

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended  
December 31, 1995

Commission file number  
0-325

THE DURIRON COMPANY, INC.  
(Exact name of registrant as specified in its charter)

New York  
(State or other jurisdiction  
of incorporation or organization)

31-0267900  
(I.R.S. Employer  
Identification No.)

3100 Research Boulevard  
Dayton, Ohio  
(Address of Principal  
Executive Offices)

45420  
(Zip Code)

Registrant's telephone number, including area code: (513) 476-6100

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

Title of each class	Name of each exchange on which registered
None	None

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

Common Stock, \$1.25 par value  
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes /checkmark/      No / /  
(Continued)

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

/checkmark/

At close of business on February 15, 1996:

Number of Shares of Common Stock, \$1.25 par value, outstanding .....	24,427,973
Aggregate market value of shares of Common Stock, \$1.25 par value, held by nonaffiliates of the Company .....	\$583,769,664

INDEX TO EXHIBITS at page 54 of this Report

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DOCUMENTS INCORPORATED BY REFERENCE

1. The Duriron Company, Inc. Proxy Statement for its 1996 Annual Meeting of Shareholders to be held on April 25, 1996 (the "Proxy Statement"). Definitive copies of the Proxy Statement will be filed with the Commission within 120 days of the end of the Company's most recently completed fiscal year. Only such portions of the Proxy Statement as are specifically incorporated by reference under Part III of this Report shall be deemed filed as part of this Report.

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## PART I

### ITEM 1. BUSINESS

The Duriron Company, Inc. was incorporated under the laws of the State of New York on May 1, 1912. All references herein to the "Company" or "Duriron" refer collectively to The Duriron Company, Inc. and its subsidiaries, unless otherwise indicated by the context.

On November 30, 1995, the Company acquired Durametallic Corporation ("Durametallic") in a tax-free exchange of common stock valued at \$150 million under the terms of the acquisition agreement. The Company issued approximately 5.4 million new shares of common stock to complete this exchange and thereby acquired this manufacturer of mechanical seals and sealing system products. The transaction was accounted for as a pooling of interests, and the Company's prior financial statements were restated to incorporate Durametallic's financial results. Accordingly, all subsequent references to the Company also include Durametallic, unless the context clearly requires otherwise.

Duriron is principally engaged in the design, manufacture and marketing of fluid handling equipment, primarily pumps and valves and mechanical seals for industries that utilize difficult to handle and often corrosive fluids in manufacturing processes. The Company specializes in the development of precision-engineered equipment that is capable of withstanding the severely deteriorating effects associated with the flow of acids, chemical solutions, slurries and gases.

Based upon its analysis of trade association data and other market information, the Company considers itself a leading supplier of corrosion resistant fluid movement and control equipment to the basic chemical industry. The Company's materials expertise, design, engineering capabilities and applications know-how have enabled it to develop product lines that are responsive to the chemical process industries' desire to achieve manufacturing efficiencies, avoid premature equipment failure and reduce maintenance cost.

The Company operates primarily in one business segment, fluid movement and control equipment (primarily pumps, valves, mechanical seals and related equipment). Included in Note 19 of the Financial Statements provided as part of Item 8 of this Report and incorporated herein by this reference, is information concerning the Company's revenues, operating profit and identifiable assets by geographic area for each year in the three-year period ended December 31, 1995. With respect to a majority of its products, the Company's domestic operations supply each other and the Company's foreign manufacturing subsidiaries with components and subassemblies.

### PRODUCTS

The Company's principal fluid movement and control equipment products are pumps, valves, mechanical seals and related equipment, marketed primarily under the trademarks "Durco," "Atomac," "Valtek," "Automax," "Accord," "Kammer," "Mecair," "Sereg," "Durametallic," "Dura Seal," "Pac-Seal" and "Metal Fab." In many manufacturing processes, fluids must be moved by pumps, and flow must be controlled by valves. The Company's pumps,

valves and mechanical seals are designed to withstand the corrosive nature of the fluids and the varying temperatures and pressures under which manufacturing processes occur.

The Company manufactures, under the Durco trade name, several lines of centrifugal pumps, including metallic and non-metallic pumps, varying in size, capacity, material components and sealant specifications. Durco pumps are used primarily to move liquids during processing activities as well as in auxiliary services such as waste removal, water treatment and pollution control. Critical elements in pump selection include the nature and volume of the fluids to be handled, the height and distance the fluids are to be moved, the temperature and pressure at which they are to flow, the presence of stray elements or particles, and the toxicity of the fluids. The Company also manufactures several lines of metering pumps under the Durco trade name which are generally used to inject measured quantities of additives or catalysts into a process stream.

The Company's valves are used to control the flow of liquids and gases in industrial processing systems. The Company manufactures product lines of plug and butterfly valves under the Durco trademark which are made of various metals, alloys and plastics. The Company also produces a lined ball valve under the Atomac trade name. Actuators and other control accessories manufactured by the Company under the Automax and Accord trade names are either sold independently or mounted on these valves to move them from open to closed positions and to various specified positions in between.

The Company manufactures, under the Valtek, Kammer and Sereg trade names, automatic control valves, valve actuators and related components. Automatic control valves are important components in the automation of manufacturing and processing systems since they are capable of modulating (that is, automatically adjusting) the rate and amount of fluids moving in a manufacturing production system. The Valtek product line includes high-pressure valves, rotary valves, and anti-noise and anti-cavitation valves. Substantially all of the Valtek valves are sold with an actuator. The Company also developed and manufactures a Valtek automatic control valve (under the "StarPac" trade name) with "on-board" sensor and microprocessor capabilities. The Kammer automated control valves are primarily sold with actuators to chemical process applications requiring alloy steel control valves of a smaller size than most of the Valtek products. The Company sells control valves under the Valtek Sereg trade name primarily in France and other European countries.

The Company's mechanical seals and sealing systems are used to prevent the leakage of process fluids along the rotating shaft of industrial pumps, mixing equipment and miscellaneous other rotating equipment used in moving and otherwise handling process fluids during manufacturing operations. Certain types of these mechanical seals and sealing systems, which are marketed under the "Durametallic" and "Dura Seal" trade names, are used within the centrifugal pumps manufactured by the Company. Durametallic mechanical seals include a spring loaded design and a welded metal bellows design which both offer fluid sealing protection while rotating with the shaft of pumps, mixers and similar equipment in industrial operations. Mechanical seals sold under the "Pac-Seal" trademark are primarily used in water pumps and other non-corrosive applications.

Finally, the Company also manufactures filtration products and related spare parts under the Durco trade name and specialty welded metal bellows products under the "Metal Fab" trade name.

#### MARKETING AND DISTRIBUTION

The Company's Durco pump and Durco quarter-turn valve products are primarily marketed to end-users and engineering contractors through the Company's own sales forces, regional service centers, a national parts distribution center and independent distributors and representatives. The Company sales personnel are divided, for the Durco pump and Durco valve products, into separate organizations which specialize in the respective product lines. The specialization of these two sales forces helps enable them to

maintain a high level of technical knowledge about their applicable products, customer applications, in-plant installation and maintenance services. Both the pump and quarter-turn valve sales organizations have field sales offices located in principal industrial markets and resident sales personnel at additional locations.

The Company also maintains regional service centers in the greater Houston, Salt Lake City and metropolitan Philadelphia areas. These centers stock a full array of critical pump parts and have machining and product modification capabilities. A national pump parts distribution and service center, located in Birmingham, Alabama, provides 24-hour assistance to customers and ships critical replacement parts on an immediate need basis. The Company also has licensed certain independent valve distributors located throughout the United States to service and remanufacture its quarter-turn valve products.

Automax and Atomac products are distributed with Durco manual valves by Company sales personnel and through a network of independent stocking distributors. The Company's sales force provides training and technical assistance to the Company's independent distributors, who also participate in periodic training programs relating to Company products and customer applications.

Durametallic and Pac-Seal products are sold through a combination of direct sales personnel who specialize only in these products and by independent sales representatives or distributors. The Company maintains branch and service center facilities in the U.S. at the following locations which specialize in Durametallic and Pac-Seal products: Baton Rouge, Louisiana, Carson, California; Posen, Illinois; Bridgeport, New Jersey; Matthews, North Carolina; Cincinnati, Ohio; Houston, Texas; and Vancouver, Washington. Durametallic products are also marketed internationally through sales offices in almost sixty (60) countries. The Company also markets Durametallic products through foreign subsidiaries including operations established in Argentina, Canada, Belgium, Mexico, Brazil, Australia, New Zealand and Singapore. The Company maintains joint ventures in India, Korea, Saudi Arabia and Malaysia to manufacture and sell mechanical seals utilizing Durametallic product technology within those countries.

Valtek products are marketed through specialized sales offices with sales engineers and service centers in Springville (Utah), Houston, Philadelphia, Beaumont (Texas), Corpus Christi and Baton Rouge. In other territories, Valtek products are sold on a commission basis through independent manufacturers' representatives located in principal marketing centers in the

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United States. The Company provides extensive training in the sophisticated Valtek products and customer applications for its sales representatives.

Kammer products are primarily marketed through a direct sales force in Germany and through independent distribution in other countries. Kammer products are marketed with Valtek products in certain U.S. locations, with a Kammer product sales office located in Pittsburgh, Pennsylvania, supporting U.S. marketing. Valtek Sereg products are generally sold through employees in France and combined with other Valtek products for sale in the U.S. and elsewhere.

The Company maintains a subsidiary, Davco Equipment Inc., to market its Durco pumps, Durco quarter-turn valves, Automax actuators and Valtek control valves directly and on a consolidated basis through employees of this subsidiary to customers in the Freeport, Texas, area. Formerly, the Company had marketed these varying product lines through a variety of specialized independent distributors and employees.

The Company's international sales include domestic export sales and sales by the Company's foreign subsidiaries. Duriron Canada Inc., headquartered in Woodbridge, Ontario, manufactures and sells Durco pumps and valves throughout eastern Canada. S.A. Durco Europe N.V. is headquartered in Brussels, Belgium. This subsidiary manufactures pumps and valves in its Petit Rechain, Belgium, facility and maintains selling organizations in Europe and sales representatives in the Middle East. Atomac, of Ahaus, Germany, and a division of Durco GmbH, engages in the manufacture and sale of lined ball valves

and associated equipment. The Company further maintains subsidiaries in the United Kingdom, Italy, Spain, The Netherlands and France to provide sales and service of Durco products in these countries.

A Singapore subsidiary, Durco Valtek (Asia Pacific) Pte. Ltd., services and prepares pumps, quarter-turn valves and control valves for sale in the Asian market in a recently expanded facility.

An Italian subsidiary of the Company manufactures actuators sold in the U.S. under the Automax trade name and elsewhere under the "Mecair" trade name. The Company worked to standardize such worldwide marketing under the Automax trade name over 1995.

The Company has manufacturing and marketing operations for Valtek products in Australia and Canada. Valtek products are also manufactured and marketed by licensees in the United Kingdom and Brazil under long-term license arrangements. The Company has additionally entered into a joint venture with Yokogawa Electric Corporation and Kitz Corporation, both of which are Japanese companies, to manufacture and sell certain Valtek products within Japan.

The Company has entered into licenses with local manufacturers in Mexico, South Korea and India to permit them to manufacture and market pumps and valves under the Durco trade name and pursuant to Company specifications in those respective countries.

The Company maintains a strategic alliance agreement with A. Ahlstrom, a Finnish company with significant world-wide sales to the pulp and paper industry, to permit A. Ahlstrom to market and sell Durco pumps to this industry. The Company also maintains an alliance with

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Elsag Bailey to market and sell Valtek control valves as part of the computer-based process control systems of Elsag Bailey.

The Company also owns Sereg Vannes, S.A., a French company which manufactures control valve product offerings for distribution in France and other locations.

#### BACKLOG

The Company's backlog of orders was approximately \$101.4 million, \$78.2 million, and \$69.7 million at December 31, 1995, 1994 and 1993, respectively. Nearly all current backlog is expected to be shipped within the next 12 months. Sales of the Company's products are not normally subject to material seasonal fluctuations. Almost all of the Company's customers are in the private sector, and the Company's backlog is thus not exposed to renegotiation in any significant way at the election of a government customer.

#### COMPETITION AND CUSTOMERS

Based upon its analysis of trade association data and other marketing data, the Company considers itself a leading supplier of corrosion-resistant pumps, mechanical seals, valves, valve actuators and control valves to the basic U.S. chemical industry, with generally a lesser market share in other countries. No significant competitor of the Company manufactures pumps, valves and mechanical seals or has as its single primary market the basic chemical industry. However, the Company competes with companies which manufacture either pumps, valves or mechanical seals, portions of whose product lines are sold to the chemical process industries. The Company competes in general on the basis of product design and quality, materials expertise, delivery capability, price, application know-how, parts support and similar factors. The Company believes that it is, in the aggregate, strong in these areas. During 1995, no single customer or group of related customers accounted for more than 10% of sales.

#### MANUFACTURING AND RAW MATERIALS

The Company is a vertically-integrated manufacturer. Certain of the corrosion-resistant castings for Company products are manufactured at its Dayton, Ohio, foundries, which include a highly automated precision foundry, plus resin shell, no bake and centrifugal foundries. Ductile iron, gray iron, steel and large alloy metal castings are purchased from outside sources. Other Company manufacturing locations machine castings to precise specifications and assemble Company products. The Company's commitment to Total Quality control procedures and cellular manufacturing technologies is key to the efficient and successful manufacture of its products.

The Company also produces most of its highly engineered corrosion resistant plastic parts for its pump and valve product lines. This includes rotomolding as well as injection and compression molding of a variety of fluorocarbon and other plastic materials.

Basic manufacturing raw materials are purchased from various foreign and domestic vendors. These materials include Teflon, nickel, chrome, molybdenum, high silicon pig iron, ferro silicon, fused silica, epoxy resins and fluorocarbon resins, tungsten carbide, silicon

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carbides and high grade tubing. In addition, bar stock, tubing, motors and other necessary equipment for inclusion in the Company's finished products are purchased from various suppliers. The supply of raw materials and components has been, in general, sufficient and available without significant delivery delays.

#### RESEARCH AND DEVELOPMENT

The Company's research and development laboratories in Dayton, Ohio, Cookeville, Tennessee, Ahaus, Germany, Springville, Utah, and Kalamazoo, Michigan support the Company's manufacturing efforts by providing hydraulic test facilities for the Company's fluid movement and control products as well as facilities for the development of corrosion-resistant alloys and plastics.

The Company spent approximately \$8.0 million, \$8.6 million, and \$7.8 million on Company sponsored research and development activities in 1995, 1994 and 1993, respectively. The expenditures were primarily for new product development.

#### PATENTS, TRADEMARKS AND LICENSES

The Company owns a number of trademarks, patents and patent applications relating to the name and design of its products. While the Company considers that, in the aggregate, its trademarks and patents are useful to its operations, the Company believes that the successful manufacture and sale of its products generally depend more upon its specialized materials, designs and manufacturing methods developed over a period of time. The Company, in general, is the owner of the rights to the products which it manufactures and sells, and the Company is not dependent in any material way upon any licenses or franchises in order to so operate.

#### PERSONNEL

At December 31, 1995, the Company employed approximately 3,900 persons, of whom about 2,600 were employed in the United States. Approximately 375 of the Company's employees, who are primarily located in the Company's pump, foundry and filtration operations, are represented by either the United Steel Workers of America or the International Union of Electronic, Electrical, Technical Salaried & Machine Workers. The Company believes, in general, that it has good relations with these unions and its nonunion employees. The Company's three year collective bargaining agreement with the United Steel Workers representing production workers at its pump and foundry operations in Dayton, Ohio expires in October, 1996.

Information with regard to the directors and executive officers of the Company is incorporated herein by reference to Item 10 of this Report and the Proxy Statement.

## ENVIRONMENTAL MATTERS

The Company completed projects in prior years relating to compliance with federal, state and local environmental protection regulations. At present, the Company has no plans for material capital expenditures for environmental control facilities. However, the

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Company has experienced and continues to experience substantial operating costs relating to environmental matters, although certain costs have been offset in part by the Company's successful waste minimization programs.

## FOREIGN OPERATIONS

The Company's foreign operations are affected by various factors and subject to risks which may be different from or in addition to those present in domestic operations. These may include currency exchange rate fluctuations, restrictions on the Company's ability to repatriate funds to the United States, and potential political and economic instability. As the Company expands its international business, the factors and risks associated with international operations will likely have a more significant impact on the Company's results. However, the Company believes that, in general, the geographical diversification of its business operations is of benefit in expanding the size of its markets and in helping to partially offset the full impact of normal business cycles in the U.S. market.

### ITEM 2. PROPERTIES

The Company's headquarters and executive offices are located in Dayton, Ohio, at a leased site in the Miami Valley Research Park. This site encompasses approximately 40,000 square feet.

The location, size and products manufactured of the Company's principal manufacturing facilities are as follows:

Location -----	Square Footage -----	Products Manufactured -----
Domestic:		
Dayton, Ohio	600,000	Castings and Durco pumps
Cookeville, Tennessee	190,000	Durco valves
Springville, Utah	140,000	Valtek valves and actuators
Angola, New York	96,000	Durco filters, filtration systems and metering pumps
Springboro, Ohio	50,000	Plastic components for pumps and valves
Cincinnati, Ohio	35,000	Automax actuators
Provo, Utah	30,000	Valtek product components
Kalamazoo, Michigan	137,000	Durametallic mechanical seals
Burr Ridge, Illinois	25,000	Pac-Seal mechanical seals
Ormond Beach, Florida	40,000	Metal Fab specialty welded metal bellows

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International:		
Woodbridge, Ontario, Canada	32,000	Durco pumps and valves
Petit Rechain, Belgium	65,000	Durco pumps and valves
St. Thomas, Ontario, Canada	13,000	Durametallic mechanical seals
Edmonton, Alberta, Canada	35,000	Valtek valves and actuators
Melbourne, Australia	32,000	Valtek valves and actuators
Ahaus, Germany	68,000	Atomac valves
Essen, Germany	50,000	Kammer valves and actuators
Cormano, Italy	35,000	Automax actuators
Nova, Italy	44,000	Automax actuators
Thiers, France	33,000	Valtek Sereg valves and actuators
Tlaxcala, Mexico	18,000	Durametallic mechanical seals
Sao Paulo, Brazil	12,000	Durametallic mechanical seals
Gent, Belgium	21,500	Durametallic mechanical seals
Auckland, New Zealand	19,000	Durametallic mechanical seals
Singapore	12,000	Durametallic mechanical seals

All manufacturing facilities are owned with the exception of the Cookeville, Tennessee, facility, the Cincinnati, Ohio, facility, the Springboro facility, the Burr Ridge, Illinois facility, the Melbourne, Australia, facility, the Italian facilities, the Gent facility and a portion of the Brazilian site and the Angola, New York, facility. The Company also leases space for district sales offices and service centers throughout the United States, Canada, Europe, and Asia.

On the average, the Company utilizes roughly 85% of its manufacturing capacity, although there is a variation in usage rate among the facilities. The Company could, in general, increase its capacity through the purchase of new or additional manufacturing equipment without obtaining additional facilities.

ITEM 3. LEGAL PROCEEDINGS

Although the Company is involved in litigation arising from its business operations, there are no legal proceedings involving the Company which management believes are likely to have a material adverse impact on the Company. For further information about such litigation, please see Footnote #11, entitled "Contingencies," in the Company's "Financial Statements and Supplementary Data" set forth in Item 8. Such footnote is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 30, 1995, a special meeting of shareholders of the Company was held. At this meeting, shareholders approved the Company's "Agreement and Plan of Merger" with Durametallic. The vote was 15,345,795 votes for, 53,403 votes against, and 956,954 abstentions or non votes. Shareholders also approved an amendment to the Company's Certificate of Incorporation which increases the authorized common stock from 30 to 60 million. The vote on this issue was 15,888,394 votes for, 430,250 votes against and 37,507 abstentions or non votes.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The common stock of the Company (DURI) is traded in the Over-the-Counter market and quotations are supplied by the National Association of Securities Dealers through NASDAQ's National Market System.

In January 1996, Transfer Agent records showed 2,380 shareholders of record. Based on these records plus requests from brokers and nominees listed as shareholders of record, the Company estimates there are approximately 7,000 shareholders of its common stock. During 1995, the Company paid a dividend of eleven and one-half cents per share each calendar quarter, and in 1994, a dividend of ten and one-half cents per share was paid each calendar quarter.

On February 9, 1996, a 13% dividend increase was declared which will raise the quarterly dividend to 13 cents per share.

Price Range of Duriron Common Stock  
(high/low closing prices)

1995  
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1994  
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1st Quarter	\$20.50/\$17.25	\$19.83/\$14.83
2nd Quarter	\$23.50/\$20.63	\$18.00/\$14.50
3rd Quarter	\$29.88/\$22.38	\$18.75/\$15.00
4th Quarter	\$29.25/\$22.88	\$18.25/\$15.63

Prices have been restated to reflect the March 25, 1994 stock dividend which had the effect of a three-for-two stock split.

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FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA(a)  
(dollars in thousands except for per share data)

ITEM 6 Results of Operations	1995	1994	1993	1992	1991
Net sales	\$532,726	\$460,507	\$ 421,838	\$ 403,984	\$ 397,227
Cost of sales	\$317,306	\$275,077	\$ 249,779	\$ 240,414	\$ 234,282
Gross profit margin	\$215,420	\$185,430	\$ 172,059	\$ 163,570	\$ 162,945
Selling and administrative expense	\$137,346	\$125,081	\$ 114,679	\$ 107,611	\$ 100,052
Research, engineering and development expense	\$ 14,972	\$ 14,913	\$ 13,872	\$ 13,396	\$ 15,074
Restructuring expense	--	--	--	\$ 5,965	--
Interest expense	\$ 5,179	\$ 4,901	\$ 4,552	\$ 3,981	\$ 4,234
Other expense, net	\$ 2,759	\$ 1,964	\$ 2,887	\$ 623	\$ 1,431
Merger transaction expenses	\$ 5,042	--	--	--	--
Earnings before income taxes	\$ 50,122	\$38,571	\$ 36,069	\$ 31,994	\$ 42,154
Provision for income taxes	\$ 19,450	\$ 14,175	\$ 14,378	\$ 12,201	\$ 16,326
Earnings from continuing operations	\$ 30,672	\$24,396	\$ 21,691	\$ 19,793	\$ 25,828
Loss on discontinued operation	--	--	\$ (2,938)	\$ (259)	\$ (340)
Cumulative effect of change in accounting principle	--	--	\$ (945)	\$ (26,899)	--
Net earnings (loss)	\$ 30,672 (b)	\$ 24,396	\$ 17,808	\$ (7,365)	\$ 25,488
Average shares outstanding (thousands)	24,737	24,711	24,709	24,698	25,173
Net earnings (loss) per share	\$ 1.24 (b)	\$ 0.99	\$ 0.72	\$ (0.30)	\$ 1.01
Dividends paid (on shares outstanding)	\$ 0.44	\$ 0.41	\$ 0.38	\$ 0.37	\$ 0.34
Incoming business	\$555,241	\$466,398	\$ 420,548	\$ 415,164	\$ 391,484
Ending backlog	\$101,407	\$ 78,169	\$ 69,723	\$ 73,612	\$ 62,996
Performance Ratios (as a percent of net sales)					
Cost of sales	59.6%	59.7%	59.2%	59.5%	59.0%
Gross profit margin	40.4%	40.3%	40.8%	40.5%	41.0%
Selling and administrative	25.8%	27.2%	27.2%	26.6%	25.2%
Research, engineering and development	2.8%	3.2%	3.3%	3.3%	3.8%
Earnings before income taxes	9.4%	8.4%	8.6%	7.9%	10.6%
Net earnings (loss)	5.8% (b)	5.3%	4.2%	-1.8%	6.4%
Financial Condition					
Cash and cash equivalents	\$ 19,434	\$ 19,625	\$ 26,253	\$ 20,521	\$ 24,705
Working capital	\$135,000	\$114,417	\$ 108,801	\$ 97,528	\$ 100,738
Net property, plant and equipment	\$103,723	\$102,935	\$ 93,732	\$ 97,667	\$ 87,393
Intangibles and other assets	\$ 66,928	\$ 54,382	\$ 46,112	\$ 50,877	\$ 23,400
Total assets	\$395,373	\$344,266	\$ 314,508	\$ 319,251	\$ 282,205
Capital expenditures	\$ 13,317	\$ 14,363	\$ 12,096	\$ 18,140	\$ 19,474
Depreciation and amortization	\$ 19,093	\$ 18,313	\$ 16,926	\$ 15,123	\$ 13,183
Long-term debt	\$ 51,756	\$ 42,998	\$ 35,285	\$ 42,482	\$ 28,722
Postretirement benefits and other deferred items	\$ 58,123	\$ 54,383	\$ 51,508	\$ 50,183	\$ 11,707
Shareholders' equity	\$195,772	\$174,353	\$ 161,852	\$ 153,407	\$ 171,102
Financial Ratios					
Return on average shareholders' equity	16.6% (b)	14.5%	11.3%	-4.5%	15.5%
Return on average net assets	11.5% (b)	10.4%	8.1%	-2.1%	13.1%
Debt ratio	16.9%	15.8%	14.2%	17.3%	13.6%
Current ratio	2.5	2.6	2.7	2.3	2.4
Interest coverage ratio	10.7	8.9	8.9	9.0	11.0
Cash dividends as a percent of beginning shareholders' equity	6.2%	6.1%	6.1%	5.4%	5.2%
Book value (on shares outstanding)	\$ 8.02	\$ 7.16	\$ 6.55	\$ 6.26	\$ 6.99

(a) Historical financial information has been restated to reflect the merger with Durametalllic under the pooling of interests method of accounting. See Note 3 to Consolidated Financial Statements.

(b) Net earnings for the year ended December 31, 1995 were \$35.1 million, or \$1.42 per share, excluding transaction expenses of \$4.4 million after tax, or \$.18 per share. See Note 3 to Consolidated Financial Statements.

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ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

## OVERVIEW

In November 1995, the Company merged with Durametallic Corporation, a global manufacturer of mechanical seals and sealing systems. Under the terms of the merger agreement, Duriron acquired Durametallic through the issuance of approximately 5.35 million shares in a tax-free exchange of common stock with Durametallic's shareholders. The acquisition, valued at \$150 million under the merger agreement, was accounted for under the pooling of interests method of accounting which requires all financial data presented in this report to be restated for current and prior periods. See Note 3 to Consolidated Financial Statements for additional discussion on the acquisition.

Net sales and earnings were at record levels in 1995 due to strong capital spending by the Company's process industries customers. Compared with 1994, restated net sales increased 15.7% to \$532.7 million and restated net earnings increased 43.8% to \$35.1 million, or \$1.42 per share, excluding merger transaction expenses of \$4.4 million. The merger with Durametallic was accretive to earnings by \$.05 per share in 1995, excluding transaction expenses. The financial condition of the Company remained strong after the merger as reflected by a debt ratio of 16.9% and a cash balance of \$19.4 million at December 31, 1995.

## RESULTS OF OPERATIONS

Net sales for 1995 of \$532.7 million were at a record level for the ninth consecutive year reflecting increases of 15.7% over \$460.5 million in 1994 and 26.3% over \$421.8 million in 1993. The increase in sales in 1995 reflects strong capital spending in the global markets served by the Company particularly in North America, Europe and Asia-Pacific. The Company's sales mix contains both major project activity and high levels of maintenance and replacement orders. In addition, strengthening of the European currencies against the U.S. dollar, moderate price increases and strategic acquisitions favorably impacted reported net sales growth in 1995. The acquisitions favorably impacting 1995 sales were Durametallic's acquisition of Pac-Seal, a manufacturer of mechanical seals located in Burr Ridge, Illinois, in August of 1995 and Duriron's acquisitions of Sereg Vannes, a manufacturer of automatic control valves located in Thiers, France, in May of 1994. The 1994 sales compared with 1993 reflected stronger capital spending in the North American and Asian markets and a recovering European economy. Sales in 1993 were unfavorably impacted by weakness in the international marketplace during that period. In addition, the 1994 acquisition of Mecair SpA, a manufacturer of valve actuators located in Milan, Italy, and Sereg Vannes contributed to the 1994 sales growth.

Incoming business for 1995 of \$555.2 million was at a record level, up 19.1% over the previous year's record of \$466.4 million in 1994 and up 32.0% over \$420.5 million in 1993. The 1995 incoming business volume reflected aggressive capital spending by the worldwide process industries, strengthening of the European currencies against the U.S. dollar, moderate price increases and the impact of the aforementioned acquisitions. Asia-Pacific incoming business which doubled and European incoming business which increased over 30% were particularly strong throughout 1995. Strong incoming business in 1995 resulted in an ending backlog of

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\$101.4 million at December 31, 1995, an increase of \$23.2 million over the 1994 ending backlog of \$78.2 million.

International subsidiary contributions to consolidated net sales were an historic high of 33.4% in 1995, compared to 30.5% and 25.4% in 1994 and 1993, respectively. The majority of international sales are distributed through the Company's international subsidiaries. Export sales from the United States were

\$27.1 million in 1995, compared to \$27.1 million and \$37.0 million in 1994 and 1993, respectively. Export sales were unusually high in 1993 due to shipment of the Malaysian liquified natural gas project from the Company's Valtek Incorporated subsidiary. Total net sales to international customers, as a percentage of net sales, were a record 38.5% in 1995, compared to 36.4% in 1994 and 34.1% in 1993. The improvement in international sales reflects the strength in the Asia-Pacific and European markets in 1995, strengthening of the European currencies and the acquisitions of Sereg Vannes and Mecair. The Company expects the percent of international sales contributions to consolidated net sales to increase in future years as management continues its strategic emphasis on international sales and market development in the Asia-Pacific region.

Gross profit margins were 40.4% in 1995, compared with 40.3% and 40.8% in 1994 and 1993, respectively. The 1995 gross profit margin was favorably impacted by moderate price increases, improvements in burden absorption related to higher levels of plant utilization and the continuing positive effects of cost reduction and productivity improvement programs throughout the Company. Partially offsetting these were one-time start-up problems related to transition and training issues with the installation of a new computer system at Valtek International in Springville, Utah which resulted in unfavorable variances of \$1.5 million during the third quarter of 1995. Valtek's fourth quarter 1995 gross profit margin was at its historical average level and Valtek's Customer Oriented Reengineering Program which is supported by the new computer system should have a favorable future impact on the gross profit margin. The 1993 gross profit margin was unusually high due to the positive impact of a planned reduction in inventories which favorably impacted the LIFO inventory pool resulting in earnings of \$.08 per share. Pricing throughout the three year periods has been competitive, especially within the sealing systems and automatic control valve businesses, and is expected to remain competitive. The Company believes its emphasis on becoming the low total cost producer and continued emphasis on improving customer service will have a favorable impact on the gross profit margin in the future.

Selling and administrative expenses as a percent of net sales were 25.8% in 1995, compared to 27.2% and 27.2% in 1994 and 1993, respectively. The leveraging of selling and administrative expense as a percent of net sales in 1995 compared with 1994 was planned. Selling and administrative expense in dollars increased in 1995 from 1994 due to continued development and growth of international markets, especially in the Asia-Pacific, the strength of the European currencies against the U.S. dollar, the acquisitions of Pac-Seal and Sereg Vannes and the impact of general wage increases. Selling and administrative expense in dollars increased in 1994 from 1993 due predominately to consolidation of the Mecair and Sereg Vannes expense. Excluding the 1994 acquisitions, selling and administrative expenses in 1994 were relatively flat with 1993 without Durametallic, but up slightly with Durametallic. The Company continues to invest resources in the development and growth of international operations. While this has increased selling and service costs at the expense of short-term profits, these programs are consistent with the Company's longer-range goals. The Company expects to further leverage selling and

administrative expenses as a percent of net sales in 1996 through continued emphasis on cost containment.

Research, engineering and development expenses (including research and development expenses reported in Note 15 to Consolidated Financial Statements) were \$15.0 million in 1995, compared to \$14.9 million and \$13.9 million in 1994 and 1993, respectively. The spending level during 1995 reflects the Company's continued investment in new products and production processes. Research, engineering and development as a percent of net sales declined over the three year period because of a planned reduction of expenses in manufacturing engineering as the majority of the Company's transition to focused factory (cellular) programs has been implemented. The Company believes that continued investment in research, engineering and development will provide important new products and processes that will benefit its customers and shareholders in future years.

Other expense was \$2.8 million in 1995 compared to \$2.0 and \$2.9 million in 1994 and 1993, respectively. The increase in expense in 1995 reflects higher levels of incentive compensation expense related to the Company's long and short term incentive plans since the Company achieved record financial results and exceeded goals. In addition, severance costs associated with personnel reductions in the Company's European operations were recognized in 1995. The 1994 expense included unusually high foreign currency losses offset in part by a gain on the sale of a Durametallic service center facility. The 1993 expense included a \$1.4 million write-off of impaired goodwill at Durametallic.

Merger transaction expenses of \$5.0 million pretax were recognized in 1995 as a result of the merger with Durametallic. Approximately \$3.3 million of the expense was non-tax deductible and related to financial advisory, legal, accounting, printing and other related services associated with the merger. The remaining expense of \$1.7 million was tax deductible and included severance fees for certain Durametallic management who elected to retire under Executive Severance Agreements assumed by the Company which became effective after the change in control.

The Company discounts its postretirement health care and pension obligations using a 7.5% interest rate. The rate used to discount Durametallic's postretirement health care obligation was reduced in 1995 from 8.0% and the rates used to discount Duriron's postretirement health care and pension obligations were reduced from 8.0% in 1993. In addition, the Company in 1994 modified its postretirement health care benefit and pension plans. The net effect of the aforementioned plan changes increased the accumulated pension and postretirement health care obligations by less than 5% in aggregate.

Effective January 1 1993, the Company adopted the principles of SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Compliance with this standard resulted in a cumulative after tax loss of \$.9 million, or \$.04 per share, which represents the accumulated postemployment benefit obligation as of January 1, 1993. Compliance with SFAS No. 112 did not impact 1995 or 1994 earnings and is not expected to materially impact future earnings.

The effective tax rate was 38.8% in 1995, compared to 36.8% and 39.9% in 1994 and 1993, respectively. The 1995 tax rate reflects the unfavorable impact of the non-tax deductible merger transaction expenses which had the effect of increasing the tax rate by 2.3%. The 1995

rate was favorably impacted by utilization of tax loss carryforwards generated within the Company's European and Asia-Pacific operations. The 1994 rate included the favorable impacts of the fourth quarter liquidation of a wholly owned foreign entity, utilization of tax loss carryforwards generated within the Company's European operations and resolution of a multi-year state tax issue. The 1993 tax rate reflects losses in the Company's foreign operations due to weak business conditions and non-tax deductible goodwill written-off by Durametallic.

Record net earnings in 1995 reflect the third consecutive year of earnings improvement. Excluding merger fees of \$4.4 million after tax, net earnings in 1995 improved 43.8% to \$35.1 million, or \$1.42 per share. This compares with \$24.4 million, or \$.99 per share, and \$17.8 million, or \$.72 per share in 1994 and 1993, respectively. The merger with Durametallic was accretive to earnings by \$.05 per share in 1995 (excluding transaction expenses) and \$.09 per share in 1994. Including merger transaction fees, record net earnings were still achieved at \$30.7 million, or \$1.24 per share. The increase in earnings resulted from improved global business conditions which led to stronger North American and European profits and the generation of profits in the Asia-Pacific operations and the Company's focus on controlling costs. Excluding the impact of the merger with Durametallic, earnings increased 53.9% to \$26.4 million from previously reported 1994 earnings of \$17.2 million as operating costs were effectively leveraged against the sales growth of 15.5%. Durametallic's earnings increased 19.7% to \$8.7 million from previously reported 1994 earnings of \$7.2 million. The 1994 earnings growth reflected general economic improvements from 1993 earnings which were depressed due to weakness in the European economy.

## CAPITAL RESOURCES AND LIQUIDITY

The Company's capital structure, consisting of long-term debt, deferred items and shareholders' equity, continues to enable the Company to finance short- and long-range business objectives. At December 31, 1995, long-term debt was 16.9% of the capital structure, compared to 15.8% and 14.2% at December 31, 1994 and 1993, respectively. The increase in long-term debt in 1995 from 1994, both as a percent of the capital structure and in absolute dollars, resulted from the acquisition of Pac-Seal which was partially funded through external borrowings, but it was partially offset by scheduled debt repayments.

The return on average net assets was 11.5% including merger transaction expenses (13.0% excluding the merger transaction expenses). This compares to 10.4% in 1994 and 8.1% in 1993. In 1995, return on average shareholders' equity was 16.6% (19.0% excluding merger transaction expenses), compared to 14.5% in 1994 and 11.3% in 1993. The change in the returns resulted from the improvements in profitability over the three year period resulting from strong business conditions and focus on cost management. Management continues to focus on improving its performance in these areas.

Capital expenditures in 1995 were \$13.3 million, compared to \$14.4 million and \$12.1 million in 1994 and 1993, respectively. The 1995 expenditures were invested in equipment and process technology to enable the Company to further progress toward its goal of being the highest quality and lowest total cost producer in its market. In addition to manufacturing equipment, the 1994 expenditures included improved information systems associated with Valtek's Customer Oriented Reengineering Program. The planned 1996 expenditures, expected to be approximately

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\$17.5 million, will be invested in new and replacement products, international market development and general manufacturing equipment upgrades.

Cash and cash equivalents were \$19.4 million, compared to \$19.6 million and \$26.3 million at December 31, 1994 and 1993, respectively. Cash flow from operations over the past three years enabled the Company to fully fund all capital expenditures, debt repayments and dividend payments and to partially fund the acquisitions of Pac-Seal, Sereg Vannes and Mecair. Cash in excess of current requirements was invested in high-grade, short-term securities. Cash and amounts available under borrowing arrangements will be adequate to fund operating needs and capital expenditures through the coming year.

The Company's liquidity position is reflected in a current ratio of 2.5 to 1 at December 31, 1995. This compares to 2.6 to 1 and 2.7 to 1 at December 31, 1994 and 1993, respectively. Working capital increased to \$135.0 million in 1995, compared to \$114.4 million and \$108.8 million in 1994 and 1993, respectively. Working capital as a percent of net sales was 25.3%, compared to 24.8% and 25.8% for 1994 and 1993, respectively.

### NET SALES

\$ Millions

1991	1992	1993	1994	1995
-----	-----	-----	-----	-----
\$397.2	\$404.0	\$421.8	\$460.5	\$532.7

<FN>

1995 reflects the ninth consecutive year of record sales.

# INCOMING BUSINESS

\$ Millions

1991	1992	1993	1994	1995
-----	-----	-----	-----	-----
\$391.5	\$415.2	\$420.5	\$466.4	\$555.2

<FN>

Record 1995 incoming business increased 19% over 1994.

# EARNINGS PER SHARE FROM CONTINUING OPERATIONS

1991	1992	1993	1994	1995*
-----	-----	-----	-----	-----
1.03	0.80	0.88	0.99	1.42

<FN>

Record 1995 earnings reflect the third consecutive year of improvements.

\* Excludes merger transaction expenses

# CAPITAL STRUCTURE

\$ Millions

	1991	1992	1993	1994	1995
	-----	-----	-----	-----	-----
Total Capital	\$ 211.5	\$ 246.1	248.6	\$271.7	\$305.7
Long-term debt	13.6%	\$17.3%	\$14.2%	15.8%	16.9%
Shareholders' Equity	80.9%	62.3%	65.1%	64.2%	64.1%
Deferrals	5.5%	20.4%	20.7%	20.0%	19.8%

<FN>

Capital structure provides financial flexibility to finance short-and-long range business objectives.

# RETURN ON AVERAGE NET ASSETS

(based on earnings from continuing operations)

1991	1992	1993	1994	1995*
-----	-----	-----	-----	-----
13.2%	9.4%	9.6%	10.4%	13.0%

<FN>

Return on net assets reflects improvements in profitability over the past three years.

\* Excludes merger transaction fees

# WORKING CAPITAL/CURRENT RATIO

\$ Millions

	1991	1992	1993	1994	1995
	-----	-----	-----	-----	-----
Current Ratio	2.4	2.3	2.7	2.6	2.5
Working Capital	\$100.7	\$ 97.5	\$108.8	\$114.4	\$135.0

<FN>

Current ratio remains strong as working capital increases.

<Capital>

## RETURN ON AVERAGE SHAREHOLDERS' EQUITY

(based on earnings from continuing operations)

1991	1992	1993	1994	1995*
-----	-----	-----	-----	-----
15.7%	12.2%	13.8%	14.5%	19.0%

<FN>

1995 return on average shareholders' equity reflects record earnings.

\* Excludes merger transaction fees

## ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### CONSOLIDATED STATEMENT OF INCOME

(dollars in thousands except per share data)

Years ended December 31,	1995	1994	1993
-----	-----	-----	-----
Net sales	\$532,726	\$460,507	\$421,838
Costs and expenses:			
Cost of sales	317,306	275,077	249,779
Selling and administrative	137,346	125,081	114,679
Research, engineering and development	14,972	14,913	13,872
Interest	5,179	4,901	4,552
Other, net	2,759	1,964	2,887
Merger transaction expenses	5,042	--	--
	482,604	421,936	385,769
Earnings before income taxes	50,122	38,571	36,069
Provision for income taxes	19,450	14,175	14,378
Earnings from continuing operations before cumulative effect of change in accounting principle	30,672	24,396	21,691
Loss on disposal of discontinued operation - net of tax of \$362	--	--	(2,938)
Earnings before cumulative effect of change in accounting principle	30,672	24,396	18,753





Net property, plant and equipment	103,723	102,935
Intangibles and other assets	66,928	54,382
	\$ 395,373	\$ 344,266
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 31,499	\$ 25,069
Notes payable	3,723	5,905
Income taxes	3,448	1,365
Accrued liabilities	44,455	35,142
Long-term debt due within one year	6,597	5,051
Total current liabilities	89,722	72,532
Long-term debt due after one year	51,756	42,998
Postretirement benefits and other deferred items	58,123	54,383
Shareholders' equity:		
Serial preferred stock, \$1.00 par value, no shares issued	--	--
Common stock, \$1.25 par value, 24,405,000 shares issued (24,342,000 in 1994)	30,506	30,427
Capital in excess of par value	6,022	5,577
Retained earnings	158,754	138,837
	195,282	174,841
Foreign currency and other equity adjustments	490	(488)
Total shareholders' equity	195,772	174,353
	\$ 395,373	\$ 344,266

(See accompanying notes.)

CONSOLIDATED STATEMENT OF CASH FLOWS  
(dollars in thousands)

Years ended December 31,	1995	1994	1993
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Earnings before cumulative effect of change in accounting principle	\$ 30,672	\$ 24,396	\$ 18,753
Cumulative effect of change in accounting principle	--	--	(945)
Net earnings	30,672	24,396	17,808
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	19,093	18,313	16,926
Loss (gain) on the sale of fixed assets	193	(345)	(159)
Change in assets and liabilities net of effects of acquisitions:			
Accounts receivable	(14,123)	(4,841)	(5,210)
Inventories	(15,989)	2,908	3,835
Prepaid expenses	(2,184)	1,163	2,023
Accounts payable and accrued liabilities	13,968	(706)	(55)
Income taxes	2,031	(1,756)	(3,757)
Postretirement benefits and other deferred items	(200)	(391)	5,468
Net cash flows from operating activities	33,461	38,741	36,879
Investing activities:			
Capital expenditures	(13,317)	(14,363)	(12,096)
Payment for acquisitions, net of cash acquired	(12,217)	(14,900)	--
Other	(1,623)	(42)	(2,907)
Net cash flows from investing activities	(27,157)	(29,305)	(15,003)

Financing activities:

Net repayments under lines-of-credit	(2,723)	(4,873)	(1,972)
Payments on long-term debt	(6,188)	(6,774)	(6,653)
Proceeds from long-term debt	12,061	10,056	339
Proceeds from issuance of common stock	567	893	1,726
Purchase of common stock	(41)	(4,919)	(55)
Dividends paid	(10,730)	(9,895)	(9,374)

Net cash flows from financing activities (7,054) (15,512) (15,989)

Effect of exchange rate changes 559 (552) (155)

Net change in cash and cash equivalents (191) (6,628) 5,732  
Cash and cash equivalents at beginning of year 19,625 26,253 20,521

Cash and cash equivalents at end of year \$ 19,434 \$ 19,625 \$ 26,253

(See accompanying notes.)

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UNAUDITED QUARTERLY FINANCIAL DATA (a)  
(dollars in thousands except per share data)

	Net sales	Cost of sales	Net earnings	Earnings per share
Quarter ended:				
March 31, 1995	\$122,664	\$ 72,456	\$ 7,658	\$0.31
June 30, 1995	131,096	78,522	8,022	0.32
September 30, 1995	132,913	80,657	9,046	0.37
December 31, 1995	146,053	85,671	5,946 (b)	0.24 (b)
	\$532,726	\$317,306	\$30,672 (b)	\$1.24 (b)

Quarter ended:				
March 31, 1994	\$105,208	\$ 62,564	\$ 5,345	\$0.22
June 30, 1994	114,358	68,445	5,856	0.24
September 30, 1994	120,065	72,125	6,490	0.26
December 31, 1994	120,876	71,943	6,705	0.27
	\$460,507	\$275,077	\$24,396	\$0.99

- (a) Historical financial information has been restated to reflect the merger with Durametallic under the pooling of interests method of accounting. See Note 3 to Consolidated Financial Statements.
- (b) Net earnings in the fourth quarter of 1995 include transaction expenses of \$4.4 million after tax, or \$.18 per share, related to the merger with Durametallic. Excluding transaction expenses, 1995 fourth quarter net earnings were \$10.3 million, or \$.42 per share, and net earnings for the year ended December 31, 1995 were \$35.1 million, or \$1.42 per share. See Note 3 to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars presented in tables in thousands except per share data)

1. ORGANIZATION

The Duriron Company, Inc. (the "Company") was incorporated under the laws of the State of New York on May 1, 1912. The Company, headquartered in Dayton, Ohio, is principally engaged in the design, manufacture and marketing of

fluid handling equipment, primarily pumps, valves and mechanical seals, for industries that utilize difficult to handle and often corrosive fluids in manufacturing processes. Based upon its analysis of trade association data and other market information, the Company considers itself a leading supplier of corrosion resistant fluid movement and control equipment to the basic chemical industry. The Company markets its products on a global basis. With respect to a majority of its products, the Company's domestic operations supply each other and the company's foreign manufacturing subsidiaries with components and subassemblies.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**PRINCIPLES OF CONSOLIDATION** - The consolidated financial statements include the accounts of the Company and its wholly and majority-owned subsidiaries. All significant intercompany transactions have been eliminated. Investments in unconsolidated affiliated companies, which represent all non-majority ownership interests, are carried on the equity basis, which approximates the Company's equity in their underlying net book value.

**BUSINESS COMBINATIONS** - Business combinations which have been accounted for under the pooling of interests method of accounting combine the assets, liabilities, and stockholders' equity of the acquired entity with the Company's respective accounts at recorded values. Prior period financial statements have been restated to give effect to the merger.

Business combinations which have been accounted for under the purchase method of accounting include the results of operations of the acquired business from the date of acquisition. Net assets of the companies acquired are recorded at their fair value to the Company at the date of acquisition.

**CASH EQUIVALENTS** - Cash equivalents represent short-term investments with an original maturity of three months or less when purchased which are highly liquid with principal values that are not subject to significant risk of change due to interest rate fluctuations.

**ACCOUNTS RECEIVABLE** - Accounts receivable are stated net of the allowance for doubtful accounts of \$1,408,000 and \$1,470,000 at December 31, 1995 and 1994, respectively.

**INVENTORIES** - Inventories are stated at the lower-of-cost or market. Cost is determined for all domestic inventories by the last-in, first-out (LIFO) method and for foreign inventories by the first-in, first-out (FIFO) method.

**FINANCIAL INSTRUMENTS** - Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to hedges of anticipated transactions are recognized in income as the transactions occur.

The carrying amounts of the Company's financial instruments approximate fair value as defined under SFAS No. 107. Fair value is estimated by reference to quoted prices by financial institutions, as well as through other valuation techniques.

**RETIREMENT BENEFIT COSTS** - Defined benefit pension expense and postretirement benefit expense are based on independent actuarial valuations assuming current and prior service costs are recognized over employees' expected service periods.

**PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION** - Property, plant and equipment is stated on the basis of cost. Depreciation is computed

by the straight-line method based on the estimated useful lives of the depreciable assets for cost and by accelerated methods for income tax purposes.

INTANGIBLES AND OTHER ASSETS - Excess cost over the fair value of net assets acquired (or goodwill) generally is amortized on a straight-line basis over 15-40 years. The carrying value of goodwill will be reviewed if the facts and circumstances suggest that it may be impaired. If this review indicates that goodwill will not be recoverable, as determined based on the undiscounted cash flows of the entity acquired over the remaining amortization period, the Company's carrying value of the goodwill will be reduced by the estimated shortfall of cash flows. The Company has not early adopted the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, but believes the impact of adopting the standard will be immaterial to the results of operations.

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FOREIGN CURRENCY TRANSLATION - Assets and liabilities of the Company's foreign affiliates, other than those located in highly inflationary countries, are translated at current exchange rates, while income and expenses are translated at average rates for the period. For entities in highly inflationary countries, a combination of current and historical rates is used to determine currency gains and losses resulting from financial statement translation and those resulting from transactions. Translation gains and losses are reported as a component of stockholders' equity, except for those associated with highly inflationary countries which are reported directly in the consolidated statements of income.

USE OF ESTIMATES - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

DISCONTINUED OPERATIONS - In 1992, Durametallic negotiated the sale of its 80 percent interest in Leap Technologies, Inc., for a note receivable. Leap was engaged in the design, manufacture and sale of injection molds and parts for the plastics industry. As part of the sale agreement, Durametallic committed to contingently guaranty the bank debt of the acquiring Company. The sale resulted in a pretax gain in 1992, which was not recognized in the consolidated statement of income due to concern for the significant financial leverage of the acquiring company. During 1993, the acquiring company defaulted on its payment of the bank loan and the loan guaranty was enforced by the bank. Durametallic made full payment on the loan, and in addition, the note receivable on the sale of Leap and the deferred gain were written off. These transactions resulted in a loss in 1993 of \$2.9 million, net of tax of \$.4 million.

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### 3. MERGERS AND ACQUISITIONS

POOLING TRANSACTION - On November 30, 1995, Durametallic Corporation was merged with and into a subsidiary of the Company. Durametallic, a privately held corporation headquartered in Kalamazoo, Michigan, is a leading manufacturer of mechanical seals and sealing systems. The Company exchanged 5,344,868 shares of common stock for all outstanding shares of Durametallic. Additionally, 125,283 shares of the Company's common stock were reserved for outstanding stock options issued by Durametallic and assumed by the Company. The merger was accounted for under the pooling of interests method of accounting, and accordingly, the accompanying consolidated financial statements have been restated for all periods prior to the acquisition to include the financial

position, results of operations and cash flows of Durametallic. Net sales and net earnings for the individual entities are as follows:

	Nine months ended September 30, (unaudited)	Years ended December 31,		
	1995	1995	1994	1993
Total sales				
Duriron	\$ 290,659	\$ 398,994	\$ 345,388	\$ 313,920
Durametallic	97,139	135,999	116,557	109,138
Less intercompany sales	(1,125)	(2,267)	(1,438)	(1,220)
	-----	-----	-----	-----
	\$ 386,673	\$ 532,726	\$ 460,507	\$ 421,838
	=====	=====	=====	=====
Net income from operations				
Duriron	\$ 18,609	\$ 26,410	\$ 17,158	\$ 16,492
Durametallic	6,117	8,661	7,238	5,199
Merger expenses	--	(4,399)	--	--
	-----	-----	-----	-----
	\$ 24,726	\$ 30,672	\$ 24,396	\$ 21,691
	=====	=====	=====	=====

In connection with the merger of the Company and Durametallic, merger transaction expenses of \$4,399,000 after tax, or \$.18 per share, were recognized in 1995.

In 1992, the Company early complied with SFAS No. 106, "Employers Accounting for Postretirement Benefits". Durametallic's financial results were restated to reflect compliance with the accounting policy in 1992, compared with compliance in 1993 as reported in financial statements issued prior to the acquisition with Duriron.

Dividends per share were \$.31 per share and \$.29 per share for the nine months ended September 30, 1995 and 1994, respectively.

**PURCHASE TRANSACTIONS** - On August 31, 1995, Durametallic purchased Pac-Seal and two affiliated companies. Pac-Seal, located in Burr Ridge, Illinois, is a manufacturer of mechanical seals used primarily in water pump applications. The

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acquisition was funded through the combination of internal cash and long-term borrowings.

On April 28, 1994, the Company purchased Sereg Vannes S.A., an automatic control valve company headquartered in Thiers, France. The acquisition was funded with the combination of internal cash and long-term borrowings.

On January 5, 1994, the Company purchased the valve actuator business of Mecair SpA in Milan, Italy, and its associated companies in Limburg, Germany; Alton Hampshire, England; and Gennevilliers, France. The acquisition was funded through the utilization of internal cash.

The aforementioned 1995 and 1994 purchase transactions were not material, either individually or in the aggregate by year, therefore, no pro forma information is presented for these acquisitions.

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4. INVENTORIES

Inventories at December 31, 1995 and 1994 and the method of determining cost were as follows:

	Domestic inventories (LIFO)	Foreign inventories (FIFO)	Total inventories
December 31, 1995:			
Raw materials	\$ 2,642	\$ 3,282	\$ 5,924
Work in process and finished goods	48,857	38,374	87,231
	\$ 51,499	\$ 41,656	\$ 93,155
December 31, 1994:			
Raw materials	\$ 1,933	\$ 1,433	\$ 3,366
Work in process and finished goods	38,367	32,069	70,436
	\$ 40,300	\$ 33,502	\$ 73,802

LIFO inventories at current cost were \$36,127,000 and \$34,991,000 higher than reported at December 31, 1995 and 1994, respectively. During 1993 certain inventory quantities were reduced which resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of the 1993 liquidation was to increase net earnings by \$2,792,000.

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## 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1995 and 1994 were as follows:

	1995	1994
Land	\$ 4,538	\$ 4,499
Buildings	56,818	56,964
Machinery and equipment	162,605	148,761
Furniture and fixtures	24,014	22,140
	\$ 247,975	\$ 232,364

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## 6. INTANGIBLES AND OTHER ASSETS

Intangibles and other assets at December 31, 1995 and 1994 were as follows:

	1995	1994
Cost in excess of fair value of tangible net assets acquired	\$ 38,810	\$ 31,418
Amortization of intangibles	(4,253)	(3,464)
Pension assets	7,885	6,417
Deferred tax assets	5,969	6,709
Investments in unconsolidated affiliates	4,582	3,782
Other	13,935	9,520
	\$ 66,928	\$ 54,382

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## 7. ACCRUED LIABILITIES

Accrued liabilities at December 31, 1995 and 1994 were as follows:

	1995	1994
Wages and other compensation	\$ 26,397	\$ 19,486
Commissions	2,197	2,536

Other	15,861	13,120
-	-	-
	\$ 44,455	\$ 35,142
=====	=====	=====

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8. DEBT AND DIVIDEND RESTRICTIONS

Long-term debt, including capital lease obligations, at December 31, 1995 and 1994 were as follows:

	1995 ----	1994 ----
8.94% loan due annually		
1995 through 2001	\$ 24,529	\$ 24,021
Floating rate revolving notes	20,820	7,747
7.45% loan due quarterly		
1996 through 1999	6,743	6,180
9.50% promissory notes due		
annually through 1997	4,000	6,000
Capital lease obligations	1,941	2,527
Other, various maturities and rates	320	1,574
	-----	-----
	58,353	48,049
Less amounts due within one year	6,597	5,051
	=====	=====
	\$ 51,756	\$ 42,998
	=====	=====

Interest paid amounted to \$4,957,000, \$4,418,000 and \$4,554,000 in 1995, 1994 and 1993, respectively.

Maturities of long-term debt, including capital lease obligation for each of the four years subsequent to 1996, are as follows:

1997	\$9,747
1998	\$10,355
1999	\$11,892
2000	\$6,428

The 8.94% loan is a U.S. dollar private placement which was effectively converted to a deutsche mark obligation through a currency swap agreement. The currency swap is a hedge of the net investment in a German subsidiary. Unrealized gains and losses on the hedge are not recognized in income, but are shown in the cumulative translation adjustment account included in shareholders' equity with the related amounts due to and from the counterparty included in long-term debt. The maturity and repayment terms of the swap match precisely the maturity and repayment term of the underlying debt.

Long-term debt agreements require the company to maintain specified levels of tangible net worth and restrict the payment of cash dividends. Approximately, \$28,543,000 and \$24,828,000 of consolidated retained earnings were unrestricted for the payment of dividends at December 31, 1995 and 1994, respectively. Dividends are limited to \$15,000,000 plus common stock issued and 50% of defined net earnings subsequent to January 1, 1992.

At December 31, 1995 and 1994, the Company had short term credit facilities available from banks under which it could borrow, at local market rates up to \$32,830,000 and \$33,096,000, respectively. Under these facilities, the Company had \$3,723,000 and \$5,905,000 in borrowings outstanding at December 31, 1995 and 1994, respectively. The weighted average interest rate on these borrowings at December 31, 1995 and 1994, was 5.3% and 7.7%, respectively. In both years, these borrowings were used primarily to support the operations of foreign subsidiaries. Additionally, at December 31, 1995, the Company had \$18,035,000 available under revolving credit facilities.

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9. POSTRETIREMENT BENEFITS AND OTHER DEFERRED ITEMS

Deferred postretirement benefits and other deferred items at December

31, 1995 and 1994 were as follows:

	1995	1994
Postretirement benefits	\$ 47,185	\$ 46,680
Other	10,938	7,703
	\$ 58,123	\$ 54,383

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#### 10. LEASES AND RENTALS

Assets subject to capitalized leases and included in property, plant and equipment at cost amounted to \$7,320,000 in 1995 and \$7,871,000 in 1994. Accumulated amortization for the capitalized leases amounted to \$6,019,000 in 1995 and \$6,313,000 in 1994.

The minimum rental commitments as of December 31, 1995 for all noncancelable leases were as follows:

	Operating leases	Capital leases
1996	\$ 6,356	\$ 747
1997	4,224	837
1998	2,285	575
1999	1,445	76
2000	1,027	--
2001 and subsequent	1,319	--
Total minimum lease payments	\$ 16,656	2,235
Less amount representing interest on capital leases		294
Present value of minimum capital lease payments		\$ 1,941

Total rental expense amounted to \$8,490,000, \$8,065,000 and \$7,449,000 in 1995, 1994 and 1993, respectively.

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#### 11. CONTINGENCIES

The Company is involved as a "potentially responsible party" at five former public waste disposal sites which may be subject to remediation under pending government procedures. The sites are in various stages of evaluation by federal and state environmental authorities. The projected cost of remediating these sites, as well as the Company's alleged "fair share" allocation, is uncertain and speculative until all studies have been completed and the parties have either negotiated an amicable resolution or the matter has been judicially resolved. At each site, there are many other parties who have similarly been identified, and the identification and location of additional parties is continuing under applicable federal or state law. Many of the other parties identified are financially strong and solvent companies which appear able to pay their share of the remediation costs. Based on the Company's preliminary information about the waste disposal practices at these sites and the environmental regulatory process in general, the Company believes that it is likely that ultimate remediation liability costs for each site will be apportioned among all liable parties, including site owners and waste transporters, according to the volumes and/or toxicity of the wastes shown to have been disposed of at the sites.

In 1995, the Company was successful in terminating the applicable consent decree and completing all its remedial activities at its former foundry landfill site at nominal additional expense. Additionally, the Company ended involvement at nominal cost at two other waste disposal sites under governmental remediation regulation.



The Company is a defendant in numerous pending lawsuits (which include, in many cases, multiple claimants) which seek to recover damages for alleged personal injury allegedly resulting from exposure to asbestos containing products formerly manufactured and distributed by the Company. A high percentage of these claims was assumed by the Company in 1995 as the result of the merger with Durametallic Corporation. All such products were used within self-contained process equipment, and management does not believe that there was any emission of ambient asbestos fiber during the use of this equipment. The Company has resolved numerous claims at an average of about \$120 per claim, the cost of which was fully paid by insurance. The Company continues to have a substantial amount of available insurance from financially solvent carriers to cover the cost of both defending and resolving the claims.

The Company is also a defendant in several other products liability lawsuits which are insured, subject to the applicable deductibles, and certain other non-insured lawsuits received in the ordinary course of business. The Company has fully accrued the estimated loss reserve for each such lawsuit. No insurance recovery has been projected for any of the insured claims because management currently believes that all will be resolved within applicable deductibles.

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Although none of the aforementioned gives rise to any additional liability that can now be reasonably estimated, it is possible that the Company could incur additional costs in the range of \$250,000 to \$1,000,000 over the upcoming five years to fully resolve these matters. Although the Company has accrued the minimum end of this range as a precaution, management has no current reason to believe that any such increase is probable or quantifiable. The Company will continue to evaluate these contingent loss exposures and, if they develop, recognize expense as soon as such losses can be reasonably estimated.

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## 12. SHAREHOLDERS' EQUITY

In 1995, the Company increased its authorized \$1.25 par value common stock from 30,000,000 to 60,000,000 shares. At both December 31, 1995 and 1994, 1,000,000 shares of \$1.00 preferred stock was authorized. During March of 1994, the Company distributed a stock dividend which had the effect of a three-for-two stock split. All per share and share data, where appropriate, have been restated to reflect this stock split.

Each share of the Company's common stock contains a preferred stock purchase right. These rights are not currently exercisable and trade in tandem with the common stock. The rights, in general, become exercisable and trade separately in the event of certain significant changes in common stock ownership or on the commencement of certain tender offers which in either case, may lead to a change of control of the Company. Upon becoming exercisable, the rights provide shareholders the opportunity to acquire a new series of Company preferred stock to be then automatically issued at a pre-established price. In the event of certain forms of acquisition of the Company, the rights also provide Company shareholders the opportunity to purchase shares of the acquiring company's common stock from the acquirer at a 50% discount from the current market value. The rights are redeemable for \$.022 per right by the Company at any time prior to becoming exercisable and will expire in August, 1996.

At December 31, 1995, approximately 1,395,000 shares of common stock were reserved for exercise of stock options and for grants of restricted stock.

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## 13. STOCK PLANS

The Company maintains shareholder approved stock option plans which provide for the grant of options to purchase shares of the Company's common stock. Options have been granted to officers and employees to purchase shares of common stock at a price not less than the fair market value on the date of grant. Generally, these options become exercisable over staggered periods, but may not be exercised after 10 years from the date of the grant. The plan provides that any option may include a stock appreciation right, however, none have been granted since 1989. The impact of stock appreciation rights on earnings for the three years ending on December 31, 1995, was not material.

During 1995, options for 212,537 shares became exercisable at an average price of \$13.57. At December 31, 1995, 1994 and 1993, the aggregate number of options exercisable were 570,601, 455,139 and 367,560, respectively.

	Stock options -----	Average option price per share -----
Outstanding at December 31, 1992	855,805	\$ 9.83
Options granted	145,478	14.37
Options exercised	(190,991)	6.15
Options canceled	(4,700)	12.18
	-----	
Outstanding at December 31, 1993	805,592	11.50
Options granted	172,599	14.81
Options exercised	(83,833)	7.18
Options canceled	(36,071)	12.03
	-----	
Outstanding at December 31, 1994	858,287	12.57
Options granted	121,364	27.05
Options exercised	(75,976)	8.69
Options canceled	(9,676)	11.77
	-----	
Outstanding at December 31, 1995	893,999 =====	\$14.87

The restricted stock plan was approved by shareholders in 1989. The plan authorized the grant of up to 337,500 shares of the Company's common stock as restricted shares to directors and employees of the Company. In general, the shares cannot be transferred for a period of not less than one nor more than ten years, and are subject to forfeiture during the restriction period. The market value of the shares awarded under the plan is amortized to compensation expense over the periods in which the restrictions lapse. Restricted stock grants of 4,100, 2,400 and 19,686 shares were made in 1995, 1994 and 1993, respectively, at an average market value of \$16.07 per share.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" was issued in October 1995 and is effective for years beginning after December 15, 1995. The Statement establishes financial accounting and reporting standards for stock based compensation plans. Companies may elect to account for such plans under the fair value method or to continue previous accounting and disclose proforma net earnings and earnings per share as if the fair value method was applied. The Company has not reached any conclusion regarding the adoption of this Statement.

Earnings before income taxes consist of the following components:

	1995	1994	1993
Earnings before income taxes:			
United States	\$33,394	\$31,533	\$30,209
Foreign	16,728	7,038	5,860
	\$50,122	\$38,571	\$36,069

Significant components of the provision for income taxes attributable to continuing operations are as follows:

	1995	1994	1993
Current:			
United States	\$13,887	\$ 9,900	\$ 9,945
Foreign	5,649	2,529	2,374
State and local	1,697	1,041	1,419
Total current	21,233	13,470	13,738
Deferred:			
United States	(1,629)	614	452
Foreign	(41)	52	135
State and local	(113)	39	53
Total deferred	(1,783)	705	640
	\$19,450	\$14,175	\$14,378

Income taxes paid amounted to \$19,508,000, \$13,476,000 and \$19,167,000 during 1995, 1994 and 1993, respectively.

The reasons for the differences between the effective tax rate and the U.S. federal income tax rate were as follows:

	1995	1994	1993
U.S. federal income tax rate	35.0%	35.0%	35.0%
Foreign tax differential	(.5)	.7	2.2
Merger transaction expenses	2.3	-	-
Goodwill and other nondeductible expenses	1.1	1.7	2.8
State and local income taxes, net of federal income tax benefit	2.2	1.8	2.6
Other net (none more than 1.75%)	(1.3)	(2.4)	(2.7)
Effective tax rate	38.8%	36.8%	39.9%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1995 and 1994 were as follows:

	1995	1994
Deferred tax assets related to:		
Postretirement benefits	\$17,445	\$17,271
Net operating loss carryforwards	5,530	6,099
Compensation accruals	3,381	1,684
Foreign tax credit carryforwards	1,344	1,601
Capital loss carryforwards	1,263	1,197
Other	4,648	4,647
Total deferred tax assets	33,611	32,499
Less valuation allowances	7,990	8,753
Net deferred tax assets	25,621	23,746
Deferred tax liabilities related to:		
Depreciation	8,307	6,730
Pension benefits	2,466	2,172
Passive foreign investments	-	1,612
Other	3,967	4,134
Total deferred tax liabilities	14,740	14,648
Deferred tax asset, net of liabilities	\$10,881	\$ 9,098

The Company has recorded valuation allowances to reflect the estimated amount of deferred tax assets which may not be realized due to the expiration of net operating loss, foreign tax credit and capital loss carryforwards. The change in the valuation allowances for the year ended December 31, 1995 were as follows:

	Net operating l o s s e s	Foreign tax credits	Capital l o s s e s
Balance at December 31, 1994	\$ 5,955	\$ 1,601	\$ 1,197
Utilization of carryforwards	(1,355)	-	-
Increase in expected nonutilization	884	153	66
Expiration of carryforwards	(101)	(410)	-
Balance at December 31, 1995	\$ 5,383	\$ 1,344	\$ 1,263

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$35,000,000 at December 31, 1995. These earnings are considered to be indefinitely reinvested and, accordingly, no additional United States income taxes or foreign withholding taxes have been provided.

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#### 15. RESEARCH AND DEVELOPMENT

Research and development expense amounted to \$7,965,000, \$8,642,000 and \$7,784,000 in 1995, 1994 and 1993, respectively.

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#### 16. RETIREMENT BENEFITS

The Company sponsors several noncontributory defined benefit pension plans, covering approximately 40% of domestic employees, which provide benefits based on years of service and compensation. Retirement benefits for all other employees are provided through defined contribution pension plans and government sponsored retirement programs. All defined benefit pension plans are funded based on independent actuarial valuations to provide for current service and an amount sufficient to amortize unfunded prior service over periods not to exceed thirty years.

Net defined benefit pension income for 1995, 1994 and 1993 included the following components:

	1995	1994	1993
Service cost - benefits earned during the period	\$ 1,773	\$ 1,660	\$ 1,518
Interest cost on projected benefit obligations	4,306	4,157	4,153
Actual loss (gain) on plan assets	(15,164)	405	(8,346)
Net amortization and deferral	8,635	(6,297)	2,568
Net defined benefit pension income	\$ (450)	\$ (75)	\$ (107)

The following table presents defined benefit pension plan funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 1995 and 1994:

	1995	1994
Actuarial present value of:		
Vested benefits	\$46,631	\$44,061
Nonvested benefits	6,509	6,219
Accumulated benefit obligations	53,140	50,280
Projected future compensation increases	7,642	7,130
Projected benefit obligations	60,782	57,410
Less plan assets, at fair value	76,727	66,703

Plan assets in excess of projected benefit obligations	15,945	9,293
Unrecognized net transition asset	(2,984)	(3,569)
Unrecognized net gain	(8,553)	(2,425)
Unrecognized prior service cost	2,198	2,537
Net pension asset	\$ 6,606	\$ 5,836

The average discount rate and the assumed rate of increase in future compensation levels used in determining the actuarial present value of benefit obligations were 7.5% and 5.0%, respectively. The expected long-term rate of return on plan assets was 8.0%. Plan assets include marketable equity securities, corporate and government debt securities, insurance company contracts and real estate.

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The Company sponsors several defined contribution pension plans covering substantially all domestic and Canadian employees and certain other foreign employees. Employees may contribute to these plans and these contributions are matched in varying amounts by the Company. The Company may also make additional contributions to eligible employees. Defined contribution pension expense for the Company was \$5,966,000, \$4,236,000 and \$4,972,000 for 1995, 1994 and 1993, respectively.

The Company also sponsors several defined benefit postretirement health care plans covering approximately 65% of future retirees and most current retirees in the United States. These medical and dental benefits are provided through insurance companies and health maintenance organizations, include participant contributions, deductibles, co-insurance provisions and other limitations, and are integrated with Medicare and other group plans. The plans are funded as insured benefits and health maintenance organization premiums are incurred.

Net postretirement benefit expense for 1995, 1994 and 1993 included the following components:

	1995	1994	1993
Service cost - benefits earned during the period	\$ 651	\$ 666	\$ 899
Interest cost on accumulated postretirement benefit obligations	2,715	2,625	3,338
Net amortization and deferral	(678)	(679)	-
Net postretirement benefit expense	\$ 2,688	\$ 2,612	\$ 4,237

The following table presents postretirement benefit amounts recognized in the Company's consolidated balance sheet at December 31, 1995 and 1994:

	1995	1994
Actuarial present value of accumulated postretirement benefit obligations:		
Retirees	\$19,048	\$19,192
Active employees eligible to retire	4,169	4,024
Active employees not eligible to retire	15,264	13,734
Total	38,481	36,950
Unrecognized prior service cost	5,773	6,414
Unrecognized net gain (loss)	2,931	3,316
Deferred postretirement benefits	\$47,185	\$46,680

The average discount rate used in determining accumulated postretirement benefit obligations was 7.5%. The assumed annual rates of increase in per capita costs were, for periods prior to Medicare, 9.5% for 1995 and 9% for 1996 with a gradual decrease to 6% for 2002 and future years and, for periods after Medicare, 7.5% for 1995 and 7% for 1996 with a gradual decrease to 5% for 2000 and future years. Increasing the assumed rate of increase in postretirement benefit costs by 1% in each year would increase net postretirement benefit expense by approximately \$362,000 and accumulated postretirement benefit obligations by \$3,441,000.

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## 17. POSTEMPLOYMENT BENEFITS UNDER SFAS NO. 112

Effective January 1, 1993, the Company early adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits", in accounting for workers' compensation and health care continuation benefits. The cumulative effect as of January 1, 1993 of this change in accounting principle was to decrease net earnings by \$945,000, or \$.04 per share. Prior to January 1, 1993, the Company recognized the cost of providing these benefits on a cash basis. Under the new method of accounting, the Company accrues the benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid. As required by the Statement, prior year financial statements have not been restated to reflect the change in accounting principle. The effect of the change on 1995, 1994 and 1993 income before the cumulative effect of the change was not material.

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## 18. FOREIGN CURRENCY TRANSLATION

The foreign currency translation equity adjustments consist of the following:

	1995	1994	1993
Current year translation adjustment	\$ 951	\$ 2,026	\$ (1,575)
Income tax effect	--	--	(85)
	951	2,026	(1,660)
Foreign currency translation equity adjustment:			
Beginning of year	332	(1,694)	(34)
End of year	\$ 1,283	\$ 332	\$ (1,694)

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## 19. OPERATIONS IDENTIFIED BY GEOGRAPHIC AREA

The Company operates in predominately one business segment, fluid movement and control equipment (pumps, valves, seals and related equipment).

Transfers between geographic areas are accounted for primarily at cost plus a profit margin. Operating profit consists of revenues less certain costs and expenses. In determining operating profit none of the following items have been added or deducted: unallocated general corporate expense, interest expense and income taxes. Identifiable assets are those assets of the Company that are identifiable with the operations in each geographic area. Unallocated general corporate assets principally reflect future tax benefits.

No individual country within the below listed geographic segments represents 10% or more of the consolidated Company's revenues from sales to unaffiliated customers or its identifiable assets. The Other geographic segment includes Canada, Latin and South America and the Asia Pacific.

Export sales from the United States to foreign unaffiliated customers were \$27,068,000, \$27,143,000 and \$37,014,000 in 1995, 1994 and 1993, respectively.

Financial information by geographic area follows:

Years ended December 31,	1995	1994	1993
--------------------------	------	------	------

Revenues:			
United States	\$ 354,547	\$ 320,086	\$ 314,852
Europe	106,997	83,654	53,776
Other	71,182	56,767	53,210
Consolidated totals	\$ 532,726	\$ 460,507	\$ 421,838
Inter-geographic transfers:			
United States	\$ 36,276	\$ 24,369	\$ 18,898
Europe	19,516	11,662	5,893
Other	1,458	996	718
Eliminations & adjustments	(57,250)	(37,027)	(25,509)
Consolidated totals	\$ 0	\$ 0	\$ 0
Total revenues & transfers:			
United States	\$ 390,823	\$ 344,455	\$ 333,750
Europe	126,513	95,316	59,669
Other	72,640	57,763	53,928
Eliminations & adjustments	(57,250)	(37,027)	(25,509)
Consolidated totals	\$ 532,726	\$ 460,507	\$ 421,838
Operating profit:			
United States	\$ 45,979	\$ 37,977	\$ 40,643
Europe	10,485	4,857	308
Other	7,081	2,654	4,043
Eliminations & adjustments	(774)	271	(1,911)
Consolidated totals	62,771	45,759	43,083
Corporate expense	7,470	2,287	2,462
Interest expense	5,179	4,901	4,552
Earnings before income taxes	\$ 50,122	\$ 38,571	\$ 36,069
Identifiable assets:			
United States	\$ 251,478	\$ 217,138	\$ 212,639
Europe	102,264	88,742	63,144
Other	51,094	44,996	42,926
Eliminations & adjustments	(18,039)	(13,250)	(11,110)
Consolidated totals	386,797	337,626	307,599
General corporate assets	8,576	6,640	6,909
Total assets	\$ 395,373	\$ 344,266	\$ 314,508

In 1995, 1994 and 1993 foreign currency transaction gains/(losses) of approximately \$217,000 (\$1,150,000) and \$152,000, respectively, were included in earnings before income taxes.

# REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders  
The Duriron Company, Inc.

We have audited the accompanying consolidated balance sheet of The Duriron Company, Inc. as of December 31, 1995 and 1994, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1995. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Duriron Company, Inc. at December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 17 to the consolidated financial statements, effective January 1, 1993 the Company changed its method of accounting for postemployment benefits.

Ernst & Young LLP

Dayton, Ohio  
January 30, 1996

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#### REPORT OF MANAGEMENT

The Company's management has prepared and is responsible for the consolidated financial statements and information included in this Annual Report. The financial statements were prepared in accordance with generally accepted accounting principles and present fairly the Company's financial position and results of operations. Such statements necessarily include amounts based on judgements and estimates by management.

Internal accounting control systems have been designed and implemented over the years and transactions are executed in accordance with management's authorizations. These internal control systems provide reasonable assurance that the financial statements and information included in this report properly reflect transactions of the Company. The Company also maintains an internal auditing function which evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

The Board of Directors has an Audit/Finance Committee composed of five members who are non-employee Directors of the Company. The Audit/Finance Committee met a total of three times during 1995. The Committee regularly meets (jointly and separately) with representatives of the independent auditors, the internal auditors and management.

The Company's consolidated financial statements have been audited by Ernst & Young LLP, who have expressed their opinion with respect to the fairness of these statements. Their audit included a review of internal controls and testing of transactions and records that they consider necessary in the circumstances.

William M. Jordan  
President and Chief  
Executive Officer

Bruce E. Hines  
Senior Vice President and  
Chief Administrative Officer

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ITEM 9. NOT APPLICABLE

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## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Officers are, in general, appointed annually to their respective positions at the April meeting of the Board of Directors. The executive officers and other officers of the Company at February 1, 1996 were as follows:

William M. Jordan, President and Chief Executive Officer,  
 Director  
 Bruce E. Hines, Senior Vice President and Chief Administrative  
 Officer  
 Curtis E. Daily, Group Vice President - Rotating Equipment  
 Group  
 Thomas E. Haan, Group Vice President - Fluid Sealing Group  
 George A. Shedlarski, Group Vice President - Industrial  
 Products Group  
 Mark E. Vernon, Group Vice President - Flow Control Group  
 Ronald F. Shuff, Vice President - Secretary and General  
 Counsel  
 Gregory L. Smith, Treasurer  
 Kathleen A. Giddings, Controller

WILLIAM M. JORDAN, 52, was elected President and Chief Executive Officer in 1993 and a Director in 1991. In February, 1996, he was additionally elected Chairman of the Board to become effective on April 25, 1996. Mr. Jordan became Executive Vice President in 1990 and President in 1991. He was Chief Operating Officer from 1990 to 1993. From 1984 until 1991, Mr. Jordan was the Group Vice President of International Operations, and he was the Assistant Group Vice President - International Operations in 1983. From 1979 to 1983, he was Vice President and General Manager of Duriron Canada Inc. Mr. Jordan joined the Company in 1972 as a sales engineer and held various sales positions prior to 1979.

BRUCE E. HINES, 52, who rejoined the Company in 1989, was then elected Senior Vice President and added the position of Chief Administrative Officer in 1990. He previously had served as President of Vernay Labs, a manufacturer of precision rubber components. Prior to joining Vernay Labs, Mr. Hines had served in a variety of financial positions with the Company for nineteen years. He also functions as Chief Financial Officer.

CURTIS E. DAILY, 52, was elected a Group Vice President in 1990. He is responsible for all the Company's worldwide pump operations and certain foreign operations. He previously was the corporate Director of International Operations in 1989 after serving as the resident President of the Company's Belgian subsidiary, S.A. Durco Europe N.V. He joined the Company in 1965.

THOMAS E. HAAN, 46, was elected a Group Vice President effective January 1, 1996. He is responsible for the global operations of the Company's mechanical seal and sealing system products which are marketed under the "Durametallic" trade name. In 1970, he joined Durametallic. He was elected to the following Durametallic offices: a Vice President in 1985, Senior Vice President in 1990 and Executive Vice President - Chief Operating Officer in 1993.

GEORGE A. SHEDLARSKI, 52, was elected a Group Vice President in 1987 and is responsible for the Company's worldwide manual valve, actuator, foundry and filtration products

and for certain foreign operations. From 1984 until becoming a Group Vice President, Mr. Shedlarski was President of the Filtration Systems Division. From

1983 to 1984, he served as President and General Manager of Duriron Canada Inc. Mr. Shedlarski joined the Company in 1972 as a filtration product specialist and held various sales and managerial positions prior to 1983.

MARK E. VERNON, 43, was elected a Group Vice President in 1993. He is responsible for the worldwide operations of the Company's control valve products which are marketed under the Valtek, Kammer and Sereg trade names. He was President of the Company's Valtek Inc. subsidiary from 1991 to 1993 and Senior Vice President of Valtek from 1988 to 1990. Mr. Vernon joined Valtek Incorporated in 1978.

RONALD F. SHUFF, 43, was elected Vice President - Secretary and General Counsel of the Company in 1990. He joined the Company in 1988 as General Counsel and Assistant Secretary and became General Counsel and Secretary in 1989. Previously, he served as General Counsel and Secretary of AccuRay Corporation (a manufacturer of process control equipment which subsequently became a subsidiary of Asea Brown Boveri).

GREGORY L. SMITH, 42, was elected Treasurer in 1987. He joined the Company in 1975. From 1985 until assuming his present position, he was Assistant Treasurer and, prior to becoming Assistant Treasurer, he was Manager of Corporate Tax.

KATHLEEN A. GIDDINGS, 33, was elected Controller in 1993. She joined the Company in 1985. She has served the Company in a number of financial management positions, including Director of Financial Reporting and Corporate Controller in 1993, Manager Financial Accounting from 1990 to 1992, Supervisor Financial Accounting in 1989 and Financial Accountant from 1985 to 1989.

Additional information required by this Item 10 is incorporated herein by this reference from the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is set forth in the Proxy Statement and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is set forth in the Proxy Statement and is incorporated herein by this reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13 is set forth to the extent applicable in the Proxy Statement and is incorporated herein by this reference.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) FINANCIAL STATEMENTS

The following consolidated financial statements of the Company are incorporated herein by this reference as part of this Report at Item 8 hereof.

Report of Independent Auditors

Consolidated Statement of Income for the years ended December 31, 1995, 1994 and 1993

Consolidated Statement of Shareholders' Equity for the years ended  
December 31, 1995, 1994 and 1993

Consolidated Balance Sheet at December 31, 1995 and 1994

Consolidated Statement of Cash Flows for the years ended December 31,  
1995, 1994 and 1993

Notes to Consolidated Financial Statements

(a) (2) FINANCIAL STATEMENT SCHEDULE

Schedule II - Valuation and Qualifying Accounts (at  
page 52 of this Report)

All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

(a) (3) EXHIBITS

See INDEX to EXHIBITS

(b) REPORTS ON FORM 8-K

On December 14, 1995, the Company filed, on Form 8-K, its announcement of the completion of its acquisition of Durametallic on November 30, 1995. As part of this filing, the Company also submitted certain financial statements covering Durametallic's financial results for the nine month period ended September 30, 1995 and certain pro forma consolidated statements covering the combined operations of Durametallic and the Company for the same period.

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THE DURIRON COMPANY, INC.  
Schedule II - Valuation and Qualifying Accounts  
(dollars in thousands)

Column A -----	Column B -----	Column C -----	Column D -----	Column E -----
Description	Balance at beginning of year	Additions charged to earnings	Deductions from reserve	Balance at end of year
Year ended December 31, 1995:				
Allowance for doubtful accounts (a):	\$1,470 =====	\$577 =====	\$ 639 =====	\$1,408 =====
Year ended December 31, 1994:				
Allowance for doubtful accounts (a):	\$1,282 =====	\$665 =====	\$ 477 =====	\$1,470 =====
Restructuring inventory provision (b):	\$ 478 =====	\$ 0 =====	\$ 478 =====	\$ 0 =====
Restructuring fixed asset reserve (c):	\$ 100 =====	\$ 0 =====	\$ 100 =====	\$ 0 =====
Year ended December 31, 1993:				
Allowance for doubtful accounts (a):	\$1,157 =====	\$614 =====	\$ 489 =====	\$1,282 =====
Restructuring inventory provision (b):	\$1,790 =====	\$ 0 =====	\$1,312 =====	\$ 478 =====
Restructuring fixed asset reserve (c):	\$ 840 =====	\$ 0 =====	\$ 740 =====	\$ 100 =====

- (a) Deductions from reserve represent accounts written off, net of recoveries.
- (b) Deductions from reserve represent inventory written off.
- (c) Deductions from reserve represent fixed assets written off, and amounts reclassified to the general restructuring reserve.

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, The Duriron Company, Inc. has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 9th day of February, 1996.

THE DURIRON COMPANY, INC.

BY /S/ WILLIAM M. JORDAN  
-----  
WILLIAM M. JORDAN  
PRESIDENT AND CHIEF  
EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of The Duriron Company, Inc. and in the capacities and on the dates indicated:

NAME	TITLE	DATE
/s/ William M. Jordan ----- WILLIAM M. JORDAN	President and Chief Executive Officer, Director	February 9, 1996
/s/ John S. Haddick ----- JOHN S. HADDICK	Chairman of the Board, Director	February 9, 1996
/s/ Bruce E. Hines ----- BRUCE E. HINES	Senior Vice President - Chief Administrative Officer (Principal Accounting and Financial Officer)	February 9, 1996
/s/ Hugh K. Coble ----- HUGH K. COBLE	Director	February 9, 1996
/s/ Ernest Green ----- ERNEST GREEN	Director	February 9, 1996
/s/ Diane C. Harris ----- DIANE C. HARRIS	Director	February 9, 1996
/s/ Richard L. Molen ----- RICHARD L. MOLEN	Director	February 9, 1996
/s/ R. Elton White ----- R. ELTON WHITE	Director, Chairman of Audit/Finance Committee	February 9, 1996

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#### INDEX TO EXHIBITS

(3) ARTICLES OF INCORPORATION AND BY-LAWS:

- 3.1\* 1988 Restated Certificate of Incorporation of The Duriron Company, Inc. was filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1988.
- 3.2\* 1989 Amendment to Certificate of Incorporation was filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1989.
- 3.3\* By-Laws of The Duriron Company, Inc. (as restated) were filed with the Commission as Exhibit 3.2 to The Company's Annual Report on Form 10-K for the year ended December 31, 1987.
- 3.4 1996 Certificate of Amendment of Certificate of Incorporation.
- 3.5 Amendment No. 1 to Restated Bylaws.

(4) INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES:

- 4.1+ Lease agreement, indenture of mortgage and deed of trust, and guarantee agreement, all executed on June 1, 1978 in connection with 9-1/8% Industrial Development Revenue Bonds, Series A, City of Cookeville, Tennessee.
- 4.2+ Lease agreement, indenture of trust, and guaranty agreement, all executed on June 1, 1978 in connection with 7-3/8% Industrial Development Revenue Bonds, Series B, City of Cookeville, Tennessee.

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- 4.3\* Lease agreement, indenture of mortgage and agreement, lessee guaranty agreement, and letter of representation and indemnity agreement, all dated as of December 1, 1983 and executed in connection with the Industrial Development Revenue Bonds (1983 The Duriron Company, Inc. Project), Erie Company, New York Industrial Development Agency were filed with the Commission as Exhibit 4.4 to the Company's Report on Form 10-K for the year ended December 31, 1983.
- 4.4\* Form of Rights Agreement dated as of August 1, 1986 between The Duriron Company, Inc. and Bank One, Indianapolis, National Association, as Rights Agent was filed as an Exhibit to the Company's Form 8-A dated August 13, 1986.
- 4.5\* Loan Agreement, dated as of March 19, 1987, between The Duriron Company, Inc. and Metropolitan Life Insurance Company, including the form of Promissory Note delivered in connection therewith, was filed with the Commission as Exhibit 7 to the Company's Current Report on Form 8-K dated April 6, 1987.
- 4.6+ The Credit Agreement between The Duriron Company, Inc. and Bank One, Dayton, N.A.,

dated as of November 30, 1989.

- 4.7\* Interest Rate and Currency Exchange Agreement between the Company and Barclays Bank dated November 17, 1992 PLC in the amount of \$25,000,000 was filed as Exhibit 4.9 to Company's Report of Form 10-K for year ended December 31, 1992.

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- 4.8\* Loan Agreement in the amount of \$25,000,000 between the Company and Metropolitan Life Insurance Company dated November 12, 1992 was filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
- 4.9+ Revolving Credit Agreement between the Company and Fifth Third Bank dated November 23, 1992 in the amount of \$10,000,000.
- 4.10+ Revolving Credit Agreement between the Company and First of America Bank - Michigan, N.A. in the amount of \$20,000,000 and dated August 22, 1995.

(10) MATERIAL CONTRACTS: (See Footnote "a")

- 10.1\* The Duriron Company, Inc. Incentive Compensation Plan (the "Incentive Plan") for Senior Executives, as amended and restated effective January 1, 1994, was filed as Exhibit 10.1 to Company's Annual Report on Form 10-K for the year ended December 31, 1993.
- 10.2 Amendment No. 1 to the Incentive Plan.
- 10.3\* The Duriron Company, Inc. Supplemental Pension Plan for Salaried Employees was filed with the Commission as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.
- 10.4\* The Duriron Company, Inc. amended and restated Director Deferral Plan was filed as Attachment A to the Company's definitive 1996 Proxy Statement filed with the Commission on March 10, 1996.

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- 10.5\* Form of Employment Agreement ("Employment Agreement") between The Duriron Company, Inc. and each of the current officers was filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for year ended December 31, 1992.
- 10.6 Form of Amendment No. 1 to Employment Agreement.
- 10.7\* The Duriron Company, Inc. First Master Benefit Trust Agreement dated October 1, 1987 was filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.

- 10.8\*       Amendment #1 to the first Master Benefit Trust Agreement dated October 1, 1987 was filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.
- 10.9\*       Amendment #2 to First Master Benefit Trust Agreement was filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.
- 10.10\*      The Duriron Company, Inc. Second Master Benefit Trust Agreement dated October 1, 1987 was filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.
- 10.11\*      First Amendment to Second Master Benefit Trust Agreement was filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.
- 10.12\*      The Duriron Company, Inc. Long-Term Incentive Plan (the "Long-Term Plan"), as amended and restated effective November 1, 1993 was filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

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- 10.13       Amendment No. 1 to the Long-Term Plan.
- 10.14\*      The Duriron Company, Inc. 1989 Stock Option Plan as amended and restated April 23, 1991 was filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.
- 10.15\*      The Duriron Company, Inc. 1989 Restricted Stock Plan (the "Restricted Stock Plan") as amended and restated effective April 23, 1991, was filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.
- 10.16\*      Amendment #1 to the Restricted Stock Plan was filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
- 10.17\*      Amendment #2 to the Restricted Stock Plan was filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.
- 10.18       Amendment #3 to the Restricted Stock Plan.
- 10.19       Amendment #4 to the Restricted Stock Plan.
- 10.20\*      The Duriron Company, Inc. Retirement Compensation Plan for Directors ("Director Retirement Plan") was filed as Exhibit 10.15 on the Company's Annual Report to Form 10-K for the year ended December 31, 1988.
- 10.21       Amendment No. 1 to Director Retirement Plan.
- 10.22\*      The Company's Employee Protection Plan (which provides severance benefits for certain employees after a change of control of the Company) was filed as Exhibit 10.15 to the

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- 10.23\* The Company's Benefit Equalization Pension Plan ("Equalization Plan") was filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1989.
- 10.24\* Amendment #1 dated December 15, 1992 to the Equalization Plan was filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
- 10.25 The Company's Equity Incentive Plan as amended and restated effective July 21, 1995.
- 10.26\* Supplemental Pension Agreement between the Company and William M. Jordan dated January 18, 1993 was filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
- 10.27\* 1979 Stock Option Plan, as amended and restated April 23, 1991, and Amendment #1 thereto dated December 15, 1992, was filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
- 10.28\* Deferred Compensation Plan for Executives was filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
- 10.29 Executive Life Insurance Plan of The Duriron Company, Inc.
- 10.30 Executive Long-Term Disability Plan of The Duriron Company, Inc.
- 10.31 Consulting Agreement between James S. Ware and Durametallic Corporation dated April 21, 1991.

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- 10.32 Senior Executive Death Benefit Agreement between James S. Ware and Durametallic dated April 12, 1991
- 10.33 Executive Severance Agreement between James S. Ware and Durametallic Corporation dated January 6, 1994
- 10.34 Agreement between James S. Ware and the Company dated September 11, 1995
- 10.35\* Agreement and Plan of Merger Among The Duriron Company, Inc., Wolverine Acquisition Corporation and Durametallic Corporation, dated as of September 11, 1995 was filed as Annex A on the Form S-4 Registration Statement filed by the Company on September 11, 1995



The Duriron Company, Inc. has direct or indirect subsidiaries all of which (i) are beneficially owned or controlled; (ii) do business under the name under which they are organized and (iii) are included in the consolidated financial statements of the Company.

22.1                Subsidiaries of the Company

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(23)                CONSENTS OF EXPERTS AND COUNSEL

23.1                Consent of Ernst & Young LLP

(27)                FINANCIAL DATA SCHEDULE

27.1                Financial Data Schedule (submitted for the SEC's  
information)

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"\*"                Indicates that the exhibit is incorporated by reference into this Annual Report on Form 10-K from a previous filing with the Commission. The Company's file number with the Commission is "0-325".

"+"                Indicates that the document relates to a class of indebtedness that does not exceed 10% of the total assets of the Company and subsidiaries and that the Company will furnish a copy of the document to the Commission upon request.

"a"                The documents identified under Item 10 include all management contracts and compensatory plans and arrangements required to be filed as exhibits.

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CERTIFICATE OF AMENDMENT  
of  
CERTIFICATE OF INCORPORATION  
of  
THE DURIRON COMPANY, INC.  
under

SECTION 805 OF THE BUSINESS CORPORATION LAW

Pursuant to the provisions of Section 805 of the Business Corporation Law, the undersigned, William M. Jordan, President, and Ronald F. Shuff, Secretary, of THE DURIRON COMPANY, INC., a New York corporation (the "Corporation"), do hereby certify as follows:

FIRST: The name of the corporation is The Duriron Company, Inc. The name under which the corporation was formed was Duriron Castings Company.

SECOND: The Certificate of Incorporation of the Corporation was filed by the Department of State on May 1, 1912.

THIRD: The amendments to the Certificate of Incorporation affected by this Certificate are as follows:

Article THIRD of the Certificate of Incorporation is hereby amended by deleting the first sentence of Article THIRD and by replacing such deleted sentence with the following sentence:

"THIRD: The aggregate number of shares which the Corporation shall have authority to issue is 61,000,000 of which 1,000,000 shares, of the par value of \$1.00 each, shall be Preferred Stock and 60,000,000 shares, of the par value of \$1.25 each, shall be Common Stock."

FOURTH: No change in the number of outstanding shares of Common Stock or Preferred Stock of the Corporation resulted from the above amendment. However, as the result of such amendment, the total number of authorized shares of the Corporation is increased from 31,000,000 to 61,000,000 with the number of shares of Preferred Stock, of the par value of \$1.00 each, being unchanged from 1,000,000 shares and the number of shares of Common Stock, of the par value of \$1.25 each, being increased from 30,000,000 to 60,000,000 shares.

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FIFTH, the foregoing amendment to the Certificate of Incorporation was authorized by the unanimous vote of the Directors present at a meeting of the Board of Directors duly convened and held on September 9, 1995, and such amendment was thereafter approved by an affirmative vote of a majority of all the outstanding shares of the Common Stock at a Special Meeting of Shareholders of the Corporation held on November 30, 1995.

IN WITNESS WHEREOF, we hereunto sign our respective names and affirm that the statements made herein are true under penalties of perjury, this 3rd day of January, 1996.

/s/ William M. Jordan

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William M. Jordan,  
President

/s/ Ronald F. Shuff

-----

Ronald F. Shuff,  
Secretary

AMENDMENT NO.1  
TO  
RESTATED BY-LAWS  
OF  
THE DURIRON COMPANY, INC.

RESOLVED, that Section 1 and Section 2 of Article V of the By-Laws of the Company shall be amended and restated in their entirety to read as follows:

Section 1. Certificates for Shares. The interest of each shareholder shall either be uncertificated or evidenced by a certificate or certificates for shares of stock of the Company in such form as the Board of Directors may from time to time prescribe. The certificates of stock shall be signed by the Chairman of the Board, President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary and sealed with the seal of the Company, and shall be countersigned and registered in such manner, if any, as the Board of Directors may by resolution prescribe; provided that, in case such certificates are required by such resolution to be signed by a transfer agent and a registrar, the signatures of the Chairman of the Board or the President and of the Treasurer or the Secretary, and the seal of the Company upon such certificates, may be facsimiles, engraved or printed.

Section 2. Transfer of Shares. Shares in the capital stock of the Company shall be transferred on the books of the Company, either by the holder in person or by his attorney, upon surrender and cancellation of certificates for a like number of shares with duly executed power to transfer endorsed thereon or attached thereto, or upon proper assignment in the case of uncertificated shares.

FURTHER RESOLVED, that the remainder of the By-Laws shall remain unchanged and in full force and effect.

EXHIBIT 10.2

Effective July 21, 1995

AMENDMENT NO.1  
TO THE DURIRON COMPANY, INC.  
ANNUAL INCENTIVE COMPENSATION PLAN  
FOR SENIOR EXECUTIVES  
(AS RESTATED JANUARY 1, 1994)

SECTION IX(B) IS HEREBY AMENDED AND RESTATED IN ITS ENTIRETY TO READ AS FOLLOWS:

"B. ELECTION TO DEFER

Each Participant may elect to defer distribution of an Award (cash or Shares or both) or a portion thereof. The Participant's election to defer must be made either at or before August 31 of the applicable Plan Year. Such election may not be changed after August 31 of the applicable Plan Year. Appendix C is a copy of the election to defer, although the Committee may elect to honor any written communication statement from a Participant which communicates substantially the same election intention. The Committee, in its absolute discretion, may elect to accept any such election applicable to the Plan Year beginning January 1, 1990, January 1, 1991, January 1, 1992 or January 1, 1993 where the Committee (or the Chief Administrative Officer on behalf of the Committee, except in cases involving the Chief Administrative Officer) determines in its absolute discretion that the Participant submitted in good faith an irrevocable election to defer a possible award prior to the commencement of the applicable Plan Year, including interpreting any such election made prior to such date as including the deferral of any Share Award, regardless of the content of any election form or notice."

The remainder of the Plan shall remain in full force and effect as currently stated.

WILLIAM M. JORDAN  
President and  
Chief Executive Officer

P.O. Box 8820  
Dayton, Ohio 45401  
Telephone: (513) 476-6182  
Fax: (513) 476-6247

January 24, 1996

Dear :

Reference is made to the letter agreement dated May 11, 1992 (the "Letter Agreement") between The Duriron Company, Inc. (the "Company") and you. Subject to and effective immediately upon your execution of this letter of amendment, the Letter Agreement is hereby amended by adding new paragraph 15 reading as follows:

15(A) In the event you defer compensation (cash or other) pursuant to any Deferred Compensation program (as hereinafter defined) offered by the Company and, as a result of such deferral, your "base amount" (calculated as provided in Section 280G of the Code) shall be less than it would be if you had not deferred any compensation, then a calculation shall be made of the excess (the "Excess Amount"), if any, of

(i) the greater of (x) the Net After Tax Benefit (as defined in subparagraph 9(C)) of all Agreement Payments which you would then be entitled to receive if you had not deferred any compensation or (y) the Net After Tax Benefit of the Reduced Amount which you would then be entitled to receive if you had not deferred compensation,

over

(ii) the greater of (x) the Net After Tax Benefit of all Agreement Payments or (y) the Net After Tax Benefit of the Reduced Amount, with (x) and (y) of this clause (ii) being calculated as provided in paragraph 9.

JANUARY 24, 1996

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Notwithstanding anything else in this agreement, if there is such an excess, the Company shall pay to you, as an additional benefit and payment, such amount (the "Section 15 Amount") as will yield to you a net amount, after payment of all federal, state and local income and excise taxes, equal to such excess.

(B) As used herein, "Deferred Compensation Program" means and includes any program established by the Company pursuant to which, at your election, compensation otherwise payable to you on a current basis is deferred. The Company currently has in place programs allowing for the deferral of salary as well as amounts payable under the Annual Incentive Compensation Plan for Senior Executives, the Long-Term Incentive Plan, and the Equity Incentive Plan.

(C) The initial calculation of the Excess Amount and the Section 15 Amount shall be made by the Company and furnished to you in writing within 14 days following the Date of Termination. The Company's

calculation will be final and binding upon you unless you notify the Company within 21 days after you receive such calculation that you dispute the same. Within ten days after you so notify the Company, you must deliver to the Company a statement detailing your calculation of the Excess Amount and/or the Section 15 Amount, as the case may be. If, within ten days after the Company receives your statement, the Company and you are unable to agree as to the calculation, then the Company and you shall, within three days thereafter, choose a nationally recognized accounting firm to deliver its determination concerning the calculation. Such accounting firm's calculation shall be delivered to the Company and you within 20 days of its appointment and shall be final and binding on all parties. With respect to your cost incurred in contesting the Company's calculation, if the final calculation of the Section 15 Amount represents an increase of more than 2% as calculated by the Company, then the Company shall pay all reasonable costs incurred by you with respect to such calculation; in all other cases, you shall pay all such costs. All costs incurred by the Company in connection with such calculation and the costs of the accounting firm's calculation shall be borne by the Company.

(D) Pending a final and binding calculation of the Section 15 Amount, you shall have the right to require the Company to pay to you all or any portion of the Section 15 Amount calculation by the Company to be payable. Such payment shall be made by the Company within two days after the date of receipt of notice from you requiring the same.

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JANUARY 24, 1996  
PAGE 3

(E) The Company shall pay to you or for your benefit the Section 15 Amount finally calculated to be owing (less any payment previously paid by the Company pursuant to (D) above) within 15 days after the date the calculation becomes final and binding in accordance with (C) above.

(F) The provisions of this paragraph 15 shall apply notwithstanding any other provision of this agreement, including, without limitation thereto, the provisions of paragraph 9.

Except as set forth above, the Letter Agreement will remain in full force and effect.

If this letter of amendment correctly sets forth our agreement on the subject matter hereof, please so confirm by signing and returning the enclosed copy.

Very truly yours,

THE DURIRON COMPANY, INC.

/s/ William M Jordan

-----  
William M. Jordan  
President and CEO

Enclosure

Confirmed and Agreed to:

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EXHIBIT 10.13

Effective July 21, 1995

AMENDMENT NO.1  
TO THE DURIRON COMPANY, INC.  
LONG-TERM INCENTIVE PLAN  
(AS RESTATED NOVEMBER 1, 1993)

SECTION X(B) SHALL BE AMENDED AND RESTATED IN ITS ENTIRETY TO READ AS FOLLOWS:

"B. ELECTION TO DEFER

Each Participant may elect to defer distribution of an Award (cash or Shares, or both) in increments of not less than 10% of the Total Award or a portion thereof. The Participant's election to defer must be made on or before August 31 of the last year of the applicable Performance Cycle. This election may not be changed after such August 31 date. Attachment E is a copy of the election to defer, although the Committee may elect to honor any written election statement from a Participant which communicates substantially the same election intention. The Committee, in its absolute discretion, may elect to accept any such election where the Committee (or the Chief Administrative Officer on behalf of the Committee, except in cases involving the Chief Administrative Officer) determines in its absolute discretion that the Participant submitted a good faith and irrevocable election to defer any possible Award prior to the commencement of an applicable Cycle, including interpreting any such election made prior to such date as including a deferral of any Share Award, regardless of the content of any election form or notice."

The remainder of this Plan shall remain unchanged and in full force and effect.

Effective April 20, 1995

AMENDMENT NO. 3 TO  
THE DURIRON COMPANY, INC.  
1989 RESTRICTED STOCK PLAN

- I. ARTICLE III, SECTION 1 SHALL BE AMENDED BY ADDING THE FOLLOWING TWO SENTENCES AT THE END OF THIS SECTION.

"The Committee, also at its discretion, may delegate its authority to the Company's Chief Executive Officer to so award Restricted Shares in an amount not to exceed 5,000 shares per calendar year to Eligible Employees of the Company, provided that any such grant shall be limited to 1,000 shares per Eligible Employee per calendar year, and further provided that the Chief Executive Officer shall not be authorized to award any grants to any officers of the Company. The Chief Executive Officer shall, on an annual basis, report all such awards to the Committee, and the Committee's ratification and approval of such awards shall be presumed in the absence of express action by the Committee to the contrary."

- II. ARTICLE IV IS AMENDED IN ITS ENTIRETY AND RESTATED AS FOLLOWS.

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Shares," with the term "Deferred Shares" hereafter applying equally to both Mandatory Deferred Shares and Voluntary Deferred Shares.

SECTION 2. ACCOUNTS FOR DEFERRED RESTRICTED SHARES.

(a) The Company will establish a separate account for each Participant who has Deferred Shares in which the Deferred Shares will be maintained. The Company will create this account through a trust (the "Trust") established by the Company, with the applicable trustee (the "Trustee") maintaining the Deferred Shares pursuant to the Trust.

(b) Notwithstanding Article I, Section 6(a), which shall not apply to Deferred Shares except as follows, the Company shall fund such account in the case of Voluntary Deferred Shares by providing sufficient cash to the Trustee, on the date that the grant of the Voluntary Deferred Shares are to be deferred. The Company shall then give instructions to the Trustee to purchase such Voluntary Deferred Shares for this account on the open market, and the Company shall reimburse the trustee for any associated brokerage or other transaction fees.

(c) In the case of Mandatory Deferred Shares, the Company shall fund such account by transferring such Mandatory Deferred Shares to the Trustee for holding pursuant to the terms of the Trust, with the provisions of Article I, Section 6(a) and 6(b) being inapplicable to the Mandatory Deferred Shares.

(d) Any dividends paid on the Voluntary Deferred Shares in this account ("Dividends") will be credited to a deferred cash account to be established under the Trust in which the amount of the Dividends will be recorded for the benefit of the Participant, with interest to be credited to the Dividends in the following manner. The Company will credit to each such cash account, as of the first day of each calendar quarter, interest on the amount then credited to such account, including all previous credits to such account by operation of this Section, computed at an annual rate equal to the average composite bond yield for Single A bonds, rounded to the nearest 1/10 of 1%, as published for the month last preceding the beginning of such calendar quarter in the Standard & Poor's Indexes of the Securities Markets.



(e) Any dividends paid on the Mandatory Deferred Shares shall be reinvested in the Company Stock of the Company through the Trustee's use of the Company's automatic stock dividend plan available to all of its shareholders of record. Such reinvestment shares shall also be held in the participant's Deferred Shares trust account where they shall be included, where applicable, in any reference to "Deferred Shares" hereafter.

(f) In the event that the company is obligated to pay any cash amounts to a Participant in connection with the vesting of any Mandatory Deferred Shares, such cash ("Tax Reimbursement Cash") shall be credited to the cash account of such Participant under the Trust. Interest shall be credited on the Tax Reimbursement Cash in the same way as applies to Dividends, and the Trustee shall likewise handle Tax Reimbursement Cash and Dividends in the same way.

(g) Any Deferred Shares hereunder and any amount credited to either the cash or Deferred Shares Trust accounts of a Participant, or as any interest or any Dividends paid on such

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Deferred Shares, will represent only an unsecured promise of the Company to pay or deliver the amount so credited in accordance with the terms of this Article of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title, or interest in any asset of the Company as a result of any amount of cash or Deferred Shares credited to a Participant's account or accounts. At all times, a Participant's rights with respect to the amount credited to his/her account or accounts will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Participant's account or accounts. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, lien, encumbrance or charge, and any attempt to take any such action shall be void.

(h) The Trustee will have voting rights on all Deferred Shares prior to their distribution.

### SECTION 3. DISTRIBUTION OF DEFERRED SHARES.

(a) Deferred Shares will be distributed only in accordance with the following sections, pursuant to the election specified by the Participant under the attached form marked Exhibit A with regard to Voluntary Deferred Shares or the attached form marked Exhibit B (or any substantially similar documents acceptable to the Committee) with regard to Mandatory Deferred Shares.

(i) In the event a Participant leaves service from the Company's Board of Directors or employment from the Company, as the case may be, for any reason, any Deferred Shares and the interest, Dividends and Tax Reimbursement Cash on these Deferred Shares previously or currently credited to his/her account will be distributed commencing within 60 calendar days of his/her termination in accordance with the method of distribution elected by the Participant.

(ii) The Participant may elect to receive such distribution in a lump sum, in equal annual installments (not exceeding ten), or in some designated combination thereof.

(iii) If the election is a lump sum, then interest, Dividends and Tax Reimbursement Cash, if any, will be credited to the account through the date of distribution, and the entire amount of Dividends and Tax Reimbursement Cash, if any, with applicable interest will be paid, and the entire Deferred Shares account balance will be transferred in kind, to the Participant within 60 days of his/her termination.

(iv) If installments have been elected, any Dividends and any Tax Reimbursement Cash with applicable interest, will be calculated through the date of termination and added to the account. The resulting deferred cash total shall

be divided equally by the number of installments elected and the first payment made within 60 days of termination. The second and all subsequent installment payments shall be made between January 1 and 30 of each following year. Interest will continue to accrue to the account on the balance remaining in the Participant's Dividend and Tax Reimbursement Cash account until all installments have been paid. Interest will be paid annually with each installment payment. With regard to the Deferred Shares, the aggregate number of Deferred Shares held in the separate account for Deferred Shares will be divided by the number of installments

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elected and allocated in equal whole number proportions to be distributed with each such installment payment (with any remainder after such equal division to be included in the first installment). All Deferred Shares so allocated will be distributed in kind with each applicable installment, which shall be paid simultaneously with any deferred cash distribution installments. Certificates representing the applicable amount of Deferred Shares held for the then longest time in the Deferred Shares account of the Trust will be delivered with each installment, where applicable. Dividends from any undistributed Voluntary Deferred Shares will continue to accrue to the Director's Dividend account, receive applicable interest credit and will be paid with the next applicable installment payment of deferred cash. Undistributed Mandatory Deferred Shares will continue to be invested in the shareholder dividend reinvestment plan, with the entire balance in the reinvestment plan distributed in the last installment.

(v) If any portion of a Participant's deferred account remains unpaid at his/her death, then after his/her death such amount will be paid (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedure for lump sum and installment payments set forth above), or (ii), if the Participant has not designated a beneficiary or if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant has terminated service but before the entire Deferred Shares have been disbursed, the balance of the cash benefit will be paid to the beneficiary's estate in a lump sum, and the Deferred Shares benefit will be transferred to such estate in kind.

(vi) Notwithstanding anything to the contrary above, no Deferred Shares shall be paid to the Participant until expiration or termination of the applicable Restriction Period or, if earlier, until the provisions of Article I, Section 5(a) cease to apply to such Shares."

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EXHIBIT A

THE DURIRON COMPANY, INC.  
1989 RESTRICTED STOCK PLAN  
PARTICIPANT'S ELECTION TO DEFER  
VOLUNTARY DEFERRED SHARES

In accordance with the provisions of the 1989 Restricted Stock Plan (the "Plan") of The Duriron Company, Inc. (the "Company"), I elect:

1. Effective immediately to defer the receipt of any Voluntary Restricted Shares (as defined in the Plan) granted to me under the Plan unless I notify you to revoke this election.
2. To receive payment of the amount credited to my deferred account in the following manner:

/ / In one lump sum payment of cash ("Cash") equivalent to

Dividends and interest on the Deferred Shares and an in kind distribution of Deferred Shares.

/ / In \_\_\_\_\_ equal annual installments (not to exceed ten) of Cash and Deferred Shares.

3. To have any payments above, which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be modified to retroactively change the deferral of Restricted Shares after their grant.
2. My election is otherwise subject to the terms of the Plan and applicable securities law.
3. The delivery of the Deferred Shares to me will be subject to applicable SEC requirements, including, without limitation, possible time restrictions on resale.

----- Date	----- Signature of Participant
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The undersigned, Secretary of the Company, acknowledges receipt of the above election on \_\_\_\_\_.

-----  
Secretary

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EXHIBIT B

THE DURIRON COMPANY, INC.  
1989 RESTRICTED STOCK PLAN  
PARTICIPANT'S DISTRIBUTION ELECTION  
OF MANDATORY DEFERRED SHARES

In accordance with the provisions of the 1989 Restricted Stock Plan (the "Plan") of The Duriron Company, Inc. (the "Company"), I elect:

1. To receive payment of the amount credited to my Mandatory Deferred Shares account in the following manner:  
  
/ / In one lump sum payment of cash ("Cash") equivalent to any Dividends, any Tax Reimbursement Cash (as both defined in the Plan), and interest on the Deferred Shares and an in kind distribution of Mandatory Deferred Shares.  
  
/ / In \_\_\_\_\_ equal annual installments (not to exceed ten) of any Cash, any Tax Reimbursement Cash and Mandatory Deferred Shares.
2. To have any payments above, which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be modified to retroactively change the distribution of Mandatory Deferred Shares after their vesting.

2. My election is otherwise subject to the terms of the Plan and applicable securities law.
3. The delivery of the Mandatory Deferred Shares to me will be subject to applicable SEC requirements, including, without limitation, possible time restrictions on resale.

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Date

-----

Signature of Participant

The undersigned, Secretary of the Company, acknowledges receipt of the above election on .

-----

Secretary

EXHIBIT 10.19

Effective July 21, 1995

AMENDMENT NO.4 TO  
THE DURIRON COMPANY, INC.  
1989 RESTRICTED STOCK PLAN

II ARTICLE IV IS AMENDED IN ITS ENTIRETY AND RESTATED AS FOLLOWS.

"ARTICLE IV. PARTICIPANT DEFERRAL OF RESTRICTED SHARES

SECTION 1. FORMS OF DEFERRAL

(a) Participants who are either Eligible Directors of the Company or who are participants in the Company's Equity Incentive Plan ("Eligible Participants" or "Eligible Participant") shall be eligible to defer receipt of Restricted Shares received.

(b) An Eligible Participant may execute an election with the Company to defer the receipt of the Restricted Shares granted pursuant to the Plan through completion of a form (Exhibit "A" or "Exhibit B", whichever is applicable) or a substantially similar document to be delivered to and be subject to acceptance by the Secretary of the Company. An election to defer Restricted Shares shall be effective upon such acceptance and shall apply only to Restricted Shares which either have not yet been granted or which vest in the following calendar year or thereafter, provided, in the case of previously granted Restricted Shares, such election is made and accepted prior to August 31 of the year preceding such vesting. This election to defer to Restricted Shares (which shall be called "Deferred Shares" hereafter upon such election) shall remain in effect until terminated or changed as provided in this Plan.

(c) A Participant may terminate any agreement to accept receipt of Deferred Shares relating to future grants by giving notice of termination to the Company. Any such termination shall be effective only with respect to grants of Restricted Shares which occur on or after the date of the termination notice.

SECTION 2. ACCOUNTS FOR DEFERRED RESTRICTED SHARES.

(a) The Company will establish a separate account for each Participant who has Deferred Shares in which the Deferred Shares will be maintained. The Company will create this account through a trust (the "Trust") established by the Company, with the applicable trustee (the "Trustee") maintaining the Deferred Shares pursuant to the Trust.

(b) Notwithstanding Article I, Section 6(a), which shall not apply except as follows, the Company shall fund such account, in the case of Deferred Shares where the deferral election is made prior to granting of the Deferred Shares, by providing appropriate instructions and sufficient cash to the Trustee, on or about the date of the grant, to purchase such Deferred Shares for this account on the open market. The Company shall reimburse the Trustee for any associated brokerage or other transaction fees in making this purchase.

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(c) In the case of Deferred Shares in which the deferral election is properly made after the date of grant but prior to the date of vesting, the Company shall fund such account by transferring (and causing the Participant to assign) such Deferred Shares to the Trustee for holding pursuant to the terms of the Trust, with the provisions of Article I, Section 6(a) and 6(b) being inapplicable to these Deferred Shares.

(d) Any dividends paid on the Deferred Shares in this account ("Dividends") will be credited to a deferred cash account to be established under the Trust in which the amount of the Dividends will be recorded for the benefit of the Participant, with interest to be credited to the Dividends in the following manner. The Company will credit to each such cash account, as of the first day of each calendar quarter, interest on the amount then credited to such account, including all previous credits to such account by operation of this Section, computed at an annual rate equal to the average composite bond yield for Single A bonds, rounded to the nearest 1/10 of 1%, as published for the month last preceding the beginning of such calendar quarter in the Standard & Poor's Indexes of the Securities Markets.

(e) Any Deferred Shares hereunder and any amount credited to either the cash or Deferred Shares Trust accounts of a Participant, or as any interest or any Dividends paid on such Deferred Shares, will represent only an unsecured promise of the Company to pay or deliver the amount so credited in accordance with the terms of this Article of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title, or interest in any asset of the Company as a result of any amount of cash or Deferred Shares credited to a Participant's account or accounts. At all times, a Participant's rights with respect to the amount credited to his/her account or accounts will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Participant's account or accounts. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, lien, encumbrance or charge, and any attempt to take any such action shall be void.

(f) The Trustee will have voting rights on all Deferred Shares prior to their distribution.

### SECTION 3. DISTRIBUTION OF DEFERRED SHARES.

(a) Deferred Shares will be distributed only in accordance with the following sections, pursuant to the election specified by the Participant. Attached form marked Exhibit A shall be used with regard to Deferred Shares applicable to Eligible Directors, and the attached form marked Exhibit B (or any substantially similar documents acceptable to the Committee) shall be used with regard to Deferred Shares applicable to participants in the Equity Incentive Plan.

(i) In the event a Participant leaves service from the Company's Board of Directors or employment from the Company, as the case may be, for any reason, any Deferred Shares and the interest and Dividends on these Deferred Shares previously or currently credited to his/her account will be distributed commencing within 60 calendar days of his/her termination in accordance with the method of distribution elected by the Participant.

(ii) The Participant may elect to receive such distribution in a lump sum, in equal annual installments (not exceeding ten), or in some designated combination thereof

(iii) If the election is a lump sum, then interest and Dividends, will be credited to the account through the date of distribution, and the entire amount of Dividends, with applicable interest, will be paid, and

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the entire Deferred Shares account balance will be transferred in kind, to the Participant within 60 days of his/her termination.

(iv) If installments have been elected, any Dividends, with applicable interest, will be calculated through the date of termination and added to the account. The resulting deferred cash total shall be divided equally by the number of installments elected and the first payment made within 60 days of

termination. The second and all subsequent installment payments shall be made between January 1 and 30 of each following year. Interest will continue to accrue to the account on the balance remaining in the Participant's Dividend account until all installments have been paid. Interest will be paid annually with each installment payment. With regard to the Deferred Shares, the aggregate number of Deferred Shares held in the separate account for Deferred Shares will be divided by the number of installments elected and allocated in equal whole number proportions to be distributed with each such installment payment (with any remainder after such equal division to be included in the first installment). All Deferred Shares so allocated will be distributed in kind with each applicable installment, which shall be paid simultaneously with any deferred cash distribution installments. Certificates representing the applicable amount of Deferred Shares held for the then longest time in the Deferred Shares account of the Trust will be delivered with each installment, where applicable. Dividends from any undistributed Deferred Shares will continue to accrue to the Director's Dividend account, receive applicable interest credit and will be paid with the next applicable installment payment of deferred cash.

(v) If any portion of a Participant's deferred account remains unpaid at his/her death, then after his/her death such amount will be paid (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedure for lump sum and installment payments set forth above), or (ii), if the Participant has not designated a beneficiary or if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant has terminated service but before the entire Deferred Shares have been disbursed, the balance of the cash benefit will be paid to the beneficiary's estate in a lump sum, and the Deferred Shares benefit will be transferred to such estate in kind.

(vi) Notwithstanding anything to the contrary above, no Deferred Shares shall be paid to the Participant until expiration or termination of the applicable Restriction Period or, if earlier, until the provisions of Article I, Section 5(a) cease to apply to such Shares."

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EXHIBIT A

THE DURIRON COMPANY, INC.  
1989 RESTRICTED STOCK PLAN  
DIRECTOR'S ELECTION TO DEFER  
PREVIOUSLY GRANTED BUT UNVESTED SHARES  
(COVERING 1993, 1994 AND 1995 GRANTS)

In accordance with the provisions of the 1989 Restricted Stock Plan (the "Plan") of The Duriron Company, Inc. (the "Company"), I elect:

1. Effective immediately to defer the receipt of any Restricted Shares (as defined in the Plan) previously granted to me in 1993, 1994 and/or 1995, as applicable, but which remain unvested at the time of this election.
2. To receive payment of the amount credited to my deferred account in the following manner:
  - / / In one lump sum payment of cash ("Cash") equivalent to Dividends on the Deferred Shares (and interest on the Dividends) and an in kind distribution of Deferred Shares.
  - / / In \_\_\_\_\_ equal annual installments (not to exceed ten) of Cash and Deferred Shares.

3. To have any payments above, which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:
4. I also agree to execute an irrevocable power of attorney in favor of the Secretary of the Company in the form set forth on the reverse side of this election in order to permit the appropriate deferral arrangements to be made for such Restricted Shares.

In making this election, I understand that:

1. My election may not be modified to retroactively change the deferral of Restricted Shares after their grant.
2. My election is otherwise subject to the terms of the Plan and applicable securities law.
3. The delivery of the Deferred Shares to me will be subject to applicable SEC requirements, including, without limitation, possible time restrictions on resale.
4. My election, in order to be valid under the Plan, must be made on or before August 31 of the year preceding the vesting of such Restricted Shares at the Annual Meeting of Shareholders of such following year.

-----  
Date

-----  
Signature of Participant

The undersigned, Secretary of the Company, acknowledges receipt of the above election on .

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Secretary

(over)

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EXHIBIT B

THE DURIRON COMPANY, INC.  
1989 RESTRICTED STOCK PLAN  
OFFICERS'S ELECTION TO DEFER  
PREVIOUSLY GRANTED BUT UNVESTED SHARES

(COVERING EQUITY INCENTIVE PLAN GRANTS)

In accordance with the provisions of the 1989 Restricted Stock Plan (the "Plan") of The Duriron Company, Inc. (the "Company"), I elect:

1. Effective immediately to defer the receipt of any Restricted Shares (as defined in the Plan) granted to me under the Equity Incentive Plan, but which remain unvested at the time of this election.
2. To receive payment of the amount credited to my deferred account in the following manner  
  
/ / In one lump sum payment of cash ("Cash") equivalent to Dividends on the Deferred Shares (and interest on the Dividends) and an in kind distribution of Deferred Shares.  
  
/ / In equal annual installments (not to exceed ten)



of Cash and Deferred Shares.

3. To have any payments above, which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:
4. I also agree to execute an irrevocable power of attorney in favor of the Secretary of the Company in the form set forth on the reverse side of this election in order to permit the appropriate deferral arrangements to be made for such Restricted Shares.

In making this election, I understand that:

1. My election may not be modified to retroactively change the deferral of Restricted Shares after their grant
2. My election is otherwise subject to the terms of the Plan and applicable securities law.
3. The delivery of the Deferred Shares to me will be subject to applicable SEC requirements, including, without limitation, possible time restrictions on resale.
4. My election, in order to be valid under the Plan, must be made on or before August 31 of the year preceding the vesting of such Restricted Shares.

-----  
Date

-----  
Signature of Participant

The undersigned, Secretary of the Company, acknowledges receipt of the above election on .

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Secretary  
(over)

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#### POWER OF ATTORNEY

THE UNDERSIGNED hereby constitutes and appoints Ronald F. Shuff, with full power of substitution, as the undersigned's true and lawful attorney-in-fact to:

1. Execute and deliver stock powers, share assignments and other documents and instruments required for the assignment and transfer to Bank One Trust Company (the "Trustee") as Trustee under the First Master Benefit Trust Agreement dated October 1, 1987 and thereafter amended between The Duriron Company, Inc. (the "Company") and the Trustee, of \_\_\_\_\_ shares of Common Stock of the Company issued pursuant to Article II of the Company's 1989 Restricted Stock Plan and standing in the name of the undersigned on the books of the Company and represented by Certificate(s).

2. Do and perform any and all acts for and on behalf of the undersigned which may be necessary or desirable to consummate the assignments and transfers contemplated by paragraph 1 above.

This Power of Attorney shall expire as of the close of business on \_\_\_\_\_, 19\_\_\_\_\_.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_\_.

-----  
Signature

-----  
Printed Name

EXHIBIT 10.21

AMENDMENT #1  
TO  
THE DURIRON COMPANY, INC  
RETIREMENT COMPENSATION PLAN  
FOR  
DIRECTORS  
EFFECTIVE JANUARY 1, 1989

Effective January 1, 1996, the Plan shall be amended as follows:

- 1) Section 2 ("Amount of Deferral") shall be amended to add the following sentence at the end of the current Section 2.

"Notwithstanding anything to the contrary above, the Company shall make no further contributions to the Plan after December 31, 1995."
- 2) Section 6 ("Amendment or Termination") shall be amended to add the following sentence at the end of the current Section 6.

"The Plan shall automatically terminate without any further action of the Board of Directors when the last Director's Account under the Plan has been distributed to that Director pursuant to Section 4."

The remainder of the Plan shall remain unchanged.

Pursuant to authorities granted to me under a resolution duly adopted by the Board of Directors, the undersigned hereby executes this Amendment on behalf of The Duriron Company, Inc.

/S/ Ronald F. Shuff

-----  
Ronald F. Shuff  
Secretary

DURIRON "EQUITY INCENTIVE" PLAN  
AS AMENDED AND RESTATED  
EFFECTIVE JULY 21, 1995

1. PURPOSE

The purpose of the Duriron "Equity Incentive" Plan (the "Plan") is as follows:

- a. To more closely tie and identify the interest of the executive officers of the Company to creating increased share value and to meeting shareholder goals.
- b. To require each officer to make a personal capital investment in the Company's common stock.
- c. To ensure that each officer feels the same kind of "downside risk" and "upside potential" with regard to Duriron's common stock as do other shareholders.
- d. To encourage each officer to continue his employment at Duriron and to provide an incentive to keep the executive officers together and functioning as an effective team.
- e. To require the participating officer to retain the Restricted Stock which vests under the Plan until he terminates employment with the Company.

2. ELIGIBILITY

The following officers of the Company shall continue to participate in the Plan, with their month of initial participation shown after their name.

- a. W. M. Jordan, President and CEO (2/91)
- b. B. E. Hines, Senior Vice President and CAO (2/91)
- c. G. A. Shedlarski, Group Vice President (2/91)
- d. C. E. Daily, Group Vice President (2/91)
- e. M. E. Vernon, Group Vice President (10/93)
- f. R. F. Shuff, Vice President -- Secretary and General Counsel (2/91)

Other officers may be added to the Plan only upon the prior express approval of the Compensation Committee.

3. GENERAL TERMS OF THE PLAN

The Plan contains three basic components:

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- a. A personal investment component where the officer purchases 1,500 shares of Duriron common stock and where the officer agrees that one-half of any amounts due him under the Company's Long-Term Incentive Plan will be paid to him in the form of Duriron common stock.
- b. The Company grants a stock option under its 1989 Stock Option Plan in the amount of 15,000 (after adjustment for the 1994 three-for-two stock split) shares to the officer in

conjunction with this purchase, subject also to the applicable conditions below.

- c. The Company makes a grant under its 1989 Restricted Stock Plan of 15,000 (adjusted for this split) shares to the officer, subject again to the terms below.

4. PURCHASE AND PAYMENT OF SHARES

- a. As a condition of Plan participation, the officer is obligated to acquire 1,500 shares of Company common stock, for himself or immediate family members, within one year after the officer initiates participation in the Plan. This acquisition is made on the open market or from existing stock options, at the officer's election.
- b. All payments from the Long-Term Incentive Plan are made to participating officers in the following form for ten years after the officer's initial participation in the Plan. One-half of the payment is, pursuant to the officer's election, under the Long-Term Plan, made in cash, stock, deferred cash or deferred stock, while the remainder must be paid in the form of Duriron common stock, which may be deferred by the officer until retirement. At its discretion, the Compensation Committee may elect, in any particular year, to provide the portion of the Long-Term Incentive Award, otherwise payable in stock, in the form of cash to a designated officer or officers.
- c. The Company stock has a fair market value at the time of issuance which is equal to this "one-half" award. Thus, the number of shares due are not determined until payment is actually due. These shares are not registered at issuance and may not be resold for at least two years after issuance and only then under Rule 144.
- d. If the officer sells any of the common stock received as payment under the Long-Term Incentive Plan or that he otherwise holds, he forfeits an equal amount of unexercised stock options and restricted stock granted under the Plan, as described hereafter, except where approved in advance by the Compensation Committee. This forfeiture is qualified by the understanding that the bonafide gift of common stock, or use of stock to pay the exercise price or withholding tax of exercised stock options, or to otherwise increase the net holdings of common stock by the participant, shall continue to be permitted without penalty.
- e. Additionally, the officer's receipt of such common stock causes the officer to be prohibited under Section 16 of the Securities Exchange Act from selling stock at a profit either six months before or after a stock payout. This means that the officer is effectively prohibited by law from selling in the event that Long-Term Incentive Plan bonuses are always paid (except for "exempt" sales under Section 16(b)).

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5. STOCK OPTION GRANT

- a. The Company makes a grant under its 1989 Stock Option Plan in the amount of 15,000 shares at the time of entrance into the Plan.
- b. The options are priced at their current market value on the date of the grant.

- c. The options are not exercisable for one year, but are then exercisable only to the extent that the officer has acquired beneficial ownership of shares of common stock subsequent to this grant.
- d. The options granted are nonqualified with the accompanying tax consequences, including deductibility of the "spread" (between current value and purchase price at exercise) for the Company and corresponding income to the officer.
- e. The options are for a ten year term and expire at that date to the extent unexercised.
- f. Any option is forfeited within thirty days after the officer leaves the Company for any reason except death, disability, normal retirement at age 65 or early retirement with the consent of the Compensation Committee. In such cases, the options shall be prorated based upon the number of full calendar quarters of the officer's participation in the Plan.
- g. All options are personal to the officer and nonassignable.
- h. The options are granted without any accompanying stock appreciation rights.
- i. Any other applicable general terms and conditions of the 1989 Stock Option Plan apply.

6. RESTRICTED STOCK GRANT

- a. 15,000 shares of Restricted Stock are granted to a participant under the Company's 1989 Restricted Stock Plan, simultaneously with the above stated stock option grant.
- b. 7,500 shares of this Restricted Stock vest on the fifth anniversary of this restricted stock grant, with the remaining 7,500 vesting on the tenth anniversary. Shares also automatically vest upon a change of control.
- c. The restricted shares are forfeited if the officer leaves the employment of the Company prior to the vesting date for any reason other than death, disability, normal retirement at age 65 or early retirement with the consent of the Compensation Committee. Upon such normal or such early retirement, death or disability, the restricted shares will vest on a pro rata basis based upon actual service rendered by full calendar quarter.

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- d. The Restricted Stock will be nonassignable. The Company will retain the certificate covering the shares until the vesting date, except as it applies to "Deferred Shares," as defined in Section 6(h) below.
- e. Pursuant to the Restricted Stock Plan, the officer will have dividend and voting rights, regardless of the vesting status, except for Restricted Stock deferred under Section 6(h) below. Applicable restrictions will automatically lapse in the event of a change of control of the Company, regardless of deferral status.
- f. Except for Deferred Shares, the taxes resulting from this Restricted Stock grant will apply upon the vesting of the

stock. If the taxes were not so deferred, and the tax liability arose upon vesting, the Company will provide the officer, through a five year loan, sufficient money to pay federal, state and local taxes arising from the vesting. In an effort to offset the tax liability, conditioned upon the officer's continued employment with the Company, the Company will pay for five years an annual bonus equaling the principal and interest due that year on the loan.

- g. If the Restricted Stock vests on a pro rata basis by reasons outlined in Section 6(c), the Company will pay a one-time bonus to the affected participant (or his estate) which is equivalent to such tax liability of such participant regardless of whether or not this Restricted Stock constitutes Deferred Shares. This payment will be made at or around the end of the calendar year of such pro rata vesting.
- h. A participating officer may elect to defer receipt and payment of the Restricted Shares granted hereunder until his termination of service with the Company. Such Restricted Stock shall, accordingly, be treated as "Deferred Shares" under the 1989 Restricted Stock Plan ("Restricted Plan") in accordance with the provisions of the Restricted Plan. As a condition for such deferral, the participating officer shall take such action as deemed necessary or desirable by counsel of the Company to effect this deferred treatment, including completing deferral election forms satisfactory to the Company and complying with the provisions of the Restricted Plan governing Deferred Shares. In order to be valid, any such deferral election is to be appropriately filed with the Secretary of the Company on or before the August 31 of the year preceding the vesting of the Restricted Shares.
- i. In order to assist the participating officer in the payment of taxes arising from the distribution of these Deferred Shares after his termination of service, the Company makes the following payment to the participant, as determined through the following procedure. First, the Company calculates the total federal, state and local income taxes that the officer would have owed upon the vesting of the Restricted Shares if they were not Deferred Shares. Thereafter, the Company accrues an amount, equal to one-fifth of such tax liability, for the benefit of the participant on each immediately following anniversary of such vesting for a number of anniversaries not to exceed five, provided that the officer is still employed by the Company on each such anniversary date. The Company, simultaneously with each such accrual, also accrues an amount equal to the interest which would be accrued to a participant's account under the Rabbi Trust, if such total tax liability amount were funded into the participant's cash account in this Trust on the day of such Restricted Share vesting. The amount of the aforementioned cash payment to

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the participant electing Deferred Shares is the amount of this accrual including the applicable interest credits. This payment is also to be made within thirty (30) days after the participant terminates service with the Company. However, no further accrual nor resulting payment right of the officer shall arise after the participating officer leaves the service of the Company.

## 7. MISCELLANEOUS

- a. The commitment of the Company and the officer to implement this Plan is effective upon Compensation Committee approval of the initial participation in the Plan of the officer.
- b. The stock option grant and Restricted Stock grant occur at the time of such approval.
- c. Appropriate legal documentation is prepared and the Company and the officer execute all documents necessary to affix their respective rights and obligations. Such legal documentation is subject to ratification by either the Chairman of the Compensation Committee or by the Company's Chief Executive Officer, where applicable.
- d. The Plan is administered by the Compensation Committee of the Board.
- e. All applicable legal requirements governing the Plan are also to be met, including applicable Proxy Statement disclosures, SEC filings and other matters.
- f. No further grants occur under the Plan, nor does any other Company personnel become eligible to participate in the Plan, without the prior express approval of the Compensation Committee.
- g. The officers' participation in other Company compensation programs is not affected by the Plan, provided that an officer shall not be eligible to receive any other stock option or Restricted Stock grants during the calendar year in which he begins Plan participation.
- h. A participant's exercise of stock appreciation rights, which were granted with options outside the Plan, has no effect on the Plan.
- i. The number of shares granted under the stock option and Restricted Stock provisions of the Plan, or which are required to be purchased by the participant under Section 3(a), shall be automatically adjusted for any stock dividends, stock splits or similar recapitalizations affecting the common stock in general.
- j. All duties and obligations of a participant under the Plan expire on his tenth anniversary of his initial participation in the Plan, except with regard to the officer's need to maintain continued employment with the Company to receive the tax reimbursement funding described in Section 6(f) or its functional equivalent covering Deferred Shares described in Section 6(i), whichever is applicable.



## EXECUTIVE LIFE INSURANCE PLAN

OF

THE DURIRON COMPANY, INC.

This Executive Life Insurance Plan is established to provide certain employees of Duriron with an additional life insurance benefit.

## ARTICLE I

## TITLE AND EFFECTIVE DATE

1.01 Title: This Plan shall be known as the Executive Life Insurance Plan.

2.01 Effective Date: This Plan shall be effective retroactively to November 1, 1994 or as soon thereafter the Insurer has approved and placed in force and effect the insurance to be provided under this Plan.

## ARTICLE II

## DEFINITIONS

When used herein, the following terms shall have the meanings indicated unless a different meaning is clearly required by the context:

2.01 "Committee": The Compensation Committee of the Board of Directors of the Company which shall administer the Plan, including delegating certain administrative functions of the Plan to the Chief Administrative Officer.

2.02 "Company": The Duriron Company, Inc. or any successor company.

2.03 "Employee": A person who is employed by the Company.

2.04 "Insurer": New England Mutual Life Insurance Company or a successor insurance company providing the life insurance and other benefits pursuant to this Plan.

2.05 "Participant": An Employee who is or hereafter becomes eligible to participate in the Plan and does participate by enrolling in the Plan.

2.06 "Plan": This Executive Life Insurance Plan, as may be amended from time to time.

2.07 "Policy": The life insurance policy or policies on the life of each Participant issued by the Insurer pursuant to this Plan.

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2.08 "Covered Pay": The annual or market salary plus the annual incentive target at 100% of a Participant, as may be changed from time to time.

2.09 "Currency": United States Dollars.

## ARTICLE III

## ELIGIBILITY AND PARTICIPATION

3.01 Eligibility: The Committee shall have the sole discretion to determine the Employees eligible to become Participants under the Plan.

3.02 Participation: An eligible Employee shall be notified by the Committee or the Chief Administrative Officer of such eligibility and shall become a Participant upon (i) the execution and delivery of an insurance application and (ii) approval and acceptance of such application by the Insurer. By executing such application, the Employee agrees to comply with the terms and conditions of the Plan as contained herein and in the insurance application. An Employee shall continue to be a Participant until the earlier of (i) termination of the Plan by the Committee, (ii) termination of the Participant's employment with the Company, whether voluntary or involuntary or (iii) retirement of the Participant from the Company.

## ARTICLE IV

### INSURANCE BENEFITS

4.01 Amount of Coverage: The Participant shall be provided with a life insurance benefit equal to one times the Participant's Covered Pay.

The face amount of the life insurance policy shall be designed so that if certain assumptions hold true (including payment of dividends, if any, by the Insurer) it will be large enough that, with Covered Pay increases averaging 5.5% per year, it will provide the following in the event of a Participant's death, although no guarantee of such amount is actually made to the Participant.

- (1) A Participant life insurance benefit equal to one times Covered Pay each year until assumed retirement at age 62, although nothing under this Plan shall require the Participant to retire at age 62 nor give the Participant any rights, express or implied, of continued employment with the Company.
- (2) A life insurance benefit to the Company in an amount so that after payment of the life insurance death benefit to the Participant, the Company's life insurance benefit will be sufficient to repay an amount to the Company equal to the sum of its share of premiums.
- (3) Any life insurance benefit payable in excess of the amounts set forth in paragraphs (1) and (2) above will be paid to the Company.

4.02 Effective Date of Coverage: The Policy shall become effective as soon as the Insurer has accepted and approved the Participant's application and shall be dated November 1, 1994 or the closest November 1 to the Employee's selection as a Participant.

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4.03 Increases or Decreases in Coverage: The amount of the life insurance benefit for each Participant shall be adjusted annually as of the first day of January of each year to reflect any changes in the Participant's Covered Pay during the past year. The amount of life insurance benefit shall be increased or decreased to equal one times the Participant's Covered Pay.

## ARTICLE V

### LIFE INSURANCE POLICIES

5.01 Ownership of Policy: The Participant shall be the owner of

the Policy (except as noted in 5.03 or 5.04) covering the Participant and may exercise all rights of ownership of the Policy, subject to the restrictions contained herein, including the right to designate the beneficiary or beneficiaries of the Participant's share of the death proceeds under the Policy.

5.02 Collateral Assignment: If the Participant is a Citizen of the United States and a resident of the U.S., then the Participant must execute and deliver to the Company a collateral assignment of the Policy on a form approved by the Insurer.

5.03 Participant Residing Outside of the U.S. and a U.S. Citizen: If, at the time an Employee is selected to be a Participant, the Employee is residing outside of the United States and is a U.S. citizen, then the Policy will be owned by The Duriron Company, Inc. and the life insurance benefit equal to one times Covered Pay will be endorsed to the Participant's beneficiary.

Upon the U.S. Citizen Participant's permanent return to the United States, ownership of the policy will be transferred to the Participant; and the Participant will, at the same time, collaterally assign the policy in favor of the Company.

5.04 Participant Not a U.S. Citizen: If, at the time an Employee is selected to be a Participant, the Employee is not a U.S. citizen, then the policy will be owned by The Duriron Company, Inc., and the Participant's life insurance benefit will be endorsed to the Participant's beneficiary.

5.05 Payment of Premiums: The Company shall pay the premiums due on the Policy of each Participant as long as the Participant remains a Participant under the Plan.

The Participant shall pay to the Company, through payroll deduction or as otherwise established by the Company, as the Participant's share of the premium, an amount equal to the Participant's current economic benefit under the Policy, as determined by the regulations of the Internal Revenue Service of the United States Department of Treasury.

If there are any extra premiums charged by the Insurer for smoking, aviation or other hazardous activities of the Participant, then the Participant shall reimburse the Company for that extra premium, in addition to the premium for the current economic benefit.

If, as result of an underwriting decision by the Insurer, the Policy is issued on a basis that, under the Plan assumptions, would preclude the Company from recovering its share of the premium from the Policy cash value at assumed retirement age of 62, then the Participant's share of the premium shall be increased so that the Company will be expected to recover its share of the premiums at retirement age 62.

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The Company's interest in the cash value of the policy will always be equal to the lesser of the total cash value or the sum of the Company's share of the premium.

5.06 Dividends: As long as the Participant is employed by the Company, insurance dividends, if any, declared and paid by the Insurer with respect to each Policy shall be used to purchase paid up additional insurance.

5.07 Loans: As long as the Participant is employed by the Company, the Participant may not borrow against the cash value of the Policy.

5.08 Disability Waiver of Premium Refunds: If the Policy provides for waiver of premiums in the event of disability, the Participant shall reimburse the Company any amount refunded to the Participant for any premiums paid by the Company in excess of the Participant's contribution, if the Insurer

determines that premiums will be waived due to disability of the Participant.

## ARTICLE VI

### TERMINATION

6.01 Termination: For the purposes of the Article VI, a "Termination" is defined as (i) termination of the Plan by the Company, or (ii) the Participant's termination of employment with the Company, whether voluntary or involuntary, or (iii) the Participant's retirement.

6.02 Premiums: In the event of Termination, the Company will cease paying the premiums, if any, on the Policy for the Participant, unless the Committee expressly decides to continue premium payments for any reason satisfactory to the Committee in its discretion.

6.03 Release of Collateral Assignment: Upon a termination of a Participant whose Policy has been collaterally assigned, the Company will execute and deliver to the Participant a release of the collateral assignment of the Policy. Subject to Section 6.05, at that time, the Policy and will be divided into two policies. One new policy will be owned by the Company will have a cash value equal to the sum of its share of the premiums since the inception of the policy. The original policy owned by the Participant will have a cash value equal to the total cash value just prior to termination minus the cash value in the new Company policy. The Participant's Policy will no longer be subject to the restrictions contained in this Plan.

6.04 Division of Policy: Subject to Section 6.05, in the event the Policy on the Participant's life is owned by the Company at the Participant's termination, then the Company will have the policy divided into two policies. The original policy will be owned by the Company and will have a cash value equal to the sum of the Company's share of the aggregate premiums since the inception of the policy. The new policy will be transferred to the Participant and will have a cash value equal to the total cash value in the original policy just prior to termination minus such Company share.

6.05 Total Cash Value Less Than Sum of Company's Premium: At termination, if the cash value of the Policy is insufficient to return to the Company the sum of its share of the premiums, then the Participant will have no benefit after termination. Furthermore, if the Policy is collaterally assigned, the Participant agrees to transfer ownership of the Policy to the Company.

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## ARTICLE VII

### ADMINISTRATION

7.01 Administration: This Plan shall be administered by the Committee. The Committee shall have all powers necessary to enable it to carry out its duties in the administration of the Plan, including delegating administration functions to the Chief Administrative Officer. Any action taken by the Chief Administrative Officer in administering the Plan shall be deemed to be ratified and approved by the Committee in the absence of express statement by the Committee to the contrary. Not in limitation, but in application of the foregoing, the Committee shall have the duty and power to determine all questions that may arise as to the status and rights of Participants in the Plan. The decision of the Committee is final and incontestable by the Participant, Participant's heirs or Assigns.

## ARTICLE VIII

### AMENDMENT AND TERMINATION

8.01 Amendment and Termination: The Company reserves the right, at

any time or from time to time, by action of the Committee, to modify or amend in whole or in part any or all provisions of the Plan. In addition, the Company reserves the right, by action of the Committee, to terminate the Plan at any time. In the event of such termination by the Company, the Participant shall have the right to receive the Policy and exercise his or her rights in accordance with Article VI.

## ARTICLE IX

### MISCELLANEOUS

9.01 Governing Law: This Plan shall be governed by and construed in accordance with the laws of the State of Ohio.

9.02 Entire Plan: This document and any amendments contain all the terms and provisions of the Plan and shall constitute the entire Plan, with any other alleged terms or provisions being of no force or effect.

9.03 ERISA Exemption: The Plan is designed to be a supplemental life insurance plan to provide welfare benefits for a select group of highly compensated management employees. As such, the Plan is exempt from the participation, vesting, funding or fiduciary requirements of the Employment Retirement Income Security Act of 1974.

9.04 Alienation of Benefits: No benefits which shall be payable under this Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, garnishment, embracement, encumbrance, or a charge by a Participant, beneficiary or survivor of anyone claiming under any of them. If a Participant, beneficiary or survivor or anyone claiming under any of them shall attempt to or shall subject in any manner any benefit which shall be payable under this Plan to anticipation, alienation, sale, transfer, assignment, pledge, garnishment, embracement, encumbrance or charge, his or her interest in any such benefits shall terminate, and the Committee shall hold or apply it to or for the benefit of any such person, his/her spouse, children or other dependents, or any of them as the Committee may decide, in its discretion. In addition, all benefits under this Plan shall be computed without giving effect to any "qualified domestic relations order," such terms as defined under ERISA.

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9.05 Incompetency: Every person receiving or claiming benefits under the Plan shall be assumed to be mentally competent and of age until the Committee receives written notice, in a form and manner acceptable to it, that such person is incompetent, and that a guardian, conservator, statutory committee or other person legally vested with the care of his/her estate has been appointed.

9.06 Employment Rights: The establishment of the Plan shall not be construed as conferring any legal rights upon any Participant or any other person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person or to treat him or her without regard to the effect which such treatment might have upon him or her as a person covered by this Plan.

9.07 Notices: Any Notice required or permitted to be given hereunder to a Participant will be properly given if delivered and mailed, postage prepaid, to the Participant or the Participant's beneficiary at the last Post Office address as shown on the Company's records. Any Notice to the Company shall be properly given or filed if delivered or mailed, postage prepaid, to the Company's Chief Administrative Officer at its principal place of business.

9.08 Company Records Control: In administering the Plan, the records of the Company, in respect to the Plan, shall be conclusive in determining all Participants' benefits, rights, beneficiaries and survivors, regardless of any records of the Participant to the contrary.

9.09 Liability Exemption: No liability whatsoever shall attach to or be incurred by the shareholders, officers, directors or employees of the Company, or any representatives appointed hereunder by the Company, under or by reason of any of the terms or provisions of the Plan.

9.10 Illegality of Particular Provision: If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions of the Plan, but the Plan shall be construed in all respects as if such illegal provision were omitted.

9.11 Contingencies: In the event of a merger, consolidation of the Company or the transfer of substantially all the assets of the Company to another corporation, such successor corporation shall automatically inure to all the rights and obligations of the Company under the provisions of the Plan.

This Plan, effective as of the first day of November, 1994, is adopted this 15th day of February, 1996.

THE DURIRON COMPANY, INC.

By:

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Vice President, Secretary  
and General Counsel

(Corporate Seal)  
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## EXECUTIVE LONG TERM DISABILITY INCOME PLAN

OF

THE DURIRON COMPANY, INC.

This Executive Long Term Disability Income Plan is established to provide certain employees of Duriron with a long term disability income benefit.

## ARTICLE I

## TITLE AND EFFECTIVE DATE

1.01 Title: This Plan shall be known as the Executive Long Term Disability Income Plan.

1.02 Effective Date: This Plan shall be effective as of November 1, 1994 or as soon thereafter the Insurer has approved and placed in force and effect the insurance to be provided under this Plan.

## ARTICLE II

## DEFINITIONS

When used herein, the following terms shall have the meanings indicated unless a different meaning is clearly required by the context:

2.01 "Committee": The Compensation Committee of the Board of Directors of the Company.

2.02 "Company": The Duriron Company, Inc. or any successor company.

2.03 "Employee": A person who is employed by the Company.

2.04 "Insurer": New England Mutual Life Insurance Company or a successor insurance company providing the disability insurance and other benefits pursuant to this Plan.

2.05 "Participant": An Employee who is or hereafter becomes eligible to participate in the Plan and does participate by enrolling in the Plan.

2.06 "Plan": This Executive Long Term Disability Income Plan and as may be amended from time to time.

2.07 "Policy": The long term disability policy or policies on the life of each Participant issued by the Insurer pursuant to this Plan.

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2.08 "Covered Pay": The amount of compensation deemed by the insurer to be eligible for coverage under this Plan which shall be adjusted on the first day of each year to reflect the average annual salary and annual bonus of the Participant for the past three years.

2.09 "Currency": United States Dollars.

### ARTICLE III

#### ELIGIBILITY AND PARTICIPATION

3.01 Eligibility: The Committee shall have the sole discretion to determine the Employees eligible to become Participants under the Plan.

3.02 Participation: An eligible Employee shall be notified by the Committee of such eligibility and shall become a Participant upon (i) the execution and delivery of an insurance application and (ii) approval and acceptance of such application by the Insurer. By executing such application, the Employee agrees to comply with the terms and conditions of the Plan as contained herein and in the insurance application. An Employee shall continue to be a Participant until the earlier of (i) termination of the Plan by the Committee, (ii) termination of the Participant's employment with the Company, whether voluntary or involuntary, or (iii) retirement of the Participant from the Company.

### ARTICLE IV

#### INSURANCE BENEFITS

4.01 Amount of Coverage: The Participant shall apply for an individual long term disability Policy with features and monthly benefit amounts approved by the Committee.

4.02 Effective Date of Coverage: The Policy shall become effective as soon as the Insurer has accepted and approved the Participant's application and shall be dated November 1, 1994 or this closest November 1 to the Employee's selection as a Participant.

4.03 Increases or Decreases in Coverage: The amount of the monthly disability benefit for each Participant may be adjusted from time to time to reflect changes in the Participant's Covered Pay. These adjustments will be made consistent with the underwriting rules in effect with the Insurer at the time.

### ARTICLE V

#### DISABILITY POLICIES

5.01 Ownership of Policy: The Participant shall be the owner of the Policy (except as noted in 5.02) covering the Participant and may exercise all rights of ownership of the Policy, subject the restrictions contained herein.

5.02 Participant Not A U.S. Citizen: If, at the time an Employee is selected to be a Participant, the Employee is not a U.S. Citizen, then the Policy will be owned by The Duriron

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Company, Inc. and the Participant's insurance benefit will be endorsed to the Participant or the Participant's beneficiary.

5.03 Payment of Premiums: The Company shall pay the premiums due on the Policy of each Participant as long as the Participant remains a Participant under the Plan.

5.04 Disability Waiver of Premium Refunds: In the event of covered disability, the Participant shall reimburse the Company any amount refunded to the Participant for any premium paid by the Company in excess of the Participant's contribution, if the Insurer determines that premium will be waived due to disability of the Participant.



## ARTICLE VI

### TERMINATION

6.01 Termination: For purposes of the Article VI, a "Termination" is defined as (i) termination of the Plan by the Company, or (ii) the Participant's termination of employment with the Company, whether voluntary or involuntary, or (iii) the Participant's retirement.

6.02 Premiums: In the event of Termination, the Company will cease paying the premiums, if any, on the Policy of the Participant unless the Committee expressly decides to continue premium payments for any reason satisfactory to the Committee in its discretion.

## ARTICLE VII

### ADMINISTRATION

7.02 Administration: This Plan shall be administered by the Committee. The Committee shall have all powers necessary to enable it to carry out its duties in the administration of the Plan. Not in limitation, but in application of the foregoing, the Committee shall have the duty and power to determine all questions that may arise as to the status and rights of Participants in the Plan. The decision of the Committee is final and incontestable by the Participant, Participant's heirs or assigns. The Committee may delegate such of its functions under this Plan to the Senior Vice President and Chief Administrative Officer (or his successors in responsibility). Any action by the Chief Administrative Officer taken in administration of the Plan shall be deemed to be ratified by the Committee in the absence of an express statement of the Committee to the contrary.

## ARTICLE VIII

### AMENDMENT AND TERMINATION

8.01 Amendment and Termination: The Company reserves the right, at any time or from time to time, by action of the Committee, to modify or amend in whole or in part any or all provisions of the Plan. In addition, the Company reserves the right, by action of the Committee, to terminate the Plan at any time. In the event of such termination by the Company, the Participant shall have the right to receive the Policy and exercise his rights in accordance with Article VI.

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## ARTICLE IX

### MISCELLANEOUS

9.01 Governing Law: This Plan shall be governed by and construed in accordance with the laws of the State of Ohio.

9.02 Entire Plan. This document and any amendments contain all the terms and provisions of the Plan and shall constitute the entire Plan, with any other alleged terms or provisions being of no force or effect.

9.03 ERISA Exemption: The Plan is designed to be a supplemental life insurance plan to provide welfare benefits for a select group of highly compensated management employees. As such, the Plan is exempt from the participation, vesting, funding or fiduciary requirements of the Employment Retirement Income Security Act of 1974.

9.04 Alienation of Benefits: No benefits which shall be payable under this Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, garnishment, embracement, encumbrance, or a

charge by a Participant, beneficiary or survivor of anyone claiming under any of them. If a Participant, beneficiary or survivor or anyone claiming under any of them shall attempt to or shall subject in any manner any benefit which shall be payable under this Plan to anticipation, alienation, sale, transfer, assignment, pledge, garnishment, embracement, encumbrance or charge, his or her interest in any such benefits shall terminate, and the Committee shall hold or apply it to or for the benefit of any such person, his/her spouse, children or other dependents, or any of them as the Committee may decide, in its discretion. In addition, all benefits under this Plan shall be computed without giving effect to any "qualified domestic relations order," such terms as defined under ERISA.

9.05 Incompetency: Every person receiving or claiming benefits under the Plan shall be assumed to be mentally competent and of age until the Committee receives written notice, in a form and manner acceptable to it, that such person is incompetent, and that a guardian, conservator, statutory committee or other person legally vested with the care of his/her estate has been appointed.

9.06 Employment Rights: The establishment of the Plan shall not be construed as conferring any legal rights upon any Participant or any other person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person or to treat him or her without regard to the effect which such treatment might have upon him or her as a person covered by this Plan.

9.07 Notices: Any Notice required or permitted to be given hereunder to a Participant will be properly given if delivered and mailed, postage prepaid, to the Participant or the Participant's beneficiary at the last Post Office address as shown on the Company's records. Any Notice to the Company shall be properly given or filed if delivered or mailed, postage prepaid, to the Company's Chief Administrative Officer at its principal place of business.

9.08 Company Records Control: In administering the Plan, the records of the Company, in respect to the Plan, shall be conclusive in determining all Participants' benefits, rights, beneficiaries and survivors, regardless of any records of the Participant to the contrary

9.09 Liability Exemption: No liability whatsoever shall attach to or be incurred by the shareholders, officers, directors or employees of the Company, or any representatives appointed hereunder by the Company, under or by reason of any of the terms or provisions of the Plan.

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9.10 Illegality of Particular Provision: If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions of the Plan, but the Plan shall be construed in all respects as if such illegal provision were omitted.

9.11 Contingencies: In the event of a merger, consolidation of the Company or the transfer of substantially all the assets of the Company to another corporation, such successor corporation shall automatically inure to all the rights and obligations of the Company under the provisions of the Plan.

This Plan, effective as of the first day of November, 1994, is adopted this 15th day of February, 1996.

THE DURIRON COMPANY, INC.

By:

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Vice President, Secretary  
and General Counsel

(Corporate Seal)  
keep 215

## CONSULTING AGREEMENT

THIS AGREEMENT is made on April 12, 1991, between DURAMETALLIC CORPORATION of Kalamazoo, Michigan ("DURAMETALLIC"), and JAMES S. WARE ("Ware").

## WITNESSETH:

WHEREAS, Ware is employed by DURAMETALLIC as a senior executive and has contributed and is expected to contribute substantially to the future success of DURAMETALLIC; and

WHEREAS, as part of the terms and conditions of Ware's continued employment, DURAMETALLIC wishes to provide for continued consulting services following his retirement;

THE PARTIES agree as follows:

1. Consulting Services. Ware agrees to consult with Durametallc and assist the Board of Directors on matters arising after his retirement which require Ware's experience and special expertise. These matters may include, but are not limited to, customer relations, business development, projects upon which Ware has participated and the transitional matters occasioned by Ware's retirement.

Ware will have responsibility and control over the performance of his consulting services. Ware may perform his obligations in any manner consistent with the goals and policies of DURAMETALLIC. This includes the ability to delegate any task he deems appropriate to an assistant of his choosing and the ability to choose the time and place to perform his services.

Although Ware is, in general, responsible for providing the facilities and equipment required to perform his obligations, DURAMETALLIC agrees to reimburse Ware for any reasonable expenses incurred while providing assistance or consultation to DURAMETALLIC under this agreement.

2. Payment for Consulting Services.

(a) Payment for the consulting services required by this agreement ("Consulting Fees") will be paid as described below if:

(i) Ware has not voluntarily terminated his employment with DURAMETALLIC within 5 years or before reaching the age of 60 whichever shall first occur;

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(ii) DURAMETALLIC has not terminated Ware's employment in good faith and with good cause and other than by reason of Ware's disability; and

(iii) Ware provides consulting services as required by this agreement.

(b) The Consulting Fees shall be paid to Ware in annual installments of \$110,000 for 10 years or until Ware's death. The Consulting Fees shall be paid on the anniversary of Ware's retirement for each successive year in which the consulting services are provided. No such fees are payable unless Ware is

living on such anniversary date and has provided the services provided hereunder.

3. Insurance. DURAMETALLIC will purchase and maintain insurance policies to partially fund the Consulting Fees described in this Agreement. DURAMETALLIC will pay all premiums due under these insurance policies directly and will be the sole owner and beneficiary of these insurance policies. DURAMETALLIC will not be required to fund the entire amount of its obligation under this Agreement by these insurance policies. DURAMETALLIC will not grant any security interest, encumbrance or lien on the insurance policies which is superior to the interest of general creditors of the corporation.

4. No Fiduciary Relationship. Ware shall have no greater rights under this agreement than those of a general unsecured creditor of DURAMETALLIC. Nothing contained in this Agreement and no action taken pursuant to the provisions of this Agreement shall be construed as creating a trust of any kind. Nothing contained in this Agreement shall be construed as creating an escrow arrangement of any kind or a fiduciary relationship between DURAMETALLIC and Ware as pertains to the subject matter of this Agreement.

5. Other Benefits and Remuneration. Nothing contained in this Agreement shall be deemed to exclude Ware from any compensation, insurance, or other benefit to which he may now be or later become, entitled as an employee of DURAMETALLIC.

6. No Assignment of Consulting Fees. The right to receive deferred compensation under this Agreement may not be sold, assigned, transferred, pledged, or encumbered by Ware or Ware's beneficiary, or any other person.

7. Termination. This Agreement cannot be terminated by DURAMETALLIC without the consent of Ware. This Agreement is terminated without further action if DURAMETALLIC terminates Ware's employment with good cause and in good faith.

8. Change in Management or Control. This Agreement will be unaffected by a change in the management or control of DURAMETALLIC. Termination of Ware's employment related to or following a change in management or control of DURAMETALLIC will not be deemed to be "for good cause" and will not affect Ware's rights under this Agreement.

9. Disability. Ware shall be considered disabled if by reason of accident, physical illness, or mental illness: (a) Ware does not fulfill Ware's normal responsibilities as an employee of DURAMETALLIC for a period of at least 6 months; (b) DURAMETALLIC and Ware agree that Ware is or will be unable to perform Ware's normal responsibilities as

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an employee for a period of at least 6 months; or (c) there is a dispute as to disability and a physician or panel of physicians determines that Ware is or will be unable to perform Ware's normal responsibilities for a period of at least 6 months. Disputes regarding existence or date of disability shall be determined by a licensed physician selected by agreement of DURAMETALLIC and Ware. Such physician's fees shall be paid by DURAMETALLIC. If they cannot agree upon a physician, the dispute shall be determined by a majority of a panel of three licensed physicians, one selected by DURAMETALLIC, one selected by Ware, and the third selected by the first two. DURAMETALLIC and Ware shall each pay the fees of the physician they select, and the fees of the third physician shall be shared equally. The date of disability shall be the beginning of the 6-month period or the date determined to be the onset of the disability by the physicians or panel of physicians.

10. Amendment. The parties may amend this Agreement only by a mutually executed written document.

11. Governing Law. This Agreement shall be construed according to the laws of the State of Michigan.

IN WITNESS WHEREOF, this Agreement has been executed as of the date written above.

DURAMETALLIC CORPORATION

By /s/ Clark D. Hurlbert

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Its Senior VP Finance  
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/s/ James S. Ware

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James S. Ware

## SENIOR EXECUTIVE DEATH BENEFIT AGREEMENT

THIS AGREEMENT is made on April 12, 1991, between DURAMETALLIC CORPORATION, of Kalamazoo, Michigan ("DURAMETALLIC"), and JAMES S. WARE ("Ware").

## WITNESSETH:

WHEREAS, Ware is employed by DURAMETALLIC as a senior executive and has contributed and is expected to contribute substantially to the success of DURAMETALLIC; and

WHEREAS, as part of the terms and conditions of Ware's employment, DURAMETALLIC wishes to provide for the accumulation and payment of certain benefits in the event of Ware's death prior to termination of his employment;

THE PARTIES agree as follows:

1. Death Benefit. DURAMETALLIC and Ware agree that if Ware dies while employed by or providing consulting services to DURAMETALLIC, DURAMETALLIC will pay Ware's designated beneficiary installment payments of \$100,000 per year for up to 10 years after Ware's retirement or death ("Death Benefit"). If Ware has not designated a beneficiary, then DURAMETALLIC will pay this Death Benefit to Ware's estate.

2. Payment of Death Benefits.

(a) The Death Benefit will be paid upon Ware's death if:

(i) Ware has not voluntarily terminated his employment with DURAMETALLIC before reaching the age of 60;

(ii) DURAMETALLIC has not terminated Ware's employment in good faith and with good cause and other than by reason of Ware's disability; and

(iii) Ware has continued to provide consulting services to the company during the years following retirement up to 10 years or he is prevented from doing so by reason of death or disability.

(b) The Death Benefit shall be paid to Ware's beneficiary or estate in annual installments of \$100,000. The first installment will be paid on the 6-month anniversary of Ware's death if he dies before retirement, or on the next anniversary date of his retirement if he dies after retirement. Subsequent payments shall be done on the anniversary of the first due date, and the last installment shall be paid on the

page 1

tenth anniversary of Ware's death or retirement, whichever shall first occur. If Ware dies after the last installment would have been due, no Death Benefit shall be payable.

3. Disability Payments. The Death Benefit will be paid to Ware as described in this Agreement. If Ware is unable to continue his employment or to perform the services required under the Consulting

Agreement with DURAMETALLIC by reason of his disability for a period of 6 months, Ware shall be paid the amounts provided under this Agreement as if he had died at the end of such 6-month period. Notwithstanding the foregoing, if the disability no longer exists, the benefits hereunder shall cease and Ware shall resume his employment or consulting position with DURAMETALLIC. The Death Benefit will be paid beginning on the 6-month anniversary date of the termination of Ware's employment or consulting services because of the disability or on the anniversary date of his retirement.

4. Insurance. DURAMETALLIC will purchase and maintain insurance policies which will assist in funding the Death Benefit described in this Agreement. DURAMETALLIC will pay all premiums due under these insurance policies directly and will be the sole owner and beneficiary of these insurance policies. DURAMETALLIC will not be required to fund the entire amount of its obligation under this Agreement by these insurance policies. DURAMETALLIC will not grant any security interest, encumbrance or lien on the insurance policies which is superior to the interests of general creditors of the corporation.

5. Designation of Beneficiaries and Successors. Ware may from time to time designate primary and successor beneficiaries of the Death Benefit by executing and delivering to DURAMETALLIC an appropriate beneficiary designation form.

6. No Fiduciary Relationship. Ware and his beneficiary shall have no greater rights under this Agreement than those of a general unsecured creditor of DURAMETALLIC. Nothing contained in this Agreement and no action taken pursuant to the provisions of this Agreement shall be construed as creating a trust of any kind. Nothing contained in this Agreement shall be construed as creating an escrow arrangement of any kind or a fiduciary relationship between DURAMETALLIC and Ware, or Ware's beneficiary, as pertains to the subject matter of this Agreement.

7. Other Benefits and Remuneration. Nothing contained in this Agreement shall be deemed to exclude Ware from any compensation, insurance, or other benefit to which he may now be or later become, entitled as an employee of DURAMETALLIC.

8. Termination. This Agreement terminates if Ware retires or resigns from DURAMETALLIC before reaching the age of 60, or ceases to render consulting services to DURAMETALLIC other than by reason of disability. This Agreement is terminated without further action if DURAMETALLIC terminates Ware's employment with good cause and in good faith and other than by reason of Ware's disability.

This Agreement cannot otherwise be terminated by DURAMETALLIC without the consent of Ware.

9. Change in Management or Control. This Agreement will be unaffected by a change in the management or control of DURAMETALLIC. Termination of Ware's

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employment related to or following a change in management or control of DURAMETALLIC will not be deemed to be "for good cause" and will not affect Ware's rights under this Agreement.

10. Disability. Ware shall be considered disabled if by reason of accident, physical illness, or mental illness: (a) Ware does not fulfill Ware's normal responsibilities as an employee of DURAMETALLIC for a period of at least 6 months; (b) DURAMETALLIC and Ware agree that Ware is or will be unable to perform Ware's normal responsibilities as an employee for a period of at least 6 months; or (c) there is a



dispute as to disability and a physical or panel of physicians determines that Ware is or will be unable to perform Ware's normal responsibilities for a period of at least 6 months. Disputes regarding existence or date of disability shall be determined by a licensed physician selected by agreement of DURAMETALLIC and Ware. Such physician's fees shall be paid by DURAMETALLIC. If they cannot agree upon a physician, the dispute shall be determined by a majority of a panel of three licensed physicians, one selected by DURAMETALLIC, one selected by Ware, and the third selected by the first two. DURAMETALLIC and Ware shall each pay the fees of the physician they select, and the fees of the third physician shall be shared equally. The date of disability shall be the beginning of the 6-month period or the date determined to be to onset of the disability by the physicians or panel of physicians.

11. Amendment. The parties may amend this Agreement only by a mutually executed written document.

12. Governing Law. This Agreement shall be construed according to the laws of the State of Michigan.

IN WITNESS WHEREOF, this Agreement has been executed as of the date written above.

DURAMETALLIC CORPORATION

By /s/ Clark D. Hurlbert

Its Senior VP Finance

/s/ James S. Ware

James S. Ware

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## EXECUTIVE SEVERANCE AGREEMENT

THIS IS AN AGREEMENT between DURAMETALLIC CORPORATION (the "Corporation") whose principal offices are located at 2104 Factory Street, Kalamazoo, Michigan 49001, and James S. Ware (the "Employee"), who resides at \_\_\_\_\_, dated January 6, 1994.

1. Term of Agreement. This Agreement will begin on the date entered above (the "Commencement Date") and will continue in effect through the third anniversary of the Commencement Date; provided, however, that if a Change of Control occurs during the term of this Agreement, this Agreement will continue in effect for 36 months beyond the end of the month in which any Change of Control occurs.

2. Definitions. The following defined terms shall have the meanings set forth below, for purposes of this Agreement.

(a) Change of Control. "Change of Control" means an occurrence of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Without limiting the inclusiveness of the definition in the preceding sentence, a Change of Control of the Corporation shall be deemed to have occurred if:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing forty percent (40%) or more of the combined voting power of the Corporation's then-outstanding securities; or

(ii) At any time a majority of the Board of Directors of the Corporation is comprised of other than Continuing Directors (for purposes of this paragraph, the term Continuing Director means a director who was either (A) first elected or appointed as a Director prior to the date of this Agreement; (B) subsequently elected or appointed as a director if such director was nominated or appointed by at least a majority of the then-Continuing Directors); or

(iii) Any of the following occur:

(A) any merger or consolidation of the Corporation, other than a merger or consolidation in which the voting securities of the Corporation immediately prior to the merger or consolidation continue to represent (either by remaining outstanding or being converted into securities of the surviving

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entity) fifty-one percent (51%) or more of the combined voting power of the Corporation or surviving entity immediately after the merger or consolidation with another entity;

(B) any sale, exchange, lease, mortgage, pledge, transfer, or other disposition (in a single transaction or a

series of related transactions) of all or substantially all of the assets of the Corporation which shall include, without limitation, the sale of assets or earning power aggregating more than fifty percent (50%) of the assets or earning power of the Corporation on a consolidated basis;

(C) any liquidation or dissolution of the Corporation;

(D) any reorganization, reverse stock split, or recapitalization of the Corporation which would result in a Change of Control; or

(E) any transaction or series of related transactions having, directly or indirectly, the same effect as any of the foregoing; or any agreement, contract, or other arrangement providing for any of the foregoing.

(b) Disability. "Disability" means that, as a result of Employee's incapacity due to physical or mental illness, the Employee shall have been absent from the full-time performance of his duties with the Corporation for 6 consecutive months and, within 30 calendar days after written notice of suspension due to Disability is given, the Employee shall not have returned to the full-time performance of his duties.

(c) Cause. "Cause" means (i) Employee's willful and continued failure to substantially perform Employee's duties with the Corporation under this Agreement (other than any such failure resulting from Disability or occurring after issuance by Employee of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Employee that specifically identifies the manner in which the Corporation believes that the Employee has willfully failed to substantially perform his duties, and after the Employee has failed to resume substantial performance of his duties on a continuous basis within 14 calendar days of receiving such demand; (ii) the Employee willfully engaging in conduct (other than conduct covered under (I) above, which is demonstrably and materially injurious to the Corporation, monetarily or otherwise; or (iii) the Employee's having been convicted of a felony which impairs his ability substantially to perform his duties with the Corporation. For purposes of this subparagraph, no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by the Employee not in good faith and without reasonable belief that the action or omission was in the best interest of the Corporation.

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(d) Good Reason. For purposes of this Agreement, "Good Reason" means the occurrence of any one or more of the following after a Change of Control (or before a Change of Control, if covered by subparagraph (viii), below) without the Employee's express written consent:

(i) The assignment to Employee of duties inconsistent with the duties, responsibilities, and status of Employee's position as of the day prior to the Change of Control of the Corporation;

(ii) A reduction by the Corporation in Employee's base salary as of the day prior to the Change of Control, or reduction of Employee's most recent target incentive award opportunity prior to the Change of Control under the Corporation's Executive Incentive Bonus Plan, or any successor plan (provided, however, that a reduction in bonus opportunity will not constitute Good Reason if there is a corresponding increase in the Employee's salary);

(iii) The Corporation's requiring Employee to be based at a location in excess of 50 miles from the location where Employee is currently based;

(iv) Any reduction in Employee's fringe benefits, including insurance, retirement and other benefits, provided, however, that except as provided elsewhere in this subsection (d), a reduction in benefits shall not constitute "Good Reason" if it affects all salaried employees of the Corporation who receive such benefit and is taken as a legitimate and prudent management action to bring the Corporation's benefits into line with prevailing benefits paid to employees holding comparable positions with other businesses of comparable size in the United States;

(v) The failure of the Corporation to obtain a satisfactory agreement from any successor to the Corporation to assume and agree to perform this Agreement, as contemplated in Paragraph 7 hereof;

(vi) Any termination by the Corporation of Employee's employment that is not effected pursuant to a Notice of Termination;

(vii) Any action adverse to Employee, if taken to denigrate Employee's status within the Corporation; or

(viii) Any termination of Employee's employment, reduction in Employee's compensation or benefits, or adverse change in Employee's location or duties, if such termination, reduction or adverse change occurs within 12 months before a Change of Control, is in contemplation of such Change in Control, and is taken to avoid the effect of this Agreement should such action occur after such Change in Control.

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The existence of Good Reason shall not be affected by Employee's incapacity due to physical or mental illness. Employee's continued employment shall not constitute a waiver of Employee's rights with respect to any circumstances constituting Good Reason hereunder.

(e) Notice of Termination. "Notice of Termination" means a written notice indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the employment under the provision so indicated.

3. Eligibility for Severance Benefits. Subject to Paragraph 5, the Employee shall receive the Severance Benefits described in Paragraph 4 if the Employee's employment is terminated during the term of this Agreement; and:

(a) the termination occurs within 36 months after a Change of Control, unless the termination is (i) because of Employee's death or Disability, (ii) by the Corporation for Cause, or (iii) by the Employee other than for Good Reason; or

(b) the Corporation terminates the employment within 12 months before a Change of Control, in contemplation of such Change of Control, and to avoid the effect of this Agreement should such action occur after such Change of Control.

4. Severance Benefits. Subject to Paragraph 5, the Employee shall receive the following Severance Benefits (in addition to accrued compensation and vested benefits) if eligible under Paragraph 3:

(a) Employee's average annual W-2 compensation from the Corporation for the five full calendar year period ending at the

end of the calendar year immediately preceding that in which the employment terminates (and not counting any year in which Employee was not employed by the Corporation for the full year), multiplied by 3;

(b) Immediate full vesting of all shares of the Corporation's stock which have theretofore been granted to Employee under the Corporation's Executive Incentive Bonus Plan; and

(c) For a 3-year period after the date the employment is terminated, the Corporation will arrange to provide to Employee at the Corporation's expense, with:

(i) the same health care coverage Employee had prior to the termination (or, if more favorable to Employee, that furnished generally to salaried employees of the Corporation) including, but not limited to, hospital, surgical, medical, dental, and dependent coverages. Health care benefits otherwise receivable by Employee pursuant to this Paragraph 4(c) shall be reduced to the extent comparable benefits are

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actually received by Employee from a subsequent employer during the 3-year period following the date the employment is terminated and any such benefits actually received by Employee shall be reported to the Corporation;

(ii) life and accidental death and dismemberment insurance coverage (including supplemental coverage purchase opportunity and double indemnity for accidental death) equal (including policy terms) to that in effect at the time Notice of Termination is given or, if more favorable to Employee, equal to that in effect at the date the Change of Control occurs; and

(iii) disability insurance coverage (including policy terms) equal to that in effect at the time Notice of Termination is given or, if more favorable to Employee, equal to that in effect immediately prior to the Change of Control; provided, however, that no income replacement benefits will be payable under such disability policy with regard to the 3-year period following a termination of employment provided that the payments payable under subparagraphs 4(a) and (b) above have been made.

(d) in computing and determining Severance Benefits under subparagraphs 4(a), (b), and (c) above, a decrease in Employee's salary, target bonus, or insurance benefits shall be disregarded if such decrease occurs within 12 months before a Change of Control, is in contemplation of such Change of Control, and is taken to avoid the effect of this Agreement should such action be taken after such Change of Control; in such event, the salary, target bonus, and/or insurance benefits used to determine Severance Benefits shall be that in effect immediately before the decrease that is disregarded pursuant to this subparagraph 4(d).

(e) Employee shall not be required to mitigate the amount of any payment provided for in this paragraph 4 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this paragraph be reduced by any compensation earned by Employee as the result of employment by another employer after the date the employment is terminated, or otherwise, with the exception of a reduction in health insurance coverage as provided in subparagraph 4(c) (i).

The payments provided in subparagraphs 4(a) and (b) above shall be made not later than 10 business days following the date the employment terminates.

Any termination by the Corporation for Cause or due to Employee's Disability, or by Employee for Good Reason shall be communicated by Notice of Termination to the other party.

5. Maximum Payments. Notwithstanding any provision in this Agreement to the contrary, if part or all of any amount to be paid to Employee by the Corporation under this Agreement or otherwise constitute a "parachute payment" (or payments) under Section 280G

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or any other similar provision of the Internal Revenue Code of 1986, as amended (the "Code"), the following limitation shall apply:

If the aggregate present value of such parachute payments (the "Parachute Amount") exceeds 2.99 times Employee's "base amount" as defined in Section 280G of the Code, the amounts otherwise payable to or for the benefit of the Employee subsequent to the termination of his employment, and taken into account in calculating the Parachute Amount (the "termination payments"), shall be reduced and/or delayed, as further described below, to the extent necessary so that the Parachute Amount is equal to 2.99 times the Employee's "base amount."

Any determination or calculation described in this Paragraph 5 shall be made by the Corporation's independent accountants. Such determination, and any proposed reduction and/or delay in termination payments shall be furnished in writing promptly by the accountants to the Employee. The Employee may then elect, in his sole discretion, which and how much of any particular termination payment shall be reduced and/or delayed and shall advise the Corporation in writing of his election, within 30 days of the accountant's determination, of the reduction or delay in termination payments. If no such election is made by the Employee within such 30-day period, the Corporation may elect which and how much of any termination payment shall be reduced and/or delayed and shall notify the Employee promptly of such election. As promptly as practicable following such determination and the elections hereunder, the Corporation shall pay to or distribute to or for the benefit of the Employee such amounts as are then due to the Employee.

Any disagreement regarding a reduction or delay in termination payments will be subject to arbitration under Paragraph 14 of this Agreement. Neither the Employee's designation of specific payments to be reduced or delayed, nor the Employee's acceptance of the reduced or delayed payments, shall waive the Employee's right to contest such reduction or delay.

6. Successors; Binding Agreements. This Agreement shall inure to the benefit of and be enforceable by Employee's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. Employees rights and benefits under this Agreement may not be assigned, except that if Employee dies while any amount would still be payable to Employee hereunder if Employee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement, to the beneficiaries designated by the Employee to receive benefits under this Agreement in a writing on file with the Corporation at the time of the Employee's death or, if there is no such beneficiary, to Employee's estate. The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all of substantially all of the business and/or assets of the Corporation (or any division or

subsidiary thereof employing Employee) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Employee to compensation from the Corporation in the same amount and on the same terms to which Employee would be entitled

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hereunder if Employee terminated the employment for Good Reason following a Change of Control.

7. Withholding of Taxes. The Corporation may withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as required by law.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt required, postage prepaid, addressed to the respective addressees set forth on the first page of this Agreement, or at such other addresses as the parties may designate in writing.

9. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by Employee and such officer as may be specifically designed by the Board of Directors of the Corporation. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Michigan.

10. Employment Rights. This Agreement shall not confer upon Employee any right to continue in the employ of the Corporation or its subsidiaries and shall not in any way affect the right of the Corporation or its subsidiaries to dismiss or otherwise terminate Employee's employment at any time with or without cause.

11. No Vested Interest. Neither Employee nor Employee's beneficiary shall have any right, title, or interest in any benefit under this Agreement prior to the occurrence of the right to the payment thereof, or in any property of the Corporation or its subsidiaries or affiliates.

12. Prior Agreements. If there is any discrepancy or conflict between this Agreement and any plan, policy, or program of the Corporation regarding any term or condition of severance benefits in connection with a Change of Control of the Corporation, the language of this Agreement shall govern.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

15. Arbitration. The sole and exclusive method for resolving any dispute arising out of this Agreement shall be arbitration in accordance with this paragraph. Except as provided otherwise in this paragraph, arbitration pursuant to this paragraph shall be governed by the Commercial Arbitration Rules of the American Arbitration Association. A party wishing to obtain arbitration of an issue shall

deliver written notice to the other party, including a description of the issue to be arbitrated. Within 15 days after either party demands arbitration, the Corporation and the Employee shall each appoint an arbitrator. Within 15 additional days, these two arbitrators shall appoint the third arbitrator by mutual

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agreement; if they fail to agree within said 15-day period, then the third arbitrator shall be selected promptly pursuant to the rules of the American Arbitration Association for Commercial Arbitration. The arbitration panel shall hold a hearing in Kent County, Michigan, within 90 days after the appointment of the third arbitrator. The fees and expenses of the arbitrator, and any American Arbitration Association fees, shall be paid by the Corporation. Both the Corporation and the Employee may be represented by counsel and may present testimony and other evidence at the hearing. Within 90 days after commencement of the hearing, the arbitration panel will issue a written decision; the majority vote of two of the three arbitrators shall control. The majority decision of the arbitrators shall be final and binding on the parties, and shall be enforceable in accordance with law. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The Employee shall be entitled to seek specific performances of his rights under this Agreement during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Corporation will reimburse Employee for all reasonable attorney fees incurred by Employee as the result of any arbitration with regard to any issue under this Agreement (or any judicial proceeding to compel or to enforce such arbitration): (i) which is initiated by Employee if the Corporation is found in such proceeding to have violated this Agreement substantially as alleged by Employee; or (ii) which is initiated by the Corporation, unless Employee is found in such proceeding to have violated this Agreement substantially as alleged by the Corporation.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the day and year written above.

DURAMETALLIC CORPORATION

By /s/ Clark D. Hurlbert

-----  
Its Sr. VP Finance  
-----

"Corporation"

/s/ James S. Ware

-----  
"Employee"

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AMENDMENT NO.1  
TO EXECUTIVE SEVERANCE AGREEMENT

This is an Amendment No.1 to an Executive Severance Agreement (the "Agreement") between Durametallic Corporation (the "Corporation") whose principal offices are located at 2104 Factory Street, Kalamazoo, Michigan, 49001, and James S. Ware (the "Employee") dated January 6, 1994.

The Corporation and Employee agree to the following amendment of the Agreement:



1. Section 4(b) shall be deleted in its entirety.

The remainder of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the day and year written below.

EMPLOYEE

/s/ James S. Ware

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Date: 9/11/95  
-----

DURAMETALLIC CORPORATION

By: /s/ Clark D. Hurlbert

-----  
Title: Sr. VP Finance  
-----  
"Corporation"

Date 9/11/95  
-----

W. M. JORDAN  
President and  
Chief Executive Officer

P.O. Box 8820  
Dayton, Ohio 45401  
Telephone: (513) 476-6182  
Fax: (513) 476-6247

September 11, 1995

Mr. James S. Ware  
1009 Essex Circle  
Kalamazoo, Michigan 49008

Dear Jim:

This will confirm the agreement between you and The Duriron Company, Inc. ("Duriron") made under the following circumstances.

1. Duriron today has entered into an Agreement and Plan of Merger (the "Merger") with Durametallic, Inc. which will have the effect of making Durametallic, Inc., a wholly-owned subsidiary of Duriron upon completion of the Merger.
2. The completion of the Merger is contingent upon the approval of the shareholders of both Duriron and Durametallic and certain other factors.
3. Assuming the completion of the Merger, you desire to formally confirm the respective rights and responsibilities of you and Durametallic under certain agreements which you executed with Durametallic prior to the Merger.
4. You have also agreed to perform certain additional consulting services directly for Duriron after completion of the Merger in return for the following defined additional considerations.

Accordingly, in consideration of the premises and mutual promises contained herein, you and Duriron agree as follows:

1. Duriron agrees that it will cause Durametallic, after the Merger, to honor the Executive Severance Agreement (the "Severance Agreement") between you and

Mr. James S. Ware  
September 11, 1995  
Page 2

Durametallic dated January 6, 1994 subject to the following deletion to this agreement with which you concur.

- a. Section 4(b) shall be deleted (which would have the effect of accelerating the vesting of shares of Durametallic common stock granted to you under the Durametallic's Executive Incentive Bonus Plan).
2. Duriron also understands that you will retire effective April 12, 1996 with such retirement, being treated, for purposes of the Severance Agreement, as a resignation for "good reason" under the terms of the Severance Agreement. Upon such retirement, Duriron will cause Durametallic to pay the benefits contemplated under the Severance Agreement in

accordance with its terms because Duriron acknowledges that your duties as CEO of Durametallic will be inherently and unavoidably reduced by reason of the Merger.

3. Duriron agrees that it will cause Durametallic to honor the "Senior Executive Death Benefit Agreement" dated April 12, 1991 between you and Durametallic in accordance with its terms, subject to the following exception with which you concur.
  - a. Clause 4 of this agreement shall be deleted (which would require Durametallic to purchase and maintain insurance policies to assist in funding the death benefit described in this agreement).
4. Duriron agrees that it will honor the "Consulting Agreement" dated April 12, 1991 with you in accordance with its terms.
5. In addition, you and Duriron agree that you provide special consulting services to the Chief Executive Officer of Duriron directly in connection with the successful integration of Durametallic into Duriron after the Merger. Furthermore, you will provide personal consulting to him in connection with the management of Durametallic during the term of the Consulting Agreement in a scope beyond that contemplated under the current Consulting Agreement. You further agree that you will, at the option of Duriron, agree to remain in the capacity as Chairman of Durametallic, for at least three years subsequent to your retirement. In return, Duriron will purchase for you a life insurance policy selected by Duriron with a death benefit in the amount of \$5 million, which will be paid to your life insurance trust upon the death of you and your wife, whichever occurs last. The policy would be contingent upon you and

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Mr. James S. Ware  
September 11, 1995  
Page 3

your wife passing the insurer's medical examination and otherwise complying with its requirements and other coverage preconditions. In addition, the death benefit will be contingent upon the insurer paying all dividends contemplated under the program, which Duriron cannot assure. The exact terms of the policy shall be in accordance with those issued by the insurer. Duriron's obligation to continue to provide this compensation to you will be terminated if you willfully refuse to perform such consulting services or service as Durametallic Board Chairman without good reason (such as a medical disability).

6. In the event that this Merger is not completed by December 31, 1995 or such other date as may be mutually agreed between Duriron and Durametallic, this letter agreement shall be null and void.

Jim, we are happy that we are able to work out these details with you, and we look forward to working with you subsequent to the Merger.

Sincerely,

/s/ William M. Jordan

W. M. Jordan

ACKNOWLEDGED AND AGREED:

/s/ James S. Ware

- -----

James S. Ware

September 11, 1995

- -----

Date

Name of Subsidiary (a)	Jurisdiction In Which Incorporated
-----	-----
Automax Inc.	Ohio
Duriron Canada Inc.	Canada
S.A. Durco Europe N.V.	Belgium
Durco Process Equipment Ltd.	United Kingdom
Durco GmbH	Germany
Durco France S.A.R.L.	France
Duriron Foreign Sales Corporation	Virgin Islands
Durco Ireland Limited	Ireland
Valtek Incorporated	Utah
Valtek Controls Ltd.	Canada
Valtek Australia Pty. Ltd.	Australia
Durco Valtek (Asia Pacific) Pte. Ltd.	Singapore
Durco Europe S.A. - Coordination Centre	Belgium
Durco B.V. Holland	Holland
Davco Equipment Inc.	Ohio
Durco Valtek, S.A.	Spain
Durco Italia S.r.l.	Italy
Kammer Ventile GmbH	Germany
Kammer Vannes S.A.	Switzerland
Automax Mecair S.r.l.	Italy
Mecair U.K. Ltd.	United Kingdom
Mecair S.a.r.l.	France
Automax Mecair S.r.l.	Italy
Sereg Vannes S.A.	France
Durametallic Corporation	Michigan
Pac-Seal Inc. International	Michigan
Metal Fab Machine Corporation	Florida
Durametallic Mexicana S.A. de C.V.	Mexico
Durametallic do Brasil	Brazil
Durametallic Canada Inc.	Canada
Durametallic Uruguay	Uruguay
Durametallic Pty. Ltd.	New Zealand
Durametallic Corporation Australia Pty. Ltd.	Australia
Durametallic G.m.b.H.	Germany
Durametallic Europe N.V.	Belgium
Durametallic	
Argentina S.A.	Argentina
Durametallic Australia Holding Company	Michigan
Durametallic Europe Holding Company	Michigan
Arabian Seals Company, Ltd. (b)	Saudi Arabia
Korea Seal Master Company, Ltd. (b)	Korea
Durametallic (India) Ltd. (b)	India
Durametallic Asia Pte. Ltd. (b)	Singapore
Durametallic Malaysia Sdn. Bhd. (c)	Malaysia

- (a) All subsidiaries are wholly owned or controlled except as otherwise indicated by one of the following footnotes
- (b) 40% ownership
- (c) 51% ownership
-

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements pertaining to the 1979 and 1989 Stock Option Plans (Forms S-8 No. 2-66089 and No. 33-28497, respectively), The Duriron Company, Inc. Savings and Thrift Plan and the Valtek Incorporated Retirement Plan and Trust (Form S-8 No. 33-72372), and the Registration Statement (Form S-4 No. 33-62527) of The Duriron Company, Inc. and in the related prospectuses of our report dated January 30, 1996, with respect to the consolidated financial statements and schedule of The Duriron Company, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 1995.

/s/ Ernst&Young LLP

Dayton, Ohio  
February 22, 1996

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