behalf of Maxion and remit such collections directly to Maxion. Maxion shall reimburse Newco for any expenses incurred by Newco in connection therewith. Notwithstanding anything else contained herein to the contrary, Newco shall have no obligation under any commodity pricing arrangements entered into by Maxion with its customers.
7. In the event Newco returns any of the Existing Receivables to Maxion pursuant to Section 3.b. above, upon the request of and at the sole expense of Maxion, Newco shall continue to process such receivables on the Business' computer system in accordance with past practices.
8. In the event Newco returns any of the Existing Receivables to Maxion pursuant to Section 3.b. above, Newco shall attempt to collect such receivables only in accordance with the collection procedures used in the normal course of the operation of the Business prior to the date of the Closing.

C. Accounts Payable

1. In the event the Existing Payables assumed by Newco exceed \$17,000,000, Maxion shall promptly pay to Newco an amount equal to such difference as such excess payables become due.
2. In the event the Existing Payables assumed by Newco are less than \$17,000,000, Newco shall promptly pay to Maxion an amount equal to such difference.

D. Access to Books and Records

Maxion shall have access to all books and records of the Business relating to the Existing Inventory and the Existing Receivables until Newco satisfies its obligations to Maxion for the Excess Receivable Amount and the Excess Inventory Amount.

BRAZIL
(ENGINE SUPPLY)

ENGINE SUPPLY AGREEMENT
BETWEEN
AGCO CORPORATION
AND
IOCHPE-MAXION S.A.

THIS SUPPLY AGREEMENT is made the 27th day of June 1996 BETWEEN AGCO CORPORATION of 4830 River Green Parkway, Duluth, GA 30136, U.S.A. ("AGCO") and IOCHPE-MAXION S.A. of Seo Paula, Federative Republic of Brazil ("MAXION")

WHEREAS

- (A) AGCO has agreed to acquire the assets and business of the Agricultural Equipment and Industrial Tractor Division of MAXION ("the Division") from MAXION with effect from June 1996 as a going concern with the intent, inter alia, of maintaining and expanding that business.
- (B) MAXION has for many years supplied the Division with a range of Perkins branded diesel engines, related components and spare parts for incorporation into Massey Ferguson, Ideal and Maxion branded products.
- (C) AGCO wishes to continue the relationship that currently exists between the Division and MAXION, and for its part MAXION wishes to establish a relationship with AGCO that builds upon and expands the currently existing relationship.
- (D) Therefore MAXION and AGCO wish to enter into this Supply Agreement under which AGCO's Brazilian subsidiary ("NEWCO") will commit to purchase and MAXION will commit to supply 100% of its requirements for engines, related components and engine spare parts for incorporation into present and future products, provided that this commitment will apply only insofar as such engines, related components and engine spare parts are manufactured by Maxion or for

MAXION (by suppliers where Maxion has made a substantial capital investment) in Brazil.

(E) AGCO will assign this Agreement to NEWCO immediately upon incorporation.

THEREFORE, the Parties agree as follows:

(1) DEFINITIONS:

"MAXION" means IOCHPE-MAXION S.A. and its subsidiaries and their respective legal successors and assigns.

"AGCO" means AGCO Corporation and its subsidiaries and their respective legal successors and assigns

"NEWCO" means the to be formed Brazilian subsidiary of AGCO and its respective legal successors and assigns.

"Maxion Engine" means any Perkins branded diesel engine identified in Exhibit A manufactured by MAXION in accordance with the agreed specification.

"Massey Ferguson Product" means any Massey Ferguson or Maxion branded product manufactured by NEWCO.

"Supply Agreement" means this document and all Exhibits attached hereto.

"Party" and "Parties" means individually either MAXION or AGCO, or collectively both MAXION and AGCO.

(2) EFFECTIVE DATE:

This Supply Agreement shall become effective as of 27th June 1996.

(3) SCOPE OF AGREEMENT AND TRANSITION ARRANGEMENTS

3.1. As from the Effective Date:

- (a) NEWCO commits to continue to power those current Massey Ferguson Products manufactured in Brazil which incorporate Maxion Engines with Maxion Engines.
- (b) NEWCO commits to purchase from MAXION 100% of NEWCO's requirements for MAXION Engines and Parts for installation into the Massey Ferguson Products, provided such Engines and Parts are or will be manufactured by Maxion or for MAXION (by suppliers where Maxion has made a substantial capital investment) in Brazil.
- (c) In consideration of the NEWCO commitment set out in Clause 3.1(a) and (b) MAXION undertakes not to sell diesel engines to any competitor of NEWCO in the agricultural machinery sector, except those current customers listed on the attached Exhibit E.
- (d) MAXION further undertakes that it will sell parts for MAXION engines to NEWCO, but that it will not solicit NEWCO's dealers, or other agricultural dealers, (except those current customers listed on the attached Exhibit E) and that it will never undercut NEWCO on price or on any other condition of sale.

3.2.1 With respect to NEWCO's future diesel engine requirements, the Parties recognise the potential mutual

benefits of NEWCO selecting MAXION as an exclusive supplier of such diesel engines. The Parties therefore agree to work jointly towards this goal in the following manner : subject to MAXION demonstrating its ability to

- (a) meet the required Massey Ferguson Product specification, and
- (b) being able to offer the relevant engine at a price consistent with the globally competitive price for comparable Maxion Engines manufactured by MAXION's key competitors in the agricultural sector (i.e. Perkins, Cummins, Deere and Detroit Diesel). The Parties acknowledge that when reviewing the pricing offered by MAXION, they will take due account of all relevant surrounding factors such as product quality, performance, terms of payment, environmental compliance, technical support delivery, taxes, duties and logistics costs.

then NEWCO commits to specify the Maxion Engine in the particular Massey Ferguson Product within a mutually agreed timescale.

- 3.2.2 If MAXION during the term hereof develops a replacement model for any Maxion Engine then being currently supplied to NEWCO, NEWCO will, subject only to MAXION demonstrating its ability to meet the required specification and being able to offer the item at a price consistent with the other Maxion Engines then being supplied, purchase it

under the terms hereof.

- 3.3 NEWCO will provide MAXION with detailed functional specifications for each specific engine configuration. MAXION will review the specifications and discuss with NEWCO any difficulties it foresees in meeting the specifications and if necessary the Parties will mutually agree upon any changes.
- 3.4 Specific changes to the specifications of any Maxion Engine can be suggested by either Party at any time. No changes which affect fit or interchangeability will be made by MAXION without NEWCO's prior consent, which consent shall not be unreasonably withheld or delayed. If the Parties agree upon a specification change, they will also agree upon any appropriate changes to price, delivery, warranty and any other applicable terms and conditions.
- 3.5 MAXION will provide and update as required various types of data used to support the sales, servicing and spare parts support of the MAXION Engines. This shall include product design drawings, training materials, technical data sheets, service manuals and spare parts books. MAXION shall provide to NEWCO free of charge one master set of that data and material agreed with NEWCO as being necessary for their activities hereunder. NEWCO will only disclose information to third parties as agreed with MAXION.
- 3.6 MAXION will use all reasonable endeavours to maintain the ability to supply spare parts of a particular specification for the Maxion Engines for a period of at least 10 years after the date

of last supply by MAXION of the relevant Maxion Engines to NEWCO. During the subsequent 5 years' service life of a Maxion Engine (years 10 - 15 for agricultural applications), the Parties will use all reasonable endeavours to agree a managed phase out plan for that period.

- 3.7 During any phaseout period referenced in Clause 3.6 above, the Parties may agree from time to time categories of slow moving and obsolete spare parts which may be bought by NEWCO on a one-off and one-time buy basis.
- 3.8 The Parties acknowledge that as at the Effective Date there are a variety of outstanding uncompleted purchase orders and related delivery schedules ('Orders') covering agreed commitments for the supply of Maxion Engines by MAXION to NEWCO.
- 3.9 The Parties expressly agree that NEWCO shall not be under any obligation to complete such Orders, although any such Orders which are completed shall be paid for by NEWCO under the terms originally agreed.
- 3.10 The Parties expressly agree that apart from the Orders all NEWCO's requirements for Maxion Engines that are ordered by them as from the Effective Date shall be ordered strictly under the terms of this Supply Agreement. They acknowledge however that given the nature and complexity of the new relationship, there will arise during the initial phase of the new Supply Agreement operational issues and differences. They therefore undertake to use all reasonable endeavours in good

faith to resolve these in a mutually acceptable and expeditious way as and when these issues or differences arise.

- 3.11 In order to ensure a smooth transition into the new Supply Agreement, the Parties will establish and fully support a joint working team embracing the engine and parts supply operations as well as the technical support services of each organisation.

4. TERM:

- 4.1 This Supply Agreement shall, subject in particular to Clause 4.2, continue in effect until terminated by NEWCO or MAXION upon 36 months prior written notice to the other Party, provided, however, that such notice may not be given until 5 years have elapsed from the Effective Date of this Supply Agreement.

- 4.2 Notwithstanding the above referenced term of this Supply Agreement, if at any time during that term NEWCO considers in good faith that with respect to either pricing or product quality of the then supplied range of Maxion Engines, MAXION cannot reasonably be considered to be competitive across the range then the following shall apply:-

[] NEWCO will notify MAXION in writing giving full supporting data and information

[] A formal meeting at an operational level will be convened within 30 days of MAXION's receipt of NEWCO's notice. This meeting will consider firstly NEWCO's concerns and secondly a mutually acceptable action plan where this is

agreed as being necessary.

- [] The Parties will use all reasonable endeavours and acting in good faith to resolve NEWCO's concerns, agree an action plan and a timetable for implementation within 30 days.
- [] If the Parties fail to agree at an operational level, the issues will be referred for final resolution to an executive level meeting to be convened without delay.
- [] Where an action plan is agreed, the Parties will take all necessary steps to action this forthwith and to ensure the desired outcome. If the outcome is not achieved within the target timescale then NEWCO may, with respect to the affected Maxion Engine(s), automatically amend its Clause 3.1.(b) commitment accordingly.

5. ENGINE, PRICING, SHIPPING AND TERMS OF PAYMENT:

- 5.1 The prices applicable to Maxion Engines from the Effective Date until 31 December 1997 shall be those set out in Exhibit B.

Commencing no later than 30 June 1997 the Parties will, for the purposes of agreeing pricing and a pricing adjustment formula for Maxion Engines for the period post 31 December 1997 initiate pricing review discussions. The Parties agree to act in good faith within this process and to use their best endeavours to conclude their discussions no later than 30 November 1997.

5.2 Shipping Terms

The prices quoted in Exhibit B represent delivery "Ex Works" Canoas as per INCOTERMS 1990.

5.3 MAXION and NEWCO shall as far as is possible try to ensure that the former working procedures for the shipping of Maxion Engines are carried over into the new relationship unless mutually agreed alternative procedure(s) can be instituted at no disadvantage to either Party.

5.4 For all sales of Maxion Engines, MAXION shall be entitled to invoice NEWCO upon dispatch Ex Works as per INCOTERMS 1990.

5.5 Payment Terms

MAXION shall be entitled to invoice NEWCO upon dispatch Ex Works Canoas as per INCOTERMS 1990.

Exhibit B sets out the payment terms.

6. ORDERS AND SCHEDULES:

6.1 NEWCO will provide MAXION with its 2 year strategic planning forecast, updated annually and covering its requirements for Maxion Engines. Such forecast is for planning purposes only so as to inform MAXION of the production capacity it may need to meet NEWCO's projected needs. It does not represent a commitment to purchase.

- 6.2 NEWCO will provide a 12 month, monthly updated detailed forecast of its requirements by type of Maxion Engine. The detailed ordering/scheduling procedures are set out in Exhibit C. The basic principle will be that MAXION is given at any one time an 8 week fixed and firm order period. Notwithstanding the above, the Parties will work together throughout the term hereof to achieve progressively shorter fixed and firm order periods.
- 6.3 For stock orders for spare parts NEWCO will place purchase orders on MAXION incorporating a schedule with specific weekly delivery time slots. The schedule will incorporate a 12 week lead time. Special orders (not being "Vehicle off Road") or variations to the above schedule can be agreed between the Parties subject to a minimum of 5 working days' lead time.
- 6.4 MAXION will achieve a 95% "Vehicle off Road" order fill rate performance and subject to receiving a 12 week lead time schedule a 98% stock order fill rate performance throughout the term hereof. Detailed working procedures covering the interpretation, management and measurement of this will be established within 2 months of the Effective Date.

7. RISK AND TITLE:

Notwithstanding any other provision herein or in any NEWCO issued purchase order, risk in Maxion Engines will pass to NEWCO upon their delivery and title in any Maxion Engines will pass to NEWCO upon NEWCO's payment in full of the relevant MAXION invoice.

8. ENGINE WARRANTY AND POLICY:

8.1 All Maxion Engines supplied hereunder shall benefit from a warranty from MAXION. For a period of 12 months or 1500 hours of usage from delivery of any such items to the first user or 24 months from delivery as per Clause 5 (whichever is shorter), MAXION will by repair or (at its option) replacement rectify any failure therein due to a defect in workmanship or materials. MAXION will accept responsibility for labour and material costs incurred during such activities. With respect to the cylinder block casting, cylinder head casting, crankshaft (excluding bearings), camshaft and connecting rods, these major Components will be warranted for a further 12 months or 1500 hours of usage (whichever is the shorter) over and above the standard warranty period.

8.2 The standard MAXION warranty is set out in Exhibit D.

9. RIGHT TO REJECT:

NEWCO reserves the right to reject any and all Maxion Engines not in accordance with the agreed upon specifications. NEWCO shall notify MAXION of any such non-conformity or deficiency, or any shortage in shipment, as soon as reasonably practicable after arrival at the intended destination. The Parties will agree upon a method for correcting the non-conformity or deficiency. If NEWCO performs the agreed correction, MAXION shall reimburse or credit, at its election, the direct and reasonably incurred expenses of NEWCO for any repairs performed by NEWCO or its nominee in correcting the non-conformity or deficiency.

10. EMISSIONS CONTROLS: FUTURE MAXION ENGINES:

MAXION undertakes to meet future emissions regulations in the world as they may relate to the Maxion Engines. The Parties will meet regularly so that MAXION may keep NEWCO informed of its progress toward compliance with future regulations. Both Parties will exchange technical information and data to minimise the development costs and product costs associated with these programmes. MAXION will supply NEWCO with calculations and test data reasonably required to satisfy the relevant regulations. The Parties agree to establish and maintain a close technical and product planning relationship so as to maximise the mutual benefits arising from such activities. They agree to share their respective product plans during the term hereof as far as they relate to this Supply Agreement.

In so much as MAXION is unable at any time to meet the particular emissions regulations of a specific market as they may apply to a Maxion Engine, then the NEWCO commitment in Clause 3.1(b) shall be deemed waived for that Maxion Engine in the specific market for as long as MAXION's inability may continue. Once MAXION achieves compliance, the waiver shall be automatically removed.

11. COST REDUCTION: SAFETY:

11.1 MAXION and NEWCO agree to establish and fully support joint cost reduction and "Total Quality" related activities with the intent of achieving continuous improvements for their mutual benefit. They agree to share equally between themselves any benefits that may arise from such activities.

- 11.2 The Parties agree that product safety is a goal to which each Party is committed.
- 11.3 The Parties shall inform each other periodically concerning the performance of the Maxion Engines. As part of such discussions the Parties will update one another on the accident history of Maxion Engines. It is intended that MAXION and NEWCO shall co-operate closely in undertaking any investigations of any accidents.

12. INDEMNIFICATION:

- 12.1 MAXION shall indemnify and hold NEWCO and its dealers, employees, officers and directors, harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees and expenses of whatsoever nature which are a consequence of or attributable to, the operation, use or possession of Maxion Engines and resulting from any defect of material or workmanship of Maxion Engines or failure to adequately instruct or warn concerning the operation, use or possession of such Maxion Engines, excluding, however, any such claims and demands to the extent attributable to any modification or alteration of Maxion Engines performed by NEWCO without the written approval of MAXION.
- 12.2 NEWCO shall indemnify and hold MAXION and its employees, officers and directors harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees, and expenses, of whatsoever nature, which are a consequence of or attributable to the operation, use or

possession of Maxion Engines and resulting from any modification to or alteration of the Product by NEWCO performed without the written approval of MAXION.

- 12.3 MAXION shall indemnify and hold NEWCO and its dealers, employees, officers and directors, harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees and expenses, of whatsoever nature, which are a consequence of or attributable to the operation, use or possession of Maxion Engines and resulting from any representation or misrepresentation made by MAXION including, but not limited to, representations or misrepresentations relating to the capability, use, application, function, durability, reliability, quality, serviceability, safety or any other characteristic or feathre of Maxion Engines, and including representations as required for government certification, homologation, approval and for any other purpose whatsoever, except as may have been made in reasonable reliance upon information furnished by NEWCO.
- 12.4 NEWCO shall indemnify and hold MAXION and its employees, officers and directors, harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees and expenses, of whatsoever nature, which are a consequence of or attributable to the operation, use or possession of Maxion Engines and resulting from any representation or misrepresentation made by NEWCO including, but not limited to, representations or misrepresentations relating to the capability, use, application, function, durability, reliability, quality, serviceability, safety or any other characteristic or

feature of Maxion Engines, and including representations as required for government certification, homologation, approval and for any other purpose whatsoever, except as may have been made in reasonable reliance upon information furnished by MAXION.

12.5 Each of NEWCO and MAXION shall indemnify and hold harmless the other and the directors, officers and employees of the other, from and against any and all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees and expenses, of whatsoever nature, arising out of injury to or death of or property damage sustained by the indemnifying Party's employees, agents and contractors while such employees, agents or contractors are on the property of the other.

12.6 MAXION and NEWCO shall not be responsible hereunder for any indirect or consequential damages.

13. DISCONTINUANCE:

13.1 If MAXION for any reason determines that it desires to cease manufacturing any Maxion Engine, MAXION shall immediately notify NEWCO of such decision. Such notification shall be made at least 12 months prior to the actual discontinuance.

13.2 Where Clause 13.1 applies, MAXION shall use all reasonable endeavours to offer in an agreed timescale to NEWCO an alternative engine product to replace the to be discontinued Maxion Engine.

13.3 If NEWCO decides to cease the manufacture of any product that uses Maxion engines, it shall immediately notify MAXION in writing and shall ensure that such notice is given at least 12 months prior to the actual discontinuance. MAXION and NEWCO will use their best endeavours to resolve any remaining inventory issues at their plants or at MAXION's suppliers.

14. TERMINATION:

- 14.1 Either Party may terminate this Supply Agreement forthwith by notice in writing to the other Party if:
- (i) the other Party fails for reasons other than Force Majeure to comply with any of the terms of this Supply Agreement and does not remedy such breach within 180 days after written notice of such breach is given to it by the terminating Party; or
 - (ii) the other Party becomes a party to a voluntary or involuntary bankruptcy, receivership or liquidation filed by or against it (except in the case of either Party where if it goes into bankruptcy or voluntary liquidation for the purpose of reconstruction, this shall not be considered as an event permitting the other Party to terminate this Supply Agreement), or makes an assignment for the benefit of creditors.
- 14.2 This Supply Agreement shall not be assignable (other than the right to receive monies) or otherwise transferable by any Party (except to an Affiliate of a Party) without the prior written

consent of the other Party, which consent shall not be unreasonably withheld or delayed. During the term hereof, if there is a transfer of the ownership and control of either MAXION, NEWCO or the parent company of either Party to a competitor, the other Party shall have the option of terminating the Supply Agreement immediately by giving written notice thereof. For purposes of this Clause, a change in the ownership and control of either Party or a parent company shall be deemed to have occurred if and when any one or more persons acting individually or jointly is or becomes a beneficial owner, directly or indirectly, of securities representing 51% or more of the combined voting power of the then outstanding securities of the Party or the parent company of either Party.

14.3 In addition if in NEWCO's reasonable opinion:

- (a) Products do not consistently meet over time the technical, quality, reliability and other specifications which the Parties will mutually agree upon from time to time; or
- (b) MAXION does not consistently meet over time for reasons other than Force Majeure the delivery schedules agreed upon between the Parties:

then NEWCO may thereafter notify MAXION in writing of the event complained of and require MAXION to rectify the particular situation within 180 days. Should MAXION fail for reasons other than Force Majeure to rectify within the said period, NEWCO shall be free to terminate this Supply Agreement in whole or in part forthwith by written notice.

14.4 For any termination by either Party under Clauses 14.1, 14.2 or 14.3 or any other provision hereof, the following provisions shall apply:

- (a) All sums then outstanding from NEWCO to MAXION under any purchase orders or schedule for Maxion Engines shall become immediately due and payable,
- (b) The Parties shall, within 30 days after the effective date of any termination, meet to agree upon a programme for the cessation of supply of Maxion Engines and the settlement by way of mutual agreement (wherever possible) of any outstanding issues.

Apart from the above any termination of this Supply Agreement howsoever caused shall be without prejudice to either Party's rights existing as at the date of termination.

15. FORCE MAJEURE:

15.1 No failure or omission by either Party in the performance of any of its obligations under this Supply Agreement shall be deemed a breach of this Supply Agreement, nor create any liability or give rise to any right to terminate this Supply Agreement, if the same shall arise from or as a consequence of a general strike, extended labour dispute, lockout, fire, flood, severe weather or other act of God, delays in transportation or delivery of materials, war, insurrection, civil disturbance, embargoes of goods by any government, or any other cause beyond the reasonable control of such party, whether similar to or different

from the causes above enumerated, and any such cause shall absolve the affected Party from responsibility for such failure to perform said obligation.

- 15.2 Each Party shall notify the other of any material change in conditions or the occurrence of any event which interferes or threatens to interfere with the performance of any of its obligations under this Supply Agreement.
- 15.3 Upon such notice, the Parties shall consult and co-operate as to measures which may be taken to overcome the interference or as to any alternative measures to be undertaken by the Parties with a view to the continue performance of this Supply Agreement. Such measures may include the suspension of any condition or obligation, the modification of this Supply Agreement or of any orders placed pursuant hereto, and the assumption by any Party of any costs incurred or to be incurred as a result of the interference which has arisen or in giving effect to said measures.

16. NOTICES:

All notices hereunder shall be sent by certified or registered mail, return receipt requested, with postage prepaid, to the addresses of the Parties noted above or such other address as notified as between the Parties.

17. MISCELLANEOUS:

- 17.1 Nothing herein contained shall be deemed to create an agency, joint venture, partnership, or fiduciary relationship between the Parties hereto.
- 17.2 The headings in this Supply Agreement are for reference only and shall not affect its construction or interpretation. Words signifying the singular shall include the plural and vice versa where the context so admits. All delivery-related terminology shall wherever relevant be interpreted by reference to Incoterms 1990.
- 17.3 Any failure of any party to enforce, at any time, any of the provisions of this Supply Agreement or any rights or remedies with respect hereto or to exercise any election herein provided shall not constitute a waiver of any such provision, right, remedy, or election or in any way affect the validity thereof or of this Supply Agreement. The exercise by any Party of any of its rights, remedies or elections under the terms of this Supply Agreement shall not preclude or prejudice such Party's right to exercise at any other time the same or any other right, remedy or election it may have under this Supply Agreement. The rights of termination provided herein are in addition to any other right, remedy or election a Party may have hereunder.
- 17.4 Subject to any contrary reference herein this Supply Agreement embodies the entire understanding between the Parties and supersedes all prior agreements, representations or warranties,

oral or written, concerning the subject matter between the Parties relating hereto. No modification, renewal, extension or waiver of this Supply Agreement or any of its provisions shall be binding unless in writing and duly executed by an authorised representative of each Party hereto.

- 17.5 Except to the extent necessary to engage in the transactions contemplated herein or as required by law, no Party may advise third parties (other than Affiliates and/or professional advisors retained by the Parties) of the existence or terms of this Supply Agreement without the consent of the other Parties: provided, however that NEWCO or MAXION may after the Effective Date freely disclose the existence of this Agreement to their distribution networks.
- 17.6 The provisions of Clauses 8 and 12 shall survive any termination or expiration of this Agreement.
- 17.7 This Supply Agreement shall be governed and construed in accordance with the Laws of Brazil.
- 17.8 Any and every dispute or difference between the Parties concerning the validity, meaning or effect of this Supply Agreement that cannot be amicably settled, shall be finally settled under the rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with such Rules. Arbitrators shall be fluent in spoken and written English. The place of arbitration shall be in Brazil. The decision of the arbitration (including any award of costs) shall be final and binding on the Parties.

- 17.9 The Parties shall continue to perform their respective obligations under this Supply Agreement during the period of any arbitration proceedings except insofar as such obligations are the subject matter of the said arbitration proceedings.
- 17.10 Nothing contained in this Supply Agreement shall prevent either MAXION or NEWCO from applying to an appropriate court in any jurisdiction for any injunction or other like remedy to restrain the other from committing any breach or any anticipated breach hereof and for consequential relief.

IN WITNESS whereof the Parties have caused this Supply Agreement to be executed the day and year first above written.

MAXION

SIGNED: /s/ Ivoncy Bedchmann Ioschpe

TITLE: President

AGCO

SIGNED: /s/ Michael F. Swick

TITLE: Vice President and General Counsel
